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AGARAPATANA
PLANTATIONS LIMITED

Initial Public Offering 2023



**AGARAPATANA
PLANTATIONS LIMITED**

Prospectus

INVITATION TO INVEST IN THE INITIAL PUBLIC OFFERING OF AGARAPATANA PLANTATIONS LIMITED

Through an Offer for Subscription of Eighty Three Million Seventy Thousand One Hundred and Eleven (83,070,111) Ordinary Voting Shares at LKR 9.00 per Share to raise a total sum of LKR 747,630,999.00

Shares to be listed on the Diri Savi Board of the Colombo Stock Exchange

Issue Opens on 10th of August 2023

Managers and Financial Advisors to the Offer

Capital Alliance Partners Limited



Level 5, "Millennium House",
46/58, Navam Mawatha,
Colombo 02

This Prospectus is dated 14th July 2023

RESPONSIBILITY FOR THE CONTENT OF THE PROSPECTUS

This Prospectus has been prepared from the information provided by Agarapatana Plantations Limited hereinafter sometimes referred to as “APL”/the “Company”, and from sources available to the public. The Directors of the Company, collectively and individually, having made all reasonable enquiries confirm to the Managers and Financial Advisors to the Offer, that to the best of their knowledge and belief, this Prospectus contains all information with respect to the Company, which is material in the context of the Offer for Subscription; that the information contained herein is true and correct in all material respects and is not misleading; that there are no other material facts, the omission of which would, make any statement contained herein misleading; that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions.

Where representations regarding the future performance of Agarapatana Plantations Limited have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions considered to be reasonable at the present point in time in their best judgment.

Agarapatana Plantations Limited accepts responsibility for the information contained in this Prospectus. While Agarapatana Plantations Limited has taken reasonable care to ensure full and fair disclosure of information, it does not assume any responsibility for any investment decisions made by investors based on information contained herein. In making an investment decision, prospective investors must rely on their own examination and assessments of the Company including the risks involved.

No person is authorized to give any information or make any representation not contained in this prospectus and if given or made any such information and representation must not be relied upon as having been authorized by the Company.

All the financial figures stated in the documentation refer to either the audited or unaudited financial information.

The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus. If any such material change occurs, the same will be notified by the Company via a market announcement to the Colombo Stock Exchange (“CSE”).

If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard, you should consult a Lawyer, Managers and Financial Advisors to the Offer or any other Professional Advisor.

All Applicants (both resident and non-resident) should indicate their respective National Identity Card (NIC) number or Company Registration Number or Passport Number as the case may be in the Application Form. Individual resident Applicants should indicate their passport number in the Application Form only if they do not have an NIC number.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares shall be directly uploaded to the CDS. All Applicants should indicate their CDS account number in the Application Form.

Applicants who do not have a CDS account are advised to open a valid CDS account prior to making the Application, in order to facilitate the uploading of issued Shares to the CDS.

APPLICATIONS WHICH DO NOT CARRY A CDS ACCOUNT NUMBER, OR WHICH INDICATE AN INCORRECT/INACCURATE CDS ACCOUNT NUMBER SHALL BE REJECTED AND NO ALLOTMENTS WILL BE MADE.

THE ISSUED SHARES SHALL BE CREDITED TO THE APPLICANT'S CDS ACCOUNT AS INDICATED IN THE APPLICATION FORM.

PLEASE NOTE THAT SHARE CERTIFICATES SHALL NOT BE ISSUED.

You may open a CDS account through any Trading Participants of the CSE as set out in Annexure 6 or through any Custodian Bank as set out in Annexure 7 of this Prospectus. You can also open a CDS account through the 'CSE Mobile App'. The CSE mobile application can be downloaded from the Apple App Store (For Apple iOS Users) or the Google Play Store (For Google Android Users).

The CSE has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the Shares which is decided solely by the Company.

REGISTRATION OF THE PROSPECTUS

A copy of this Prospectus will be delivered to the Registrar General of Companies in Sri Lanka for registration once Issue Opening and Closing Dates are decided. The following documents will also be attached to the copy of the Prospectus which will be delivered to the Registrar General of Companies.

1) The written consent of the Managers and Financial Advisors to the Issue

The Managers and Financial Advisors to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Managers and Financial Advisors to the Issue and for the inclusion of their statements/declarations in the form in which it is included in the Prospectus.

2) The written consent of the Registrars to the Issue

The Registrars to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Registrars to the Issue in the Prospectus.

3) The written consent of the Auditors and Reporting Accountants to the Company and the Issue

The Auditors and Reporting Accountants to the Company and the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Auditors and Reporting Accountants to the Company and the Issue and for the inclusion of their report/statements in the form and context in which it is included in the Prospectus.

4) The written consent of the Lawyers to the Issue

The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Issue in the Prospectus.

5) The written consent of the Bankers to the Company and the Issue

The Bankers to the Company and the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Bankers to the Company and the Issue in the Prospectus.

6) The written consent of the Company Secretaries

The Company Secretaries have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Company Secretary in the Prospectus.

7) The Declarations by the Directors

A declaration made by each of the directors of the Company confirming that each of them have read the provisions of the Companies Act relating to the Offer of the Prospectus and that those provisions have been complied with.

Representation

No person is authorized to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorized by the Company.

Registration of the Prospectus in jurisdictions outside Sri Lanka

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investment.

Forward Looking Statements

Any statements included in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of forward-looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward-Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

Investment Considerations

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see Future Strategies, Assumptions associated with the future strategies and Risks associated with the future strategies in Sections 3.6, 3.6.1, 3.6.2, 3.6.3 and 3.6.4 respectively.

Presentation of Currency Information and other Numerical Data

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. Reference in the Prospectus to “LKR”, “Rupees” and “Rs.” are reference to the local currency of Sri Lanka.

Certain numerical figures in the Prospectus have been subject to rounding off adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Presentation of Macroeconomic and Industry Data

Economic and Industry data used throughout this Prospectus are derived from the Central Bank of Sri Lanka and various other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Managers and Financial Advisors to the Offer make any representation as to the accuracy of that information.

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ISSUE AT A GLANCE

Company	Agarapatana Plantations Limited
Total Number of Shares to be Issued	Eighty Three Million Seventy Thousand One Hundred and Eleven (83,070,111) Ordinary Voting Shares
Share Issue Price	LKR 9.00 per Share
Amount to be Raised	LKR 747,630,999.00
Minimum Subscription per Application	<p>Minimum subscription per Application is 100 Shares. Applications exceeding the minimum subscription should be in multiples of 100 Shares</p> <p>Minimum subscription of 100 Shares will be allotted to each successful Applicant</p>
Issue Opening Date	10th August 2023
Issue Closing Date	29th August 2023
Earliest Closing Date	10th August 2023
Basis of Allotment	As described in Section 1.9 of this Prospectus
CSE Listing	To be listed on the Diri Savi Board of the CSE, subject to compliance with the CSE Listing Rules and the SEC Directives (as applicable)

CORPORATE INFORMATION

Company	Agarapatana Plantations Limited
Date of Incorporation	22 June 1992
Place of Incorporation	Colombo, Sri Lanka
Legal Form of the Company	Incorporated in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 as a limited liability company and re-registered on 26 February 2009 under the provisions of the Companies Act No. 7 of 2007 Authority of Incorporation: Registrar General of Companies (ROC), Colombo
Company Registration Number	PB 899
Registered Office and Current Place of Business	Agarapatana Plantations Limited 53-1/1, Sir Baron Jayatilaka Mawatha, Colombo 1
Board of Directors	S.D.R. Arudpragasam - Chairman - Non-Executive Director C.P.R. Perera - Deputy Chairman - Independent Non-Executive Director D.R. Madena - Chief Executive Officer - Executive Director S.S. Poholiyadde - Executive Director M. Kowdu K. Mohideen – Executive Director Anushman Rajaratnam – Non-Executive Director P.M.A. Sirimane – Independent Non – Executive Director G.K.B. Dasanayaka - Independent Non – Executive Director A.M. de S. Jayaratne – Independent Non – Executive Director
Company Secretaries	Corporate Managers & Secretaries (Pvt) Ltd 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 Tel: +94 11 234 4485
Auditors to the Company	Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10 Tel: +94 11 246 3500 Fax: +94 11 269 7369
Bankers to the Company	Bank of Ceylon 1, Bank of Ceylon Mawatha, Colombo 01 Tel: +94 11 244 7802 Fax: +94 11 244 6819 Hatton National Bank PLC City Office Branch 16, Janadhipathi Mawatha Colombo 01 Tel: +94 11 556 2562 Fax: +94 11 234 7243 Nations Trust Bank PLC City Office Branch 76, York Street, Colombo 01 Tel: +94 11 473 8902 Fax: +94 11 473 7918

	<p>Commercial Bank of Ceylon PLC Foreign Branch No 21, Sir Razik Fareed Mawatha, Colombo 01 Tel: +94 11 248 6438 Fax: +94 11 244 9889</p> <p>Sampath Bank PLC Head Quarters Branch 110, Sir James Pieris Mawatha, Colombo 02 Tel: +94 11 473 0147 Fax: +94 11 471 2017</p>
Managers and Financial Advisors to the Issue	<p>Capital Alliance Partners Limited Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02. Tel: +94 11 231 7777 Fax: +94 11 231 7788</p>
Legal Advisors and Lawyers to the Issue	<p>F J & G de Saram Attorneys-at-Law 216 De Saram Place, Colombo 10. Tel: +94 11 471 8200 Fax: +94 11 471 8220</p>
Auditors and Reporting Accountants to the Issue	<p>Ernst & Young Chartered Accountants 201, De Saram Place, Colombo 10. Tel: +94 11 246 3500 Fax: +94 11 269 7369</p>
Registrars to the Issue	<p>S S P Corporate Services (Private) Limited 101, Inner Flower Road, Colombo 03. Tel: +94 11 257 3485 Fax: +94 11 257 3609</p>
Bankers to the Issue	<p>NDB Bank PLC No. 40, Nawam Mawatha Colombo 02. Tel: +94 11 744 8448 Fax: +94 11 230 5031</p>

GLOSSARY OF TERMS AND ABBREVIATIONS

%	Percentage
Applicant/s	Any investor who submits an Application Form under this Prospectus
Application Form, Application	The Application Form that constitutes part of this Prospectus through which the investors may apply for the Shares
Articles of Association	Articles of Association of Agarapatana Plantations Limited
AWPLR	Average Weighted Prime Lending Rate
Bn	Billion
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Private) Limited
CEFTS	Common Electronic Fund Transfer Switch
CEO	Chief Executive Officer
Companies Act	Companies Act No. 07 of 2007 (as amended)
Company, APL	Agarapatana Plantations Limited
CSE	Colombo Stock Exchange
Directors	The Directors for the time being of the Company, unless otherwise stated
EPS	Earnings Per Share
Foreign Investor	<p>Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age;</p> <p>Corporate bodies incorporated or established outside Sri Lanka;</p> <p>Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas);</p> <p>Regional and country funds approved by the SEC</p> <p>Please refer Section 2.1 for further information</p>
Float Adjusted Market Capitalisation	Public shareholding percentage of the Company multiplied by the Market Capitalisation of the Company. Market Capitalisation is based on the Share Issue Price
FY21	Financial Year Ended 31 March 2021
FY22	Financial Year Ended 31 March 2022
IIA	Inward Investment Account
IPO	Initial Public Offering
Issue, Offer for Subscription	An invitation to the public by the Company to subscribe to the Offered Shares to be issued via an Offer for Subscription as detailed in this Prospectus
LKR	Sri Lankan Rupees
Mn	Million
NAV	Net Asset Value

New Shares, Offered Shares	Eighty Three Million Seventy Thousand One Hundred Eleven (83,070,111) new Ordinary Voting Shares to be issued by the Company to the public at the Share Offer Price
NIC	National Identity Card
No.	Number
Offer Closing, Closure Date	The date of closure of the subscription list as set out in Section 1.8 of this Prospectus
Offer Opening Date	The date of opening of the subscription list as set out in Section 1.8 of this Prospectus
Ordinary Shares, Shares, Ordinary Voting Shares and Paid-up Ordinary Shares	Ordinary Shares of the Company, with the right to one vote per share on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in liquidation
P/E	Price to Earnings Ratio
P/BV	Price to Book Value Ratio
POA	Power of Attorney
Prospectus	This Prospectus dated 14th July 2023 issued by the Company
ROE	Return on Equity
RTGS	Real-time Gross Settlement
SEC	Securities and Exchange Commission of Sri Lanka
Share Offer Price, Share Issue Price	The price at which the New Shares will be offered to the public, as detailed in the Prospectus, i.e. LKR 9.00 per Ordinary Voting Share
SLIPS	Sri Lanka Inter-bank Payment System
Stated Capital	The Stated Capital of Agarapatana Plantations Limited
The Board, The Board of Directors	The Board of Directors of Agarapatana Plantations Limited
VAT	Value Added Tax

1. DETAILS OF THE ISSUE

1.1 THE ISSUE

The Issue contemplated herein shall constitute an invitation made to the public to subscribe for Eighty Three Million Seventy Thousand One Hundred Eleven (83,070,111) Ordinary Voting Shares through an Offer for Subscription. The Offered Shares amount to approximately 16.61% of the post-issue Ordinary Voting Shares of the Company at an Issue Price of Rupees Nine (LKR 9.00) per Share payable in full on application on the terms and conditions set out in this Prospectus. The Issue will constitute an Offer for Subscription, as detailed below:

Table 1 - 1 The Issue

Number of New Shares in Issue	Eighty Three Million Seventy Thousand One Hundred and Eleven (83,070,111) Ordinary Voting Shares
Percentage of Shares on Offer	16.61%
Issue Price per Share	LKR 9.00
Issue Value	LKR 747,630,999.00

The minimum subscription shall be 100 Ordinary Voting Shares at LKR 9.00 per share and applications in excess of the minimum subscription should be in multiples of 100 Shares.

1.2 OBJECTIVES OF THE ISSUE

The Company intends to raise LKR 747,630,999.00 from the new issue of shares to invest in modern equipment to develop APL factories to “State of the Art - Processing Centres” and settlement of high-cost term loans as listed below:

Table 1 - 2 Objectives of the Issue

Description	Financing requirement (LKR)	Indicative timelines
Purchase of modern equipment to develop APL factories to “State of the Art - Processing Centres”.	672,630,999	FY 2023/24 – FY 2024/25
Settlement of high-cost term loans.	75,000,000	FY 2023/24

Please note that the objectives of the issue do not amount to a Major Transaction according to Section 185 of the Companies Act No.07 of 2007.

1.2.1 Investment Into Purchase of Modern Equipment for the Factories

The Company intends to develop its factories to “State of the Art - Processing Centres” investing in new technology by gradually replacing old machinery with modern equipment. The details of plant & machinery that will be purchased and their purpose are listed below.

Table 1 - 3 New Plant & Machinery to be purchased

Plant & Machinery	Description	Purpose	Estates	No of units	Amount (LKR)*
Variable Speed Drive units	Allen Bradley/ Rockwell Automation of USA- PowerFlex4M AC Drive, 480VAC, 3PH, 24 Amps, 11 KW, 15 HP 22F - D024N104	To reduce the power consumption of the Trough Motors, that are used daily for withering and to improve the quality of the withering process.	Albion Balmoral Diyagama West Glasgow Hauteville Waverley Dambetenne Haputale Nayabedde Pita Ratmalie	80	40,000,000
De - stoner	Origin of China - De - stoner for Black tea (TDS - 600+)	To remove heavy foreign material (stone, sand, metal, and plastic) and light material (fibre, fluff etc.) Almost 80% of the APL production is purchased by the Japanese Market through the Colombo Tea Auction and require stringent controls on contamination and MRLs, which can be removed by these machines.	Albion Balmoral Glasgow Hauteville Diyagama East Diyagama West Waverley Haputale Nayabedde Pita Ratmalie	10	32,000,000
Batch weigher	Dry tea Weighing Machine connected to the Drier outlet. The system consists feeding conveyer, weighing unit and unloading conveyer (optional).	To avoid manual weighment and human errors and provide accurate data to the management. The remote monitoring facility provides easy handling of multiple factories from Head Office.	Albion Balmoral Glasgow Hauteville Waverley Diyagama East Diyagama West Dambetenne Glenanore Haputale Nayabedde Pita Ratmalie	12	36,000,000
Driers & Heaters	A new Hot Water Generator 800,000 Kcal unit with connected Pipings & Radiator.	To replace the existing FBD4 that is coupled to the Diesel fired Heat Exchanger in the Balmoral Estate.	Balmoral	1	50,000,000
	A new full height SS Chimney. Transfer of existing Combination Drier - Tempest 4 module & Shola 5 pass heater from Hauteville Estate.	To increase the Drier output and the Chimney will prevent smoke contamination in the Torrington estate.	Torrington	1	10,630,999

1. DETAILS OF THE ISSUE CONTD.

Plant & Machinery	Description	Purpose	Estates	No of units	Amount (LKR)*
	A new FBD 3 with Hot Water Generator 750,000 Kcal unit with connected pipings & Radiator.	As there is currently only one Drier available for manufacture that is connected to Mechmar Hot water Generator (over 10 years old) in the Glasgow estate.	Glasgow	1	52,000,000
	A new FBD 4 Drier chamber with an installation of full height SS chimney	There is currently one Drier connected to the Mechmar Hot water Generator (over 10 years old) in the Hauteville estate. The new Drier chamber will be connected to the existing generator and the full height Chimney will prevent smoke contamination.	Hauteville	1	17,000,000
	A new FBD 3 with Hot Water Generator 750,000 Kcal unit with connected pipings & Radiator.	The new Drier with Hot Water Generator will be used to cope with the production during the high cropping periods in the Diyagama West estate.	Diyagama West	1	52,000,000
	A new Hot Water Generator 800,000 Kcal for the existing 2nd Drier FBD 4 Chamber. Replacement of the existing Trembler Drier Chamber with a new FBD 5 Chamber.	This Estate/Mark with "Lipton Seat" is world renowned as an estate with continuous production. Therefore, the new purchase is essential as there is only one Drier available in Dambattenne for manufacture with Trembler chamber and Mechmar Hot water Generator which is over 10 years old.	Dambattenne	1	60,000,000
	A new 350 kgs high output ECP Drier with 800,000 Kcal Hot Water or Air Generator.	As there are currently only 2 ECP Driers available for manufacture in Glenanore, the new Drier will be essential for the high Bought Leaf intake.	Glenanore	1	80,000,000
	A new FBD 3 Drier with 750,000 Kcal Hot Water Generator	To cope with the demand for UVA Region Rotorvane Small Leaf teas in Haputale and if there is a shift in the market.	Haputale	1	52,000,000

Plant & Machinery	Description	Purpose	Estates	No of units	Amount (LKR)*
	A new No 16, 5 pass Air Heater.	To be used in Pita Ratmalie to undertake Semi Leafy manufacture as and when necessary.	Pita Ratmalie	1	26,000,000
Automation of Rolling Room	Vibratory and roller bed conveyers have been identified for fabrication and installation with a Process Diagram in Glenanore Factory.	To reduce the cost of manufacture as there are more than 15 workers employed at the Glenanore Factory. The automation could reduce workers to approximately 4 – 5.	Glenanore		40,000,000
Energy Savings Fan units	The 15Hp/10Hp Trough Motors/ Fans will be replaced with 7.5Hp/5.0Hp Trough Fans.	The power consumption will be reduced as 50% to 60% of the power is consumed by the withering units in the Factory.	Torrington Glenanore	16	16,000,000
Replacement of Generator	500 Kva Diesel Generator - standby power Genset UK Origin, Engine from USA and Alternator from France. Assembled in UK	To replace the existing Generators in Dambatenne and Glenanore that do not have adequate capacity to run the factories. The existing units will be transferred to Pitaratmalie and Gonamotawa factories.	Dambatenne Glenanore	2	56,000,000
Colour Sorter	MEYER - Four - Stage Colour Sorter with 24 nos cameras. Origin China.	The bottle neck in the colour sorting in the Glenanore Factory will be overcome by the new installation. This will further reduce the turning time of crop to cash thereby assisting the Company to encash the produce faster.	Glenanore	1	27,000,000
Rollers	Gamini Rollers - size 47", Standard model. Fabricated in Sri Lanka by Gamini Engineering (Pvt) Ltd.	To enhance the style/twist in the manufacturing process which will improve the density of the tea grades and quality of the Liquors which will result in enhanced prices and revenue.	Waverley Glenanore Haputale	4	26,000,000
Total					672,630,999

* The value of the plant & machinery is based on quotations obtained by the company from the respective suppliers. Please note that the plant and machinery are not purchased from any related parties.

1. DETAILS OF THE ISSUE CONTD.

The installation of these machineries will result in the following benefits:

1. Potential increase in quality of tea, thereby resulting in APL being able to obtain higher prices via the tea auction.
2. Increase in efficiency of production via automation.
3. Reduction in cost of manual labour and energy costs (due to installation of latest machineries that consumes less electricity)

The Company hopes to conclude these plant and machinery purchases within 24 months from receiving IPO proceeds.

1.2.2 Retirement of Selected High-Cost Term Loans of the Company

The Company intends to utilize LKR 75,000,000 of the IPO proceeds to retire selected high-cost term loans of APL. The majority of the debt to be settled was initially borrowed to settle working capital deficits.

The details of the respective original loans and the current outstanding is listed below:

Table 1 - 4 Outstanding debt

Bank	Date obtained	Original Amount (LKR Mn)	Interest Rate	Balance outstanding as at 31/12/2022 (LKR Mn)	Monthly Installment (LKR Mn)
Bank of Ceylon ¹	30th August 2016	200	AWPLR + 2%	45.83	5.52
Bank of Ceylon ¹	03rd October 2019	50	AWPLR + 3%	31.81	1.64

¹ Bank of Ceylon is not a related party.

Please refer to Note 18 in the audited financial statement for the year ended 31st March 2022 for the details on the above loans (Bank of Ceylon - Rs. 200 Mn & Bank of Ceylon - Rs. 50 Mn)

The Company will settle monthly loan instalments using internally generated funds until the IPO proceeds are materialized. Accordingly, the outstanding loan balance at the time of IPO will be approximately LKR 75 Mn. The full retirement of these loans using the IPO proceeds is expected to strengthen the balance sheet position of the Group and in turn will support its future expansion plans. There are currently no arrears of interest payable in respect of these loans. The debt-to-equity ratio of the Company as at 31st December 2022 is 1.13x. With the settlement of the loans indicated above, the debt-to-equity ratio is expected to improve to 1.11x. This will enhance the capability of the Group to source additional long-term debt funding for its expansion strategies (refer Future Strategies Section). Furthermore, the full retirement of the specified loans is expected to lead to a reduction in the Company's finance cost of approximately LKR 25.56 million per year (subject to changes in AWPLR) and thereby increase the return to shareholders in the short to medium term. Through this repayment the Company will be left with only low-cost term loans.

1.3 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE

1.3.1 RISK OF INCREASE IN PRICES OF PLANT & MACHINERY

Increases in estimated cost of the Plant & Machinery due to exchange rate fluctuations as a result of further depreciation of LKR will have a major impact on the viability and expected returns of the project. The Company will continually be involved in monitoring all the costs, assessing any variances and taking required action to ensure that the said investments are within its estimated cost. In the event funds raised via Offer for Subscription are insufficient to cover cost overruns, APL would utilise internally generated funds or undertake external borrowings, as required to finance the same.

1.3.2 RISK OF IMPORT RESTRICTIONS ON PLANT & MACHINERY

Most of the Plant & Machinery items listed in Table 1-3 are not manufactured in Sri Lanka and have to be imported from United Kingdom, China and India. There is a risk of import restrictions due to the foreign currency shortage in the country. However, as the tea industry exports and brings foreign currency to the country, the Controller of Customs has granted permission to import such machinery. The Company will utilize revenue proceeds received from BMF sales (Approximately \$ 50,000 per month) to make payments in dollars. Even under the current circumstances, the Company has been able to import several CAPEX items from overseas through their main banker – Bank of Ceylon. In the event such permission is withdrawn due to extreme economic downfall faced by the Country, the funds will be kept under a Call Deposit. Items such as Plucking machines, Driers, Heaters, Colour Sorters, De-Stoners and Generators have already been imported by the Company.

1.3.3 RISK OF NOT BEING ABLE TO UTILISE THE IPO PROCEEDS ON A TIMELY BASIS OR FOR THE OBJECTIVES SPECIFIED UNDER SECTION 1.2

APL does not intend to deviate from any objectives mentioned above when utilising the proceeds raised through the Offer for Subscription. However, if the entirety of IPO proceeds is not utilised immediately, such funds will be invested in other short-term fixed income instruments such as overnight reverse repos at the prevailing rate of return, until such time it is used for investments. In the event the Company is compelled to utilize the proceeds raised for any purpose, other than the purpose mentioned or any deviation from the stipulated time frame to achieve such objective or any deviation from amount allocated for such objective, the Company will make necessary disclosures to the Shareholders via the CSE and include relevant disclosures in the Interim Financial Statements and Annual Report as appropriate. Further, the Company will take necessary steps to obtain the approvals of the relevant parties including the shareholders at that point in time and make necessary disclosures as appropriate.

Table 1 - 5 Use of Proceeds Update Template

Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus	Proposed Date of Utilization as Per Prospectus	Amount allocated upon the receipt of proceeds in LKR	As a % of total proceeds	Amount Utilized in the Objective	% of utilised against allocation (B)	Clarification if not fully utilised including where the funds are invested
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

In the event the proceeds raised through Offer for Subscription have been fully utilised by the Company for any objective as disclosed in the Prospectus between two financial periods, the Company would disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first, subsequent to the utilisation in its entirety as per the above template.

1.4 NATURE OF THE NEW SHARES ISSUED

Eighty Three Million Seventy Thousand One Hundred and Eleven (83,070,111) Ordinary Voting Shares offered shall, upon allotment, rank equal and pari passu in all respects with the other existing Ordinary Voting Shares of the Company to be listed and such Shares shall confer on the holder thereof the right to one vote per share on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company after the allotment of the Offered Shares and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

1.5 SIZE OF THE OFFERING

If the Offer is fully subscribed, the Company, shall raise a sum of Sri Lanka Rupees Seven Hundred and Forty Seven Million Six Hundred and Thirty Thousand Nine Hundred and Ninety Nine (LKR 747,630,999).

1. DETAILS OF THE ISSUE CONTD.

1.6 SHARE ISSUE PRICE

The Board of Directors of the Company have, after careful consideration, resolved that the Issue Price of Rupees Nine (LKR 9.00) per Share for the New Ordinary Voting Shares being offered, is fair and reasonable to the Company and to all existing Shareholders of the Company.

The Issue Price was determined by the Company in consultation with the Managers and Financials Advisors to the Issue. The Net Asset Value per share of the Equity (NAV) is LKR 8.43 and the Offer Price is 1.07 times the NAV. The following table shows a summary of the Valuation Methods used to determine the Issue Price:

Table 1 - 6 Summary Valuation

Valuation Method	Value per Share (LKR)	Issue Price Discount to Valuation
P/E	12.10	25.62%
Price to Book	7.90	(13.92)%
EV/Hectare	12.20	26.23%

The Offer price was determined by Agarapatana Plantations Limited in consultation with Capital Alliance Partners Limited in accordance with the Research Report compiled by Capital Alliance Partners Limited in line with Rule 3.1.4 (c) of the CSE Listing Rules. A copy of the Research Report that justifies the IPO price and contain the basis and methodologies used to determine the IPO Price is enclosed in Annexure 4 of this prospectus.

The Investors are advised to read the following summary with the risk factors included in Section 3.6.3 Risks Associated with the Future Strategies and the details about Agarapatana Plantations Limited and its Financial Statements included in this Prospectus.

1.6.1 Qualitative Factors

Core Product Focus

All the Company's tea extent is located in the "High Grown" district of Nuwara Eliya and Badulla, which fall within the Western and Uva High elevational categories. High grown tea sourced from tea plantations are found from 1200 m upwards and is considered to be one of the best tasting teas around the world due to its well-defined flavor, aroma and strength. The vision of the Company is to become the highest producer of tea in the "High Grown" sector whilst being the foremost producer of high-quality tea.

Garden Mark

The Company has well established tea garden marks in the Western High and Uva High elevations.

Small Holder Bought Leaf

The Company has the ability to increase its existing production with the small holder bought leaf that is processed in their existing processing centres.

Tourism

Agarapatana Plantations is currently in the tourism sector, accommodating many visitors to its historical site of Lipton's Seat. The Company has the potential to promote tourism having many preferred sites in close proximity to the plantations. Haputale has become a major destination, with several attractions closeby. In addition, the close proximity of other attractions such as the 9 Arch Bridge, Ella and Ravana Ella, Horton Plains including Sri Lanka's tallest waterfall Bambarakanda Ella and Devil's Staircase makes up a collection of sites.

Renewable Energy

The Company is looking to maximize power generation from the Company's own resources as this will result in substantial savings. The Company is already into hydro power generation having a hydro power plant in Diyagama West estate and there is potential to expand another facility by a further 1 Megawatt at the same location and this will be pursued. This will allow electricity from this facility to be supplied to the Diyagama East estate. Additionally, the Company has already commenced feasibility studies to install solar power systems on the existing factory roofs and the feasibility of extracting wind power along the southern slopes in the Uva Region will be explored. There are currently 14 tea factories functioning solely with power supply from the main grid.

1.6.2 Quantitative Factors

The following quantitative factors were used to determine the Issue Price.

A. APL's Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings (P/E) Ratio

Table 1 - 7 Historical and Adjusted Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Based on Reported Financials	Basic EPS (LKR)	Diluted EPS (LKR) ²	Return on Equity ³	P/E Ratio (Times) ⁴
31st March 2021	0.81	0.81	29.00%	11.11
31st March 2022	0.09	0.09	1.71%	100.00
Average¹	0.45	0.45	15.35%	55.56
3 months ended 31 December 2022 ⁵	1.23	1.23	14.61%	7.31

Source: APL Audited Financial Statements, Interim Financial Statements

Sector Classification: Food, Beverage and Tobacco

¹Average calculated on the previous two years P/E ratios

²APL does not have any dilutive instruments in the capital structure

³Return on Equity calculated as Net Profit after Tax divided by Net Assets as at the end of the Period

⁴P/E Ratio of APL is calculated on the IPO Issue Price of LKR 9.00

⁵as per Consolidated Financial Statements (Limited review)

B. APL's P/E in relation to the Offer Price of LKR 9.00 per Share

- Based on Basic and Diluted EPS of LKR 0.09 for the Financial Year ended 31st March 2022, the P/E Ratio is 100.00 times.
- Based on the two-year average (FY21 – FY22) EPS of LKR 0.45, the P/E ratio is 20.00 times.
- Industry P/E details are given below:

Table 1 - 8 Comparison of P/E ratios of Peers

Particulars	Name of the Peer Entity	P/E Ratio* (Times)
Lowest	Udapussellawa Plantations PLC	1.72
Highest	Hatton Plantations PLC	3.75
Industry Average**		2.58

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st March 2022 and Interim Financial Statements for the period ended 31st December 2022 and 2021 published on the CSE Website

Sector Classification: Food, Beverage and Tobacco

*Peers were chosen based on their suitability with the operating model of APL from companies believed to closely represent the market APL operates in. Closing price as at 27th February 2023 and earnings per share as at 31st December 2022

**Industry Average obtained from the Comparable companies identified in Section D below

1. DETAILS OF THE ISSUE CONTD.

C. APL's Net Asset Value (NAV) per Share and Price-to-Book Value (P/BV) Ratio

- Based on the NAV per Share in the latest audited financial statements as at 31st March 2022 of LKR 3.91, the P/BV ratio is 2.30 times. The NAV per share as at 31st March 2021 was LKR 2.01.
- Based on the NAV per Share in the latest unaudited interim financial statements as at 31st December 2022 of LKR 8.43, the P/BV ratio is 1.07 times.
- Post-IPO NAV per Share is LKR 8.53, adjusted to reflect the NAV as at 31st December 2022 (LKR 8.43) and number of shares in issue assuming the full subscription of the Shares issued via the IPO.
- Offer Price: LKR 9.00

D. Comparison of Accounting Ratios of the Industry

Peer comparison based on the 31st December 2022 financial statements is as follows:

Table 1 - 9 Comparison of Accounting Ratios of Peers

Name of the Peer Entity	Basic EPS (LKR)	NAV per Share** (LKR)	P/E Ratio* (Times)	ROE
Hatton Plantations PLC	6.43	16.54	3.75	38.85%
Bogawantalawa Tea Estates PLC	14.99	31.43	3.20	47.71%
Maskeliya Plantations PLC	20.17	33.88	2.03	59.52%
Udapussellawa Plantations PLC	54.07	133.09	1.72	40.62%
Talawakelle Tea Estates PLC	42.27	106.71	2.11	39.61%
Kelani Valley Plantations PLC	39.84	103.88	1.84	38.36%
Balangoda Plantations PLC	20.63	89.33	3.39	23.10%
Industry Average	28.34	73.55	2.58	41.11%

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st March 2022 published on the CSE Website and Interim Financial Statements for the period ended 31st December 2022 and 2021 published on the CSE Website, Based on the Interim Financial Statements of the aforesaid companies for the period ended 31st December 2022 published on the Capital IQ

Sector Classification: Food, Beverage and Tobacco

*Closing Price as at 27th February 2023 and the earnings for the trailing twelve months up to 31st December 2022 have been considered for the TTM PER calculation.

**Equity Value as at 31st December 2022, Unaudited Interim Financial Statements

Refer research report for a detailed explanation of the peer analysis.

1.7 LISTING

The Ordinary Voting Shares offered via the Offer for Subscription, and, if fully subscribed, will amount to 16.61% of the issued Ordinary Voting Shares of the Company.

An application has been made and approved in principle by the CSE for permission to deal in and for a listing of Five Hundred Million (500,000,000) Ordinary Voting Shares of the Company which will take place on the Diri Savi Board of the CSE.

However, the CSE reserves the right to withdraw such approval, in the circumstances set out in Rule 2.3 of the Listing Rules of the CSE.

Further, APL has obtained the requisite approval from the SEC under Section 80 of the Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021 for the listing of the Shares of the APL on the CSE.

The Company had requested for a waiver of Listing Rule 2.1.2 (A) (ii) (b) and CSE in consultation with the SEC granted a waiver of Rule 2.1.2 (A) (ii) (b) of the CSE Listing Rules to the company (See section 3.16.5). APL is therefore in compliance with Rule 2.1.2 (A) (ii) (a) and (d) of the CSE Listing Rules and it is in compliance with rule 2.1.2 (A) (ii) (b), subject to the waiver granted by the CSE. It is expected that the Company will meet the minimum public holding requirement set out in the CSE Listing Rules 2.1.2 (A) (ii) (c), which requires that, in the event the Float Adjusted Market Capitalisation of the listing entity is less than LKR 1.0 billion, 10% of the total number of shares for which a listing is sought should be in the hands of a minimum number of 200 public shareholders at the completion of the Issue, pursuant to which the listing of the entire Ordinary shares of the Company will take place on the Diri Savi Board of the CSE.

However, in the event the Offering is undersubscribed, APL will still meet the above requirements, as the Company currently has a public holding of 10% and Post IPO the public holding will be 24.95% (with IPO proceeds), subject to meeting the number of public shareholders stipulated above post-IPO. However, in the event the Company being unable to meet the said public holding requirements upon closure of the Issue, the Ordinary Voting Shares of the Company will not be listed on the CSE and the Company will return all monies received from Applicants.

1.8 SUBSCRIPTION LIST

The subscription list for the Shares Offered will open at 9.00 a.m. on 10th August 2023 and shall remain open for fourteen (14) market days until closure at 4.30 p.m. on 29th August 2023. In the event of an oversubscription of the Offered Shares prior to the Issue Closing Date, the Company shall inform the CSE in writing immediately of such fact and the subscription list shall be closed on the same day at 4.30 p.m., with written notification to the CSE.

1.9 BASIS OF ALLOTMENT

The basis of allotting the shares will be as per the manner prescribed in the CSE Listing Rule 2.1.1 (g) (l) (ii), since the size of the Offering is less than LKR 3.00 billion. The basis of allotment will be as follows:

Table 1 - 10 Basis of Allotment

Investor Category	Percentage of Issue Allocated
Retail Individual Investors	40.00%
Unit Trusts Investors	10.00%
Employees and Directors	10.00%
Non-Retail Investors	40.00%
Total	100.00%

In determining the basis of allotment within the Retail Individual Investor Category, individual investors who subscribe for a small number of shares shall be given priority.

'Retail Individual Investor' shall mean an individual investor who subscribes for a maximum of Three Thousand (3,000) shares or a value of not more than Rupees Hundred Thousand (Rs. 100,000/-) in a particular share class, whichever is higher.

'Unit Trust Investor' includes growth or balanced Unit Trusts operated by Managing Companies licensed by the Securities and Exchange Commission of Sri Lanka (SEC) to operate such Unit Trusts, where such Unit Trust comprises of not less than Five Hundred (500) unit-holders resident in Sri Lanka who together hold at least 50% of that fund.

Please note that the Company will examine whether the Applicants under Unit Trusts investor category comply with criteria defined by the SEC Directive dated 06th June 2011 (SEC/LEG/11/06/01) and CSE Listing Rule 2.1.1 (g) (l) (ii) (b).

'Employee and Director' shall mean employees and directors of APL. The basis of allotment for the Employees and Directors Category will be at the discretion of the Board of Directors of the Company.

1. DETAILS OF THE ISSUE CONTD.

'Non-Retail Investor' category shall include investors who do not fall under the 'Retail Individual Investor', 'Unit Trusts Investor' and 'Employee and Director' category.

Immediately after the basis of allotment being decided by the Board of Directors of the Company an announcement will be made to the CSE. The Company will notify successful applicants on the allotment of shares to them within Ten (10) market days from the date of closure of the Offering.

In the event of an under subscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in the allotment of the unsubscribed Shares.

In the event of an under subscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the unsubscribed Shares.

Subject to the above, in the event of an under subscription in any one or more of the categories, the quantum of Shares unsubscribed may be redistributed to other categories that may be oversubscribed in a fair manner at the discretion of the Board of Directors.

In the event of an oversubscription in any one or more of the categories, in spite of the aforementioned distribution, the New Shares will be allotted at the discretion of the Board of Directors of the Company in a fair manner.

Redistribution will not apply in the event of an oversubscription or under subscription in all the categories.

The Company will notify successful Applicants on their allotment within Ten (10) market days from the date of closure of the Issue, as required by the CSE.

The Board of Directors of APL reserves the right to preferentially allot up to 50% of the shares available for allotment under the Non-Retail Investor Category (Upto 20% of the issued IPO shares) to identified investors (e.g. Foreign/Local Institutional Investors, and other High Net Worth Individuals) who apply through this category under the IPO. However, in the event of an undersubscription in the totality of the Unit Trust Investor Category and the Retail Individual Investor Category (after fully allotting to all such applicants), the quantum of Shares unsubscribed may be redistributed to the preferential allotment so long as 20% of the issued IPO shares are allotted to the Non-retail investor category for which no preferential allocation is given provided there is no undersubscription in the Non-retail investor category.

1.10 COST OF THE OFFER

The Directors of the Company estimate that the total cost of the Share Offer will be approximately LKR 37.8 Mn, translating to [5.06%] of the funds raised.

The above cost estimation includes the initial listing fees, fees payable to the Managers and Financial Advisor to the Issue, Registrars to the Issue, Bankers to the Issue, Lawyers to the Issuer, advertising and promotional agency, costs of postage, stamp duty and printing, and brokerage commission. These costs will be recovered from internally generated funds of the Company.

1.11 BROKERAGE

Brokerage at the rate of zero decimal five per centum (0.50%) will be paid by the Company in respect of the number of shares allotted on applications bearing the stamp of any trading participants of the CSE or Managers and Financial Advisors to the Issue.

1.12 MINIMUM SUBSCRIPTION AND UNDERWRITING

No underwriting arrangement has been made by the Company for this Share Issue. Further, in the opinion of the Directors of the Company, there is no minimum subscription required to be raised through this Issue because the Company already meets the minimum capital and public holding requirement. In the event the Offer is undersubscribed, the subscribers shall be allotted/ allocated in full and funds raised via the Offer for Subscription together with internally generated funds and/or external borrowings shall be utilised to meet the objective of purchase of equipment as set out in Section 1.2.1 herein. The two high-cost loans as set out in section 1.2.2 will continue as is.

1.13 INSPECTION OF DOCUMENTS

Certified copies of the following documents will be available for inspection during normal business hours at the Registered Office of Agarapatana Plantations Limited, 53-1/1, Sir Baron Jayatilaka Mawatha, Colombo 01, from the date hereof, until the subscription list is closed or up to 14 market days, whichever is later.

- a) Articles of Association
- b) Auditors report and audited financial statements for the financial year ended 31st March 2022
- c) Material contracts and Management agreements
- d) Reports, letters, valuations and statements by any expert, any part of which is extracted or referred to in this Prospectus
- e) The audited accounts of the Company for five (5) financial years immediately preceding the publication of this Prospectus
- f) Consolidated interim financials for the nine months ended 31st December 2022 with the limited review

The Prospectus and the Articles of Association of the Company will also be hosted on the Company's website www.lankemplantations.lk and the CSE website www.cse.lk during the above-mentioned period.

The Research Report prepared by the Managers and Financial Advisor to the Issue will be hosted on the Company website www.lankemplantations.lk and the CSE website www.cse.lk for a period of two (02) months commencing from the date of issuance of the Prospectus.

2. PROCEDURE FOR APPLICATION

2.1 ELIGIBILITY TO INVEST

Applications are invited from the following categories of applicants, having a valid CDS account in the Central Depository System (Private) Limited (CDS Account):

- a) Citizens of Sri Lanka who are resident within Sri Lanka and are above 18 years of age.
- b) Citizens of Sri Lanka resident outside of Sri Lanka and who are above 18 years of age.
- c) Foreign Citizens who are above 18 years of age.
- d) Companies, Corporations or Institutions incorporated or established within Sri Lanka.
- e) Corporate bodies incorporated or established outside Sri Lanka.
- f) Approved Unit Trusts licensed by the SEC.
- g) Approved Provident Funds and approved contributory pension schemes registered / incorporated / established in Sri Lanka. Applications by these bodies must be in the name of the Trustee / Board of Management thereof, in order to facilitate the opening of the CDS Accounts.
- h) Regional and Country funds approved by the SEC.

IMPORTANT - Joint Applicants should not apply through a separate Application Form either individually or jointly.

Applications will NOT be accepted from individuals under the age of 18 years or if made in the names of Sole Proprietorships, Partnerships, Unincorporated Trusts or any Non-Corporate Bodies.

2.2 PROCEDURE FOR APPLICATION

The Prospectus and Application Form will be available free of charge from the collection points listed under Annexure 5 in this Prospectus. The Prospectus can also be downloaded from www.cse.lk.

(I) via Physical Delivery

The Application Form should be legibly completed and be received by the Registrars to the Issue during the stipulated time period. Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

(II) via APL Website

The Prospectus and Physical Application Form can also be downloaded from www.cse.lk and the APL website ipo.lankemplantations.lk.

(III) via CSE Mobile App

Applicants who register with the CSE Mobile App, may download the Application Form through the Mobile App, follow the instructions set out in the said Mobile App, and forward their Applications as per the instructions. Submission of digital Application Forms through such CSE Mobile App is limited to both citizens of Sri Lanka who are resident in or outside Sri Lanka and are above 18 years of age and, foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas) only.

(IV) via CDS Web Portal

The applicant can use the online application web portal accessible via <https://ipo.cse.lk> or www.cds.lk.

Only Resident and non-resident individual applicants who have a valid CDS account at the time of application can apply via the web portal.

This option is NOT permitted for applicants applying via margin trading accounts, power of attorney, joint applicants, foreign citizens, corporate bodies and unit trusts.

The applicant must comply with the instructions stated on the web portal when submitting the online application.

Important: Please note that applicants must complete the payment as instructed in the CDS Web Portal.

Any application submitted without a valid CDS account will be rejected. Users must first register for the web portal and read the instructions given on the web portal carefully and click on “Apply Now” option. Users will be directed to a page to self-register and create a login by validating their mobile number and email address. Once the user log-in to the web portal the application can be completed via the CSE eIPO portal and submit the same.

CSE Mobile App/CDS Web Portal is integrated with the HelaPay Payment App. Please refer the payment instructions given in Section 2.5.5 of this Prospectus for payment options enabled.

The Mobile App/CDS Web Portal, currently, does not facilitate Applications made through Powers of Attorney (POA), Margin Trading, Joint Applicants and the categories referred to in Section 2.1 (c), (d), (e), (f), (g) or (h) to apply. Therefore, such Applicants may send their Applications physically.

APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR DIFFERENT CATEGORY WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.

EMPLOYEES AND DIRECTORS OF APL SHALL CHOOSE TO APPLY EITHER THROUGH THE EMPLOYEES AND DIRECTOR INVESTOR CATEGORY OR THROUGH THE RETAIL INDIVIDUAL/NON-RETAIL INVESTOR CATEGORY. EMPLOYEES WILL NOT BE ALLOWED TO SUBMIT MULTIPLE APPLICATIONS EITHER UNDER THE SAME CATEGORY OR DIFFERENT CATEGORY.

Applicants must apply for the Offered Shares on the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrars to the Issue.

Joint Applicants should note that all parties in the Joint Application should either be residents of Sri Lanka or non-residents. An Applicant of a Joint Application will not be eligible to submit a separate Application either individually or jointly for the Shares applied.

Applications by Companies, Corporations and other Corporate Bodies, registered/incorporated/established in Sri Lanka should be made under their common seal or in any other manner as provided by their Articles of Association or such other constitutional documents of such Applicants or as per the statutes governing them. In the case of Approved Provident Funds, Trust Funds and Approved Contributory Pension Schemes the Applications should be in the name of the Trustees/Board of Management.

The Application Forms may be signed by any party on behalf of the Applicant(s) provided that such person holds the Power of Attorney (POA) of the Applicant(s). A copy of such POA certified by a Notary Public as “True Copy” should be attached with the Application Form. The original POA certificate should not be attached.

Applicants, who wish to apply through their Margin Trading Accounts, should submit the Application signed by the Margin Provider, requesting a direct upload of the Shares to the Applicant’s Margin Trading Account in the CDS. The Margin Provider should indicate the relevant CDS Account number relating to the Margin Trading Account in the space provided in the Application Form. A “True copy” of the Margin Trading Agreement should be attached with the Application Form.

A foreign citizen must state his/her passport number in the space provided.

It should be noted that in the event the Applicant’s CDS Account number is correctly stated in the Application Form all correspondence with such Applicant would be sent to the address given to the CDS by such Applicant.

2. PROCEDURE FOR APPLICATION CONTD.

Further, in the event the name or the address of the Applicant mentioned in the Application Form differs from the name or address given to the CDS by such Applicant in respect of the CDS Account mentioned in the Application Form, the name and the address given to the CDS by such Applicant in respect of the CDS account mentioned in the Application Form will be considered as the name and Address of such Applicant. Therefore, the Applicants must ensure that their name and address mentioned in the Application Form tallies with the name and address given to the CDS in respect of the CDS Account mentioned in the Application Form.

The applicant should absolve CSE and CDS for errors/omissions of the information recorded in the CDS accounts if such errors/omissions were initiated by such applicants.

Applications submitted under the Unit Trust Investors Category should accompany a written confirmation by the Trustee confirming that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 6, 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rule 2.1.1 (g) (i) (ii) (b).

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010, all Shares shall be directly uploaded to the CDS. All Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to making the Application, in order to facilitate the uploading of issued Shares to the CDS.

Please note that upon the allotment of Shares under this Offering, the allotted Shares would be credited to the applicant's CDS account within twelve (12) Market Days from the closure of the Offer. Upon the completion of crediting of Shares into the investors' CDS Accounts, the Company shall send a written confirmation to the Shareholders within two (02) Market Days of crediting the CDS Accounts.

Please note that Share certificates shall not be issued. Applications which do not carry the CDS account number, which is not opened at the time of the closure of the subscription list or which indicate an incorrect/inaccurate CDS account number shall be rejected, and no allotment will be made. You can open a CDS account through any trading participants of the CSE as set out in Annexure 6 or through any custodian bank as set out in Annexure 7 of this Prospectus.

Applicants have the option of having their Shares 'locked' in the CDS as described below.

Shares that are locked would not be available for trading purposes and would not be visible to the participant. If the Applicant has not specified that his/her Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

For those Shareholders who do not want to trade the securities, the CDS would provide a mechanism where securities can be 'locked' in the CDS account. The CDS would maintain two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done presently.

As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from an unauthorized sale by a broker.

At the option and request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

Retail Individual and Non-Retail Investor Category

Applicants falling under the 'Retail' and 'Non-Retail' Investor Categories should apply for the Shares on the **WHITE coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available from the collection points listed in Annexure 5 and can also be downloaded from www.cse.lk and www.cal.lk. Exact size copies of the Application form printed on **WHITE coloured** paper as specified herein will also be permissible under the Retail Individual and Non-Retail Investor Categories.

The retail investors can apply for a maximum of 11,100 IPO shares.

Unit Trust Investor Category

Applicants applying under the Unit Trust Investor Category must apply for the Shares using the separate **YELLOW coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will be made available through the Managers and Financial Advisors to the Offer, Capital Alliance Partners Limited, Level 05, Millennium House, 46/58, Nawam Mawatha, Colombo 02.

The completed Application Forms should be submitted to **the Managers and Financial Advisors to the Offer** who will forward the same to the Registrars to the Offer in accordance with Section 2.3.

Employee and Director Category

Applicants applying under the Employee and Director Category must apply for the shares only using the separate **BLUE coloured** Application Form printed for this purpose, which constitutes part of this Prospectus. Such Application Forms will only be made available through APL. Employees applying under this category shall be required to apply under their respective individual names using only the correctly coloured Application Form and should not apply as joint Applicants.

Application Forms properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee) for the full amount payable on the Application and the company seal/rubber stamp of the respective employer placed thereon should be submitted to Agarapatana Plantations Limited, 53-1/1, Sir Baron Jayatilaka Mawatha, Colombo 01, for onward transmission to the Registrars to the Issue in accordance with Section 2.3.

Employees shall NOT submit Applications directly to the Registrars to the Issue. No photocopies of the coloured Application Form would be permissible and will not be permitted to send their Application directly via email.

2.3 SUBMISSION OF APPLICATIONS

The Application Form should be filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee or RTGS transfer only for physical applications. RTGS or CEFT or SLIPS only for applications via the CSE Mobile App and CDS Web portal) for the full amount payable. The application should be enclosed in a sealed envelope marked **“Agarapatana Plantations Limited - Initial Public Offering 2023”** on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the **Registrars to the Offer** at the following address, **prior to 4.30 p.m. local time** on the Issue Closing Date.

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road,
Colombo 03.

Applications may also be handed over to the Managers and Financial Advisors to the Offer, trading participants of the CSE as set out in Annexure 6, for onward transmission to the Registrars to the Offer.

In the case of investors applying under the Unit Trust Category the Application Forms should be submitted to the Managers and Financial Advisors to the Offer who will forward the same to the Registrars to the Offer.

In the case of Applications dispatched by courier or post, such applications should reach the Registrars to the Offer no later than 4.30 p.m. on the market day immediately following the Closure Date. Any applications received after the above deadline shall be rejected even though the courier or post mark is dated prior to the Closure Date.

In the case of applications dispatched by hand, such applications should reach the Registrars to the Offer no later than 4.30 p.m. on the date of closure of the Offering. Any applications received after the above deadline shall be rejected.

The subscription list for the Offered Shares will open at 9.00 a.m. on 10th August 2023 and shall remain open for fourteen (14) market days until closure at 4.30 p.m. on 29th August 2023.

In the event of an over subscription of the offered Shares prior to the date scheduled as the Issue Closing Date of the period for subscription, the Company shall inform the CSE in writing immediately of such a fact and the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed with notification to the CSE.

2. PROCEDURE FOR APPLICATION CONTD.

2.4 MINIMUM NUMBER OF SHARES

The application should be made for a minimum of hundred (100) Shares or in multiples of hundred (100) Shares thereof.

Applications made for less than hundred (100) Shares or for a number which is not in multiples of hundred (100) Shares will be rejected. The cheque or bank draft or bank guarantee or RTGS transfer should be issued/carried out to the exact value of the number of Shares applied for multiplied by the Share Offer price. Cheques, bank drafts or bank guarantees or RTGS transfers not conforming to the above requirement will be rejected at the outset.

2.5 MODE OF PAYMENT

Payment should be made separately in respect of each Application by way of a cheque or bank draft or bank guarantee drawn upon a licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka for physical applications and by way of CEFT or SLIPS or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka for applications made via the CSE Mobile App and CDS Web portal. Remittances on Applications will be deposited in a separate bank account in the name of **“AGARAPATANA PLANTATIONS LIMITED”**.

Cash will not be accepted, anyone wishing to pay cash should obtain a bank draft from any Licensed Commercial Bank in Sri Lanka. Bank guarantees should be valid up to one (01) month from the date of opening of the Offer (i.e. 10th September 2023).

Payment for Applications for values below Rupees One Hundred million (LKR 100,000,000/-) could be supported by only one cheque or bank draft or bank guarantee. Any Applications with two or more cheques, bank drafts or bank guarantees will be rejected at the outset in the event the value of such Application is below Sri Lankan Rupees One Hundred million (100,000,000/).

Payments for Applications for values above and inclusive of Sri Lankan Rupees One Hundred million (LKR 100,000,000/-) will be permitted to submit multiple Bank guarantees issued by Licensed Commercial Banks in Sri Lanka, multiple bank drafts/cheques drawn upon any Licensed Commercial Bank operating in Sri Lanka, or a single RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, each of which should be for values on the date of opening of the Offer.

Please follow the web link given below in order to get your Bank and Branch codes: <https://www.lankaclear.com/downloads/bank-branch-directory/>.

2.5.1 Cheques or Bank Drafts – Resident Sri Lankan Investors

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed “Account Payee Only” and made payable to **“AGARAPATANA PLANTATIONS LIMITED”**. Cheques or bank drafts accompanying Application Forms made for less than hundred (100) Shares or for a number which is not in multiples of hundred (100) Shares (as mentioned in Section 2.4) will not be sent for clearing and shall be returned via ordinary post at the risk of the applicant, or in the case of joint applicants, to the first named applicant. In the event that cheques are not realized within three (03) market days from the day of presenting the same to the bank for clearing, the cheques will be returned, and no allocation of Shares will be made to the investors.

Cheques must be honoured on the first presentation to the bank for the application to be valid. Applications supported by cheques which are not honoured on the first presentation will be rejected.

2.5.2 Bank Guarantees – Resident Sri Lanka Investors

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 2.5 will be accepted. Bank guarantees will be presented to the respective banks only after the Shares have been allotted. Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of **“AGARAPATANA PLANTATIONS LIMITED”** in a manner acceptable to the Company and payable on demand. Bank guarantees should be valid for a minimum of one (01) month from the date of opening of the Offer (i.e. 10th September 2023).

2.5.3 RTGS Transfers – Resident Sri Lankan Investors

In case of RTGS transfers (only for Application valued above and inclusive of Sri Lanka Rupees One Hundred million (LKR 100,000,000/-), such transfers should be made to the credit of “AGARAPATANA PLANTATIONS LIMITED” for applications submitted via;

- Physical applications the account number bearing 1110-00031-026 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900)
- CSE Mobile APP/CDS Web portal account number 1110-00031-034 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900)

with value on the Offer Opening Date (i.e., the funds to be made available to the above account).

2.5.4 CEFT/SLIP Transfers – Resident Sri Lankan Investors

In case of CEFT/SLIP transfers (only for Application made via the CSE Mobile App and CDS Web portal), such transfers should be made to the credit of “AGARAPATANA PLANTATIONS LIMITED” for applications submitted via;

- CSE Mobile APP/CDS Web portal account number 1110-00031-034 at National Development Bank PLC, Head Office (Bank code 7214, Branch code 900)

with value on or before the offer opening date (i.e., the funds to be made available to the above account).

Applicants are required to indicate their NIC Number or CDS account number as payment reference for CEFT/SLIPS transfers. Any Applications accompanying fund transfers confirmations without the payment reference as aforementioned will be rejected.

2.5.5 Payment Options for CSE Mobile App Applicants

CSE Mobile App is now integrated with the Helapay Payment App.

Only the LOCAL INDIVIDUAL applicants, with applied share values less or equal to LKR 49,900.00 will be able to use the Helapay app after completing the applications on the said eIPO platform. **IF THE APPLICANT HAS ALREADY MADE A PAYMENT TO THE IPO ACCOUNT PRIOR TO STARTING THE APPLICATION PROCESS, SUCH APPLICANTS SHOULD NOT SELECT THE ‘Helapay’ OPTION.**

Customer charges of LKR 100.00 charged by ‘Helapay’ will apply for such payment and to be borne by the applicants.

Please note that the applicants who wish to use the integrated Helapay Payment App platform through the CSE Mobile App should have the ‘Helakuru’ Mobile App installed in their mobile devices.

Alternatively, Individual applicants who wish to use the payment modes of CEFTS transfers, RTGS transfers or cheque deposits must ensure to initiate such transfers prior to making the application using the CSE Mobile App, in order to attach the proof of payment which is a mandatory requirement in submitting their applications via CSE Mobile App.

IMPORTANT - When cheque deposits, CEFT, RTGS or SLIPS transfers are made, ensure to enter the CDS account number of the applicant in the ‘Beneficiary Narration/Beneficiary Remark/ Reference / Remark / Comment’ field to identify the payments. If the payment cannot be identified application may get rejected.

2.5.6 Foreign Currency Remittance

This Section is applicable to citizens of Sri Lanka who are above 18 years of age and resident overseas, corporate bodies incorporated or established outside Sri Lanka, global, regional or country funds approved by the SEC and foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

2. PROCEDURE FOR APPLICATION CONTD.

2.5.6.1 Limitation on Foreign Investors

As per the Foreign Exchange Act No. 12 of 2017, Persons resident outside Sri Lanka can collectively hold only a maximum of 40% of the total voting shares of the Company that grows and processes tea. They should make their payments using one of the following methods as the case may be.

A Foreign Investor may invest through an Inward Investment Account (IIA) maintained with any Licensed Commercial Bank in Sri Lanka. The procedure for arranging payments through a IIA is presented below:

A Foreign Investor may use the services of a Custodian bank as an intermediary when investing in the Sri Lankan securities market.

The intermediary may open an IIA, on the investor's behalf. In conjunction with the IIA, an account with the CDS must be opened.

In respect of global, regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC.

Payment for Shares should be made through a cheque, bank draft or unconditional bank guarantee or RTGS transfer against the funds in the IIA and made payable to **"AGARAPATANA PLANTATIONS LIMITED"**.

Cheques or Bank Drafts or Bank Guarantee or RTGS transfers should be endorsed by the issuing custodian bank, to the effect that, arrangements have been made to facilitate such payment to be made against funds available in the investor's IIA account. The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application. Additionally, any refunds to such parties will be made only through the investor's IIA account.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Head of the Department of Foreign Exchange of the Central Bank of Sri Lanka.

2.6 BANKING OF PAYMENTS

All cheques, bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day after the Issue Closing Date.

2.7 REJECTION OF APPLICATIONS

- Application Forms, which are incomplete in any way and/or are not in accordance with the terms and conditions specified in this Prospectus, will be rejected.
- If the CDS account number is not indicated in the Application Form or is not opened at the time of the closure of the subscription list or the CDS number indicated in the application form is found to be inaccurate/incorrect, the application will be rejected and no allotments will be made.
- Applications with two or more cheques, bank drafts or bank guarantees will be rejected in the event the value of such Application is below Sri Lankan Rupees One Hundred million (100,000,000/-).
- Applications made for less than One Hundred (100) Shares or for a number which is not in multiples of One Hundred (100) Shares will be rejected.
- Two or more applications submitted by the same applicant either under the same category or different category will be construed as multiple applications and will be rejected.
- Application Forms accompanied by cash will not be accepted.
- Any Application Forms accompanying fund transfers confirmations without the requisite payment references will be rejected.
- Applications delivered by hand after 4.30 p.m. on the Issue Closing Date will be rejected.
- Applications received by post after 4.30 p.m. hours on the succeeding working day immediately following the Issue Closing Date, will also be rejected even if they carry a post mark dated prior to the Issue Closing Date of the subscription list.
- Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.
- In the event cheques are dishonoured/ returned on first presentation, the Application will be rejected.

The Board of Directors shall reserve the right to refuse any applications or to accept any applications in full or part.

2.8 REFUNDS

Where an Application Form is rejected, the cheque, bank draft or bank guarantee received in respect of the application will be returned via ordinary post at the risk of the applicant. In the case of joint applicants, application monies will be returned to the first named applicant.

Where the Application Form is accepted and the cheque or the bank draft or bank guarantee is not honoured at the first presentation, the application will also be rejected and the cheque, bank draft or bank guarantee will be returned via ordinary post at the risk of the applicant. In the case of joint applicants, application monies will be returned to the first named applicant.

Where an application is accepted only in part, the balance of the monies received on application will be refunded. Refunds on Shares that have not been allotted or for applications that have been fully or partially rejected, will be refunded on or before the expiry of eight (08) market days from the date of closing of Offering (excluding the date of Offering) as required by the CSE Listing Rules.

Applicants would be entitled to receive Interest at the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus Five Percent (5%) on any refunds not made within this period.

The refund payments only up to a maximum limit of Rupees Five million (Rs 5.0 million) will be made to the bank account specified by the applicant through the Sri Lanka Inter-bank Payment System (SLIPS) (as per LANKACLEAR Operating instruction circular No 11/2010 dated 25th Oct 2010) on or before the expiry of eight (08) market days from the closure date (excluding the closure date) as required by the CSE Listing Rules and a payment advice shall be issued to the applicant provided that the applicant has submitted accurate and complete details of his bank account in the application form.

If the Applicant has provided accurate and complete details of his bank account in the Application, the Bankers to the Offer will make refund payments up to and inclusive of Sri Lanka Rupees Five million (LKR 5,000,000/-) to the bank account specified by the Applicant, through SLIPS and a payment advice will be sent.

In the event of refunds over Rupees Five million (LKR 5,000,000/-), if the Applicant has provided accurate and complete details of his bank account in the Application, refunds will be made via RTGS.

In the event the Applicant has not provided accurate and correct details of his bank account in the Application or if the Applicant has not provided details of the bank account in the Application Form, the bank will make such refund payment to the Applicant by way of a cheque crossed "Account Payee only" and sent by post at the risk of the Applicant.

In the event the refund payment is effected via SLIPS based on the bank account details provided by the applicant in the application form, but is rejected by the applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the applicant and sent by ordinary post at the risk of the applicant. In such instances, the Company together with the Registrars to the Offer will send the refund cheques to such applicants at the earliest possible date and the applicant should not hold the Company or the Registrars to the Offer accountable for such delays.

If the applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account, the refund payment will be made by a crossed cheque in favour of the applicant and sent by ordinary post at the risk of the applicant and the applicant should not hold the Company or the Registrars to the Offer accountable for such delays. In the case of a joint application, a crossed cheque will be drawn in favour of the applicant whose name appears first in the Application Form.

2.9 TRADING OF SHARES

The Company will submit to the CSE a Declaration on the market day immediately following the day on which Investors' CDS accounts are credited with securities. Trading of Shares of the Company on the Secondary market will commence on or before the third market day from the receipt of the Declaration of the Company by the CSE.

3. THE COMPANY

3.1 OVERVIEW OF THE COMPANY

Agarapatana Plantations Limited, was incorporated in 1992 and is a subsidiary of Lankem Developments PLC. The Company specializes in the cultivation, manufacture and sale of high-quality tea. APL is one of the few mono-crop companies in the plantation sector, with all of the tea extent located in the “High Grown” districts of Nuwara Eliya and Badulla, which fall within the Western and Uva High elevation categories.

The Company has plantations located in the Agras valley and Uva regions in Sri Lanka. Properties held by APL include historical properties like Dambatenne Estate situated in the Badulla district in the Uva province of Sri Lanka and ranges in elevation from 1509m to 1936m above sea level. Dambatenne is intrinsically linked to the history of Ceylon Tea. It was instrumental in the building of the Lipton Tea Empire and, by association, the legacy of Ceylon Tea. Sir Thomas Lipton acquired the property in the 1890s owning it until his demise in the early 1930s. The teas are sold under the “Bandara Eliya” garden mark and are still sought after as in the days of Sir Thomas Lipton.

3.1.1 Vision Statement

To be the foremost producer of high-quality Tea in full conformity with desired quality requirements.

3.1.2 Mission Statement

To produce the highest quality Tea whilst protecting and preserving the environment and safeguarding the interest of the community with whom we work, improving our asset base, developing our employee base and providing value to our shareholders.

3.1.3 Values

APL follows the 3 fundamental values:

- Integrity
- Courage
- Commitment

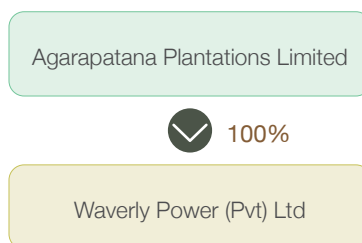
3.1.4 Key Milestones of the Company

1. All factories and gardens are Certified with Rainforest alliance from the year 2019, except for Glenanore and Gonamotawa which are mainly manufacturing Bought Leaf, sourced from Small Holders.
2. All factories are certified for ISO 22000:2018 from the year 2019.
3. Uva Region is currently selling above the elevation since the Financial Year 2022.
4. According to the confirmation provided by the Sri Lanka Tea Board, APL has moved up to Rank No. 5 in cumulative average price among all Regional Plantation Companies in the High Grown category as at end of December 2022.
5. According to the confirmation provided by the Sri Lanka Tea Board, APL achieved a position of No. 1 in volume of tea sold at the Colombo Tea Auctions among Regional Plantation Companies in High Grown Category as at end of December 2022.
6. The group historically achieved the highest profitability of LKR 1.9 billion as at 31st December 2022 during the current financial year 2022/23.
7. Mechanical harvesting was implemented successfully in 2020/21 and the Company has achieved almost 22% of the extent under mechanized harvesting as at 31st December 2022 and envisages to increase it to the optimum level of 30% efficiency during the financial year 2023/24.
8. As part of the “Action Plan” under the Renewable Energy strategy, the company acquired Waverly Power (Pvt) Ltd in September 2022. Waverly Power (Pvt) operates a mini-Hydro Power Plant, supplying electricity to the National Grid of the Ceylon Electricity Board.

3.1.5 Group Structure

Agarapatana Plantations Limited was a standalone Company prior to acquiring Waverly Power (Pvt) Ltd in September 2022. The shareholders of Waverly Power (Pvt) Ltd at the time of acquiring the company were Lankem Developments PLC (holding 4,400,000 shares), Lankem Ceylon PLC (holding 3,400,000 shares), Mr. S.D.R. Arudpragasam (holding 1 share) and Mr. N.H.B.S. Perera (holding 1 share). The Lankem Developments PLC is the Parent Company of Agarapatana Plantations Limited, holding 67.45% of the issued share capital. Lankem Developments PLC, Lankem Ceylon PLC and Mr. S.D.R. Arudpragasam are related parties of Agarapatana Plantations Limited. The purchase consideration for the acquisition of Waverly Power (Pvt) Ltd was LKR 434,000,000 based on the valuation report by M/S Moore Consulting (Pvt) Ltd on 18th August 2022. The Board based the valuation taking into consideration of the future cash potential, given that the company has 7 years left in the power purchase agreement with the Ceylon Electricity Board, with the potential to renew for another 15 years from 2030. The consideration, based on the independent valuation done by M/S Moore Consulting (Pvt) Ltd, and the resultant goodwill as stated in the consolidated financial statements as at 31st December 2022 backed by the limited review, has been ascertained taking into the above factor. This acquisition was reviewed and recommended by the Related Party Transactions Review Committee.

Post Group Structure – After acquiring Waverly Power (Pvt) Ltd



3.1.6 Customers and Suppliers

The Tea produced in the country are usually channelled through the registered Tea Brokers for sale at the Colombo eTea Auction which caters for mostly exports and local market represented by approximately 547 active buyers. Almost 97% of the production of APL's teas are also being sold at the Colombo Tea Auction through the Company approved representative brokers, Forbes & Walker Tea Brokers (Pvt) Ltd, John Keells PLC, and Ceylon Tea Brokers PLC.

In the current financial year, APL's customer base consists of 180 buyers, out of which only 10% of the quantity sold were purchased by a single buyer, Heritage Teas (Pvt) Ltd who is the top most customer. Other than that, there are other customers, Unilever Lipton Ceylon Ltd, Akbar Brothers (Pvt) Ltd, Sunshine Consumer Lanka Ltd, Van Rees Ceylon Ltd, Tea Tang (Pvt) Ltd, UniWorld Teas (Pvt) Ltd, Mabrok Teas (Pvt) Ltd, Dilmah Ceylon Tea and Sunshine Teas, who constitute 52% of the sold quantity.

The above depicts that the Company's revenue streams are not dependent on any single customer. The auctioning system provides the Plantation Companies a better selling platform in both transparency and competitiveness.

APL sources its major inputs, such as Fertiliser, Chemicals and Packing materials from a range of reputed suppliers namely, CIC Agri Businesses (Pvt) Ltd, Agstar PLC, CIC Holdings PLC, Agstar Crop Care (Pvt) Ltd, Ceylon Petroleum Corporation, St. Regis Packing (Pvt) Ltd and Uni-Dil Packing Solutions Ltd, reducing the Company's exposure to a single supplier.

As such, the Company does not view dependence on its customers and suppliers as a key risk to the Company's operations.

3.1.7 Sustainability

Financial viability, preserving the environment while combating the negative impact of climate change and uplifting the lives of the workers is an integral part of our company.

The Sustainability of the Company mainly stands upon 3 pillars, namely:

- Economic Sustainability towards management of the company profitably to give a return on investment to the shareholders and taxes to the Government.
- Social Sustainability towards the people in terms of social dignity and livelihoods of the Plantation Community.
- Environment Sustainability towards the planet.

The following are the initiative measures which have been undertaken by the company to achieve the sustainability goals.

3. THE COMPANY CONTD.

ECONOMIC SUSTAINABILITY

- Increase revenue by achieving better prices above Elevation Auction Average by developing the factories to “State of the Art - Processing Centres” investing in new technology and leveraging estate brand garden marks.
- Increase labour productivity through selective agronomic & ergonomic interventions.
- Improve efficiencies in processes – mechanization, automation, digitization and technology.
- Streamline the supply chain and strengthen Tea Small Holders.

SOCIAL SUSTAINABILITY

- Improve social dignity and equitable livelihoods
- Improve Physical and Social Infrastructure of Plantation Communities
- Communication and knowledge dissemination on Agronomy
- Skill Development, Knowledge, Awareness programmes
- Alternate models of employment (Revenue Share Model)
- Safety net during crisis periods
- Training (First aid, Fire, PPE, Waste Management etc)
- Occupational, Health and Safety Management

ENVIRONMENTAL SUSTAINABILITY

- Plantation Eco system and Environment protection
- Adaptation and mitigation to extreme weather and improved resilience
- Reduce dependence on fossil fuels by shifting to sustainable sources
- Timely and appropriate agronomic practices and inputs
- Buffer Zone and Riparian Zone demarcation along the stream
- Pesticide Free zone establishment

3.1.8 Properties

The estate lands of the Company, on which the tea plantations and factories of the Company are situated, are leasehold lands. The details of the plantations including the remaining lease period are as follows:

Table 3 - 1 Leasehold lands

Property	Lessor	Lease Agreement	Original Lease Period*	Rental
Albion Estate	Janatha Estates Development Board	Indenture of Lease Agreement No. 697	22nd June 1992 – 21st June 2045 (53 years)	LKR 500 per year
Balmoral Estate	Janatha Estates Development Board	Indenture of Lease Agreement No. 322	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Beauvais Estate	Janatha Estates Development Board	Indenture of lease bearing No. 102	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Braemore Estate	Janatha Estate Development Board	Indenture of Lease bearing No. 277	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Dambatenne Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 182	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Diyagamme East	Janatha Estates Development Board	Indenture of Lease bearing No. 305	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Diyagamme West	Janatha Estates Development Board	Indenture of Lease bearing No. 303	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year

Property	Lessor	Lease Agreement	Original Lease Period*	Rental
Glasgow Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 342	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Glenanore Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 184	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Gonamotawa Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 687	22nd June 1992 – 21st June 2045 (53 years)	LKR 500 per year
Haputale Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 116	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Hauteville Estate	Janatha Estates Developments Board	Indenture of Lease bearing No. 266	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Holmwood Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 71	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Idulgashena Estate	Janatha Estate Development Board	Indenture of Lease bearing No. 699	22nd June 1992 – 21st June 2045 (53 years)	LKR 500 per year
Kahagalla Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 240	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Nayabedda Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 141	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
New Portmore Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 324	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Oak Well Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 29	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Ohiya Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 35	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Pitaratmalie Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 168	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Preston Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 326	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Sandringham Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 124	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Torrington Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 112	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Udaveriya Estate	Sri Lanka State Plantations Corporation	Indenture of Lease bearing No. 166	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year
Waverly Estate	Janatha Estates Development Board	Indenture of Lease bearing No. 328	22nd June 1992 – 31st December 2091 (99 years)	LKR 500 per year

*All the above agreements which had an original term of 99 years have been amended by way of Amendment of Leases No. 1536 to a term of 53 years and are all deemed to expire on 21st June 2045.

Please note that this reduction of the lease period does not have an impact on the research report.

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3.2 STATED CAPITAL

The Stated Capital of the Company is LKR 1,730,436,695 constituting of monies received by the Company by the issue of Shares in the Company. The total number of shares issued in the Company are 416,929,889 Ordinary Voting Shares and one (1) Golden Share.

The approval of the Golden shareholder is not required for the IPO and the Golden Share will not be listed. The rights attached to the Golden Share are the following:

1. The concurrence of the Golden Shareholder is required for the Company to sub-lease any of the estate lands leased/to be leased to the Company by the Janatha Estates Development Board/Sri Lanka State Plantations Corporation.
2. The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.
3. The Golden Shareholder, or his nominee, will have the right to examine the books and accounts of the Company at any time with 2 weeks written notice.
4. The Company is required to submit a detailed quarterly report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of each fiscal year.
5. The Golden Shareholder can require the Board of Directors of the Company to meet with him/his nominee once every quarter to discuss issues related to the Company's operation of interest to the Government.
6. The Golden Share must be owned directly by the Government or by a 100% Government-owned public company

Table 3 - 2 Stated Capital

	Number of Ordinary Shares	Stated Capital (LKR)
Pre-IPO	416,929,889	1,730,436,695
New share capital issued through the IPO	83,070,111	747,630,999
Post- IPO	500,000,000	2,478,067,694

In the event of liquidation of the Company, the holders of Ordinary Shares shall have the right to an equal share in any surplus assets of the Company available for distribution after paying all the creditors of the Company and all other claims and debts in accordance with the provisions contained in the Companies Act No 7 of 2007 on liquidation.

3.2.1 Latest Shareholder List

The holders of Ordinary Shares of APL as at the date of this Prospectus:

Table 3 - 3 Latest Shareholder List

Shareholder	Shareholding %
Lankem Developments PLC	67.45
E.B. Creasy & Co. PLC	6.37
Secretary to the Treasury*	5.58
Kotagala Plantations PLC	4.98
Darley Butler & Company Limited	3.46
Corporate Managers & Secretaries (Pvt) Ltd	2.04
Lankem Tea & Rubber Plantations (Pvt) Ltd	1.75

Shareholder	Shareholding %
The Colombo Fort Land & Building PLC	1.55
Union Commodities (Pvt) Ltd	1.52
Shares held by employees and others	1.42
C M Holdings PLC	0.93
Corporate Strategic Services (Pvt) Ltd	0.72
Waverly Power (Pvt) Limited ¹	0.60
Lankem Ceylon PLC	0.42
Colombo Fort Group Services (Pvt) Ltd	0.38
Oakley Investments (Pvt) Limited	0.24
Corporate Holdings (Pvt) Ltd	0.24
Financial Trust Limited	0.17
Colombo Fort Investments PLC	0.06
Colombo Investment Trust PLC	0.06
Union Investments (Pvt) Limited	0.06

¹Waverly Power (Pvt) Limited had acquired these shares prior to Agaraptana Plantations Limited acquiring Waverly Power (Pvt) Limited.

* The approval of the Secretary to the Treasury is not required for the IPO.

One (1) Golden Share in the Company is held by Secretary to the Treasury (on behalf of the State).

3.2.2 Shares Issued in the Last Two Years

There was a share issue of 90,000,000 shares at a price of LKR 4.00 per share on 30th March 2021. There were related party credit balances worth LKR 459,649,445 which had been converted to equity capital on 31st March 2022 by way of a Private Placement at a price of LKR 5.00 per share and a share issue of 91,929,889 ordinary shares. These shares were issued to Lankem Developments PLC, Lankem Ceylon PLC, Lankem Tea & Rubber Plantations (Pvt) Ltd, Kotagala Plantations PLC, E.B. Creasy & Co. PLC and Darley Butler & Co. Ltd. The Stated Capital of the Company as at 31st March 2022 was LKR 1,730,436,695.

3.2.3 Re-Purchases or Redemptions

The Company has not carried out a share re-purchase, redemption or stated capital reduction exercises in the two (02) years preceding the date of this Prospectus.

3.2.4 Outstanding Convertible Debt Securities

The Company has no outstanding Convertible Debt Securities as at the date of this Prospectus.

3.2.5 Free Transferability of Shares

The Pre-IPO Shareholders shall not transfer existing Ordinary Voting Shares during the interim period between the date of Initial Listing Application and the date of listing of the Shares of the Company.

There will be no allotments during the interim period between the date of Initial Listing Application and the date of listing of the Shares of the Company.

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The Pre-IPO Shares held by Non-Public Shareholders will be locked-in for a period of 6 months from the date of listing of the Shares of the entity or for a period of 12 months from the date of acquisition of the shares (as applicable). However, the Pre-IPO Shares held by Public Shareholders will not be subject to any lock-ins provided however that any shares acquired by such public shareholders by way of a transfer in the last 12 months prior to the date of the Initial Listing Application will be locked-in for a period of 6 months from the date of listing of the shares of the Company or 12 months from the date of the transfer, whichever is longer. Any Pre-IPO shares held by public or non-public shareholders which have been issued to them during the last 12 months prior to the date of the Initial Listing Application will be locked-in for such period as may be determined by the SEC at its discretion. Please refer Section 3.4 for further details pertaining to the locked-in Shares.

The New Shares offered via the IPO shall not be transferable by the Shareholders during the period commencing from the date of allotment of the offered Shares and up to the date of listing (excluding the date of listing) on the CSE.

No Ordinary Voting Shares or Other Class of Shares would be subscribed or sold privately, in conjunction with the public Issue of Shares.

3.3 DIVIDEND POLICY

Dividends approved and or recommended by the board of directors shall be distributed, based on the Company's performance in terms of profits achieved together with passing the Solvency test required by the statute. Such dividends would be paid after taking into consideration the Company's earnings, capital expenditure requirements and other financial conditions.

The Company has not paid any dividends to its shareholders in the three years preceding the date of this Prospectus. APL had unclaimed dividends of LKR 10,027,606 for over 20 years, which was written back in the financial year 2020/21.

3.4 DETAILS PERTAINING TO THE LOCKED-IN SHARES

Shareholding Structure

Given below is the Shareholding structure of the Company as at the date of the Prospectus (Pre-IPO) and subsequent to the Issue (Post-IPO) assuming full subscription.

Table 3 - 4 Pre and Post Shareholding

Name of Shareholder	Pre-IPO		Post-IPO	
	No. of Shares	%	No. of Shares	%
Lankem Developments PLC	281,228,778	67.45	281,228,778	56.25
E.B. Creasy & Co. PLC	26,541,327	6.37	26,541,327	5.31
Secretary to the Treasury	23,284,644	5.58	23,284,644	4.66
Kotagala Plantations PLC	20,756,712	4.98	20,756,712	4.15
Darley Butler & Company Limited	14,411,270	3.46	14,411,270	2.88
Corporate Managers & Secretaries (Pvt) Ltd	8,500,000	2.04	8,500,000	1.70
Lankem Tea & Rubber Plantations (Pvt) Ltd	7,295,345	1.75	7,295,345	1.46
The Colombo Fort Land & Building PLC	6,455,458	1.55	6,455,458	1.29
Union Commodities (Pvt) Ltd	6,336,721	1.52	6,336,721	1.27
Shares held by employees and others	5,924,882	1.42	5,924,882	1.18
C M Holdings PLC	3,888,888	0.93	3,888,888	0.78
Corporate Strategic Services (Pvt) Ltd	3,000,000	0.72	3,000,000	0.60

Name of Shareholder	Pre-IPO		Post-IPO	
	No. of Shares	%	No. of Shares	%
Waverly Power (Pvt) Limited ²	2,500,100	0.60	2,500,100	0.50
Lankem Ceylon PLC	1,760,204	0.42	1,760,204	0.35
Colombo Fort Group Services (Pvt) Ltd	1,582,452	0.38	1,582,452	0.32
Oakley Investments (Pvt) Limited	1,000,000	0.24	1,000,000	0.20
Corporate Holdings (Pvt) Ltd	1,000,000	0.24	1,000,000	0.20
Financial Trust Limited	713,108	0.17	713,108	0.14
Colombo Fort Investments PLC	250,000	0.06	250,000	0.05
Colombo Investment Trust PLC	250,000	0.06	250,000	0.05
Union Investments (Pvt) Limited	250,000	0.06	250,000	0.05
Shareholding from IPO			83,070,111	16.61
TOTAL	416,929,889	100.00	500,000,000	100.00

²Waverly Power (Pvt) Limited had acquired these shares prior to Agaraptana Plantations Limited acquiring Waverly Power (Pvt) Limited.

Locked-in Shares – Pre-IPO:

In compliance with the CSE Listing Rules, 2.1.1(d) the Shares mentioned below will be locked in and will not be available for trading as given below from the date of listing of the Shares of the Company.

Table 3 - 5 Locked-in Shares (Pre-IPO)

Shareholders	Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No of Shareholders	No. of Shares as a percentage of total number of Shares in issue
Non-Public Shareholders:						
Lankem Developments PLC	Non-Public	Locked-in	6 Months from the date of listing	235,394,302		56.46
	Non-Public (issued in the last 12 months)	Locked-in	6 Months from listing or 12 months from the issue, whichever is longer	45,834,476	1	10.99
E.B. Creasy & Co. PLC	Non-Public (issued in the last 12 months)	Locked-in	6 Months from listing or 12 months from the issue, whichever is longer	13,952,624	1	3.35

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Shareholders	Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No of Shareholders	No. of Shares as a percentage of total number of Shares in issue
	Non-Public (acquired by way of a transfer in the last 12 months)	Locked-in	6 Months from listing or 12 months from the transfer, whichever is longer	12,588,703		3.02
Kotagala Plantations PLC	Non-Public	Locked-in	6 Months from the date of listing	17,333,333		4.16
	Non-Public (issued in the last 12 months)	Locked-in	6 Months from listing or 12 months from the issue, whichever is longer	3,423,379	1	0.82
Darley Butler & Company Limited	Non-Public	Locked-in	6 Months from the date of listing	5,575,908		1.34
	Non-Public (issued in the last 12 months)	Locked-in	6 Months from listing or 12 months from the issue, whichever is longer	8,835,362	1	2.12
Lankem Tea & Rubber Plantations (Pvt) Ltd	Non-Public (issued in the last 12 months)	Locked-in	6 Months from listing or 12 months from the issue, whichever is longer	7,295,345	1	1.75
The Colombo Fort Land & Building PLC	Non-Public	Locked-in	6 Months from the date of listing	6,455,458	1	1.55
Union Commodities (Pvt) Ltd	Non-Public	Locked-in	6 Months from the date of listing	6,336,721	1	1.52
C M Holdings PLC	Non-Public (acquired by way of a transfer in the last 12 months)	Locked-in	6 Months from listing or 12 months from the transfer, whichever is longer	3,888,888	1	0.93
Waverly Power (Pvt) Limited ⁹	Non-Public	Locked-in	6 Months from the date of listing	2,500,100	1	0.60
Lankem Ceylon PLC	Non-Public	Locked-in	6 Months from the date of listing	1,760,204	1	0.42

Shareholders	Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No of Shareholders	No. of Shares as a percentage of total number of Shares in issue
Colombo Fort Group Services (Pvt) Ltd	Non-Public	Locked-in	6 Months from the date of listing	1,582,452	1	0.38
Oakley Investments (Pvt) Limited	Non-Public	Locked-in	6 Months from the date of listing	1,000,000	1	0.24
Financial Trust Limited	Non-Public	Locked-in	6 Months from the date of listing	713,108	1	0.17
Colombo Fort Investments PLC	Non-Public	Locked-in	6 Months from the date of listing	250,000	1	0.06
Colombo Investment Trust PLC	Non-Public	Locked-in	6 Months from the date of listing	250,000	1	0.06
Union Investments (Pvt) Limited	Non-Public	Locked-in	6 Months from the date of listing	250,000	1	0.06
Public Shareholders:						
Secretary to the Treasury	Public	Not Locked-in	N/A	23,284,644	1	5.58
Shares held by employees and others	Public	Not Locked-in	N/A	5,924,882	21,439	1.42
Corporate Holdings (Pvt) Ltd	Public	Not Locked-in	N/A	1,000,000	1	0.24
Corporate Managers & Secretaries (Pvt) Ltd	Public	Not Locked-in	N/A	8,500,000	1	2.04
Corporate Strategic Services (Pvt) Ltd	Public	Not Locked-in	N/A	3,000,000	1	0.72
Total				416,929,889		100.00

³ Waverly Power (Pvt) Limited had acquired these shares prior to Agaraptana Plantations Limited acquiring Waverly Power (Pvt) Limited.

* Public defined under CSE Listing Rules 2.1.1.

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The following table lists out the Share transfers that took place during the period of twelve (12) months immediately preceding the date of the Initial Listing Application.

Table 3 - 6 Share transfers

Date	Transferor	Transferee	No of Shares	Transfer price per share (LKR)	Consideration (LKR)
31/03/2022	Lankem Ceylon PLC	E.B. Creasy & Co. PLC	12,588,703 ⁴	5.00	62,943,515
22/12/2022	Union Commodities (Pvt) Ltd	C M Holdings PLC	3,888,888	9.00	34,999,992

⁴The shares of 12,588,703 shares were initially allotted on the 31st March 2022 via a Private Placement to Lankem Ceylon PLC and thereafter immediately transferred on the very same date (i.e., 31st March 2022 itself) to E.B. Creasy & Co. PLC.

Apart from the Share transfers listed above, there were no other Share transfers among the Shareholders categorized either as "Public" or "Non-Public" during the period of twelve (12) months immediately preceding the date of the Initial Listing Application, hence no further Shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iii).

As the Company issued 91,929,889 ordinary shares in the 12 month period prior to the date of the initial listing application, the Company therefore submitted an application to the SEC under Section 80 of the Securities and Exchange Commission of Sri Lanka Act No.19 of 2021 to obtain its approval for the listing of the Shares of the Company, and pursuant to which, the approval of the SEC was granted therefor by letter dated 20th March 2023. It was determined by the SEC in the said letter dated 20th March 2023, that all of the issued 91,929,889 ordinary shares in the 12 month period prior to the date of the initial listing application should be locked-in for a period of six (6) months from the date of listing the shares of the Entity or twelve (12) months from the date of allotment/issue/transfer of such shares, whichever is longer. In the event any shares to be allotted/ issued/transferred from the date of this application or during the above locked-in period arising from existing agreements/ arrangements/schemes/share subscriptions and if the price is below the IPO price or below the market price whichever is lower then, such shares shall be locked-in for a period of twelve (12) months from the date of issue/allotment/transfer.

Other than for the 91,929,889 ordinary shares issued on 31st March 2022, no further Share allotments were made to Shareholders categorized either as "Public" or "Non-Public" during the period of twelve (12) months immediately preceding the date of the Initial Listing Application, hence only 91,929,889 Shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iv). The total Shares subject to a lock-in in terms of CSE Listing Rule 2.1.1 (d) will be 375,220,363.

Pre-IPO Public holding (number of Pre-IPO Shares held by the 'Public' as a percentage of the total Pre IPO number of Shares), as per the 'public' definition provided in the CSE listing rules is 10.00%.

The Company hereby confirms that the information furnished herewith shall remain unchanged until the date of listing.

Locked-in Shares – Post IPO:

Table 3 - 7 Locked-in Shares (Post-IPO)

Category of Shareholders	Locked-in Shares	The time period after which the Shares will be available for trading	No. of Shares	No of Shareholders	No. of Shares as a percentage of total number of Shares in Issue Post IPO
Non-Public	Locked-in	6 Months from the date of listing	279,401,586		55.88
Non-Public (issued in the last 12 months)	Locked-in	6 Months from listing or 12 months from the issue, whichever is longer	79,341,186	16	15.87
Non-Public (acquired by way of a transfer in the last 12 months)	Locked-in	6 Months from listing or 12 months from the transfer, whichever is longer	16,477,591		3.30
Public	Not Locked-in	N/A	41,709,526	21,443	8.34
IPO Shares	Not Locked-in	N/A	83,070,111		16.61
Total			500,000,000		100.00

Post-IPO Public holding (number of Post IPO Shares held by the 'Public' as a percentage of the total Post IPO number of Shares), on the assumption that the parties who subscribe to the IPO shall be Public Shareholders (as per the 'public' definition provided in the CSE Listing Rules) is 24.95%.

3.5 TAKEOVER OFFERS

There has been no take-over offers by third parties in respect of the Company's Shares during the past two (02) years. The Company acquired the entirety of the 7,800,002 ordinary shares of Waverly Power (Private) Limited which is a related party for a total consideration of LKR 434,000,000 in September 2022. Other than for such acquisition, the Company has not made any takeover offers in respect of Shares of a third party in the last two (2) years.

3.6 FUTURE STRATEGIES

The management has been successful in implementing strategic changes in the operational areas during the past few years which resulted in the transformation of the Company from loss making during the financial year 2019/20 to a profitable entity in the financial years 2020/21, 2021/22 and in the current financial period. The company recorded the highest net profit before tax of LKR 1.9 Bn over the 9 months ended 31st December 2022 and are confident of achieving a corresponding net profitability proportionately for the forthcoming 4th quarter too, wiping off the entire brought forward losses.

Management is cognizant of the need to sustain the current momentum and is determined to build on what has been achieved and take the Company forward by exploring the relevant strategies to fill the gaps in the operational areas that will result in operational efficiency in terms of better-quality product and cost reduction. Appended are such strategies to reap the operational resurrection of the entity whilst being mindful of other exploitable resources possessed by the Company.

3.6.1 Proposed Action Plans Associated with Future Strategies

The Company intends to pursue several strategies as indicated below. While majority of the IPO funds will be used to fund the purchase of equipment for the factories, the remaining of the future plans will be funded through the APL's internally generated funds together with external funding facilities from banks.

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3.6.1.1 Processing enhancement with modern technology

The Company intends to develop its factories to “State of the Art - Processing Centres” investing in new technology, by gradually replacing old machinery with modern equipment.

- Variable Speed Drive Units will be introduced to improve the withering process which will reduce power consumption of the Trough Motors.
- De-Stoner will also be introduced to remove heavy/light foreign materials such as stone, sand, metal, plastic & fibre etc.
- Electronic Weighing Machines to eliminate human errors in weightment of harvested Green Leaf which will also help remote monitoring of daily weighting from Head Office.
- Driers, Heaters and Hot water Generators to replace old and obsolete equipment and also as a secondary support to factories with higher capacities to cope within 10 hours to 12 hours double Drier programme during high cropping seasons.
- Automation of Rolling Room, to achieve cost efficiency by reducing workers in the withering, Rolling and Drying section and thereby increasing the allocation to harvesting cadre to increase crop.
- Energy savings Fan units to reduce power consumption around 50% to 60%.
- Replacement of Generators with higher capacity of 500 KVA, to cater for the highest profit yielding estates during the power cut period.
- Provision of a Colour Sorter to the highest profit yielding estates to reduce the time in sorting the end product into their respective Grades, which will result in proper grading of the crop with greater accuracy and reduce the turnaround time of crop to cash.
- New Rollers to improve density of the Tea Grades and quality of liquors to fetch a better price.
- Pruning, which is also a labour-intensive operation, has been mechanized releasing workers for other field operations.
- The company has also introduced drones for the foliar application of nutrients and this too, has a major impact on labour cost reduction as well as application efficiency, preventing wastage and limiting the opportunity for malpractices.
- In addition, the company also intends to reintroduce and install Wire Shoots for the transportation of leaf where suitable. This will reduce post-harvest damage as well as reduce transport costs.
- Climate Change is creating prolonged dry spells and, on the other hand, extremely wet conditions. The Company is in the process of introducing gravity fed irrigation to estates in the Agras Region bordering the “Horton Plains” reservation which has an abundance of streams flowing down through the tea fields. It is also proposed to introduce Solar Powered Water Pumps where, gravity fed water is not available.

3.6.1.2 Production Increase with Mechanized Harvesting

The Company is one of the few Regional Plantation Companies where all its estates are located in the High Grown elevational category.

The Company, in the past, has produced over 10 Mn Kgs of made tea per annum, however, there has been a sharp decline in production, mainly due to the dearth of workers over the years as youth are reluctant to engage in estate employment involved in plucking by hand. In order to revert to the full potential of 10 Mn Kgs per annum, whilst mindful of the workers psychological concerns, mechanized harvesting has been introduced in June 2019. It has been planned to mechanize at least 30% of the extent by 2023.

Training workers for these mechanized operations has been already undertaken and is ongoing under a dedicated consultant employed merely for this operation. Machine use will be increased progressively, keeping in line with the exodus of workers to other avenues of employment. Machine harvesting is progressing well, with improvements in quality of leaf, yield and cost reduction.

The company also believes in dignity of labour; for example, machine pluckers are now referred to as Machine Operators. This is regarded as a higher position in the hierarchy of employment level and is preferred, compared to being referred to as a tea plucker which depicts employment in a time worn job. This is a motivational factor and would be an attraction to the younger generation.

Towards this end, the Company has already commenced mechanized harvesting and also automated other agricultural works, where possible, in order to mitigate the shortage of workers whilst improving efficiency and productivity at a lower cost.

As at 31st December 2022, the Company has procured 485 units of tea harvesting machines and this number will be further increased to 632 by the end of the financial year 2022/23, in order to facilitate the Company's strategy of achieving 30% of the total revenue extent to be under machine harvesting. The mechanical tea harvesters purchased are of the highest quality and of an internationally renowned brand, directly imported from Japan, to ensure a high standard of work with due regard to safety of the workers.

3.6.1.3 Field Development

Almost 60% of the extent of APL comprises of seedling tea and 40% with vegetatively propagated tea. The Company intends to commence a replanting program with 2% of the cultivable extent replanted with vegetatively propagated tea annually. This will result in a major improvement to both production volumes and leaf quality. In addition, a major infilling programme will also be undertaken to increase the number of bushes to achieve an increase in the yield per hectare.

3.6.1.4 Management of Timber Reserve

The Company is managing almost 934.98 hectares of Forestry and environment sensitive areas, which is geologically referenced and mapped using Geographic Information System (GIS) technology.

Timber harvesting programme for a period of 5 years has been approved by the Forestry Conservator of Sri Lanka. The Projected income from Timber harvest for the remaining 4 years is as follows:

Table 3 - 8 Timber Income

Year	Projected Timber Income (LKR)*
2023	205 Mn
2024	144 Mn
2025	117 Mn
2026	119 Mn

* The projected timber income is based on the number of trees approved for harvesting by the Forestry Conservator at the current market prices.

3.6.1.5 Renewable Energy

The Company is currently focusing on taking advantage of the benefits of renewable energy resources, both hydro and solar, with a view to supplying electricity to the National Grid as well as to its own estates and factories to reduce energy costs.

APL has two hydro power plants, one at Diyagama West Estate and another at Waverly Estate, generating over 1 megawatt of power. The Diyagama West Hydro Power is exclusively used for estate consumption including the factory, whilst the Waverley power plant, with a capacity of one megawatt, is supplying power to the main grid. The company is planning to install another hydro power scheme downstream, to generate power to Diyagama East Estate. The feasibility of extracting wind power along the southern slopes in the Uva Region will also be explored.

3.6.1.6 Tourism

There is high potential to develop tea tourism especially in Haputale with the available sites. Haputale has become a major tourist destination, with several attractions in the vicinity. The Company has developed the historical site of "Lipton's Seat" and accommodates many visitors already.

In addition, the 9 Arch Bridge, Ella and Ravana Elle Falls, Horton Plains, Sri Lanka's highest waterfall, Bambarakanda Ella and Devil's Staircase, situated on the road to Udaveriya Estate, makes up a collection of sites, which could be developed into a package which will include tea tourism.

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In Agras Region, where the estates border the Horton Plains, an entrance is being constructed to accommodate trekkers. This will be an ideal location for tourists and local travellers interested in nature and wild life, to visit, with the distinct possibility of seeing the famous Ceylon Leopard which has increased its presence in the area. In addition, there is the opportunity to climb Sri Lanka's second highest mountain, Kirigalpotta.

3.6.2 Risks Associated with the Current Macro-Economic Situation in the Country

The country has been going through the worst economic set back in the history from the start of financial year 2022/23. However, APL has achieved the highest profits during the same period demonstrating the fact that the Company would be able to sustain all bearable risks in the near future. The company has identified the following bearable risks:

- Sri Lanka has experienced a significant increase in inflation over the past few years, driven by rising food and fuel prices. The cost of Fertilizers has had an exorbitant price during the year 2022 which has had a major impact on the Tea Industry. However due to the fact that almost 97% of the teas produced in Sri Lanka are exported, the corresponding devaluation of Sri Lankan Rupees has had a cushioning effect on the Auction Tea prices allowing to mitigate the inflationary effect on input costs, such as Fertilizer, Fuel and Packing Materials in particular.
- The political instability in the country has had a cascading effect across all the businesses in the country, however the impact on the company's operations has been for only a short period of time which will be recouped in the medium and long term as the tea industry was still able to operate during the recent political crisis in the country.
- There was a significant increase in interest rates during the financial year 2022/23, however the company has been able to cope with the increase due to the corresponding increase in the tea export revenue.

3.6.3 Risks Associated with the Future Strategies

The risks associated in the achievement of the above objectives and strategic plans may have an impact on the expected results of the Company. The Company has identified the following risk factors which may have an impact on the set objectives.

- Most of the plantations are situated at 5,000 ft above sea level and is exposed to extreme weather conditions largely affected by global warming. Crop losses and reduction in yield due to adverse weather conditions can cause shortfalls in revenue which will hamper the overall profitability of the business. There is also a risk of the effects of natural disasters on the harvest such as droughts, landslides, flooding and other related natural disasters that may lead to destruction in the landscape of the plantations as well as the crops.
- Price fluctuations are not controllable due to the fact that the Tea Auction in Colombo is influenced by global demand, supply and exchange rates. Policies adopted by different governments and political stability in different geographies play a crucial role. Furthermore, inflation rates of a country will affect consumer spending power and indirectly impact the company's performance.
- Labour strikes and further ad-hoc wage increment demands can result in unrest leading to low productivity. Labour shortages as migration of workers continue, will disrupt the tea-plucking operations, and will have a detrimental impact on revenue.
- Although the ban on fertilizers have been reversed, the scarcity of fertilizer and chemicals may continue, as imports have been restricted due to the foreign exchange crisis. This may cause great difficulty in the progress of field practices with timely applications.
- Most of the required state of the art modern technological equipment are not available locally and hence should be outsourced from overseas manufacturers. Hence there exists the risk of foreign exchange scarcity and import restrictions to import such equipment.
- With regards to the Mechanised harvesting there is a risk of poor quality of the Green Leaf being plucked under mechanization and the impact on the final product quality.
- New restrictions may be imposed by the Government towards harvesting the commercial timber in future. This may prevent the company from achieving its estimated income from sale of timber.
- Adverse weather conditions and continued droughts may have a significant impact on the revenue generation from the hydro power plant as well as have an impact on the soil conditions which may delay the growth of plants.
- The current adverse economic conditions prevailing in the country may hinder the influx of tourists, due to the severe shortages of essential items to enjoy a peaceful stay in the country thereby affecting the revenue from tourism.

3.6.4 Assumptions Associated with Future Strategies

- The current disruption in the economy of the country will be resolved in the year 2023 with the support and assistance of the International Agencies to open up the procurement process of importation of capital goods.
- The workers will respond positively to the proposed strategy of shifting from manual harvesting to mechanization and they will be successfully trained.
- The company will generate surplus funds in the coming years to invest in the field development activities.
- The timber harvesting approved by the Forestry Conservator of Sri Lanka will be duly authorized by the respective Government entities such as NBRO, CEA, MCRM who are responsible for inspection for final clearance.
- The relevant Government Authorities shall be helpful in granting permission and necessary approvals on time to implement the proposed renewable energy projects.
- There would be no adverse impacts to the global and local macroeconomic environment which would have a significant impact on the Tea industry.
- The existing labour resources for the plantation industry shall remain without any major labour turnover to other sectors.
- The Company would be able to achieve a competitive cost of production through reasonable increases in wage rates and reduction in other production costs.
- The Company would be able to find reliable and efficient systems of procuring small holder leaf which would be more economical for the Company.

3.7 LITIGATION AND DISPUTES

Other than for the Court of Appeal case referred to in Section 3.8 below. The Company and the Group have not been involved, nor are they currently involved in any legal, arbitration or mediation proceedings, which may have a material effect on the Group's financial position and profitability.

Further, there have been no penalties imposed by regulatory and state authorities on the Company in the recent past, as at the date of this Prospectus.

3.8 CONTINGENT LIABILITIES

A "Writ Application" was instituted by the Regional Plantation Companies in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the Gazette issued on 5th March 2021 by the Wages Board declaring the wage rate of Tea/Rubber workers as LKR 1,150 per day.

The estimated retirement benefit obligation liability considering the gazetted daily wage rate would increase by LKR 163 Mn of which LKR 8 Mn may be charged to Profit or Loss and LKR 155 Mn may be charged to Other Comprehensive Income for the year ended 31st March 2022.

On 9th August 2022, the Court of Appeal has declined to issue the interim order prayed for above. Consequent to this decision, RPCs at its meeting held on 29th August 2022 in consultation with lawyers decided to appeal against the judgement of the Court of Appeal. Accordingly, the Board of Directors of Agarapatana Plantations Ltd resolved to appeal against the judgement.

According to the full actuarial valuation carried out by a professionally qualified actuary firm, Actuarial and Management Consultants (Pvt) Ltd as at 31st March 2022, the liability is LKR 1,129,917,707. If the Company had provided for gratuity for all employees on the basis of 14 days wages for workers and a half month salary for staff for each completed year of service for the year ended 31st March 2022, the liability would have been LKR 1,901,866,273 (2021 – LKR 1,679,146,182). Hence, there is a contingent liability of LKR 771,948,566.

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3.9 TAXATION APPLICABLE TO THE COMPANY

3.9.1 Corporate Income Taxation

The Company is liable to pay tax at the rate of 14% on Agro processing in accordance with the Inland Revenue Act, No. 24 of 2017 and the Inland Revenue (Amendment) Act, No. 10 of 2021. However, with the new Amendments, the Company is liable to pay tax at 30% on the Agro processing profits.

3.9.2 Value Added Tax (VAT)

APL is not liable for VAT as it is not a VAT registered Company

3.9.3 Tax Concessions or Tax Exemptions

The Company qualifies for a tax exemption for Agro Farming. The taxable income of plantation companies is segregated into two categories. The taxable income attributable to pure agricultural activities that involves the production of crops and livestock for food and other products (referred to as Agro Farming) is exempt from tax. The remaining taxable income which is attributable to Agro processing is taxed at 30%.

3.10 DETAILS OF BENEFITS PAID TO PROMOTERS

No benefits have been paid or given within the two (02) years preceding the Issue and there is no benefit intended to be paid or given to any Promoter.

3.11 DETAILS OF COMMISSION PAID

APL has not paid any commission in the two (02) years preceding the Issue, neither are any commissions payable for subscribing or agreeing to subscribe or procure or agreeing to procure subscription for any Shares of the Company apart from the commission payable on the IPO, as detailed in Section 1.11 of this Prospectus.

3.12 DIRECTORS' INTEREST IN ANY TRANSACTION RELATING TO PROPERTY OF THE ENTITY

There were no transactions relating to the property completed within the two (2) preceding years in which any vendor of the property or any person who is or was at the time of the transaction, a promoter or a director or proposed director of APL had any interest, direct or indirect.

3.13 MATERIAL CONTRACTS

As at the date of the Prospectus there were no material contracts entered into, or any agreements entered with other parties by APL within the preceding two (2) years other than those contracts entered into as part of the ordinary course of business.

3.14 SUB-LEASE AGREEMENTS

The Company has entered into the following sub-lease agreements for the sub-lease of portions of estate land to the sub-lessees:

Table 3 - 9 Sub-lease Agreements

Property	Lease Period
Beauvais Estate	22nd January 2004 – 21st January 2034
Idulgashena Estate	01st July 1992 – 30th June 2029
Diyagama East Estate	01st September 2020 – 31st August 2030
Glenanore Estate	01st July 2006 – 30th June 2036
Glasgow Estate	01st December 2016 – 30th November 2026
Pitaratmalie Estate	15th June 2020 – 14th June 2045
Nayadebbe Estate	24th November 2014 – 23rd November 2024
	1st January 2002 – 31st December 2031
	29th September 2003 – 28th September 2033
	4th November 1999 – 3rd November 2024
	1st December 2003 – 30th November 2033
Pitaratmalie Estate	5th November 2014 – 4th November 2039
	15th June 2020 – 14th June 2045
	1st August 1998 – 31st July 2038
Waverly Estate	1st November 2008 – 31st October 2038
	1st August 2013 – 31st July 2023

3.15 PERIODIC BUSINESS LICENCES

Other than for the (i) Registration as a tea manufacturer under the Tea Control Act No. 51 of 1957, (ii) registration of all factories of the Company under the Factories Ordinance, No. 45 of 1942 and (iii) the Environmental Protection Licences issued by the Central Environmental Authority for the operation of the tea factories, there are no periodic licences issued to the Company in order to carry out its main business. The expiry dates of such registrations and Environmental Protection Licences are set forth in the table below

Table 3 - 10 Periodic Business Licences

Estate	Licence	Issuing Authority	Expiry Date
Albion Estate	Factory Registration	Department of Labour	4th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	15th November 2024
Balmoral Estate	Factory Registration	Department of Labour	18th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	24th November 2024
Beauvais Estate	Factory Registration	Department of Labour	1st November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	24th January 2025

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Estate	Licence	Issuing Authority	Expiry Date
Dambatenne Estate	Factory Registration	Department of Labour	14th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	09th November 2024
Diyagama East Estate	Factory Registration	Department of Labour	22nd November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	16th November 2024
Diyagama West Estate	Factory Registration	Department of Labour	17th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	13th November 2024
Glasgow Estate	Factory Registration	Department of Labour	4th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	09th November 2024
Glenanore Estate	Factory Registration	Department of Labour	30th October 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	16th January 2025
Gonamotawa Estate	Factory Registration	Department of Labour	8th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	17th January 2025
Haputale Estate	Factory Registration	Department of Labour	27th October 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	25th January 2025
Hauteville Estate	Factory Registration	Department of Labour	18th November 2022 – 18th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	19th January 2025
Kahagalla Estate	Factory Registration	Department of Labour	15th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	30th January 2025
Nayabedde Estate	Factory Registration	Department of Labour	1st November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	07th December 2024
Pitaratmalie Estate	Factory Registration	Department of Labour	27th October 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	03rd January 2025
Sandringham Estate	Factory Registration	Department of Labour	16th November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	24th November 2024

Estate	Licence	Issuing Authority	Expiry Date
Torrington Estate	Factory Registration	Department of Labour	8th September 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	24th November 2024
Waverly Estate	Factory Registration	Department of Labour	23rd November 2025
	Tea Manufacturer Registration	Sri Lanka Tea Board	31st December 2023
	Environmental Protection Licence	Central Environmental Authority	15th December 2024

3.16 MANAGEMENT DISCUSSION AND ANALYSIS

3.16.1 Summarised Profit and Loss Statement

Table 3 - 11 Summarised Profit and Loss Statement

(LKR Mn) For the year ended 31st March	FY 2020 (Audited)	FY 2021 (Audited)	FY 2022 (Audited)	YTD 31st December 2022 (Unaudited)	
				Group	Company
Revenue	3,188	4,292	4,487	6,405	6,381
Cost of Sales	(4,223)	(4,121)	(4,423)	(4,162)	(4,156)
Gross Profit	(1,035)	171	63	2,243	2,225
Gain on Change in Fair Value of Biological Assets	198	270	158	-	-
Other Income	56	87	158	56	58
Administrative Expenses	(130)	(149)	(130)	(237)	(239)
Operating Profit	(912)	379	249	2,063	2,044
Finance Income	2	7	32	42	42
Finance Cost	(285)	(251)	(221)	(218)	(202)
Profit/(Loss) Before Tax	(1,194)	135	60	1,887	1,884
Income Tax Expense	(18)	54	(32)	(3)	(3)
Net Profit/ (Loss) for the year	(1,212)	190	28	1,884	1,881

Source: APL Audited Financial Statements, Consolidated Financial Statements (Limited Review)

3.16.2 Summarised Statement of Financial Position

Table 3 - 12 Summarised Statement of Financial Position

(LKR Mn) For the year ended 31st March	FY 2020 (Audited)	FY 2021 (Audited)	FY 2022 (Audited)	As at 31st December 2022 (Unaudited)	
				Group	Company
Total Non-current assets	5,166	5,334	5,361	5,813	5,780
Goodwill ¹	N/A	N/A	N/A	341	N/A
Total current assets	735	1,349	1,277	1,683	1,563

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(LKR Mn) For the year ended 31st March	FY 2020 (Audited)	FY 2021 (Audited)	FY 2022 (Audited)	As at 31st December 2022 (Unaudited)	
				Group	Company
Total Assets	5,901	6,683	6,638	7,496	7,343
Total Equity	31	654	1,630	3,516	3,512
Total Non-current liabilities	2,814	2,620	2,249	2,278	2,192
Total current liabilities	3,056	3,409	2,759	1,703	1,639
Total Equity and liabilities	5,901	6,683	6,638	7,496	7,343
Working Capital	(2,321)	(2,060)	(1,482)	(19)	(76)

Source: APL Audited Financial Statements, Consolidated Financial Statements (Limited review)

¹The goodwill of LKR 341 Mn relates to Waverly Power (Pvt) Ltd which was acquired in September 2022.

During the financial year ended 31st March 2020, the auditor's report issued an emphasis of matter related to the going concern, where the statement of financial position indicated a serious loss of capital. However, the company was able to implement an action plan to address the matter which was cleared in March 2021. Some of the remedial actions taken by the company included the conversion of related party loans to equity to strengthen the equity capital thereby eliminating their finance costs. Additionally, mechanised harvesting was introduced to bring in significant savings in the cost of harvesting. The company was successful in achieving its action plan, attaining profits from the year ended 31st March 2021 onwards.

As at 31st December 2022, the company's current liabilities exceeded its current assets by approximately LKR 19 Mn resulting in a current ratio of 0.99. However, due to the profitable performance and a significant reduction in working capital deficit by LKR 1,462 Mn the current ratio has improved by 0.53 for the period ended 31st December 2022.

3.16.3 Summarised Cash flow Statement

Table 3 - 13 Summarised Cash Flow Statement

(LKR Mn) For the year ended 31st March	FY 2020 (Audited)	FY 2021 (Audited)	FY 2022 (Audited)	As at 31st December 2022 (Unaudited)	
				Group	Company
Net profit before tax	(1,194)	135	60	1,887	1,884
Operating profit/loss before working capital changes	(513)	580	441	2,443	2,421
Net Cash flow from operating activities	(143)	(92)	(337)	871	879
Net Cash flow from investing activities	(125)	(88)	(54)	(528)	(528)
Net Cash flow from financing activities	242	253	335	(187)	(194)
Net Increase /Decrease in Cash and Cash Equivalents	(26)	73	(55)	156	158
Cash And Cash Equivalents At the Beginning Of the Year	(314)	(340)	(267)	(334)	(323)
Equivalents At the End Cash And Cash of the Year ²	(340)	(267)	(323)	(178)	(165)

Source: APL Audited Financial Statements, Consolidated Financial Statements (Limited review)

² Please refer Note 15 in the audited financial statement for the year ended 31st March 2022.

3.16.4 Key ratios

Table 3 - 14 Key ratios

(LKR Mn) For the year ended 31st March	FY 2020 (Audited)	FY 2021 (Audited)	FY 2022 (Audited)	As at 31st December 2022 (Unaudited)	
				Group	Company
Growth rates (YoY)					
Revenue growth	-20.21%	34.63%	4.54%	N/A	93.37%
Net profit growth	1,077.30%	115.64%	-73.07%	N/A	4,382.03%
Profitability ratios					
GP margin	-32.48%	3.98%	1.41%	35.02%	34.86%
Operating Profit Margin	-28.61%	8.84%	5.56%	32.20%	32.03%
Net profit margin	-38.02%	2.41%	0.62%	29.42%	29.48%
ROE	-3,880.10%	29.00%	1.71%	53.59%	53.57%
Other ratios					
Debt/ Debt + Equity	0.98	0.67	0.42	0.53	0.52
Interest cover (x)	3.19	1.54	1.27	9.47	10.11
Current assets/ Current liabilities (x) ³	0.24	0.40	0.46	0.99	0.95

Source: APL Audited Financial Statements, Consolidated Financial Statements (Limited review)

³ Please refer Note 2.6 in the audited financial statement for the year ended 31st March 2022.

Financial Review

During the financial year, 9 months ended 31st December 2022, the company recorded a turnover of LKR 6.38 billion against that of LKR 3.3 billion in the corresponding period in 2021/22 resulting in an increase of LKR 3 billion (93%). The revenue of the Agras Region increased by 80%, and Haputale region too reported an increase in turnover by 107%, mainly due to an increase in NSA by 124% and 130% for the respective regions.

Both Western High Grown and Uva High Grown (Elevation) averages of LKR 1,336.14 and LKR 1,208.81 showed a significant increase of LKR 727.53 per kg and LKR 666.31 per kg during current 9 months period ended 31st December 2022 respectively against the corresponding period in 2021/22.

The company achieved the gross sale average of LKR 1,324.14 and LKR 1,362.07 for the Agras and Haputale regions respectively for the current 9 months period ended 31st December 2022 against LKR 576.95 and LKR 571.07 in the corresponding period in 2021/22 reflecting a significant increase of LKR 747.18 for Agras region and an increase of LKR 791.00 for Uva region respectively.

The company recorded a net profit after tax of LKR 1.88 Bn during the current 9 months period ended 31st December 2022 compared to a net loss of LKR 43.93 Mn in the corresponding period in 2021/22. The company earned a gross profit of LKR 2.22 Bn against a gross loss of LKR 5.71 million in the corresponding period in 2021/22, recording an increase of LKR 2.23 Bn mainly due to the increase in tea prices by 134% as a result of currency devaluation and decline in overall tea production in the country. The estate crop production decreased by 15% from 4.9 million kgs for the 9 months period ended 31st December 2021 to 4.17 million kgs for the corresponding period this year. However, the overall crop production reduced by only 11% due to the increase in bought crop by 27%.

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Cost of production

The Company's cost of production increased by 54.6% for the 9 months period ended 31st December 2022 against corresponding period in 2021/22. Agras recorded an increase in cost of production by 50.6% and Uva recorded an increase by 60.1% mainly due to the decrease in crop & exorbitant increase in cost of inputs as a result of the significant disruption in the economy of the Country whereby the SL Rupee depreciated against USD drastically. However, all attempts have been made to maintain a competitive cost of production by exercising stringent cost controls, improving productivity by implementing mechanized harvesting and by conservation of energy.

Cash flow

The Company generated LKR 2.4 Bn for the 9 months period ended 31st December 2022 against LKR 256.6 Mn in the corresponding period in 2021/22 from operating activities. The Company utilized LKR 923 Mn towards the net working capital and LKR 649 Mn towards retiring benefit payments, finance cost payments and tax payments leaving a surplus cash of LKR 871 Mn from net operating activities. The operating surplus was utilized in the purchase of a wholly owned subsidiary Waverly Power (Pvt) Limited for a sum of LKR 434 Mn, LKR 20 Mn in field development and LKR 87.58 Mn in property, plant & equipment leaving a surplus of LKR 329.42 Mn.

The surplus after meeting the net financing activities of LKR 186.72 Mn resulted in the increase in cash and cash equivalents by LKR 156.25 Mn against the deficit of LKR 83.4 Mn for the corresponding period in the previous year.

The Company closed the 9 months period ended 31st December 2022 with a negative cash position of LKR 177.53 Mn compared to LKR 350 Mn for the corresponding period in the previous year recording a reduction in the overdraft position.

Capital Expenditure

Replanting was given high priority to improve the yields and to mitigate the ever-escalating costs which includes the high wage rates associated with low productivity. Therefore, the Company continued to invest in Capital intensive technology by introducing mechanized harvesting to combat the increased wage rate of 34% and also on renewable energy projects to combat the ever-increasing electricity cost.

During the current year period ended 31st December 2022, Company invested LKR 20 Mn in field development, a further LKR 4 Mn in commercial timber, LKR 87.58 Mn in property, plant & equipment including harvesting equipment under the mechanization program and LKR 434 Mn in the purchase of a wholly owned subsidiary, Waverly Power (Pvt) Ltd, a company generating hydro power and directly supplying to the Grid of the Ceylon Electricity Board since 2013.

Borrowings & Finance Cost

The Company was able to reduce the current liabilities from LKR 2.8 Bn to LKR 1.7 Bn. The non-current liabilities increased from LKR 2.25 Bn to LKR 2.28 Bn during current 9 months period ended 31st December 2022, however this was because of the consolidation of the subsidiary acquired in September 2022. Taking the standalone company only into consideration the non-current liabilities decreased from LKR 2.25 Bn to LKR 2.19 Bn during current 9 months period ended 31st December 2022 respectively against the year ended 2021/22 mainly due to the remarkable performance achieved in the current financial year in terms of both profitability and increase in liquidity.

The finance cost of the standalone company was LKR 202 million for the 9 months period ended 31st December 2022, which shows an increase of LKR 27 million over the corresponding period in 2021/22 mainly due to the significant increase in interest cost towards the second quarter.

The break-up of loan details for the last 2 years is listed below:

Table 3 - 15 Loan Details

	Repayable within 1 Year	Repayable within 2-5 Years	Total As At 31.03.22	Total As At 31.03.21
Long Term Loans				
Bank of Ceylon - Rs. 245.9 Mn	-	-	-	42,336,766
Bank of Ceylon - Rs. 200 Mn	50,000,004	33,333,320	83,333,324	158,333,330
Peoples Leasing & Finance PLC - Rs. 10.5Mn	4,109,201	1,743,257	5,852,458	7,501,663
Commercial Bank of Ceylon PLC - Rs. 500Mn	18,756,000	136,901,459	155,657,459	164,161,459
Sri Lanka Tea Board - Rs. 60 Mn	-	-	-	11,150,424
Sri Lanka Tea Board - Rs. 86 Mn	2,235,615	-	2,235,615	33,449,815
Sampath Bank PLC - Rs. 500 Mn	97,300,000	208,100,000	305,400,000	409,650,000
Seylan Bank PLC - Rs. 50 Mn	6,050,000	34,648,546	40,698,546	44,148,546
Bank of Ceylon - Rs. 250 Mn	60,606,080	136,363,600	196,969,680	250,000,000
Bank of Ceylon - Rs. 50 Mn	12,121,216	27,272,720	39,393,936	50,000,000
Peoples Leasing & Finance PLC - Rs. 7.77	2,930,049	-	2,930,049	5,573,824
Peoples Leasing & Finance PLC - Rs. 9.64	3,868,650	-	3,868,650	7,041,274
Peoples Leasing & Finance PLC - Rs. 5.02	2,244,664	-	2,244,664	3,671,317
Peoples Leasing & Finance PLC - Rs. 6.27	2,363,745	-	2,363,745	4,492,037
Seylan Merchant Bank PLC - Rs. 24 Mn	-	-	-	16,924,699
Seylan Merchant Bank PLC - Rs. 21 Mn	-	-	-	14,675,915
Bank of Ceylon - Rs. 31 Mn	17,929,332	2,988,222	20,917,554	-
Bank of Ceylon - Rs. 72 Mn	38,274,754	34,022,003	72,296,757	-
Bank of Ceylon - Rs. 68 Mn	17,193,057	51,579,170	68,772,227	-
Bank of Ceylon - Rs. 13Mn	3,369,752	10,109,255	13,479,007	-
Bank of Ceylon - Rs. 5 Mn	5,273,098	585,900	5,858,998	-
Bank of Ceylon - Rs. 7 Mn	-	7,938,000	7,938,000	-
Sampath Bank PLC - Rs. 30 Mn	30,868,825	-	30,868,825	-
Sampath Bank PLC - Rs. 50 Mn	27,405,698	-	27,405,698	-
Sampath Bank PLC - Rs. 6 Mn	130,629	-	130,629	-
Sampath Bank PLC - Rs. 7 Mn	513,167	-	513,167	-
Seylan Bank PLC - Rs. 4 Mn	2,346,225	-	2,346,225	-
Seylan Bank PLC - Rs. 3 Mn	1,902,600	543,595	2,446,195	-
Seylan Bank PLC - Rs. 4 Mn	4,467,858	-	4,467,858	-
Seylan Merchant Bank PLC - Rs. 63 Mn	9,741,901	53,889,423	63,631,324	-
Total	422,002,120	740,018,470	1,162,020,590	1,223,111,069
Short Term Loans				
John Keells PLC - Rs. 20 Mn	3,000,000	-	3,000,000	-
Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 80 Mn	-	-	-	13,000,000
Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 30 Mn	-	-	-	22,500,000
Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 50 Mn	12,000,000	-	12,000,000	-

3. THE COMPANY CONTD.

	Repayable within 1 Year	Repayable within 2-5 Years	Total As At 31.03.22	Total As At 31.03.21
Forbes and Walkers Tea Brokers (Pvt) Ltd - Rs. 66 Mn	18,480,000	-	18,480,000	-
Ceylon Tea Brokers PLC - Rs. 5 Mn	-	-	-	2,916,667
Ceylon Tea Brokers PLC - Rs. 7.5 Mn	1,875,000	-	1,875,000	-
Sri Lanka Tea Board - Rs. 44 Mn	-	-	-	39,607,200
Bank of Ceylon - Rs. 25.5 Mn	-	-	-	25,500,000
Total	35,355,000	-	35,355,000	103,523,867
Grand Total	457,357,120	740,018,470	1,197,375,590	1,326,634,936

3.16.5 Waiver of rule 2.1.2.A (ii) (b) of the CSE listing rules

The Company does not comply with the Listing Rule 2.1.2 (A) (ii) (b) to the extent where it should provide Audited Consolidated Financial Statements to assess listing requirements.

As at 31 March 2022, at which point the last Audited Accounts are available, the Company was a standalone entity. The Company acquired the entirety of the shares of Waverly Power (Private) Limited (“Waverly Power”) in September 2022 and accordingly, the Company became the parent company of Waverly Power on 30th September 2022. The details of the group structure is provided in Section 3.1.5 of this Prospectus. In this connection, it is evident that the audited financial statements of the company for the year ended 31st March 2022 could not have been prepared on a consolidated basis, as required by the relevant Listing Rule since the company was not a parent entity as at such date. However, the company is in compliance with the Listing criteria set out in Rule 2.1.2 (A) (ii) (b) even if a consolidated position was considered as at 31st March 2022 with the company having a positive net asset of LKR 1.6Bn and Waverly Power (Pvt) Ltd having a positive net asset of LKR 94Mn. Additionally, it should be noted that the revenue of the Waverly Power (Pvt) Ltd is LKR 24Mn in comparison to the company revenue of 6.4Bn for the nine months ended 31st December 2022 and the net assets of Waverly Power (Pvt) Ltd is 97Mn in comparison to the company net assets of LKR 3.5Bn as at 31st December 2022 and therefore the company is of view that Waverly Power (Private) Ltd is not material in the context of the overall value of the Company.

In light of the said acquisition of the subsidiary, and the unavailability of Audited Consolidated Financial Statements the Company has requested for a waiver of Listing Rule 2.1.2 (A) (ii) (b).

In order to provide the investing public a reasonable and an accurate description of the current financial position of the company, CSE in consultation with the SEC granted a waiver of Rule 2.1.2 (A) (ii) (b) of the CSE Listing Rules to the company, to the extent of the ‘definition’ pertaining to audited financial statements, as set out in the Listing Rules, provided the company adheres to the following:

1. The company submitting to the CSE the unaudited consolidated financial statements as at 31st December 2022, together with a limited review prepared by the independent auditor of the company in respect of such consolidated financial statements.
2. The company demonstrating compliance with any one (1) of the tests set out in Rule 2.1.2 (A) (ii) (b) of the CSE Listing Rules in view of the unaudited consolidated financial statements as at 31st December 2022 together with the limited review, taking into consideration the restructure of the group as at 31st December 2022. Accordingly, the Group had duly demonstrated its ability to meet the applicable criteria under the Listing Rule 2.1.2 (A) (ii) (b) to the CSE. The company has positive net assets of LKR 3,515,883,000 as per the consolidated interim financial statements as at 31st December 2022 with Limited review, thereby meeting the positive net assets test.
3. The said item under 1. above being attached to the Prospectus which the Company has complied with.
4. The company making the required disclosures in the Prospectus by means of summarized versions of the income statement, statement of financial position and statement of cash flows of the company for the year ended 31st March 2022 as a standalone company compared with the consolidated financial statements as at 31st December 2022 as a parent entity, for the information of prospective investors along with other disclosures pertaining to the pre and post parent entity structure of the company graphically illustrated. The company has made the said disclosure in Section 3.16.1, 3.16.2, 3.16.3 and 3.16.4 of this Prospectus.

4. CORPORATE GOVERNANCE

4.1 DIRECTORS

The Board of Directors of APL comprises of nine (09) Directors of whom six (06) are Non-Executive Directors and three (03) are Executive Directors. As at the date of Prospectus the composition of the Board of Directors is as follows:

Table 4 - 1 Board of Directors

Name	Designation
S.D.R Arudpragasam	Chairman – Non-Executive Director
C.P.R. Perera	Deputy Chairman – Independent, Non-Executive Director
D.R.Madena	Chief Executive Officer – Executive Director
S.S. Poholiyadde	Executive Director
M. Kowdu K. Mohideen	Executive Director
Anushman Rajaratnam	Non-Executive Director
P.M.A. Sirimane	Independent Non – Executive Director
G.K.B. Dasanayaka	Independent Non – Executive Director
A.M. de S. Jayaratne	Independent Non – Executive Director

4.2 PROFILES OF THE BOARD OF DIRECTORS

Table 4 - 2 Director Profiles

Name and Designation	Business Experience
S.D.R Arudpragasam (Chairman – Non-Executive Director)	Mr. S.D.R. Arudpragasam joined the Board in 1996 and was appointed Chairman in May 2013. He was appointed Chairman of The Colombo Fort Land & Building PLC (CFLB) with effect from 1st July 2022. Mr. Arudpragasam has been associated with the CFLB Group since 1982 and prior to such appointment, he held the position of Deputy Chairman on the Board of The Colombo Fort Land & Building PLC. Mr. Arudpragasam serves as Chairman of several subsidiaries of The Colombo Fort Land & Building PLC including Chairman of Lankem Ceylon PLC and C M Holdings PLC and Chairman/Managing Director of E.B.Creasy & Company PLC in addition to holding other directorships within the CFLB Group. Mr. S.D.R. Arudpragasam is a Fellow of the Chartered Institute of Management Accountants (UK).
C.P.R. Perera (Deputy Chairman – Independent, Non-Executive Director)	Mr. C.P.R. Perera joined the Board in 2005 and was appointed Deputy Chairman in May 2013. He was appointed to the Board of The Colombo Fort Land & Building PLC (CFLB) in May 2013 and as Deputy Chairman with effect from 1st July 2022. He serves on the Boards of several subsidiaries of the CFLB Group and also holds directorships in other private and public companies. He retired as Chairman of Forbes & Walker Ltd and its subsidiary companies in June 2005 after almost 44 years of service. He is also a past Chairman of the Sri Lanka Tea Board, Sri Lanka Insurance Corporation, PERC and Bank of Ceylon. Mr. Perera having held the office of Chairman of Ceylon Tea Brokers PLC until 1st April 2022 continues to serve as a Non-Executive Director of the said Company. Mr. Perera has served as a Committee Member of the Ceylon Chamber of Commerce, The Planters Association of Ceylon and on the Committee of the Management of the Ceylon Planters Provident Society.

4. CORPORATE GOVERNANCE CONTD.

Name and Designation	Business Experience
<p>D.R.Madena (Chief Executive Officer - Executive Director)</p>	<p>Mr. D.R. Madena was appointed to the Board and also to the position of Chief Executive Officer in November 2019. Prior to such appointment Mr. Madena also functioned as an Alternate Director. He was appointed to the Directorate of Lankem Tea & Rubber Plantations (Pvt) Ltd (LT&RP) in 2018. Mr. Madena commenced his career with Janatha Estates Development Board in 1987 prior to privatization and his experience spans over 34 years in the high grown western and eastern regions.</p> <p>With the privatization of the Management in 1992, he joined Kotagala Plantations which was then managed by George Steuart Management Services as an Assistant Manager and was subsequently promoted as a Manager.</p> <p>He continued to serve Kotagala Plantations under the management of Lankem Tea and Rubber Plantations (Pvt) Ltd. (LT&RP) and functioned as the Manager from 2000 to 2005 of the Stonycliff Cluster which is one of the most prestigious properties of Kotagala Plantations.</p> <p>In 2005, he was assigned to Dambetenne Estate which is one of the prime properties of Agarapatana Plantations Limited (APL) and held the positions of Manager / Senior Manager / General Manager / Regional General Manager.</p> <p>He was appointed as an Alternate Director of APL in 2013 and to the Directorate of LT&RP in 2018.</p>
<p>S.S. Poholiyadde (Executive Director)</p>	<p>Mr. S.S. Poholiyadde joined the Board in 2018 and currently holds the position of Managing Director, Lankem Tea & Rubber Plantations (Pvt) Ltd, managing agents of Kotagala Plantations PLC and Agarapatana Plantations Ltd.</p> <p>Mr. Poholiyadde is the former Managing Director of the Plantations Sector and Head of Group Human Resources of the Richard Pieris Group. He was also the former CEO/Executive Director of Kegalle Plantations PLC, Namunukula Plantations PLC, Maskeliya Plantations PLC, an Executive Director of AEN Palm Oil Processing (Pvt) Ltd & Eastern Brokers (Pvt) Ltd.</p> <p>He has been a former Chairman of the Planters' Association of Ceylon, former Chairman of the Colombo Rubber Traders' Association and has served as Chairman of the Plantation Services Group of the Employers Federation of Ceylon. He was also a member of the Board of Directors of the Sri Lanka Tea Board and the Rubber Research Board. He has also served as a Council Member of the Ceylon Chamber of Commerce and in the Executive Committee of the Sri Lanka Society of Rubber Industry.</p> <p>Mr. Poholiyadde is a Fellow of the National Institute of Plantation Management and has over four decades of experience in the Plantations Industry.</p>
<p>M. Kowdu K. Mohideen (Executive Director)</p>	<p>Mr. Kowdu Mohideen was appointed to the Board of Agarapatana Plantations Ltd on 20th September 2022.</p> <p>He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and The Chartered Institute of Management Accountants (UK). He commenced his career at M/s Ernst & Young, Sri Lanka and later moved to various Commercial Sectors both locally and overseas.</p>

Name and Designation	Business Experience
	<p>He possesses a wide exposure in the areas of Plantation Industry, Hyper Market Operations, Fast Food Industry, Investment & Finance and Manufacturing spanning over 25 years in local and overseas companies during which period he has held several senior positions in Finance and Management including the position of Director, Finance & IT in a local Company and has also served as Managing Director in a Super Market operation overseas.</p> <p>Having extensive experience in the field of Finance, Mr. Kowdu Mohideen joined the Lankem Plantations Group in the year 2012 as General Manager- Finance. He currently holds the position of Director Finance and heads the Financial Management Unit of the Plantations Sector which comprises of several Companies including two Regional Plantation Companies.</p>
<p>Anushman Rajaratnam (Non-Executive Director)</p>	<p>Mr. Anushman Rajaratnam was appointed to the Board on 1st October 2019. He is at present the Group Managing Director of the Colombo Fort Land & Building PLC (CFLB). In addition, he serves on the Boards of several subsidiary companies of the CFLB Group. Prior to joining the CFLB Group, he worked overseas for a leading global Accountancy Firm.</p> <p>He holds a Bachelor of Science degree in Economics from the University of Surrey, UK, CPA Australia and MBA from the Massachusetts Institute of Technology, USA.</p>
<p>P.M.A. Sirimane (Independent Non – Executive Director)</p>	<p>Mr. P.M.A. Sirimane was appointed to the Board of Agarapatana Plantations Ltd on 20th September 2022.</p> <p>He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and also holds a Master's in Business Administration from the University of Swinburne, Victoria, Australia. Mr. Sirimane serves on the Board of The Colombo Fort Land & Building PLC (CFLB) and also serves on the Boards of several subsidiary companies in the CFLB Group. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Ltd., Group Finance Director of United Tractor & Equipment Ltd., Chief Finance Officer of Sri Lanka Telecom Ltd., and Director of SLT Hong Kong Ltd. He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was an ex-officio member of the International Leasing Association.</p>
<p>G.K.B. Dasanayaka (Independent Non – Executive Director)</p>	<p>Mr. G.K.B. Dasanayaka was appointed to the Board of Agarapatana Plantations Ltd on 20th September 2022.</p> <p>Mr. Dasanayaka is an Attorney-at-Law by profession. After a brief period at the unofficial Bar, he joined the Employers Federation of Ceylon (EFC) in 1979 and was Director General/CEO of the EFC from 2000 - 2006. His areas of work and expertise involved representing employers at International and National Level on Labour and related social issues, Employment Law, Employee Relations and Training & Development of Human Resources. He is an Honorary Life Member of the Chartered Institute of Personnel Management (Sri Lanka).</p> <p>Mr. Dasanayaka worked with the International Labour Organization (ILO) as a Senior Professional Specialist (Employer's activity) for the South Asian Region from 2007 to 2015. Since leaving the ILO, he offers consultancy services in employment related subjects.</p>

4. CORPORATE GOVERNANCE CONTD.

Name and Designation	Business Experience
A.M. de S. Jayaratne (Independent Non – Executive Director)	<p>Mr. A. M. de S. Jayaratne was appointed to the Board of Agarapatana Plantations Ltd on 18th November 2022.</p> <p>He is a former Chairman of Forbes & Walker Limited, Colombo Stock Exchange, Ceylon Chamber of Commerce and The Finance Commission. He also served as Sri Lanka's High Commissioner in Singapore. Mr. Jayaratne is a director of several listed and unlisted companies. He holds a Bachelor of Science Degree in Economics and is a Fellow of the Institute of Chartered Accountants of England and Wales and of Sri Lanka.</p>

4.3 OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Table 4 - 3 Other Directorships held by the Directors

Name and Designation	Business Experience	Name and Designation	Business Experience
S.D.R Arudpragasam (Chairman – Non-Executive Director)	ACME Packaging Solutions (Pvt) Limited ACME Printing and Packaging PLC Alliance Five (Private) Limited Associated Farms (Pvt) Ltd B.O.T. Hotel Services (Pvt) Ltd Beruwala Resorts PLC C M Holdings PLC C.W. Mackie PLC C.W.M. Hotel Holdings Limited Candy Delights Limited Capital Investments Ltd Capital Leasing Company Ltd Century Investments & Finance Ltd Ceyflex Rubber Limited Ceylon Tapes (Private) Limited Ceytape (Private) Limited Colombo Fort Group Services (Pvt) Limited Colombo Fort Hotels Ltd Colombo Fort Investments PLC Colombo Fort Travels Ltd Colombo Investment Trust PLC Colombo Residencies (Pvt) Ltd Colonial Motors (Ceylon) Ltd Company Holdings (Pvt) Ltd Consolidated Holdings (Pvt) Ltd Consolidated Tea Plantations Limited Corporate Systems Ltd Creasy Plantation Management Ltd Darley Butler & Company Ltd E.B. Creasy & Company PLC E.B. Creasy Ceylon (Pvt) Ltd E.B. Creasy Logistics Ltd		E.B. Creasy Trading Ltd EBC Milk Foods Ltd Far Eastern Exports (Colombo) Ltd Fortland Finance Ltd Galle Fort Hotel (Pvt) Ltd Group Three Associates (Pvt) Ltd Guardian Asset Management Limited Imperial Hotels Limited J.F.Packaging Limited JF Ventures Ltd Kiffs (Private) Limited Kotagala Plantations PLC Lak Kraft (Private) Limited Lanka Special Steels Ltd Lankem Agrochemicals Ltd Lankem Cargo Storage Ltd Lankem Ceylon PLC Lankem Chemicals Ltd Lankem Consumer Products Ltd Lankem Developments PLC Lankem Exports (Pvt) Ltd Lankem Paints Ltd Lankem Plantation Services Ltd Lankem Research Ltd Lankem Tea & Rubber Plantations (Pvt) Ltd Lankem Technology Services Ltd Laxapana Batteries PLC Maitland & Knox (Pvt) Limited Marawila Resorts PLC Motor Mart Ceylon (Pvt) Limited Muller & Phipps (Ceylon) PLC Nature's Link Ltd Nutriklim (Ceylon) Limited

Name and Designation	Business Experience	Name and Designation	Business Experience
	<p>Oakley Investments (Pvt) Ltd Pettah Pharmacy (Pvt) Ltd Property & Investment Holdings (Pvt) Ltd Rubber & Allied Products (Colombo) Ltd Sherwood Holidays Ltd Sigiriya Village Hotels PLC SunAgro Farms Ltd SunAgro LifeScience Ltd Teacom (Pvt) Ltd The Colombo Fort Land & Building PLC Udaveriya Plantations Ltd Unicom Clearing & Forwarding (Pvt) Ltd Unicom Holdings (Pvt) Ltd Union Commodities (Pvt) Ltd Union Commodities Exports (Pvt) Ltd Union Commodities Teas (Pvt) Ltd Union Group (Pvt) Ltd Union Investments (Pvt) Ltd Waverly Power (Pvt) Ltd Weligama Hills Limited York Arcade Holdings PLC York Hotel Management Services Ltd</p>		
C.P.R. Perera (Deputy Chairman – Independent, Non-Executive Director)	<p>Beruwala Resorts PLC C.W. Mackie PLC Ceylon Tea Brokers PLC Consolidated Tea Plantations Limited Insite Factories (Pvt) Ltd Insite Holdings (Pvt) Ltd Kotagala Plantations PLC Lankem Developments PLC Lankem Tea & Rubber Plantations (Pvt) Ltd Logicare (Pvt) Limited Marawila Resorts PLC Rubber & Allied Products (Colombo) Ltd Sigiriya Village Hotels PLC The Colombo Fort Land & Building PLC Waverly Power (Pvt) Ltd</p>		
		D.R.Madena (Chief Executive Officer - Executive Director)	Lankem Tea & Rubber Plantations (Pvt) Ltd
		S.S. Poholiyadde (Executive Director)	Consolidated Tea Plantations Limited Kotagala Plantations PLC Lankem Developments PLC Lankem Tea & Rubber Plantations (Pvt) Ltd Rubber & Allied Products (Colombo) Ltd Union Commodities (Pvt) Ltd Waverly Power (Pvt) Ltd
		M. Kowdu K. Mohideen (Executive Director)	Consolidated Tea Plantations Limited Kotagala Plantations PLC Lankem Developments PLC Lankem Tea & Rubber Plantations (Pvt) Ltd Rubber & Allied Products (Colombo) Ltd Union Commodities (Pvt) Ltd Waverly Power (Pvt) Ltd
		Anushman Rajaratnam (Non-Executive Director)	ACME Packaging Solutions (Pvt) Limited ACME Printing and Packaging PLC Alliance Five (Private) Limited Beruwala Resorts PLC C M Holdings PLC C.W. Mackie PLC C.W.M. Hotel Holdings Limited Cambodian Rubber Plantation Industries PTE Ltd Capital Leasing Company Limited Ceylon Tapes (Pvt) Limited Ceytape (Pvt) Ltd Colombo Fort Group Services (Pvt) Ltd Colombo Fort Hotels Ltd Colombo Fort Investments PLC Colombo Fort Properties (Pvt) Limited Colombo Investment Trust PLC Colonial Motors (Ceylon) Limited Consolidated Commercial Investments (Pvt) Limited

4. CORPORATE GOVERNANCE CONTD.

Name and Designation	Business Experience	Name and Designation	Business Experience
	Consolidated Holdings (Private) Limited Consolidated Rubber Plantations PTE Ltd Consolidated Tea Plantations Limited Far Eastern Exports (Colombo) Ltd Financial Trust Ltd Galle Fort Hotel (Pvt) Ltd Great Eastern Resorts Limited Horton Plains Resorts and Spa Ltd Imperial Hotels Limited J.F. Packaging Ltd JF Ventures Ltd Kelani Valley Canneries Ltd Kiffs (Private) Limited Kotagala Plantations PLC Lak Kraft (Private) Limited Lanka Agro Plantations Ltd Lankem Agrochemicals Ltd Lankem Cargo Storage Ltd Lankem Ceylon PLC Lankem Chemicals Ltd Lankem Consumer Products Ltd Lankem Developments PLC Lankem Paints Ltd Lankem Research Ltd Lankem Tea & Rubber Plantations (Pvt) Ltd Maitland & Knox (Pvt) Limited Marawila Resorts PLC Mayfield Investments (Pvt) Ltd Motor Mart Ceylon (Pvt) Limited Property & Investment Holdings (Pvt) Ltd Rubber & Allied Products (Colombo) Ltd Sigiriya Resorts Limited Sigiriya Village Hotels PLC SunAgro Farms Ltd SunAgro LifeScience Ltd Sunquick Lanka (Pvt) Ltd Sunrise Resorts Limited Teacom (Pvt) Ltd The Colombo Fort Land & Building PLC Transways (Pvt) Limited Tropical Beach Resorts Limited Udaveriya Plantations Ltd Unicom Clearing & Forwarding (Pvt) Ltd Unicom Holdings (Pvt) Ltd		Union Commodities (Pvt) Ltd Union Commodities Exports (Pvt) Ltd Union Commodities Teas (Pvt) Ltd Union Group (Pvt) Ltd Union Investments (Pvt) Ltd Voyages Ceylan (Pvt) Limited Waverly Power (Pvt) Ltd Weligama Hills Ltd York Arcade Holdings PLC York Conventions (Pvt) Limited York Tours Limited Alternate Director in: Colombo Fort Investments PLC Colombo Investment Trust PLC E.B. Creasy & Co. PLC Lankem Tea & Rubber Plantations (Pvt) Ltd The Colombo Fort Land & Building PLC
		P.M.A. Sirimane (Independent, Non – Executive Director)	ACME Packaging Solutions (Pvt) Ltd ACME Printing and Packaging PLC Alliance Five (Private) Limited Candy Delights Limited Capital Leasing Company Limited Ceyflex Rubber Limited Ceylon Tapes (Private) Limited Ceytape (Private) Limited Colombo Fort Group Services (Pvt) Ltd Colombo Fort Investments PLC Colombo Investment Trust PLC Consolidated Tea Plantations Limited Darley Butler & Company Ltd E.B. Creasy & Company PLC E.B. Creasy Ceylon (Private) Limited E.B. Creasy Logistics Ltd J.F. Packaging Ltd Kiffs (Private) Limited Kotagala Plantations PLC Lanka Special Steels Ltd Lankem Ceylon PLC Lankem Developments PLC Lankem Tea & Rubber Plantations (Pvt) Ltd Laxapana Batteries PLC Muller & Phipps (Ceylon) PLC

Name and Designation	Business Experience	Name and Designation	Business Experience
	Pettah Pharmacy (Pvt) Ltd Rubber & Allied Products (Colombo) Ltd The Colombo Fort Land & Building PLC Union Commodities (Pvt) Ltd Waverly Power (Pvt) Ltd	A.M. de S. Jayaratne (Independent, Non – Executive Director)	ACL Cables PLC B.O.T. Hotel Services (Pvt) Ltd C M Holdings PLC C.W. Mackie PLC C.W.M. Hotel Holdings Limited Candy Delights Limited Colombo Fort Investments PLC Colombo Investment Trust PLC, Colonial Motors (Ceylon) Limited Consolidated Tea Plantations Limited Darley Butler & Company Ltd E.B. Creasy & Company PLC Innovest Investments (Pvt) Limited Kotagala Plantations PLC Lankem Developments PLC Lankem Tea & Rubber Plantations (Pvt) Ltd Mireka Capital Land (Pvt) Ltd Overseas Realty (Ceylon) PLC Rubber & Allied Products (Colombo) Ltd The Colombo Fort Land & Building PLC Union Commodities (Pvt) Ltd Union Investments (Pvt) Ltd Waverly Power (Pvt) Ltd York Arcade Holdings PLC
G.K.B. Dasanayaka (Independent, Non – Executive Director)	ACME Packaging Solutions (Pvt) Limited ACME Printing & Packaging PLC Alliance Five (Pvt) Limited Ceylon Tapes (Pvt) Limited Ceytape (Pvt) Limited J.F. Packaging Limited Kiffs (Pvt) Limited Kotagala Plantations PLC Lankem Ceylon PLC		

4.4 AUDIT COMMITTEE

The Audit Committee takes an independent stance when it comes to providing advice and assistance regarding internal functions of the Company. The Audit Committee regularly reviews the performance of the Company through discussions with the Directors and Senior Management, and reviews the Internal Audits carried out by the Internal Auditors. The Audit Committee also monitors all audit activities and ensures compliance with Financial Standards and Statutory regulations.

The Audit Committee of the Parent Company (Lankem Developments PLC) functioned as the Audit Committee of the Company. An Independent Audit Committee of the Company was established effective from 8th December, 2022.

The committee comprises of:

- Mr. A. M. de S. Jayaratne - Chairman (Independent, Non-Executive Director)
- Mr. C. P. R. Perera – Member (Independent, Non-Executive Director)
- Mr. P.M.A. Sirimane - Member (Independent, Non-Executive Director)

4. CORPORATE GOVERNANCE CONTD.

4.5 REMUNERATION COMMITTEE

The Remuneration Committee is responsible to make remuneration policy recommendations to the Board of APL and as such works closely with the members of the Board. The Committee is responsible for recommending remuneration packages for the key management and senior management personnel. In addition, they lay down guidelines and parameters for the compensation structure of the management staff. The remuneration policy of the Company is to attract, motivate and retain qualified and experienced personnel and reward performance in a fair manner.

The Remuneration Committee of the Parent Company (Lankem Developments PLC) functioned as the Remuneration Committee of the Company. An Independent Remuneration Committee of the Company was established effective from 8th December, 2022.

Please note that there were director fees of LKR 3,789,835 and director salaries of LKR 12,000,000 paid to the executive and non-executive directors for the FY22.

The committee comprises of:

- Mr. A. M. de S. Jayaratne - Chairman (Independent, Non-Executive Director)
- Mr. C. P. R. Perera - Member (Independent, Non-Executive Director)
- Mr. S.D.R. Arudpragasam – Member (Non-Executive Director)

4.6 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The objective of the Related Party Transactions Review Committee is to ensure there is firm adherence to the guidelines surrounding related party transactions. The Committee oversees that industry best practices are followed and that interests of all stakeholders are considered.

The Related Party Transactions Review Committee of the Parent Company (Lankem Developments PLC) functioned as the Related Party Transactions Review Committee of the Company.

An Independent Related Party Transactions Review Committee of the Company was established effective from 8th December, 2022.

The committee comprises of:

- Mr. A. M. de S. Jayaratne - Chairman (Independent, Non-Executive Director)
- Mr. C.P.R. Perera - Member (Independent, Non-Executive Director)
- Mr. P.M.A. Sirimane - Member (Independent, Non-Executive Director)

4.7 DIRECTORS' SHAREHOLDINGS IN THE COMPANY

Directors do not hold any shares in the Company and have not made any sales and/or purchases of shares of APL during the year immediately preceding the date of this Prospectus.

4.8 DIRECTORS' INVOLVEMENT IN LITIGATION AND OFFENCES

No Director or a person nominated to become a Director of the Company has been involved in:

- Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

No such Director was the subject of any order, judgment or ruling of any court of competent jurisdiction temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

4.9 DIRECTORS' INTERESTS

4.9.1 Directors Interest in Assets

None of the Directors have any interest in any assets acquired, disposed of or leased by the Company during the past two (02) years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed of or leased during the two (02) years succeeding the Issue.

4.9.2 Director Interests in Contracts

There are no contracts or arrangements in force as of the date of the submission of the Initial Listing Application to which the Directors are materially interested in relation to the business of the Company.

5. HUMAN RESOURCE

5.1 EMPLOYEES

As at 31st December 2022, the number of persons employed are 9,056 employees.



Uva Region - Plantation Executives	(18)
Uva Region - Workers	(3,398)
Uva Region - Staff	(216)
Agras Region - Plantation Executives	(28)
Agras Region - Workers	(5,029)
Agras Region - Staff	(337)
Head Office	(30)

The employees of the Company are part of the following labour unions:

1. National Union of Workers (NUW)
2. Ceylon Plantation Workers Union (CPWU)
3. United Plantation Workers Union (UPWU)
4. Lanka General Service Workers Union (LGSWU)
5. All Ceylon United Staff Congress (ACUSC)
6. Sri Lanka Nidahas Sewaka Sangamaya (SLNSS)
7. Lanka Estate Workers Union (LEWU)
8. All Ceylon United Workers Congress (ACUWC)
9. Agricultural and Plantation Workers Congress (APWC)
10. United Lanka Estate Workers Union (ULEWU)
11. Progress Estate Workers Union (PEWU)
12. Socialist Workers Congress (SWC)
13. Sri Lanka Independence Plantation Union (SLIPU)
14. Sri Lanka Workers Union
15. Democratic Workers Congress
16. Upcountry Workers Front
17. Ceylon Workers Congress
18. Ceylon Estate Staffs Union (CESU)

There are currently no significant collective agreements entered into between the labour unions and the Entity. Accordingly, the impact from labour unions is very minimal. However, an agreement between the Company and the estate staff is in existence.

5.2 CHIEF EXECUTIVE OFFICER

Table 5 - 1 CEO's Profile

Name	Business Experience
D.R. Madena	<p>Mr. D.R. Madena was appointed to the Board and also to the position of Chief Executive Officer in November 2019. Prior to such appointment Mr. Madena also functioned as an Alternate Director. He was appointed to the Directorate of Lankem Tea & Rubber Plantations (Pvt) Ltd (LT&RP) in 2018. Mr. Madena commenced his career with Janatha Estates Development Board in 1987 prior to privatization and his experience spans over 34 years in the high grown western and eastern regions.</p> <p>With the privatization of the Management in 1992, he joined Kotagala Plantations which was then managed by George Steuart Management Services as an Assistant Manager and was subsequently promoted as a Manager.</p>

Name	Business Experience
	<p>He continued to serve Kotagala Plantations under the management of Lankem Tea and Rubber Plantations (Pvt) Ltd. (LT&RP) and functioned as the Manager from 2000 to 2005 of the Stonycliff Cluster which is one of the most prestigious properties of Kotagala Plantations.</p> <p>In 2005, he was assigned to Dambetenne Estate which is one of the prime properties of Agarapatana Plantations Limited (APL) and held the positions of Manager / Senior Manager / General Manager / Regional General Manager.</p>

The Chief Executive Officer has not been involved in:

- Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

5.3 SENIOR MANAGEMENT

Table 5 - 2 Senior Management Profiles

Name	Business Experience
<p>S.S. Poholiyadde Executive Director</p>	<p>Mr. S.S. Poholiyadde joined the Board in 2018 and currently holds the position of Managing Director, Lankem Tea & Rubber Plantations (Pvt) Ltd, managing agents of Kotagala Plantations PLC and Agarapatana Plantations Ltd.</p> <p>Mr. Poholiyadde is the former Managing Director of the Plantations Sector and Head of Group Human Resources of the Richard Pieris Group. He was also the former CEO/Executive Director of Kegalle Plantations PLC, Namunukula Plantations PLC, Maskeliya Plantations PLC, an Executive Director of AEN Palm Oil Processing (Pvt) Ltd & Eastern Brokers (Pvt) Ltd.</p> <p>He has been a former Chairman of the Planters' Association of Ceylon, former Chairman of the Colombo Rubber Traders' Association and has served as Chairman of the Plantation Services Group of the Employers Federation of Ceylon. He was also a member of the Board of Directors of the Sri Lanka Tea Board and the Rubber Research Board. He has also served as a Council Member of the Ceylon Chamber of Commerce and in the Executive Committee of the Sri Lanka Society of Rubber Industry.</p> <p>Mr. Poholiyadde is a Fellow of the National Institute of Plantation Management and has over four decades of experience in the Plantations Industry.</p>
<p>M. Kowdu K. Mohideen Executive Director - Finance</p>	<p>Mr. Kowdu Mohideen was appointed to the Board of Agarapatana Plantations Ltd on 20th September 2022.</p> <p>He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and The Chartered Institute of Management Accountants (UK). He commenced his career at M/s Ernst & Young, Sri Lanka and later moved to various Commercial Sectors both locally and overseas.</p>

5. HUMAN RESOURCE CONTD.

Name	Business Experience
	<p>He possesses a wide exposure in the areas of Plantation Industry, Hyper Market Operations, Fast Food Industry, Investment & Finance and Manufacturing spanning over 25 years in local and overseas companies during which period he has held several senior positions in Finance and Management including the position of Director, Finance & IT in a local Company and has also served as Managing Director in a Super Market operation overseas.</p> <p>Having extensive experience in the field of Finance, Mr. Kowdu Mohideen joined the Lankem Plantations Group in the year 2012 as General Manager- Finance. He currently holds the position of Director Finance and heads the Financial Management Unit of the Plantations Sector which comprises of several Companies including two Regional Plantation Companies.</p>
<p>Ganeshadason Sri Shankar General Manager - Manufacturing</p>	<p>Mr. Srishankar commenced his carrier with Janatha Estates Development Board as a Tea Taster in 1981 and then was promoted as Manufacturing Advisor, visiting and advising the operational factories, in various Regions which came under the purview of JEDB I (Avisawella), III (Badulla) & IV (Kegalle).</p> <p>He joined a pioneer Tea Broking Company in 1992 at the time of privatization and was employed as a Senior Tea Auctioneer and Manufacturing Consultant for the Estates handled by the Broking Firm.</p> <p>Subsequently, he joined Agarapatana Plantations Limited in 1994 as Manager-Manufacturing, responsible for the "Quality & Production" in the Tea Factories coming under the purview of the Company. He was later promoted as General Manager – Manufacturing in 2012.</p>

5.4 CORPORATE SOCIAL RESPONSIBILITY

The Company has undertaken many CSR projects that has improved the health conditions of the plantation community and benefits such as new housings, water supply schemes, concreting estate roads, repairs to culverts, drains, community centres, field rest rooms, toilets and playgrounds in collaboration with the Plantations Human Development Trust (PHDT), Ministry of Community Empowerment and Estate Infrastructure Development, World Vision and Chrysalis, with funding in the form of grants and Company contributions amounting to approximately LKR 118 million.

Awareness programs on Covid-19, Dengue, Aids and other communicable diseases have been conducted and the plantations were facilitated with the Covid-19 vaccination programs through the Ministry of Health. Additionally, health clinics for dental and eye-care programs and awareness programs facilitating the child development centres were also conducted

The estate community was educated regarding home gardening and household cash management with the support of the Ministry of Health and PHDT with a view to enhance their income.

The company has been able to witness improvements in the health conditions of the plantation community and benefits derived by implementing these CSR projects.

The benefits currently awarded by the Company to worker population, could be categorized as:

i) Direct monetary benefits awarded includes the following:

- Maternity benefits
- Sick leave pay – Up to a maximum of 14 days per year. The workers are entitled to half pay for each day of stay in hospital, subject to being hospitalized for more than 7 days. The workers will be required to produce a valid medical certificate from the hospital.

ii) Indirect monetary benefits awarded includes the following:

- Tea allowances at a concessionary rate of LKR 50 cents per kg
- Free feeding – For children between 1 -10 years of age, the Company provides financial support to purchase wheat flour every month.

iii) Other fringe benefits awarded by the Company:

- Free land/housing
- Pre-school
- Free child development centres
- Free medical facility
- Free transport to nearest base/district hospital
- Free water and sanitary facilities
- In the case of a funeral:
 - Free transport
 - Provision of 4 workers free of charge to excavate graves
 - Funeral expenses

5.5 MANAGEMENT AGREEMENTS

The Company has entered into a Management Agreement with Lankem Tea & Rubber Plantations (Pvt) Ltd on 29th December 1997, in terms of which the business and assets of the Company are managed by the Lankem Tea & Rubber Plantations (Pvt) Ltd in the capacity of a managing agent. However, the senior management disclosed in section 5.3 are not employees of Lankem Tea & Rubber Plantations (Pvt) Ltd. Additionally, Lankem Tea & Rubber Plantations (Pvt) Ltd has agreed not to receive any fees from the Company for the services rendered under the Management Agreement given that Lankem Tea & Rubber Plantations (Pvt) Ltd is an Affiliated Company of APL and the Company does not hold shares with Lankem Tea & Rubber Plantations (Pvt) Ltd. The investors can refer to Annexure 9 for the management agreement and the addendum.


6. DECLARATIONS

6.1 DECLARATION BY THE DIRECTORS

We, the undersigned being the Directors of Agarapatana Plantations Limited, hereby declare and confirm that we have read the provisions of the Companies Act No.7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any amendments made thereto from time to time, have been complied with and after making all reasonable inquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful inquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

We further declare that the profit forecasts have been included in this Prospectus after due and careful inquiry of the information available with the Company and assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

Name of the Director	Designation	Signature
S.D.R Arudpragasam	Chairman – Non-Executive Director	Sgd
C.P.R. Perera	Deputy Chairman – Independent, Non-Executive Director	Sgd
D.R. Madena	Chief Executive Officer - Executive Director	Sgd
S.S. Poholiyadde	Executive Director	Sgd
M. Kowdu K. Mohideen	Executive Director	
Anushman Rajaratnam	Non-Executive Director	Sgd
P.M.A. Sirimane	Independent Non – Executive Director	Sgd
G.K.B. Dasanayaka	Independent Non – Executive Director	Sgd
A.M. de S. Jayaratne	Independent Non – Executive Director	Sgd

6.2 DECLARATION BY THE COMPANY

We, Agarapatana Plantations Limited, having our Registered office at 53 1/1, Sir Baron Jayatilaka Mawatha, Colombo 1, hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Offer and the Company. Moreover, we confirm that Agarapatana Plantations Limited has no conflict of interest with the parties to the issue who are expected/considered to be independent.

An application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all of the Ordinary Voting Shares issued by the Company, and those Ordinary Voting Shares which are the subject of this Offer. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the Shares Offered.

The Common Seal of Agarapatana Plantations Limited is affixed hereto at Colombo on this 13th July 2023 in the presence of two Directors.

Sgd
Director

Sgd
Director

6.3 DECLARATION BY THE MANAGERS AND FINANCIAL ADVISORS TO THE OFFER

We, Capital Alliance Partners Limited of Level 5, "Millennium House", 46/58, Navam Mawatha, Colombo 02 hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and true disclosure of all material facts about the Offer and the Company and we have satisfied ourselves that the profit forecasts had been stated by the Directors after due and careful inquiry.

The Common seal of Capital Alliance Partners Limited is affixed on 13th day of July 2023 Colombo in the presence of two Directors.

Sgd
Director

Sgd
Director

ANNEXURES

ANNEXURE 1 – ACCOUNTANT’S REPORT AND FIVE-YEAR SUMMARY

Accountants' Report for Inclusion in the Prospectus on Proposed Issue of Ordinary Shares





EYB & Young
Chartered Accountants
201, De Saetera Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 266 2300
Fax (Gen): +94 11 269 7388
Fax (Tax): +94 11 557 8180
Email: ey@ey.com
ey.com

RdeS/VM/MRH

26 October 2022

The Board of Directors,
Agarapatana Plantations Limited,
No.53-1/1,
Sir Baron Jayathilaka Mawatha,
Colombo 01.

Accountants' report for inclusion in the prospectus on Proposed Issue of Ordinary Shares of Agarapatana Plantations Limited

Dear Sirs/Madams,

Introduction

This report has been prepared for the inclusion in the prospectus issued in connection with the initial public offering of Ordinary Voting Shares Agarapatana Plantations Limited.

We have examined the financial statements of Agarapatana Plantations Limited (the "Company") for the years ended 31 March 2018 to 31 March 2022 ("period"), and report as follows.

1. Incorporation

Agarapatana Plantations Limited is a limited liability company incorporated under Companies Act No 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) and domiciled in Sri Lanka. The principal activities of the company were the cultivation, manufacture, and sale of black tea.

The registered office and the principal place of business are situated at No.53-1/1, Sir Baron Jayathilaka Mawatha, Colombo 01 and Plantations are situated in the planting districts of Badulla and Nuwara Eliya.

2. Financial Information

2.1 Five Year Summary of Audited Financial Statements

A summary of Statements of Financial Position, Statements of Profit or Loss, Statements of Comprehensive Income, Statements of Changes in Equity, and Statements of Cash Flows of the Agarapatana Plantations Limited for the financial years ended 31 March 2018 to 31 March 2022, based on the audited financial statements are set out on **Appendix 01** to the Accountants' Report.

ANNEXURES



2.2 Audited Financial Statements for the year ended 31 March 2022

Our audit report on the Financial Statements for the year ended 31 March 2022 together with such financial statements comprising the Statement of Financial Position, Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies thereon is available on the Annexure of the Prospectus.

2.3 Audit Reports

We have audited the financial statements of the company for the years ended 31 March 2018 to 31 March 2022. Unmodified audit opinions have been issued for the said financial years, except year ended 2019/20, issued an emphasis of matter related to the going concern. Our reports dated 31 May 2018, 17 July 2019, 25 September 2020, 18 August 2021, and 09 August 2022 respectively.

2.4 Accounting Policies

The financial statements of the company for the years ended 31 March 2018 to 31 March 2022 comply with Sri Lanka Accounting Standards.

The accounting policies and changes in the accounting policies of the company are stated in detail in the audited financial statements of the company for the years ended 31 March 2018 to 31 March 2022.

2.5 Dividends

The company has not paid any dividends for the years ended 31 March 2018 to 31 March 2022.

2.6 Events after Reporting Date

There were no significant transactions or events after reporting date which requires adjustments or disclosure in the financial statements.

3. Restriction on Use

This report is made solely for the purpose of the Board of Directors of Agarapatana Plantations Limited for the inclusion in the prospectus issued in connection with the initial public offering of Ordinary Voting Shares of Agarapatana Plantations Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressee, for our audit work, for the report, or for the opinion we have formed. This report should not be used, circulated, quoted, or otherwise referred to any other purpose.

Yours faithfully,

Agarapatana Plantations Limited

Appendix #1

STATEMENT OF FINANCIAL POSITION
Five Year Summary

As at 31 March	2021/22	2020/21	2019/20	2018/19	2017/18
	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non Current Assets					
Right-of-use Assets	368,027,881	181,434,971	195,819,003	206,155,699	218,803,034
Freehold Property, Plant & Equipment	1,327,367,899	1,396,103,047	1,635,964,175	615,484,117	652,860,233
Bearer Biological Assets	2,225,310,018	2,215,530,646	2,232,860,902	2,338,677,920	2,225,065,611
Consumable Biological Assets	1,439,365,093	1,289,673,829	1,025,776,037	827,849,337	760,296,260
Other Non Current Financial Assets	1,170,000	31,118,822	77,220,497	185,609,584	186,416,728
	<u>5,361,440,891</u>	<u>5,333,865,310</u>	<u>5,166,980,617</u>	<u>4,173,316,657</u>	<u>4,043,841,916</u>
Current Assets					
Produce on Bearer Biological Assets	10,852,244	8,855,936	2,692,042	5,974,594	9,394,939
Inventory	473,853,608	515,934,251	426,703,466	506,041,559	607,222,307
Trade and Other Receivables	277,576,369	290,942,821	214,321,375	166,010,291	210,538,932
ESC Recoverable	-	-	-	61,842,446	50,420,309
Amounts due from Related Companies	421,265,461	379,453,925	12,499,438	51,542,825	34,833,161
VAT Recoverable	-	-	-	27,269,963	27,804,714
Short Term Investment	45,567,123	18,842,466	27,096,786	24,792,868	22,903,000
Cash & Bank Balances	47,788,036	124,628,054	51,455,680	64,624,309	170,843,804
	<u>1,276,902,841</u>	<u>1,348,667,452</u>	<u>744,702,768</u>	<u>808,098,855</u>	<u>1,133,336,155</u>
Total Assets	<u>6,638,343,732</u>	<u>6,682,532,762</u>	<u>5,911,683,385</u>	<u>5,081,415,511</u>	<u>5,177,181,071</u>
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	1,730,436,695	1,270,787,250	910,783,250	910,783,250	910,787,250
Fair Value Reserve of Financial Assets at FVOCI	(182,358,488)	(152,409,845)	(106,277,971)	(2,334,390)	(1,167,193)
Timber Reserve	1,319,130,778	1,177,034,352	921,591,957	733,538,942	675,233,100
Revaluation Reserve	777,051,919	811,192,701	851,698,192	-	-
Retained Profit/(Loss)	(2,013,929,409)	(2,652,841,515)	(2,586,364,851)	(1,174,976,786)	(931,809,510)
Total Equity	<u>1,630,381,515</u>	<u>653,763,241</u>	<u>31,234,378</u>	<u>466,995,017</u>	<u>653,043,645</u>
Non Current Liabilities					
Interest Bearing Loans & Borrowings	740,018,470	753,368,178	920,224,238	849,869,288	1,118,560,801
Retirement Benefit Obligations	1,129,937,707	1,557,998,881	1,531,478,560	1,341,107,480	1,172,007,334
Deferred Income	192,585,401	197,098,095	203,194,616	208,754,782	217,478,744
Liability to Make Lease Payment	123,912	127,970	129,872	142,381	144,809
Deferred Tax Liability	196,622,782	112,087,147	159,138,004	-	-
	<u>2,349,255,272</u>	<u>2,620,669,271</u>	<u>2,814,165,280</u>	<u>2,399,871,930</u>	<u>2,513,681,668</u>
Current Liabilities					
Interest Bearing Loans & Borrowings	457,355,120	573,466,758	515,321,809	347,728,179	187,365,774
Lease Liability	2,058	1,902	1,138,292	803	-
Trade and Other Payables	1,832,361,991	1,499,765,225	1,695,513,188	1,374,113,717	1,309,625,233
Dividend Payable	-	-	10,027,606	10,027,606	10,027,606
Amounts due to Related Companies	28,690,899	437,918,793	402,739,829	67,162,700	144,976,608
Income Tax Payable	24,300,700	36,871,712	12,652,091	12,652,091	52,872,755
Bank Overdraft	415,994,176	420,054,860	418,300,641	403,361,469	345,587,261
	<u>2,758,706,944</u>	<u>3,408,679,248</u>	<u>3,055,603,316</u>	<u>2,213,046,365</u>	<u>2,030,655,738</u>
Total Equity and Liabilities	<u>6,638,343,732</u>	<u>6,682,532,762</u>	<u>5,911,683,385</u>	<u>5,081,415,511</u>	<u>5,177,181,071</u>
Net Assets per Share	1.91	2.01	0.13	1.99	2.78

Net Assets per Share

1.91

2.01

0.13

1.99

2.78

Director - Finance

Summarised financial information and its extracted (from audited financial statements, as set out to pages 01 to 08) is the responsibility of the Board of Directors Signed for and on behalf of the Board of Directors by:

Director

Director

26 October 2022
Colombo

ANNEXURES

Agarapatana Plantations Limited		<i>Appendix #1</i>				
STATEMENT OF PROFIT OR LOSS						
Five Year Summary						
For the Year Ended 31 March	2021/22	2020/21	2019/20	2018/19	2017/18	
	Rs.	Rs.	Rs.	Rs.	Rs.	
Revenue	4,486,327,182	4,291,538,466	3,183,356,166	3,995,018,402	4,667,281,393	
Cost of Sales	(4,423,317,378)	(4,120,858,198)	(4,274,617,837)	(3,804,394,323)	(3,997,767,517)	
Gross Profit/ (Loss)	63,209,404	170,679,868	(1,091,261,671)	190,624,279	669,513,886	
Gain/(loss) on change in fair value of biological assets	158,117,372	269,955,747	197,794,763	54,865,497	103,800,583	
Other Income	158,365,199	87,490,802	56,114,245	48,988,930	76,788,338	
Administrative Expenses	(130,433,899)	(148,845,519)	(130,432,772)	(122,729,301)	(117,142,567)	
Finance Income	32,122,849	6,982,532	2,414,795	3,094,602	-	
Finance Cost	(271,434,029)	(250,833,197)	(284,822,038)	(277,726,131)	(191,074,997)	
Profit/ (Loss) Before Tax	99,968,806	135,436,293	(1,194,392,699)	(103,182,208)	541,939,644	
Income Tax Expense :	(32,673,542)	54,355,392	(17,541,384)	250,664	(31,491,459)	
Profit/ (Loss) for the year from continuing operations	67,295,264	189,791,685	(1,211,934,083)	(102,931,544)	510,448,184	
Earnings Per share	0.09	0.81	(5.16)	(0.44)	3.90	

Agarapatana Plantations Limited

Appendix 01

STATEMENT OF OTHER COMPREHENSIVE INCOME
Five Year Summary

For the Year Ended 31 March	2021/22 Rs.	2020/21 Rs.	2019/20 Rs.	2018/19 Rs.	2017/18 Rs.
Profit/(loss) for the year	27,822,254	189,595,885	(1,211,903,983)	(102,941,543)	511,469,184
Other Comprehensive Income					
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods					
Net (loss) / gain on financial assets at fair value through OCI	(29,948,822)	(46,151,674)	(105,921,381)	(1,167,195)	(1,167,195)
Tax Effect	-	-	-	-	-
	(29,948,822)	(46,151,674)	(105,921,381)	(1,167,195)	(1,167,195)
Revaluation Surplus on Buildings	-	-	900,336,739	-	-
Tax Effect	-	-	(338,648,543)	-	-
	-	-	561,688,196	-	-
Remeasurement gain/(Losses) on defined benefit plan	378,982,452	133,885,257	71,027,015	(81,939,891)	(128,991,214)
Tax Effect	(60,898,298)	(73,970,802)	(4,823,082)	-	-
	318,084,154	59,914,455	66,203,933	(81,939,891)	(128,991,214)
Net other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods	489,135,472	72,932,781	776,173,544	(82,107,086)	(128,142,414)
Other comprehensive income for the year, net of tax	489,135,472	72,932,781	776,173,544	(82,107,086)	(128,142,414)
Total comprehensive income for the year, net of tax	318,968,827	262,528,666	1,042,947,479	(186,048,629)	383,326,770

ANNEXURES

Appendix 09

Agaratapana Plantations Limited
STATEMENT OF CHANGES IN EQUITY
Five Year Summary

	Share Capital		Fair Value Reserve of Financial Assets at FVOCI		Timber Reserve		Revaluation Reserve		Retained Profit (Loss)		Total	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Balance as at 01 April 2017	662,987,249	-	-	-	570,407,035	-	-	-	(1,209,477,409)	-	28,710,879	-
Net Profit for the year	-	-	-	-	-	-	-	-	511,469,184	-	511,469,184	-
Other Comprehensive Income (Loss) for the year, net of tax	-	-	(1,167,195)	-	-	-	-	-	(128,075,270)	-	(1,335,392)	-
Gain on change in fair value of Consumable Biological Assets	-	-	-	-	107,267,418	-	-	-	(107,267,408)	-	-	-
Realised gain on Harvested Valuable Timber Trees	-	-	-	-	(2,541,834)	-	-	-	2,541,474	-	-	-
Issue of Shares	243,066,000	-	-	-	-	-	-	-	-	-	243,066,000	-
Balance as at 31 March 2018	910,787,249	-	(1,167,195)	-	678,233,109	-	-	-	(826,279,543)	-	653,943,665	-
Net Loss for the year	-	-	-	-	-	-	-	-	(102,941,543)	-	(102,941,543)	-
Other Comprehensive Income (Loss) for the year, net of tax	-	-	-	-	-	-	-	-	(81,979,891)	-	(81,979,891)	-
Gain on change in fair value of Consumable Biological Assets	-	-	-	-	58,285,842	-	-	-	(58,285,842)	-	-	-
Transfer of fair value reserve of equity instruments designated at	-	-	(1,167,195)	-	-	-	-	-	-	-	(1,167,195)	-
Balance as at 31 March 2019	910,787,249	-	(2,334,390)	-	735,518,942	-	-	-	(1,174,976,766)	-	666,995,017	-
Net Loss for the year	-	-	-	-	-	-	-	-	(1,211,933,983)	-	(1,211,933,983)	-
Other comprehensive income for the year, net of tax	-	-	(103,923,841)	-	-	-	-	-	26,308,033	-	(77,615,808)	-
Gain / (loss) on change in fair value of Consumable Biological Assets	-	-	-	-	201,077,315	-	-	-	(201,077,315)	-	-	-
Realised gain on harvested valuable timber trees	-	-	-	-	(13,004,300)	-	-	-	13,004,300	-	-	-
Balance as at 31 March 2020	910,787,249	-	(3,438,231)	-	921,591,957	-	811,608,192	-	(2,546,584,855)	-	11,214,578	-

Appendix B1

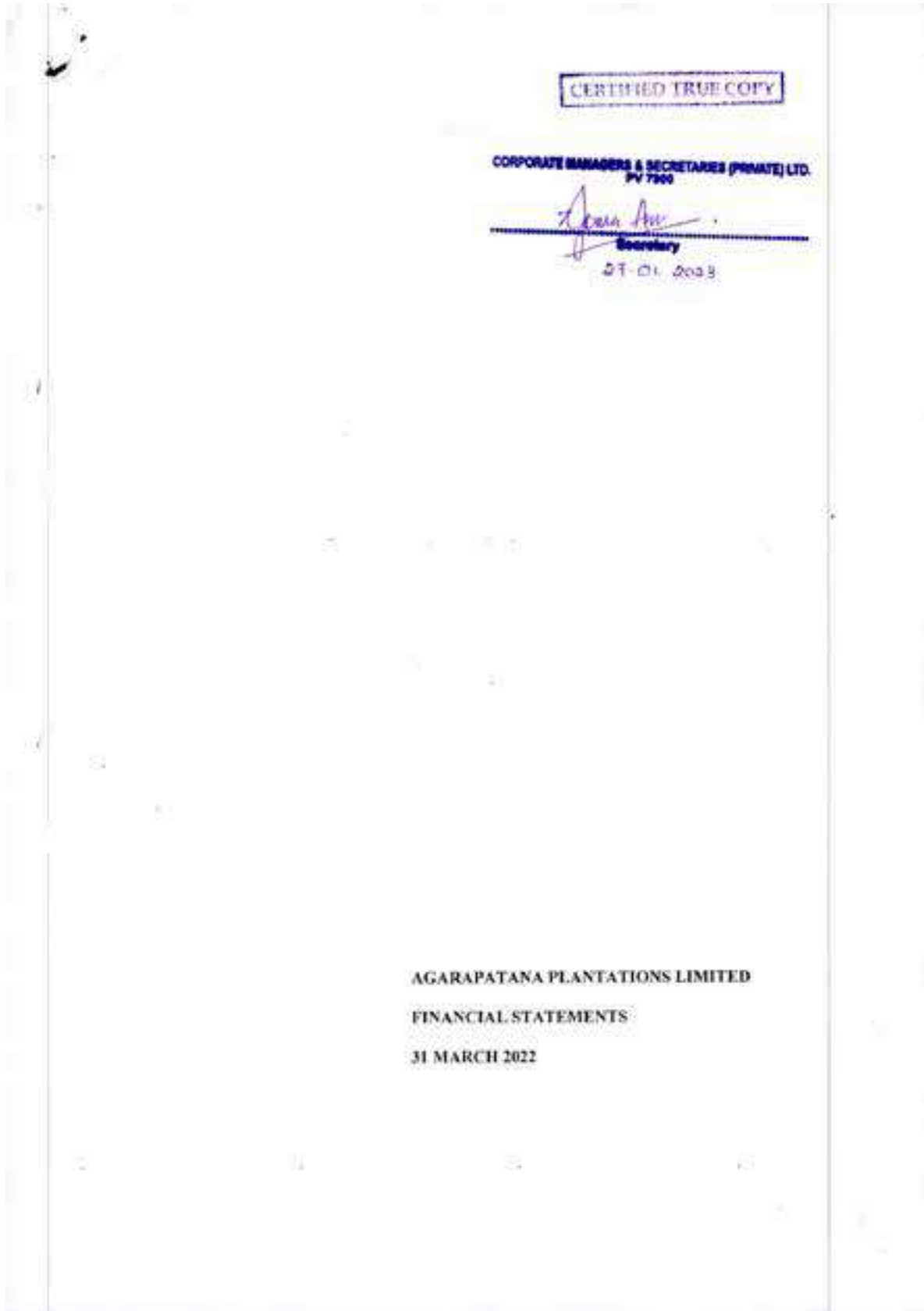
Aquaraputana Plantations Limited
STATEMENT OF CHANGES IN EQUITY (Contd....)
Five Year Summary

Net Profit / (Loss) for the year	-	-	-	-	189,595,885	189,595,885
Issue of shares	360,000,000	-	-	-	-	360,000,000
Other comprehensive income/ (loss) for the year, net of tax	-	(66,153,678)	-	-	119,084,955	72,932,781
Gains / (loss) on change in fair value of Consumable biological	-	-	263,791,854	-	(263,791,854)	-
Realised gains on harvested valuable timber trees	-	-	(8,349,359)	-	8,349,359	-
Transfer from Revaluation Reserve	-	-	-	(40,505,491)	40,505,491	-
Balance as at 31 March 2021	(1,703,787,240)	(152,409,645)	1,177,034,452	811,192,701	(2,452,841,515)	653,761,244
Net Profit / (Loss) for the year	-	-	-	-	27,833,354	27,833,354
Issue of shares	459,649,445	-	-	-	-	459,649,445
Other comprehensive income/ (loss) for the year, net of tax	-	(29,948,873)	-	-	519,684,295	489,735,472
Gains / (loss) on change in fair value of Consumable biological	-	-	556,123,064	-	(856,121,064)	-
Realised gains on harvested valuable timber trees	-	-	(19,024,738)	-	34,024,738	-
Transfer from Revaluation Reserve	-	-	-	(18,000,259)	38,000,259	-
Deferred Tax effect on Revaluation Reserve	-	-	-	3,999,477	(3,999,477)	-
Balance as at 31 March 2022	1,750,456,684	(182,358,468)	1,195,130,778	177,103,919	(2,617,925,469)	1,630,581,515

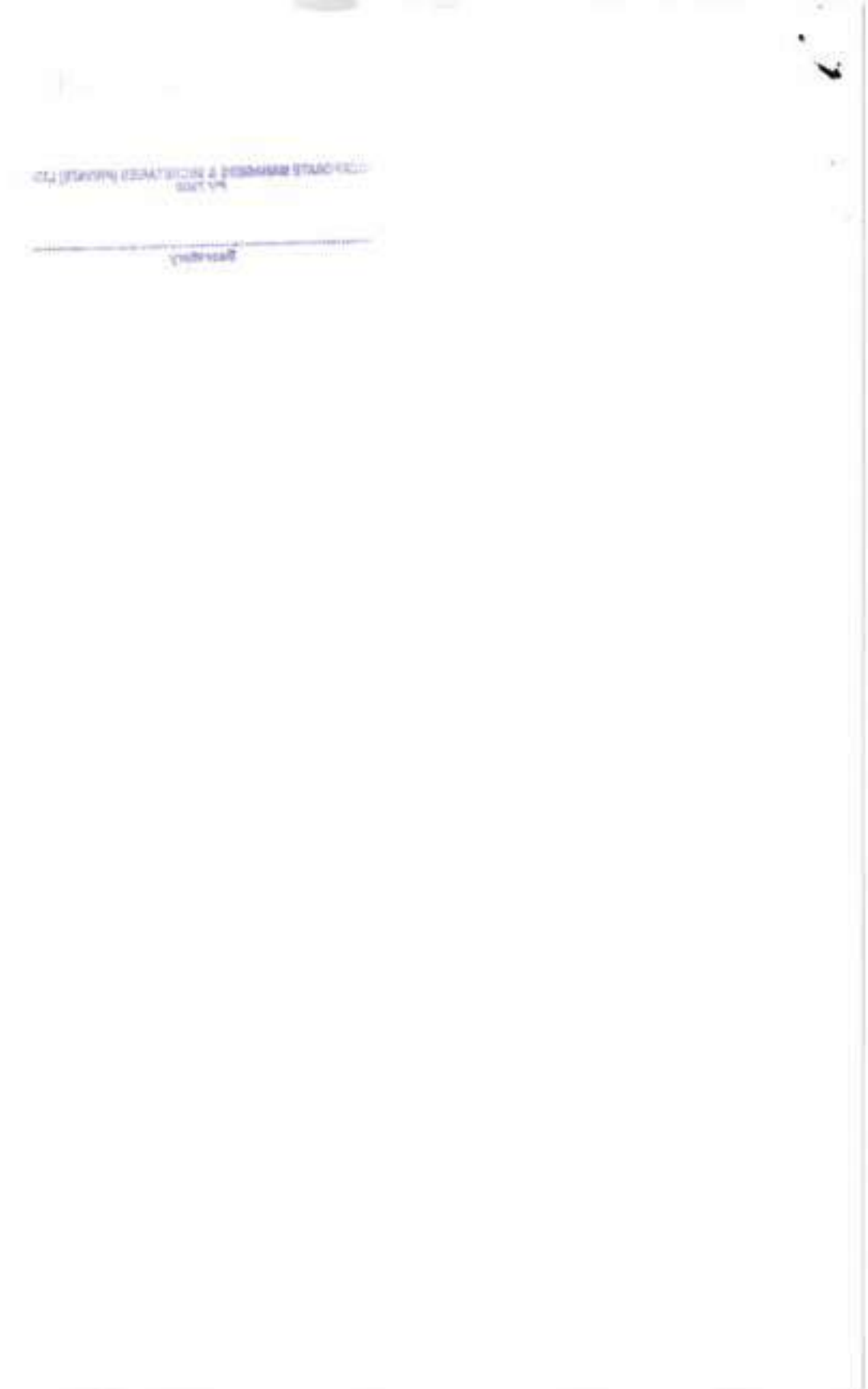
ANNEXURES

Agarapatana Plantations Limited		Appendix 01			
STATEMENT OF PROFIT OR LOSS					
Five Year Summary					
For the Year Ended 31 March	2021/22	2020/21	2019/20	2018/19	2017/18
	Rs.	Rs.	Rs.	Rs.	Rs.
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Net Profit / (Loss) before Taxation	99,006,996	135,430,203	(1,194,392,699)	(103,162,208)	541,020,644
Adjustments for:					
Interest Income	(32,122,609)	(6,982,332)	(2,414,793)	(3,004,602)	1080,024
Interest Expenses	221,474,029	250,831,197	284,822,058	277,726,331	191,039,397
Retiring Benefit Obligations - Provision	172,491,789	241,322,614	237,871,812	203,221,031	190,838,434
Depreciation	176,410,377	176,467,222	152,740,738	133,098,489	113,080,412
Amortisation	-	-	-	6,441,433	6,441,435
(Gain) / Loss on Fair Value of Biological Assets	(138,117,372)	(266,955,743)	(197,394,763)	(54,865,497)	(103,800,583)
Amortisation Capital Grants	(9,354,944)	(8,849,021)	(8,240,166)	(8,723,962)	(8,671,820)
Profit on Disposal of Property, Plant & Equipment	-	(3,291,600)	-	(2,043,478)	(6,473,913)
Profit from sale of Valuable Timber Trees	(766,362)	(9,849,921)	3,694,648	-	(7,965,973)
Profit from sale of other trees	-	-	-	(1,087,393)	(22,403,890)
Provision for Sundry Loss	45,634,659	61,394,615	99,233,265	24,195,808	81,881,962
Write off of unclaimed ESC Receivables	-	23,583,441	17,662,981	8,742,786	7,740,632
Write off of Bears Biological assets (stragglers)	-	-	94,713,324	-	-
Write back of Dividend Payable	-	(10,027,606)	-	-	-
Write back of Taxes Payable	(19,971,835)	-	-	-	-
Operating Profit before Working Capital Changes	442,584,818	381,083,953	(512,621,567)	438,508,677	983,046,640
(Increase) / Decrease in Inventories	42,080,643	(89,226,785)	79,334,093	101,180,748	(208,832,668)
(Increase) / Decrease in Trade & Other Receivables	(19,608,129)	(100,888,025)	23,138,334	44,529,631	(16,459,014)
(Increase) / Decrease in Amount due from Related Companies	(41,801,336)	(367,004,307)	39,083,407	(36,729,644)	(22,011,226)
(Increase) / Decrease in VAT Recoverable	-	-	-	5,677,322	9,738,361
Increase / (Decrease) in Trade & Other Payables	(79,348,261)	206,109,485	221,640,904	19,656,367	(370,356,803)
Increase / (Decrease) in Amount due to Related Companies	(409,227,894)	35,178,964	335,577,129	(77,813,968)	80,272,410
Cash Generated From Operations	687,320,359	264,253,087	186,361,300	515,009,573	405,347,902
Retiring Benefit Obligations - Payments	(25,190,590)	(82,147,036)	(14,478,717)	(119,150,257)	(161,920,688)
Interest Received	32,122,609	6,982,332	2,414,793	3,004,602	680,024
Interest Paid	(244,387,849)	(276,116,360)	(315,688,119)	(333,666,931)	(239,078,196)
NET PAID	(1,962,341)	(1,321,538)	(1,095,384)	-	(6,193,350)
Payments of Income Tax	(11,012,076)	(1,043,307)	-	-	-
Payment of VAT	(18,781,056)	(1,500,577)	(415,368)	(5,142,971)	(6,485,257)
Net Cash from/(used in) Operating Activities	(336,730,020)	(92,213,149)	(142,796,493)	82,033,217	(7,591,563)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Investment in Unquoted Shares	-	-	-	-	(182,348,000)
Proceeds from Sale of Property - Plant & Equipment	-	5,291,600	-	2,350,000	6,473,913
Investment in Field Development	(36,223,873)	(44,967,202)	(36,104,944)	(103,298,958)	(81,932,263)
Investment in Timber	(7,392,918)	(8,453,297)	(9,833,685)	(9,267,233)	(10,955,629)
Proceeds from Sale of Shares	-	-	4,455,836	-	1,862,466
Proceeds from Sale of Valuable Timber and other Trees	34,791,300	78,190,280	9,360,548	1,290,500	37,847,994
Purchase of Property - Plant & Equipment	(24,508,401)	(55,949,371)	(95,168,385)	(27,869,052)	(65,951,180)
Net Cash used in Investing Activities	(33,633,804)	(87,092,051)	(125,311,011)	(734,824,741)	(294,842,711)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Payments of Finance Leases	(1,902)	(1,138,292)	(4,035,947)	(30,798,214)	(31,049,271)
Grant Received	4,821,409	2,752,500	3,200,000	-	(259,961)
Grant Refunded	-	-	-	-	(493,000)
Proceeds from Issue of shares	499,649,443	360,000,000	-	-	-
Proceeds from Term Loans	349,558,033	101,500,000	581,838,710	186,400,000	846,248,759
Proceeds from Share Issue	-	-	-	-	211,000,000
Repayment of Term Loans	(478,817,221)	(210,411,172)	(338,729,134)	(264,576,481)	(378,459,752)
Net Cash from / (Used in) Financing Activities	335,209,753	282,303,034	242,275,629	(108,929,109)	644,574,686
Net Increase/(Decrease) in Cash and Cash Equivalents	(35,454,672)	72,793,835	(25,833,883)	(161,700,336)	342,340,810
Cash & Cash Equivalent at the beginning of the year	(267,184,340)	(339,778,175)	(317,944,292)	(152,243,956)	(494,394,372)
Cash & Cash Equivalent at the end of the year	(322,639,012)	(267,184,340)	(319,278,175)	(313,944,292)	(152,243,956)

ANNEXURE 2 – AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2022



ANNEXURES





Ernst & Young
Chartered Accountants
201, Se Sarani Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: ey@lk.ey.com
ey.com

RdeS/VM/MRH/AD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AGARAPATANA PLANTATIONS LTD

Report on The Audit of The Financial Statements

Opinion

We have audited the financial statements of Agarapatana Plantations Ltd (the company) which comprise the statement of financial position as at March 31, 2022 and the statement of profit or loss, 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 give a true and fair view of the financial position of the Company as at March 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

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

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

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

(Contd..2/)

Members: M.A. Jayasinghe FCA FOMA, B.N. de Silva ACA FOMA, M.A. de Silva FCA, W.H. de Silva FCA FOMA, M. T. de Silva FCA, M. R. de Silva FCA FOMA, N. H. Fernando ACA, N. H. Fernando ACA, M. S. P. Fernando FCA FOMA, M. L. H. H. Fernando FCA, S. H. Fernando ACA FOMA, J. P. A. Gunawardena FCA FOMA, J. H. Fernando FCA, U. H. Fernando FCA FOMA, J. R. Fernando FCA FOMA, A. A. J. Fernando ACA FOMA, M. P. V. Fernando FCA, M. S. Fernando FCA FOMA, S. E. Fernando FCA FOMA, C. E. Fernando ACA FOMA

Partners: M. J. de Silva BSc (Hons) MSc (C) CIP (Qualification) ACA, D. S. Kumudathilaka ACA, M. P. S. Perera ACA FOMA L.L.R. (Qualification) FPM (Qualification) FCA

A member firm of Ernst & Young Global Limited

ANNEXURES



Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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



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

Report on other legal and regulatory requirements

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

09 August 2022
Colombo

ANNEXURES

Agaratana Plantations Limited
STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

ASSETS	Note	2022 Rs.	2021 Rs.
Non Current Assets			
Right-of-use Assets	6	168,027,881	181,434,971
Freehold Property, Plant & Equipment	7	1,527,367,899	1,396,105,041
Deer Biological Assets	8	2,225,510,048	2,233,530,646
Consumable Biological Assets	9	1,439,365,093	1,289,675,629
Other Non Current Financial Assets	10	1,170,000	31,118,823
		<u>5,361,440,891</u>	<u>5,332,865,110</u>
Current Assets			
Produce on Deer Biological Assets	11	10,832,244	8,855,956
Inventories	12	473,833,008	515,954,231
Trade and Other Receivables	13	277,576,369	290,942,821
Amounts due from Related Companies	14	421,265,461	379,462,923
Short Term Investment		45,567,123	28,842,466
Cash & Bank Balances	15	47,788,036	124,628,854
		<u>1,276,902,841</u>	<u>1,348,667,451</u>
TOTAL ASSETS		<u>6,638,343,731</u>	<u>6,682,532,561</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	16	1,730,436,695	1,270,787,250
Fair Value Reserve of Financial Assets at FVOCI		(182,338,468)	(152,409,645)
Transfer Reserve		1,319,130,729	1,177,034,452
Revaluation Reserve	17	777,161,509	811,192,791
Retained Profit/(Loss)		(2,013,928,699)	(2,452,841,353)
TOTAL EQUITY		<u>1,630,361,865</u>	<u>653,763,245</u>
Non Current Liabilities and Deferred Income			
Interest Bearing Loans & Borrowings	18	740,018,470	753,168,178
Management Benefit Obligations	19	1,129,917,707	1,557,598,881
Deferred Income	20	192,565,401	197,098,065
Lease Liabilities	21	125,932	127,970
Deferred Tax Liability	29	186,627,782	112,092,147
		<u>2,249,255,272</u>	<u>2,600,090,271</u>
Current Liabilities			
Interest Bearing Loans & Borrowings	18	457,357,420	573,890,758
Lease Liabilities	21	2,078	1,902
Trade and Other Payables	22	1,832,341,991	1,939,363,223
Amounts due to Related Companies	23	28,690,899	437,518,793
Income Tax Payable		24,300,700	16,871,712
Bank Overdraft	15	415,994,176	420,654,860
		<u>2,758,706,944</u>	<u>3,408,679,248</u>
TOTAL EQUITY AND LIABILITIES		<u>6,638,343,731</u>	<u>6,682,532,763</u>
Net Assets per Share		3.91	2.90

These Financial Statements are in compliance with the requirements of the Companies Act No 07 of 2007.


M. K. Jayasinghe
Chief Financial Officer

The Board of Directors is responsible for these Financial Statements. Authorised and signed for and on behalf of the Board of Directors of Agaratana Plantations Ltd.


S. S. P. Perera
Director

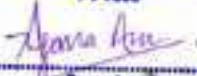

D. K. Madura
Director

CERTIFIED TRUE COPY

The Accounting Policies and Notes on Pages 09 through 14 form an integral part of the Financial Statements.



CORPORATE MANAGERS & SECRETARIES (PRIVATE) LTD.
PV 7908


Secretary

31.01.2023

Agarapatana Plantations Limited
STATEMENT OF PROFIT OR LOSS
 Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
Revenue	24	4,486,527,182	4,291,538,466
Cost of Sales		(4,423,317,778)	(4,120,858,598)
Gross Profit / (Loss)		63,209,404	170,679,868
Gain / (loss) on change in fair value of biological assets	11.2	158,117,372	269,955,747
Other Income	23	158,365,199	87,490,862
Administrative Expenses		(130,433,899)	(148,845,519)
Finance Income	26	32,122,849	6,982,532
Finance Cost	27	(221,474,029)	(250,833,198)
Profit / (Loss) Before Tax	28	59,906,896	135,430,292
Income Tax (Expense) / Reversal	29	(32,073,542)	54,165,592
Net Profit / (Loss) for the year		27,833,354	189,595,884
Earnings / (Loss) per Share	30	0.09	0.81

The Accounting Policies and Notes on Pages 09 through 54 form an integral part of the Financial Statements.



ANNEXURES

Agarapatana Plantations Limited
STATEMENT OF COMPREHENSIVE INCOME
 Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
Profit/(loss) for the year		27,833,354	189,595,885
Other Comprehensive Income / (Loss)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods			
Net Gain/ (loss) on financial assets at fair value through OCI	10.2	(29,948,823)	(46,151,674)
Tax Effect		(29,948,823)	(46,151,674)
Remeasurement gain/(loss) on defined benefit plan	19	579,982,453	133,055,257
Tax Effect		(60,898,154)	(13,970,802)
		519,084,295	119,084,455
Net other comprehensive income/ (loss) not to be reclassified to profit or loss in subsequent periods		489,135,472	72,932,781
Other comprehensive income / (loss) for the year, net of tax		489,135,472	72,932,781
Total comprehensive income / (loss) for the year, net of tax		516,968,827	262,528,666

The Accounting Policies and Notes on Pages 09 through 54 form an integral part of the Financial Statements.



Agarapatana Plantations Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2022

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020	910,787,250	(106,257,971)	921,591,957	851,698,192	(2,548,584,832)	33,234,578
Net Profit / (Loss) for the year	-	-	-	-	189,595,885	189,595,885
Issue of shares	360,000,000	-	-	-	-	360,000,000
Other comprehensive income/ (loss) for the year, net of tax	-	(46,151,674)	-	-	119,084,433	72,932,759
Gain / (loss) on change in fair value of Consumable biological assets	-	-	263,791,854	-	(263,791,854)	-
Realised gain on harvested valuable timber trees	-	-	(8,349,359)	-	8,349,359	-
Transfer from Revaluation Reserve	-	-	-	(40,505,491)	40,505,491	-
Balance as at 31 March 2021	1,270,787,250	(152,409,645)	1,177,034,452	811,192,701	(2,452,841,515)	653,763,244
Net Profit / (Loss) for the year	-	-	-	-	27,833,354	27,833,354
Issue of shares	459,649,445	-	-	-	-	459,649,445
Other comprehensive income/ (loss) for the year, net of tax	-	(29,948,823)	-	-	519,084,298	489,135,475
Gain / (loss) on change in fair value of Consumable biological assets	-	-	156,121,964	-	(156,121,964)	-
Realised gain on harvested valuable timber trees	-	-	(64,024,738)	-	14,024,738	-
Transfer from Revaluation Reserve	-	-	-	(38,090,259)	38,090,259	-
Deferred Tax effect on Revaluation Reserve	-	-	-	3,999,477	(3,999,477)	-
Balance as at 31 March 2022	1,730,436,695	(182,358,468)	1,319,130,714	777,101,919	(2,013,929,499)	1,630,381,515

The Accounting Policies and Notes on Pages 09 through 54 form an integral part of the Financial Statements.



ANNEXURES

Agarapatana Plantations Limited
STATEMENT OF CASH FLOWS
Year ended 31 March 2022

	Note	2022 Rs.	2021 Rs.
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Net Profit / (Loss) before Taxation		59,906,896	125,430,292
ADJUSTMENTS FOR			
Interest Income	26	(32,122,849)	(6,982,532)
Interest Expenses	27	221,474,629	250,833,197
Retirement Benefit Obligations - Provision	19	172,491,789	241,222,614
Depreciation	6,7,8	176,410,777	176,467,222
(Gain) / Loss on Fair Valuation of Biological Assets	11	(158,117,372)	(266,955,347)
Amortisation Capital Grants	25	(9,354,094)	(8,849,021)
Profit on Disposal of Property, Plant & Equipment	25	-	(3,291,600)
(Profit) / Loss from sale of Valuable Timber Trees	25	(766,762)	(9,840,921)
Provision for Surcharges		63,634,659	61,794,615
Write off of unclaimed ESC Receivables	13.1	-	23,583,441
Write back of Taxes Payable	8	(59,971,855)	-
Write back of Dividend Payable		-	(10,027,608)
Operating Profit / (Loss) before Working Capital Change		440,584,818	580,083,955
(Increase) / Decrease in Inventories		82,080,643	(89,226,785)
(Increase) / Decrease in Trade & Other Receivables		(19,698,129)	(100,888,025)
(Increase) / Decrease in Amount due from Related Companies		(81,801,536)	(367,004,507)
Increase / (Decrease) in Trade & Other Payables		(79,348,261)	206,109,485
Increase / (Decrease) in Amount due to Related Companies		(409,227,894)	35,178,964
Cash Generated From / (Used In) Operations		(67,320,359)	264,253,087
Retirement Benefit Obligations - Payments	19	(25,190,510)	(82,147,036)
Interest Received		32,122,849	6,982,532
Interest Paid		(244,587,179)	(276,110,360)
NBT Paid		(9,982,341)	(1,321,538)
Payment of Income Tax		(11,012,070)	(1,943,307)
Payment of VAT		(18,781,916)	(1,030,327)
Net Cash from/(used in) Operating Activities		(136,730,626)	(92,217,149)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant & Equipment		-	3,291,600
Investment in Field Development		(36,223,875)	(44,967,262)
Investment in Timber	9	(7,592,938)	(8,457,297)
Proceeds from Sale of Valuable Timber Trees		14,791,500	18,190,280
Purchase of Property, Plant & Equipment		(24,908,491)	(55,049,371)
Net Cash from/(used in) Investing Activities		(53,933,804)	(87,892,049)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Payment of Leases		(1,502)	(1,138,292)
Grants Received		4,821,400	2,752,500
Proceeds from Issue of shares		459,649,445	360,000,000
Proceeds from Term Loans		349,558,032	101,500,000
Repayment of Term Loans		(478,817,221)	(210,411,172)
Net Cash from / (Used in) Financing Activities		335,209,753	252,703,036
Net Change in Cash and Cash Equivalents		(55,434,677)	72,593,838
Cash and Cash Equivalents at the beginning of the year	A	(267,184,340)	(339,778,175)
Cash and Cash Equivalents at the end of the year	B	(322,619,017)	(267,184,340)



The above Statement and Notes on Pages 09 through 54 form an integral part of the Financial Statements.

Agarapatana Plantations Limited
STATEMENT OF CASH FLOWS
 Year ended 31 March 2022

	2022	2021
	Rs.	Rs.
NOTE A		
Cash & Cash Equivalent at the beginning of the year		
Short Term Investments	28,842,466	27,066,786
Cash in Hand	6,501,199	2,251,632
Cash at Bank	118,126,855	49,224,048
Bank Overdraft	<u>(420,654,860)</u>	<u>(418,309,641)</u>
	<u>(267,184,340)</u>	<u>(339,778,175)</u>
NOTE B		
Cash & Cash Equivalent at the End of the year		
Short Term Investments	45,567,123	28,842,466
Cash in Hand	1,299,030	6,501,199
Cash at Bank	46,489,006	118,126,855
Bank Overdraft	<u>(415,994,176)</u>	<u>(420,654,860)</u>
	<u>(322,639,017)</u>	<u>(267,184,340)</u>

The Accounting Policies and Notes on Pages 09 through 54 form an integral part of the Financial Statements.



ANNEXURES

Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2022

1. REPORTING ENTITY

1.1 Domicile and legal form

Agarapatana Plantations Limited is a limited liability company incorporated and domiciled in Sri Lanka. It was incorporated on June 22, 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. 53-1/1, Sir Baron Jayatilaka Mawatha, Colombo 01 and Plantations are situated in the planting districts of Badulla and Nuwara Eliya.

1.2 Principal activities and the nature of the operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of black tea.

1.3 Parent enterprise

The Company's immediate parent enterprise is Lankem Developments PLC.

1.4 Date of Authorization for issue

The Financial Statements of Agarapatana Plantations Limited for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the board of directors on 09 August 2022.

1.5 Responsibility for Financial Statements

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



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by The Financial Statements of the Company comprise the Statement of Financial Position, Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to Financial Statements.

The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than buildings, consumable biological assets, produce on bearer biological assets and financial instruments.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

That have been measured at fair value and where appropriate, specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 New accounting standards, interpretations and amendments adopted by the company

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31st March 2022.

- Amendments to LKAS 16 Property, Plant and Equipment: Proceeds before Intended Use.
- Amendments to SLFRS 9, LKAS 39, SLFRS7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – (“IBOR reform”)
- Amendments to LKAS 1 and LKAS 8 Definition of Material
- LKAS 41 Agriculture – Taxation in fair value measurements
- Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

2.4 Functional and Presentation Currency

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

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.



ANNEXURES

Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

2.6 Going Concern

These financial statements are prepared on the assumption that the company is a going concern, i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the company has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

However, as of the Statement of Financial Position date, the company's current liabilities exceeded its current assets by Rs. 1,481,804,104/- (2021 Rs. 2,060,011,795/-).

After reviewing the financial position and cash flow of the Company the Board of Directors are of the belief that the Company has adequate resources to continue company operation well into the foreseeable future.

The directors of the company are confident that the financial position of the company will significantly improve during the year 2022/23 as a result of the profitable performance achieved during last two years. The significant reduction in the working capital deficit by Rs.578 Mn during the current year is evident that the company was able to generate profitable cash flows. The fact that the tea industry strongly believe that the current prices will remain firm in the next year too and based on the following action plans appended below it could be fairly justified that the working capital position will be well improved in the near future.

- I. Company has successfully restructured the BOC loans, by utilizing the Escrow Reserve balance of Rs. 67Mn to settle a term loan of Rs. 47 Mn and the balance of Rs. 20 Mn was utilized for working capital purposes. Further, BOC granted a term loan facility of Rs. 75 Mn for the procurement of plucking machines towards the cost-effective improvements in harvesting.
- II. The management has committed to bring in significant savings in the cost of harvesting by introducing machine plucking, with an increase in the production at a reduced labour cost which accounts for 60% of the COP. In this regard the management has strategized for 30% of the plucking extent to be mechanized within the next two years.
- III. The Company has successfully implemented the first phase of the mechanized plucking during the year 2020/21, whereby almost 165 machines were already in operation.

Machine plucking operates by way of two pluckers per machine, harvesting at the rate of 35 to 50 Kgs per plucker per day, with a norm of 30 to 40 Kgs and the over kilos are paid at Rs.30/-, whereas manual plucking average is 18 Kgs per plucker with a norm of 18 Kgs and the over kilos are paid at Rs.40/- . The Company has lost a fair number of workers due to retirement etc and as such, currently the required plucking rounds cannot be undertaken due to shortage of workers, which will be mitigated by mechanized plucking.
- IV. The management's stringent operational policy on labour management has been successfully implemented and followed by the estate management during the year 2021/22, whereby each estate should maintain the total monthly wage bill to a maximum of 60% of revenue.
- V. The Board of Directors of Lankem Tea & Rubber Plantations (Pvt) Ltd, Managing Agents have decided to extend the moratorium placed on Management Fees for the coming financial year too.
- VI. Further during the year 2021/22, the related party debts amounting to Rs.459 Mn has been converted to equity capital to further strengthen the capital structure of the company.



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3.2 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be 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

- There is no right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3 Fair Value Measurement

The Company 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:

- Freehold property plant and equipment under revaluation model (Building) - Note 7
- Consumable biological assets - Note 9
- Produce on bearer biological assets - Note 11
- Financial Instruments (including those carried at amortized cost) Note 10

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 principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability



ANNEXURES

Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

The principal or the most advantageous market must be accessible by the Company.

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 Company 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 Company 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 buildings, Consumable biological assets, and significant liabilities, such as retirement benefit obligation. 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. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company 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.

3.4 Property Plant & Equipment's

3.4.1 Recognition and measurement

Property, Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of Property, Plant and Equipment are measured at cost (or at fair value in the case of buildings), less accumulated depreciation and accumulated impairment losses, if any.

3.4.2 Owned assets

The cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, 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



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized 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 recognized in the statement of profit or 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.

Buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The company's policy is to revalue Buildings once in every four years.

Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

3.4.3 Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right of use the underlying assets.

Short-term leases and leases of low-value assets

The Company does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low value assets.

3.4.3.1 Right-of-use assets

The company recognises right-of-use assets at the commencement date of the 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 assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives 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, as follows:

	No. of Years	Rate (%)
Motor Vehicles	5	20.00

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.



ANNEXURES

Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

a) **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:

	No. of Years	Rate (%)
Right to use of land	53	1.89
Improvements to land	30	3.33
Mature Plantations - Tea	30	3.33
Roads & Bridges	40	2.50
Buildings	25	4.00
Fences & Securities	20	5.00
Machinery	15	6.67
Water supply	20	5.00
Power Augmentation	20	5.00
Vested Tea	30	3.33

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.4.3.2 **Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and amounts expected to be paid under residual value guarantees. 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 Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Note 21 to the financial statements.

3.4.4 **De-recognition**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognised and gains are not classified as revenue.



Agarapatana Plantations Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

3.4.5 Land improvement cost

Permanent land improvement costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalized 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.

3.4.6 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 and other plantations are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea 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 recognizes the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.4.6.1 Bearer Biological Assets

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.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea) which comes into bearing during the year, is transferred to mature plantations.

3.4.6.2 Infilling Cost on Bearer Biological Assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with LKAS 16 and depreciated over the useful life at rates applicable to mature plantation.

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

3.4.6.3 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 in the Profit or Loss Statement.



ANNEXURES

Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in "LKAS 23 - Borrowing Costs."

Borrowing costs to be capitalised towards the field development activities are determined based on the effective borrowing rate applied to the average carrying amount of the qualifying immature asset (excluding interest). Effective borrowing rate is determined as a percentage of total borrowing costs over outstanding average borrowings. The capitalisation will cease when the crops are ready for commercial harvest.

The capitalisation rate of 8.3% (2021 - 9.51%) was used.

Borrowing Costs amounting to Rs.23,113,130⁽⁼⁾ (2021 - Rs. 25,277,163⁽⁼⁾) have been capitalised as part of the cost of the immature plantations.

3.4.6.4 Consumable Biological Assets

Consumable biological assets includes 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 are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 9.

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 profit or loss for the period in which it arises.

Impairments to Biological Assets are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.



Agrapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

3.4.6.5 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.

3.4.6.6 Produce on Bearer Biological Assets

In accordance with IFRS 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 recognized 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 (current month) less cost of harvesting & transport.

3.4.7 Depreciation and amortisation

(a) Depreciation

Depreciation is recognised in Income Statement 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/SLSJC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of Years	Rate (%)
Buildings	26	3.85
Roads	25	4.00
Plant & Machinery	13 1/3	7.50
Motor Vehicles	5	20.00
Equipment	8	12.50
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00
Mature Plantations (Replanting and New Planting)		
	No. of Years	Rate (%)
Mature Plantations - Tea	33 1/3	3.00
Rubber	20	5.00
Cinnamon	25	4.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognized. 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 lower.

No depreciation is provided for immature plantations.



ANNEXURES

Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

3.5 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.

3.5.1 Financial assets

3.5.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 Company'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 recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, investments, trade and other receivables, available for sale financial assets.

3.5.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized 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 derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized 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 principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Asset at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.



Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

b) Financial assets at fair value through OCI (debt instruments)

The Company 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 principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

c) Financial assets at fair value through OCI

Upon initial recognition, the Company 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 Company 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 Company's financial assets fair value through OCI includes investments in quoted and unquoted shares which included under other non-current financial assets.

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 principal 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.

3.5.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or



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- The Company 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 Company has transferred substantially all the risks and rewards of the asset; or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

3.5.1.4 Impairment of financial assets

The Company recognizes 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 Company 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 recognized 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).

3.5.2 Financial Liabilities

3.5.2.1 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.



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3.5.2.2 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 recognized in the statement of profit or loss.

b) Financial instruments at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, and amounts due to related parties.

3.5.2.3 Derecognition

A financial liability is derecognized 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 or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

3.5.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 36.

3.6 Inventories

a) Finish goods manufactured from agricultural produce of biological assets

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

b) Input materials, Spares and consumables

At average cost.

c) Growing Crop Nurseries

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.



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3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and deposits Bank overdrafts that are repayable on demand form and integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.8 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (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 Company 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. 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 Company 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.

3.9 Liabilities and provisions

Provisions are recognised when the Company 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 Company 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 Profit or Loss Statement net of any reimbursement.



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3.10 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' 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 recognized 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 19.

3.11 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

3.12 Events occurring after the reporting period

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.

3.13 Earnings per share

The Company 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.



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3.14 Deferred income - Grants and subsidies

Government grants are recognized 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 recognized 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 recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Company 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.

3.15 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 Company's performance.

3.15.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 obligations.

The Company is in the business of cultivation, manufacture and sale of black tea (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

Revenue from contract with customers

Sale of Plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea produce is sold at the Colombo Tea 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.

There is no element of financing present as the Company'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.

3.15.2 Other Source of Revenue

Revenue recognition criteria for the other source of income as follows;

• **Rental Income**

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

• **Dividend Income**

Dividend income is recognized when the right to receive payment is established.



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• **Interest Income**

Interest income is recognized based on effective interest method.

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

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

3.15.3 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue as arriving at the profit or loss for the year.

3.15.4 Financing income and finance cost

Finance income comprises interest income on funds invested. Interest income is recorded using the Effective Interest Rate (EIR) method.

Finance expenses comprise interest payable on borrowing. 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 payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.15.5 Taxes

3.15.5.1 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 Company 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.

3.15.5.2 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.



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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.

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.

3.16 Statement of cash flow

The Statement of Cash Flow has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows, 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 Cash Flow Statement.

3.17 Segment reporting

Segmental information is provided for the different business segments of the company. An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components.

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 company 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.



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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.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstance. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period 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 company 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 01 April 2019 and Agro processing is liable at 14%. Accordingly, where applicable, the company 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 (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the inland revenue (Amended) bill issued on 18.03.2021, company is identified Separately business income 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 2021 as Agro farming and Agro processing for the deferred tax purpose.

The details of deferred tax computation is given in Note 29.4 to the Financial Statements.

4.3 Retirement benefit obligations

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.



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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 19.

4.4 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different 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 the fair value of biological assets. All assumptions are reviewed at each reporting period. Key assumptions and sensitivity analysis of the biological assets are given in Note 9.

4.5 Bearer Biological assets

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.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets which comes into bearing during the year, is transferred to mature plantations.

4.6 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

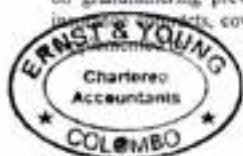
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, 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.

5. SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) 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 Company's financial statements are disclosed below. The Company 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 (SLFRS 4) 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,



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- 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 2023, 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 company.

5.2 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the company.

5.3 Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the company.

5.4 Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the company.



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6. RIGHT-OF-USE ASSETS		2022	2021
		Rs.	Rs.
Right-of-use assets-Land	6.1	149,578,031	156,081,424
Right-of-use assets-Immovable Leased Biener Biological Assets	6.2.1	17,233,377	23,241,723
Right-of-use assets- Other Property, Plant and Equipment	6.2.2	1,216,473	1,414,907
Right-of-use assets - Motor vehicles	6.2.3	-	697,817
		<u>168,027,881</u>	<u>181,434,971</u>

6.1 Right-of-use assets - Land

"Right of use asset - Land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, above "Right-To-Use of Land on Lease" has accounted in accordance with such standard. "Right of use asset - Land" have been executed for all estates for a period of 53 years.

This Right-of-use assets - Land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets.

	2022	2021
	Rs.	Rs.
Cost		
At the beginning of the year	341,588,181	341,588,181
At the end of the year	<u>341,588,181</u>	<u>341,588,181</u>
Amortization		
At the beginning of the year	185,506,758	179,003,365
Amortization for the year	6,503,393	6,503,393
At the end of the year	<u>192,010,151</u>	<u>185,506,758</u>
Written Down Value	<u>149,578,031</u>	<u>156,081,424</u>

6.2 Right-of-use assets - Immovable Assets

At the time of privatization of plantation estates, all immovable assets in these estates (Note 6.2.1 and Note 6.2.2) have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, these assets have accounted in accordance with such standard with effect from 01 January 2019.



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6. RIGHT-OF-USE ASSETS (Contd...)
 6.2.1 Right-of-use non-immovable leased assets (Biological Assets)

Cost	Coffee, Pepper, Cardamom	Minority Participation	Valued Fee	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	315,380	476,092,060	8,272,261	480,280,341	183,370,872
Additions	-	5,507,893	43,293	6,058,346	6,508,286
As at 31 March	315,380	481,599,953	8,315,554	486,338,687	189,879,158
At the beginning of the year	-	176,217,142	3,962,478	180,179,620	143,279,872
At the end of the year	-	4,507,893	43,293	5,000,346	6,508,286
Written Down Value	315,380	477,092,060	8,272,261	480,280,341	183,370,872

Note: Investment in plantation assets which were immovable at the time of landing over to the Company by way of sales (some are shown under investment plantations (created as at 21st Dec, 1992)). However, over time all such investments in plantation plantations attributable to IEDS/SLSPC joint have been transferred to Minority Participants. These assets are being classified as leased biological assets in terms of IAS 19 - Property, Plant & Equipment. The carrying value of the leased biological assets based on IEDS/SLSPC is recognized at our best accounting. Further investments in such plantations to bring them to long term is mainly as shown in Note 5B.

6.2.2 Right-of-use non-immovable Leased Assets (other than land and leased biological assets)

Cost	Improvements in Land	Timbered Land	Buildings	Power and Services	Machinery	Water Supply	Other Leased Assets	2022	2021
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	1,806,207	997,394	977,397	48,178	8,201,289	6,116,249	30,309	95,126,718	85,126,218
Additions	3,485,907	997,394	977,397	48,178	8,201,289	6,116,249	30,309	83,126,718	83,110,132
As at 31 March	5,292,114	1,994,788	1,954,794	96,356	16,402,578	12,232,498	60,618	178,253,436	168,236,350
At the beginning of the year	5,185,219	-	487,002	48,178	8,201,289	6,116,249	971,614	82,712,219	82,714,117
At the end of the year	186,895	-	14,792	48,178	16,199	-	-	197,214	197,239
Depreciation for the year	5,311,219	-	507,792	48,178	8,211,289	6,116,249	971,614	83,908,795	83,712,251
As at 31 March	45,134	997,394	1,447,002	-	-	-	-	5,216,473	1,414,087
Written Down Value	5,246,979	1,994,788	1,461,796	96,356	16,385,289	12,232,498	60,618	173,036,963	166,822,263

6.2.3 Right-of-use assets - Motor vehicles

Cost	2022	2021
	Rs.	Rs.
At the beginning of the year	8,375,818	8,375,818
At the end of the year	8,375,818	8,375,818
At the beginning of the year	7,675,991	6,881,131
At the end of the year	6,976,117	7,675,991
Written Down Value	8,375,818	7,675,991
	-	697,827



ANNEXURES

Agaratana Plantations Limited
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 Year ended 31 March 2022

5. FREEHOLD PROPERTY, PLANT & EQUIPMENT

Cost or Valuation	Buildings of Valuation		Water Supply		Plant & Machinery		Motor Vehicles		Equipment & Tools		Furniture & Fittings		Boats		Capital Work in Progress		Total 2021		Total 2022			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Balance as at 1 April 2021	1,420,372,460	84,345,285	468,491,321	357,849,838	78,726,622	9,283,271	68,314,689	7,040,555	2,794,557	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	2,476,424,441	
Additions	12,412,165	-	3,680,000	264,072	7,728,516	129,998	-	-	-	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	31,543,648	
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 March 2022	1,432,784,625	84,345,285	472,171,321	358,113,910	86,455,138	9,413,270	68,314,689	7,040,555	2,794,557	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	2,507,968,089	
Accumulated Depreciation																						
Balance as at 1 April 2021	66,290,668	99,181,081	335,587,444	311,076,838	64,546,542	8,662,389	34,534,296	-	-	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	880,339,486	
Charge for the year	31,274,889	3,471,536	20,371,012	12,790,800	2,827,678	335,123	2,772,568	-	-	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	65,643,833	
On disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at 31 March 2022	97,565,557	102,652,617	355,958,456	323,867,638	87,373,820	8,997,512	37,306,864	-	-	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	946,027,319	
Carrying Value	1,335,219,068	71,692,668	116,212,865	325,246,272	77,681,318	1,415,752,571	30,007,825	7,040,555	2,794,557	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	
As at 31 March 2021	1,354,083,122	24,844,004	112,964,907	46,773,028	15,180,046	781,191	34,780,293	-	-	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924	973,983,924
As at 31 March 2022	1,335,219,068	71,692,668	116,212,865	325,246,272	77,681,318	1,415,752,571	30,007,825	7,040,555	2,794,557	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	1,561,940,770	



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

7. FREEHOLD PROPERTY, PLANT & EQUIPMENT (Contd.)

7.1. Fair Value Hierarchy

7.1.1 Accounting Judgements, Estimates and Assumptions related to Revaluation of Buildings

The Company measures buildings at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of changes in equity. The Company engaged an independent valuation specialist to determine fair value of buildings as at 31 December 2019.

The Buildings on leasehold land were revalued by Mr. A.A.M Fathima, Chartered Valuation Surveyor as of 31 December 2019 and the results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of gross replacement cost (GRC). Fair value is determined by reference to market based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

Information on fair value measurement on building as at 31 March 2020 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2020	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Buildings	1,377,072,100	Cost Approach	Estimated price per square foot	Rs.665/- per square foot	Positively correlated sensitivity

7.1.2 The carrying amount of revalued buildings, if they were carried at cost less depreciation, would be as follows:

	2022 Rs.	2021 Rs.
Cost	516,688,216	516,688,216
Accumulated depreciation	(148,709,982)	(135,792,777)
Carrying value	<u>367,978,234</u>	<u>380,895,439</u>

7.1.3 The cost of fully depreciated assets, but still in use of the company amounts to Rs 582 million as of 31 March 2022 (As at 31 March 2021 - Rs. 560 million).



ANNEXURES

Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 For the Year ended 31 March 2022

8. CONSUMABLE BIOLOGICAL ASSETS (Contd.)

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relation of Unobservable Inputs to Fair Value
			2021	2020	
Consumable Biological Asset	Discounted Cash Flow Method	Discount Rate	Age to harvest 5 years or below - 10%	Age to harvest 5 years or below - 10.7%	The higher the discount rate, the lower the fair value
			Age to harvest 6 to 11 years - 11%	Age to harvest 6 to 11 years - 11.7%	
			Age to harvest 12 years or above - 12%	Age to harvest 12 years or above - 12.7%	
		Optimum rotation (Maturity)	25 years	25 years	Lower the rotation period, the higher the fair value
Volume at rotation	19.4 - 33.5 cu ft	19.4 - 33.5 cu ft	The higher the volume, the higher the fair value		
Price per cu ft	Rs.250/- to Rs.1,100/-	Rs.205/- to Rs.850/-	The higher the price per cu ft, the higher the fair value		

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

The biological assets of the company are mainly cultivated in forest lands. When measuring the fair value of the biological assets it was assumed that these ecosystems can and will be renewed at normal circumstances. Timber content expected to realize in future included in the calculation of the fair value takes into account the age of the timber plants and not the expiration date of the lease.

8.2 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 price applied. Simulations made for timber trees show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Rs. +10%	Rs. +10%
As at 31 March 2022	(144,287,343)	144,087,343
As at 31 March 2021	(128,967,501)	128,567,343

Sensitivity variation - discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Rs. +1%	Rs. +1%
As at 31 March 2022	18,399,066	(76,115,006)
As at 31 March 2021	54,395,798	(91,568,187)

The carrying amount of biological assets pledged as securities for facilities per 54 for the year (2021 - 2022)
 There are no commitments for the development or acquisition of biological assets.

Agarapattana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2022

8. CONSUMABLE BIOLOGICAL ASSETS (Contd.)

INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Net Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relation of Unobservable Inputs to Fair Value
			2022	2021	
Consumable Biological Assets	Discounted Cash Flow Method	Discount Rate	Age to harvest 5 years or below - 10%	Age to harvest 5 years or below - 10.5%	The higher the discount rate, the lower the fair value.
			Age to harvest 6 to 12 years - 12%	Age to harvest 6 to 12 years - 11.5%	
			Age to harvest 13 years or above - 20%	Age to harvest 13 years or above - 21.5%	
		Optimum rotation (Maturity)	23 years	25 years	Lower the rotation period, the higher the fair value.
		Volume of rotation	19.4 - 88.5 cu ft	22.4 - 88.5 cu ft	The higher the volume, the higher the fair value.
		Price per cu ft	Rs.336/- to Rs.1,161/-	Rs.255/- to Rs.366/-	The higher the price per cu ft, the higher the fair value.

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

The biological assets of the company are mainly cultivated in forest lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber owners expects to realize its future included in the calculation of the fair value takes into account the age of the timber plants and not the expiration date of its lease.

9.2 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 rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Rs. -10%	Rs. +10%
As at 31 March 2022	(144,287,243)	144,287,243
As at 31 March 2021	(128,967,283)	(128,967,283)

Sensitivity variation - discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Rs. -1%	Rs. +1%
As at 31 March 2022	14,389,566	(34,124,006)
As at 31 March 2021	34,186,788	(34,268,182)

The carrying amount of biological assets pledged as securities for facilities are Nil for the year (2021 - Nil). There are no commitments for the development or acquisition of biological assets.



ANNEXURES

Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

10. OTHER NON CURRENT FINANCIAL ASSETS

10.1 Financial assets at fair value through OCI

	Holding Percentage	No. of Shares as at 31/03/2022	2022 Rs.	2021 Rs.
Investment in quoted companies				
Betevale Resorts PLC	0.22%	1,200,000	1,170,000	1,040,000
Investment in unquoted companies				
Unsur Commodities (Pvt) Ltd	15%	1,200,000	-	30,078,823
Total financial assets at fair value through OCI			<u>1,170,000</u>	<u>31,118,823</u>
10.2 Net (loss) / gain on financial assets at fair value through OCI			<u>(29,948,823)</u>	<u>(46,151,674)</u>

10.3 Fair Value Hierarchy for financial assets at fair value through OCI

Financial Asset Type	Date of Valuation	Level 1	Level 2	Level 3
		(Quoted prices in active markets) Rs.	(Significant observable inputs) Rs.	(Significant unobservable inputs) Rs.
Investment in quoted equity shares	31-Mar-22	1,170,000	-	-
Investment in unquoted equity shares	31-Mar-22	-	-	-
Total		<u>1,170,000</u>	<u>-</u>	<u>-</u>
Investment in quoted equity shares	31-Mar-21	1,040,000	-	-
Investment in unquoted equity shares	31-Mar-21	-	30,078,823	-
Total		<u>1,040,000</u>	<u>30,078,823</u>	<u>-</u>

11. PRODUCE ON BEARER BIOLOGICAL ASSETS

	2022 Rs.	2021 Rs.
As at 1st April	8,855,930	2,692,042
Change in fair value less cost to sell	1,996,308	6,163,893
As at 31st March	<u>10,852,244</u>	<u>8,855,930</u>

11.1 Fair Value Hierarchy for Non Financial Assets

Non Financial Asset Type	Date of Valuation	Level 1	Level 2	Level 3
		(Quoted prices in active markets) Rs.	(Significant observable inputs) Rs.	(Significant unobservable inputs) Rs.
Produce on Bearer Biological Assets	31-Mar-22	-	10,852,244	-
Produce on Bearer Biological Assets	31-Mar-21	-	8,855,930	-

11.2 Gain/(Loss) on Changes in Fair Value of Biological Assets

	2022 Rs.	2021 Rs.
Gain/(loss) arising from Consumable Biological Assets - Note 9	156,121,064	263,793,854
Gain/(loss) arising from Produce on Bearer Biologic Assets - Note 11	1,996,308	6,163,893
Total Change in Fair Value of Biological Assets	<u>158,117,372</u>	<u>269,957,747</u>



Agarapatana Plantations Limited
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 Year ended 31 March 2022

12. INVENTORIES	2022	2021
	Rs.	Rs.
Input Materials	114,587,358	62,142,085
Nurseries	5,791,650	13,321,886
Produce Tea	323,444,451	406,974,269
Spares & Consumables	30,030,149	31,496,011
	<u>473,853,608</u>	<u>515,934,251</u>
13. TRADE & OTHER RECEIVABLES	2022	2021
	Rs.	Rs.
Trade Debtors	109,840,835	80,711,982
Employee Related debtors	55,728,912	65,308,703
Deposits, Advances & Prepayments	21,080,468	34,852,171
Other Debtors	51,328,564	56,478,973
ESC Recoverable	-	32,974,418
VAT Recoverable	44,600,868	25,819,852
	<u>282,779,647</u>	<u>296,146,099</u>
Less: Provision for Impairment	(5,203,278)	(5,203,278)
	<u>277,576,369</u>	<u>290,942,821</u>
13.1 Economic Service Charge (ESC) Recoverable	2022	2021
	Rs.	Rs.
At the beginning of the year	32,974,418	56,557,859
Less:		
Written off during the year	(32,974,418)	(23,583,441)
At the end of the year	<u>-</u>	<u>32,974,418</u>
14. AMOUNTS DUE FROM RELATED COMPANIES	2022	2021
	Rs.	Rs.
Marawila Resorts PLC	-	133,517
Sherwood Holidays Ltd	14,170,734	13,158,857
Waverly Power (Pvt) Ltd	565,695	1,140,626
Consolidated Tea Plantations Ltd	396,439,799	365,030,926
Kotagala Plantations PLC	8,087,124	-
Lankem Tea and Rubber Plantations (Pvt) Ltd	2,002,109	-
	<u>421,265,461</u>	<u>379,463,925</u>



ANNEXURES

Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

15. CASH AND BANK BALANCES	2022	2021
	Rs.	Rs.
Favorable cash and bank balances		
Cash at Bank	42,059,796	118,126,855
Cash in Hand	1,299,030	1,040,415
Cash in Transit	4,429,210	5,460,784
	<u>47,788,036</u>	<u>124,628,054</u>
Unfavorable bank balances:		
Bank Overdraft	415,994,176	420,654,860
	<u>(368,206,140)</u>	<u>(296,026,806)</u>
16. STATED CAPITAL	2022	2021
Value of Issued and Fully Paid Shares	Rs.	Rs.
At the beginning of the year	1,270,787,250	910,787,250
Value of ordinary shares issued under Private Placement	459,649,445	360,000,000
At the end of the year	<u>1,730,436,695</u>	<u>1,270,787,250</u>
	No. of Shares	No. of Shares
Ordinary shares at the beginning of the year	325,000,000	235,000,000
Issue of ordinary shares issued Private Placement	91,929,889	90,000,000
Ordinary shares at the end of the year	<u>416,929,889</u>	<u>325,000,000</u>
Golden Share held by the Treasury which has special rights	<u>1</u>	<u>1</u>
17. REVALUATION RESERVE	2022	2021
	Rs.	Rs.
At the beginning of the year	811,192,701	851,698,192
Transfer to retained earnings	(34,090,782)	(40,505,491)
At the end of the year	<u>777,101,919</u>	<u>811,192,701</u>

The above revaluation reserve consists of net surplus resulting from the revaluation of buildings as described in Note 7 to these financial statements. This unrealised amount cannot be distributed to shareholders.



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
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18. INTEREST BEARING LOANS & BORROWINGS

Description	Repayable	Repayable	Repayable	Repayable	Total As At	Total As At	Facility Details (Note 18.4)
	within 1 Year	within 2-5 Years	after 5 Years	after 1 year	31.03.22	31.03.23	
	Ru.	Ru.	Ru.	Ru.	Ru.	Ru.	
18.1 Long Term Loans							
Bank of Ceylon - Ru. 252.9 M	-	-	-	-	-	42,534,766	
Bank of Ceylon - Ru. 200 M	50,000,004	33,223,228	-	53,733,326	81,133,324	178,313,316	I
Foreign Lending & Finance PLC - Ru. 83.9 M	4,086,281	1,743,287	-	1,743,287	3,832,498	5,991,665	II
Commercial Bank of Ceylon PLC - Ru. 202.0 M	18,756,000	126,992,478	-	138,988,878	151,637,416	164,262,458	III
Sri Lanka Tea Board - Ru. 40 M	-	-	-	-	-	11,538,424	
Sri Lanka Tea Board - Ru. 80 M	2,233,413	-	-	-	2,233,413	23,449,813	IV
Sampath Bank PLC - Ru. 100 M	97,300,000	208,340,000	-	208,340,000	201,420,000	403,638,000	V
Seylan Bank PLC - Ru. 80 M	6,030,000	24,605,544	-	34,645,144	40,608,544	44,518,544	VI
Bank of Ceylon - Ru. 250 M	40,646,000	136,342,000	-	136,342,000	136,905,000	218,000,000	VII
Bank of Ceylon - Ru. 30 M	12,121,218	27,272,728	-	27,272,728	39,393,936	58,000,000	VIII
People's Lending & Finance PLC - Ru. 1.22 M	2,936,849	-	-	-	2,936,849	3,973,824	IX
People's Lending & Finance PLC - Ru. 9.64 M	3,408,650	-	-	-	3,808,650	7,041,274	X
People's Lending & Finance PLC - Ru. 1.02 M	2,244,844	-	-	-	2,244,844	3,871,313	XI
People's Lending & Finance PLC - Ru. 4.27 M	2,343,741	-	-	-	2,343,741	4,492,337	XII
Seylan Merchant Bank PLC - Ru. 21 M	-	-	-	-	-	14,928,699	
Seylan Merchant Bank PLC - Ru. 21 M	-	-	-	-	-	14,675,515	
Bank of Ceylon - Ru. 21 M	17,929,232	2,988,222	-	2,988,222	26,917,354	-	XIII
Bank of Ceylon - Ru. 72 M	18,174,794	34,622,003	-	34,622,003	72,236,737	-	XIV
Bank of Ceylon - Ru. 18 M	17,192,027	24,276,179	-	24,276,179	48,771,237	-	XV
Bank of Ceylon - Ru. 1.0 M	3,160,782	62,366,255	-	65,188,218	13,476,607	-	XVI
Bank of Ceylon - Ru. 1.8 M	3,273,898	583,396	-	583,396	1,828,998	-	XVII
Bank of Ceylon - Ru. 7 M	-	7,838,000	-	7,838,000	7,938,000	-	XVIII
Sampath Bank PLC - Ru. 50 M	30,868,825	-	-	-	30,868,825	-	X
Sampath Bank PLC - Ru. 30 M	27,405,498	-	-	-	27,405,498	-	XX
Sampath Bank PLC - Ru. 6 M	138,629	-	-	-	138,629	-	XIII
Sampath Bank PLC - Ru. 0.9 M	511,147	-	-	-	511,147	-	XXII
Seylan Bank PLC - Ru. 4 M	2,146,223	-	-	-	2,146,223	-	XXIII
Seylan Bank PLC - Ru. 2 M	1,902,400	141,349	-	141,349	2,446,145	-	XXIV
Seylan Bank PLC - Ru. 4.4 M	4,467,438	-	-	-	4,467,438	-	XXV
Seylan Merchant Bank PLC - Ru. 43 M	9,741,981	51,489,421	-	53,889,421	53,671,224	-	XXVI
	422,602,120	740,628,470	-	740,628,470	1,162,620,190	1,222,311,669	
18.2 Short Term Loans							
Juba Kanta PLC - Short Term Loan II	3,000,000	-	-	-	3,000,000	-	XXVII
Fishes and Walkers Tea Brokers (Pvt) Ltd - Ru. 80 M	-	-	-	-	-	13,000,000	
Fishes and Walkers Tea Brokers (Pvt) Ltd - Ru. 20 M	-	-	-	-	-	22,940,000	
Fishes and Walkers Tea Brokers (Pvt) Ltd - Ru. 50 M	12,000,000	-	-	-	12,000,000	-	XXVIII
Fishes and Walkers Tea Brokers (Pvt) Ltd - Ru. 40 M	18,480,000	-	-	-	18,480,000	-	XXIX
Ceylon Tea Brokers PLC - Ru. 1 M	-	-	-	-	-	1,510,667	
Ceylon Tea Brokers PLC - Ru. 7.70 M	1,875,000	-	-	-	1,875,000	-	XXX
Sri Lanka Tea Board - Loan Ru. 44 M	-	-	-	-	-	89,097,238	
Bank of Ceylon - Ru. 21.5 M	-	-	-	-	-	21,500,000	
	73,975,000	-	-	-	73,975,000	141,528,867	
	497,107,120	740,628,470	-	740,628,470	1,197,275,590	1,363,840,536	



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Agarapatana Plantations Limited
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18. INTEREST BEARING LIABILITIES & BORROWINGS (Contd...)

18.1 Details of the interest bearing loans and borrowing facilities

Facility details	Rate of interest	Terms of repayment
I	Rs. 200 Mn loan - AWPFR + 1.5%	48 monthly instalments commencing from 1/06/2019
II	Rs. 10.5 Mn - 17.5%	60 monthly instalments commencing from 10/11/2018
III	Rs. 500 Mn - AWPFR + 2%	48 monthly instalments commencing from 21/01/2022
IV	Rs. 50 Mn - 7%	36 instalments commencing from 1/10/2017
V	Rs. 300 Mn - AWPFR + 1.5%	71 instalments of Rs. 4,950,000/- and a final instalment of Rs. 6,510,000/- commencing from 26/04/2018
VI	Rs. 50 Mn - 10%	64 instalments commencing from 30/11/2018
VII	Rs. 250 AWPFR + 1.5%	71 monthly instalments commencing from 01/01/2020 including six months capital grace period
VIII	Rs. 50 Mn - AWPFR + 1.0%	72 monthly instalments commencing from 01/01/2020 including six months capital grace period
IX	Rs. 7.75 Mn - 20%	36 monthly instalments commencing from 29/11/2019
X	Rs. 3.64 Mn - 20%	36 monthly instalments commencing from 29/11/2019
XI	Rs. 1.62 Mn - 20%	36 monthly instalments commencing from 29/11/2019
XII	Rs. 6.27 Mn - 20%	36 monthly instalments commencing from 29/11/2019
XIII	Rs. 31 Mn - 0%	24 monthly instalments commencing from 29/11/2019
XIV	Rs. 72 Mn - 6.95%	17 monthly instalments commencing from 01/07/2021
XV	Rs. 18 Mn - 6.95%	36 monthly instalments commencing from 1/04/2020
XVI	Rs. 13 Mn - 6.95%	36 monthly instalments commencing from 19/03/2020
XVII	Rs. 9 Mn - 4.95%	33 monthly instalments commencing from 01/01/2021
XVIII	Rs. 7 Mn - AWPFR + 3%	36 monthly instalments commencing from 30/04/2021
XIX	Rs. 30 Mn - 6.95%	6 monthly instalments commencing from 26/07/2022
XX	Rs. 30 Mn - 5.80%	24 monthly instalments commencing from 09/04/2021
XXI	Rs. 4 Mn - 6.18%	6 monthly instalments commencing from 07/11/2021
XXII	Rs. 7 Mn - 6.18%	6 monthly instalments commencing from 18/11/2021
XXIII	Rs. 4 Mn - TD Rate + 1%	24 monthly instalments commencing from 30/04/2021
XXIV	Rs. 5 Mn - TD Rate + 1%	24 monthly instalments commencing from 20/09/2021
XXV	Rs. 4 Mn - TD Rate + 1%	6 monthly instalments commencing from 01/01/2022
XXVI	Rs. 61 Mn - 10%	60 monthly instalments commencing from 30/04/2022
XXVII	Rs. 20 Mn - 10%	20 weekly instalments of Rs. 1,000,000/- commencing from 29/11/2021
XXVIII	Rs. 50 Mn - 10%	50 weekly instalments of Rs. 1,000,000/- commencing from 07/01/2021
XXIX	Rs. 40 Mn - 10%	25 weekly instalments of Rs. 1,600,000/- commencing from 24/11/2021
XXX	Rs. 7.5 Mn - 10%	24 weekly instalments of Rs. 312,500/- commencing from 24/11/2021

18.4 Changes in liabilities arising from financing activities

	31 April 2021	31 March 2022
Interest bearing loans and borrowings (including items listed below)	571,498,738	457,257,129
Change in fair value of interest bearing loans and borrowings (including items listed below)	1,902	2,018
Interest bearing loans and borrowings (including items listed below)	573,400,640	460,019,479
Interest bearing loans and borrowings (including items listed below)	127,970	123,912
	1,306,644,809	1,397,593,569

	31 April 2021	31 March 2022
Interest bearing loans and borrowings (including items listed below)	571,498,738	457,257,129
Change in fair value of interest bearing loans and borrowings (including items listed below)	1,902	2,018
Interest bearing loans and borrowings (including items listed below)	573,400,640	460,019,479
Interest bearing loans and borrowings (including items listed below)	127,970	123,912
	1,306,644,809	1,397,593,569



Agampatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
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19. RETIREMENT BENEFIT OBLIGATIONS

	2022 Rs.	2021 Rs.
At the beginning of the year	1,557,598,881	1,331,478,560
Provisions for the year - Interest Cost	116,819,916	153,147,856
Current Service Cost	60,671,873	88,174,758
Actuarial (Gain) / Loss due to changes in financial assumptions	(562,038,668)	122,791,067
Actuarial (Gain) / Loss due to experience adjustment	(17,943,785)	(255,846,324)
Payments made during the year	(25,190,510)	(82,147,036)
At the end of the year	<u>1,129,917,707</u>	<u>1,557,598,881</u>

According to the valuation done based on the full actuarial valuation carried out by a professionally qualified actuary firm M/s. Actuarial and Management Consultants (Pvt) Ltd as at 31st March 2022, the liability is Rs. 1,129,917,707. If the Company had provided for gratuity for all employees on the basis of 14 days' wages for workers and a half month salary for staff for each completed year of service for the year ended 31st March 2022, the liability would have been Rs. 1,951,866,273. (2021 - Rs. 1,679,146,182.) Hence, there is a contingent liability of Rs. 771,948,566 which would crystallise only if the Company ceases to be a going concern.

The Present Value of Retirement Benefit Obligation is carried out on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

	2022 Rs.	2021 Rs.
Within next 12 months	139,256,049	148,397,398
Between 2 and 5 years	273,897,118	427,916,073
Beyond 5 years	616,764,539	981,285,407
	<u>1,129,917,707</u>	<u>1,557,598,881</u>

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 7.71 years and 8.03 Years for staff and workers respectively.

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following.

	2022	2021
(i) Rate of Interest	15.0%	7.5%
(ii) Rate of Salary Increase		
Workers	8% (per annum)	5.68% (per annum)
Staff	10% (per annum)	10% (per annum)
(iii) Retirement Age		
Workers	60 years	60 years
Staff	60 years	60 years
(iv) Daily Wage Rate	Rs. 852/-	Rs. 700/-

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. A sensitivity was carried out as follows:

	Impact on Retirement Benefit Obligation	
	+1%	-1%
A one percentage point change in the discount rate.		
As at 31 March 2022	(74,704,099)	84,303,025
As at 31 March 2021	(130,853,865)	151,753,584
A one percentage point change in the salary increment rate.		
As at 31 March 2022	94,472,582	(84,472,363)
As at 31 March 2021	159,540,038	(139,702,772)



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Agarapatana Plantations Limited
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20. DEFERRED INCOME	2022	2021
Deferred Grants and Subsidies	Rs.	Rs.
Cost		
At the beginning of the year	377,629,015	334,876,515
Additions during the year	4,921,406	2,752,500
At the end of the year	<u>342,450,413</u>	<u>337,629,015</u>
Amortisation		
At the beginning of the year	140,530,926	131,681,499
Amortisation for the year	9,354,094	8,849,021
At the end of the year	<u>149,885,014</u>	<u>140,530,926</u>
Net carrying amount at the end of the year	<u>192,565,401</u>	<u>197,098,089</u>

The Company has received funding from the Plantation Housing and Social Welfare Trust, Arise Development Bank and Plantation Reform Project for the development of worker welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The funds received from Sri Lanka Tea Board are utilized for Tea replanting. The amounts spent are included under the relevant classification of Property, Plant and Equipment and Bearer Biological Assets and the grant component is reflected under Deferred Grants and Subsidies.

21. LEASE LIABILITIES	Note	2022	2021
		Rs.	Rs.
Lease liability on right-of-use assets - Land	21.1	127,970	129,872
		<u>127,970</u>	<u>129,872</u>
21.1 Lease liability on right-of-use assets - Land		2022	2021
		Rs.	Rs.
At the beginning of the year		129,872	131,631
Accretion of interest		10,598	10,741
Payments		<u>(12,500)</u>	<u>(12,500)</u>
At the end of the year		<u>127,970</u>	<u>129,872</u>
Current		<u>2,058</u>	<u>1,902</u>
Non Current		<u>125,912</u>	<u>127,970</u>

21.1.1 Maturity analysis of lease liability on right - of use assets- Land is as follows:	2022	2021
	Rs.	Rs.
Payable within one year		
Gross liability	12,500	12,500
Finance cost allocated to future periods	<u>(10,442)</u>	<u>(10,598)</u>
Net liability transferred to current liabilities	<u>2,058</u>	<u>1,902</u>
Payable within two to five years		
Gross liability	62,500	62,500
Finance cost allocated to future periods	<u>(49,402)</u>	<u>(50,390)</u>
Net liability	<u>13,098</u>	<u>12,110</u>
Payable after five years		
Gross liability	112,500	225,000
Finance cost allocated to future periods	<u>(99,686)</u>	<u>(109,140)</u>
Net liability	<u>112,814</u>	<u>115,860</u>
	<u>2,058</u>	<u>1,902</u>
	<u>125,912</u>	<u>127,970</u>



Agarapatana Plantations Limited
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21. LEASE LIABILITIES (Contd.)

21.2 Lease liability on right-of-use assets - Motor vehicles	2022 Rs.	2021 Rs.
At the beginning of the year	-	1,136,533
Accretion of interest	-	13,644
Payments	-	(1,150,177)
At the end of the year	-	-

22. TRADE & OTHER PAYABLES

	2022 Rs.	2021 Rs.
Trade Creditors	25,873,313	23,806,634
Payable to Employees	158,528,394	196,085,933
EPF/ETF/CPPS/ESPS/Gratuity Payable	782,144,383	768,541,079
Provision for EPF/ETF/ESPS/Tax/Gratuity Surcharge	98,967,499	98,237,873
Banker Advances	306,450,830	284,928,183
Other Creditors	486,396,972	305,658,763
Economic Service Charge Payable	-	82,306,730
	<u>1,832,361,991</u>	<u>1,959,765,223</u>

23. AMOUNTS DUE TO RELATED COMPANIES

	2022 Rs.	2021 Rs.
Cresy Plantation Management Ltd	4,423,598	4,634,598
The Colombo Fort Land and Building PLC	1,890,439	91,265,861
Lankem Developments PLC	800,000	13,046,321
Kotagala Plantations PLC	-	22,302,946
Lankem Ceylon PLC	4,830,095	48,453,520
Colombo Fort Group Services (Pvt) Ltd	2,764,851	3,262,350
E B Cresy & Co. PLC	1,699,261	59,380,778
Lankem Tea & Rubber Plantations (Pvt) Ltd	-	37,943,901
Union Commodities (Pvt) Ltd	1,608,804	107,805,207
Sigiriya Village Hotels PLC	9,463,972	10,000,000
Darley Balam & Co. Ltd	1,009,957	41,813,510
	<u>28,690,899</u>	<u>437,018,793</u>



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Agarapatana Plantations Limited
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24. REVENUE					2022	2021
					Rs.	Rs.
24.1 Summary						
Tax					4,486,527,182	4,291,538,466
					<u>4,486,527,182</u>	<u>4,291,538,466</u>
24.2 Segment Information						
	Agara		Haputale			
Geographical Segment Result	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue	2,347,118,009	2,187,835,854	2,179,409,143	1,971,792,611	4,486,527,182	4,291,538,466
Revenue Expenditure	(2,204,131,204)	(2,063,779,978)	(1,881,730,958)	(1,653,789,101)	(4,085,882,365)	(3,717,585,079)
Depreciation	(77,355,374)	(95,346,786)	(82,709,391)	(83,341,009)	(160,084,785)	(160,084,785)
Amortisation	(3,346,333)	(3,349,355)	(3,154,038)	(3,194,038)	(6,500,399)	(6,500,399)
Grants	(98,938,771)	(138,991,003)	(71,928,660)	(99,712,428)	(170,867,461)	(238,704,330)
Segment Result	<u>(16,556,665)</u>	<u>36,971,833</u>	<u>96,886,068</u>	<u>(133,796,035)</u>	<u>63,209,404</u>	<u>(70,679,868)</u>
Other Income					190,488,047	94,473,994
Unallocated Expenses						
Gain / (Loss) on change in fair value of Biological Assets					158,187,372	269,935,747
Depreciation					(9,842,317)	(9,852)
Grants					(3,382,164)	(4,618)
Others					(117,279,117)	(134,345,187)
Finance Cost					(27,474,029)	(250,833,196)
Profit / (Loss) before Taxation					<u>56,906,896</u>	<u>115,430,203</u>
Segment Assets						
Non-Current Assets	3,042,385,128	2,915,362,012	3,034,737,172	2,927,735,508	6,076,922,300	5,843,117,520
Accumulated Depreciation / Amortisation	(829,871,238)	(849,166,302)	(809,404,783)	(723,541,318)	(1,739,275,971)	(1,572,707,816)
Current Assets	353,342,418	292,175,305	342,878,005	340,867,158	696,218,419	715,602,663
	<u>2,665,856,312</u>	<u>2,458,371,015</u>	<u>2,568,210,454</u>	<u>2,545,061,352</u>	<u>5,033,864,748</u>	<u>5,085,412,367</u>
Unallocated						
Non-Current Assets					1,361,584,953	1,191,403,777
Accumulated Depreciation / Amortisation					(137,790,389)	(127,948,172)
Amounts due from Related Companies					421,565,461	379,463,923
Current Assets					159,418,960	236,201,665
					<u>1,604,478,985</u>	<u>1,679,120,793</u>
Total Assets					<u>6,638,343,733</u>	<u>6,682,532,760</u>
Segment Liabilities						
Non-Current Liabilities	664,020,014	914,969,618	495,222,732	585,938,783	1,099,242,746	1,500,990,401
Current Liabilities	238,443,652	267,876,707	246,837,268	236,799,476	485,278,920	498,236,383
	<u>842,463,666</u>	<u>1,182,846,325</u>	<u>742,060,000</u>	<u>822,738,259</u>	<u>1,584,521,666</u>	<u>1,999,226,784</u>
Unallocated						
Non-Current Liabilities					941,075,443	922,991,734
Current Liabilities					2,273,429,918	2,916,442,064
					<u>3,214,505,361</u>	<u>3,839,433,838</u>
Total Liabilities					<u>4,799,027,127</u>	<u>5,331,425,623</u>
Capital and Reserves					1,646,755,203	633,763,244
Deferred Income					192,365,421	197,998,095
					<u>1,839,120,624</u>	<u>831,761,339</u>
					<u>6,638,343,733</u>	<u>6,682,532,760</u>
Segment Capital Expenditure						
	36,336,082	63,953,853	35,372,422	70,292,125	91,708,454	134,243,976
					129,999	401,100
					<u>91,838,453</u>	<u>401,100</u>



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
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25. OTHER INCOME	2022 Rs.	2021 Rs.
Amortisation of Capital Grants	9,354,094	8,849,021
Profit on Disposal of Property, Plant & Equipment	-	5,291,600
Factory / Towers Lease Rent	19,804,239	13,368,393
Profit from sale of Valuable Timber Trees	766,762	9,840,921
Income from Sale of Other Trees	37,947,900	15,809,720
Write back of Dividend payable	-	10,027,606
Write back of Taxes Payable	59,071,855	-
Others	30,720,349	24,103,309
	<u>158,365,199</u>	<u>87,490,862</u>
26. FINANCE INCOME	2022 Rs.	2021 Rs.
Interest Income	32,122,849	6,982,532
	<u>32,122,849</u>	<u>6,982,532</u>
27. FINANCE COST	2022 Rs.	2021 Rs.
Overdraft Interest	32,796,999	40,827,626
Interest Charge on Guarantees	7,518,996	7,519,996
Interest on Leases	10,598	24,415
Term Loan Interest	123,198,242	140,846,137
Related Party Loan Interest	23,009,904	33,924,933
Interest charged by the Tax Brokers	58,051,440	49,097,576
Other Interest	-	3,809,677
	<u>244,587,179</u>	<u>276,116,369</u>
Amount Capitalised	<u>(23,113,150)</u>	<u>(25,277,163)</u>
	<u>221,474,029</u>	<u>250,839,198</u>
28. PROFIT FROM OPERATING ACTIVITIES IS STATED AFTER CHARGING		
Consultancy Fee	21,789,835	12,908,101
Auditor's Remuneration	6,319,080	6,277,635
Depreciation		
Freehold Property Plant and Equipment	93,645,633	94,968,506
Biomass Biological Assets	69,357,654	67,174,681
Right-of-use assets- Land	8,503,393	6,503,393
Right-of-use assets - Intangible Lease assets of HEDB / SLSPC estates	6,205,880	6,205,880
Right-of-use assets - Motor Vehicles	697,818	1,674,762
Others		
Defined Benefit Plan Cost - Retiring Gratuity	177,491,789	241,322,614
Defined Contribution Plan Cost - EPF,ETF,ESPS & CPPS	305,931,961	284,428,584
	<u>2,475,125,293</u>	<u>2,547,139,998</u>



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Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

29. INCOME TAX EXPENSES	2022 Rs.	2021 Rs.
29.1 The major components of income tax expenses for the year ended 31st March 2022 are as follows:		
Statement of Profit and Loss		
Current Tax Expenses		
Current Income Tax Charge (29.2)	17,545,658	8,376,084
Under/(Over) Provision of Income Tax for the previous years	895,406	(1,530,017)
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (29.4)	13,632,477	(61,011,659)
	<u>32,073,542</u>	<u>(54,165,592)</u>
29.2 Reconciliation of Accounting Profit to Income Tax Expense		
Accounting Profit/(Loss) Before Tax	59,806,896	135,430,292
Aggregate disallowable items	528,376,734	789,527,160
Aggregate allowable items	(480,052,744)	(561,134,677)
Business Profit/(Loss)	<u>108,230,886</u>	<u>363,822,775</u>
Tax exempt income/(loss) from Agro Farming	(190,070,773)	(164,156,737)
Taxable income/(loss) from Agro Processing	298,301,662	527,979,512
Investment Income	73,108,910	34,900,351
Total Statutory Income	<u>471,337,799</u>	<u>398,723,126</u>
Tax losses brought forward and utilised	(298,301,662)	(527,979,512)
Taxable Income/(Loss)	<u>(116,963,863)</u>	<u>(129,256,386)</u>
Income Tax @ 14%	-	-
Income Tax @ 24%	17,545,658	8,376,084
Income Tax expense charged to Statement of Profit or Loss	<u>17,545,658</u>	<u>8,376,084</u>
29.3 Accumulated Tax Losses		
	2022 Rs.	2021 Rs.
Tax losses brought forward	2,356,441,298	3,318,383,959
Adjustment to brought forward tax losses	(29,344,763)	(433,963,149)
Loss for the year (Note 29.2)	-	-
Losses set off during the year	(298,301,662)	(527,979,512)
Tax losses carried forward	<u>2,028,794,873</u>	<u>2,356,441,298</u>



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

29. INCOME TAX EXPENSES (Contd...)

29.4 DEFERRED TAX LIABILITY

	2022		2021	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 April	1,067,591,875	112,097,147	1,136,700,027	159,138,004
Amount originated during the year transferred to statement of profit or loss due to the income tax rate change	-	-	-	(79,784,301)
Amount originated during the year transferred to statement of profit or loss	126,835,120	13,652,477	(502,183,408)	(21,227,158)
Amount originated during the year transferred to statement of other comprehensive income	579,982,453	60,898,158	133,055,257	13,901,802
As at 31 March	1,777,407,447	186,627,782	1,067,591,875	112,097,147

Composition of Deferred Tax Liability (A1040)

	2022		2021	
	Temporary Differences Rs.	Tax Effect Rs.	Temporary Differences Rs.	Tax Effect Rs.
Right of use assets	142,609,334	14,973,989	142,609,335	14,973,989
Property, Plant and Equipment	1,309,205,236	137,466,553	1,348,839,990	141,628,199
Biological Assets	3,326,159,803	349,246,779	3,243,885,405	340,607,968
Retirement Benefit Obligations	(971,681,084)	(102,024,414)	(1,311,197,184)	(137,675,704)
Lease Liability	(110,970)	(11,652)	(104,372)	(10,999)
Carried forward Tax Losses	(2,028,794,873)	(215,033,462)	(2,356,441,298)	(247,426,336)
Net Deferred Tax Liability (Asset)	1,777,407,447	186,627,782	1,067,591,875	112,097,147

The effective tax rate used to calculate deferred tax liability for all temporary differences as at 31 March 2022 is 10.5% (2021 - 10.5%).

30. EARNINGS/(LOSS) PER SHARE

Computation of the earnings/(loss) per share is based on the profit after taxation for the year divided by the weighted average number of ordinary shares outstanding during the year.

	2022 Rs.	2021 Rs.
Amount used in the numerator		
Net profit / (loss) for the year after taxation	27,833,354	18,955,883
Amount used in the denominator		
Weighted average number of ordinary shares outstanding during the period	325,000,000	233,246,575

31. CAPITAL COMMITMENTS

Followings are the capital commitments approved as at the date of Financial Position:

	2022 Rs.	2021 Rs.
A. Field Development	86.3 Mn	99.6 Mn
B. Machinery & Factory Development	151.0 Mn	153.4 Mn



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 Year ended 31 March 2022

32. SECURITIES FLEDGED

The following assets have been pledged as securities for loans and other facilities.

Nature of Assets	Facility Rs.	Nature of Liability	Carrying Amounts of Assets Pledged		Included Under
			2022 Rs.	2021 Rs.	
32.1 A) Primary mortgage over leasehold rights in bare land and buildings of Torrington Estate. B) Stock in trade, movable assets and book debts C) Corporate Guarantee from Lanka-Development PLC	180 Mts	Bank Overdraft from Indian Bank	1,302,710	1,387,186	Property, Plant & Equipment
32.2 A) A primary mortgage over leasehold rights of Glenmore and Hapuwala Estates including machinery fixed each of these estates-Overdraft Agreement B) A primary mortgage over leasehold rights of Glenmore and Hapuwala Estates including machinery fixed each of these estates C) Tri partite agreement with borrower, bank and the tea broker John Kadir PLC D) Corporate Guarantee from Lankem Ceylon PLC E) Tri partite agreement with borrower, bank and the tea broker John Kadir PLC	200 Mts 50 Mts 200 Mts 250 Mts	Bank Overdraft from Bank of Ceylon Term Loan from Bank of Ceylon Term Loan from Bank of Ceylon Term Loan from Bank of Ceylon	32,360,923	33,388,168	Property, Plant & Equipment
32.3 Mortgage over leasehold rights over the estate land and buildings, fixed & floating assets of Diyagama East Estate	50 Mts	Term Loan from Seylan Bank PLC	7,990,729	7,925,331	Property, Plant & Equipment
32.4 Duly accepted Letter of Offer supported by Board Resolution, General Terms and conditions, relating to Term Loans, Deposit of original title deeds and plan relating to the Dandewera Estate	500 Mts 20 Mts	Term Loan from Commercial Bank of Ceylon PLC Bank Overdraft from Commercial Bank of Ceylon PLC			
32.5 Mortgage over leasehold rights over the estate land and Factory building of Diyagama West Estate	500 Mts	Term Loan from Sampath Bank PLC	3,604,211	6,083,106	
32.6 Original Certificate of Registration of the vehicle	10 Mts	Term Loan from People's Leasing & Finance PLC	4,709,000	7,788,000	
32.7 Original Certificates of Registration of the vehicles	28.7 Mts	Term Loans from People's Leasing & Finance PLC	22,417,509	35,187,500	
32.8 Original Certificates of Registration of the vehicles	62 Mts	Term Loans from SMB Leasing PLC	-	-	



Agarapetana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

33. CONTINGENCIES

Following contingent liabilities exist as of the date of financial position:

33.1 Court of Appeal Case No CA WRIE 143/2021

In the past, wages of the Plantation workers were regulated between Trade Union and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiation between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without participating objections of the RPCs decided the daily wage rate of Tea / Rubber workers to be 1,000/- per day and granted its decision on 03d March 2021.

Therefore, a "Writ Application" was initiated by the RPCs to the Court of Appeal seeking an interim order, staying and/or suspending the operation of the Decision issued by the Wages Board, but the Hon. Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unfavourable verdict unfavourable to the Company from the above court case, the contingent liability or retirement benefit obligation liability would be Rs. 143-Ms and of which Rs. 8-Ms need to be charged to Profit or Loss and Rs. 135 Ms to be charged under Other Comprehensive Income for the year ended 31 March 2022. However, no provision have been made in the financial statements for the year ended 31 March 2022 in this regard.

34. EVENTS AFTER THE REPORTING PERIOD

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

35. RELATED PARTY DISCLOSURES

35.1 Details of significant Related Party Disclosures are as follows:

Transactions with the parent and related entities:

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited (Credited)		Balance as at 31st March			
				2021 Rs.	2021 Rs.	2021 Rs.	2021 Rs.		
1. Lakshmi Tea & Rubber Plantations (Pvt) Ltd	Affiliated Company	Ms S.D.R. Aradigamage	Transfer of intercompany balances	-	(192,259)	1,002,308	(17,943,901)		
		Ms C.P.R. Fonseka	Settlements	5,467,178	1,148,894				
		Ms S.S. Pichayathilaka	Advances given	2,962,118	-				
		Mr. Anandhan Rajaguru Ms D.R. Madura	Issue of shares	36,876,722	-				
2. Lakshmi Cycle PLC	Affiliated Company	Ms S.D.R. Aradigamage	Interest charged on bank guarantees	(4,319,996)	(4,319,996)	(4,800,000)	(9,451,228)		
		Mr. Anandhan Rajaguru	Share of group expense recharged	(45,000,000)	(11,000,000)				
			Issue of Shares	(2,543,513)	-				
3. Sigirya Village Hotels PLC	Affiliated Company	Ms S.D.R. Aradigamage Ms C.P.R. Fonseka Ms. Anandhan Rajaguru	Settlements	(26,108)	-	(9,463,962)	(9,000,000)		
		4. Kumbura Plantations PLC	Affiliated Company	Ms S.D.R. Aradigamage Ms C.P.R. Fonseka	Settlements Transfer of intercompany balances	6,236,837	-	4,087,124	(22,352,991)
				Ms S.S. Pichayathilaka Ms. Anandhan Rajaguru	Issue of Shares Advances given	17,116,893 7,643,137	-		
5. The Colombo Foot Land & Limestone Plant Building PLC	Affiliated Company	Ms S.D.R. Aradigamage	Fees on building & Other Expenses	(9,905,093)	(8,009,849)	(1,809,449)	(1,265,861)		
		Ms C.P.R. Fonseka	Settlements	1,300,000	9,384,767				
		Ms. Anandhan Rajaguru	Transfer of intercompany balances	833,671,874	-				
			Interest Charged	(6,342,443)	(6,217,999)				



ANNEXURES

Agaratana Plantations Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

35 RELATED PARTY DISCLOSURES (Contd.)

35.1 Transactions with the parent and related entities (Contd.)

Name of the Company	Relationship	Name of Director	Nature of Transaction	Amount Debited (Credited)		Balance as at 31st March	
				2022 Rs.	2021 Rs.	2021 Rs.	2020 Rs.
6. Citrus Plantation Management Ltd	Affiliated Company	Mr S.D.R. Anandaraman	Subsidies	11,000	178,100	(4,623,798)	(4,634,798)
7. Sherwood Holidays Ltd	Affiliated Company	Mr S.D.R. Anandaraman	Fuel and Bengalia uploop Expenses Subsidies	1,547,916 (726,630)	1,624,824 -	14,170,734	13,158,837
8. Masaka Resorts PLC	Affiliated Company	Mr S.D.R. Anandaraman Mr C.P.R. Perera Mr. Anandaram Rajaratnam	Subsidies	(171,117)	-	-	123,227
9. Waverly Palace (Pvt) Ltd	Affiliated Company	Mr S.D.R. Anandaraman Mr. Anandaram Rajaratnam	Free Charged Transfer of Intercompany Balances	303,677 (1,180,436)	138,737 -	345,695	1,149,626
10. Luckan Development PLC	Associated Party	Mr S.D.R. Anandaraman Mr C.P.R. Perera Mr. Anandaram Rajaratnam	Interest charged on bank guarantee Receipt of Loan Issue of Shares Interest Charged Transfer of Intercompany Balances	(1,200,000) - 229,172,288 - (215,720,240)	(1,700,000) (500,000,000) 600,000,500 14,846,120 -	(800,000)	(17,046,421)
11. Union Commodities (Pvt) Ltd	Affiliated Company	Mr S.D.R. Anandaraman	Interest Charged Transfer of Intercompany Balances	(7,032,628) 113,225,012	(10,645,740)	(1,688,900)	(107,801,207)
12. Colston Park Group Services (Pvt) Ltd	Affiliated Company	Mr S.D.R. Anandaraman Mr. Anandaram Rajaratnam	IT/HR Support Service Expenses Payments Made	(2,500,127) 3,907,627	(3,318,777) 3,318,264	(2,764,870)	(5,242,770)
13. Ceylon Tea Brokers PLC	Affiliated Company	Mr C.P.R. Perera	Broker Advances Received Broker Advances Reversal Sale of Tea Sale of proceeds received	(126,500,000) 341,426,247 273,176,810 (147,028,948)	(181,866,039) 215,883,014 226,822,780 (148,113,822)	(11,214,107)	(26,121,116)
14. J.B. Cooney & Co. PLC	Affiliated Company	Mr S.D.R. Anandaraman	Interest Charged Transfer of Intercompany Balances Issue of Shares	(3,841,263) 66,230,817 60,742,129	(1,211,524) -	(1,499,261)	(19,290,779)
15. Darby Butler & Co. Ltd	Affiliated Company	Mr S.D.R. Anandaraman	Advances Received Interest Charged Issue of shares	- (1,177,247) 48,176,810	(79,451,131) (2,162,799) -	(1,009,967)	(41,815,110)
16. Consolidated Tea Plantation	Affiliated Company	Mr S.D.R. Anandaraman Mr C.P.R. Perera Mr. Anandaram Rajaratnam Mr. V.S. Patabidippala	Term Loan granted Interest Charged Advances given	- 10,426,132 182,341	340,000,000 5,832,916 -	196,430,796	341,000,900

35.2 Transactions with the key management personnel of the company or parent

	Rs.
Consultancy fee paid to key management personnel	21,129,833

There were no material transactions with the Key Management Personnel of the company and its parent other than those disclosed in Items 14(2) and 15(1) in the Financial Statements.



Agarupatama Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company operations. The Company has trade and other receivables, cash and short-term deposits that arise directly from its operations. Accordingly the Company has exposure to mainly Credit Risk, Liquidity Risk and Interest Rate Risk from its use of financial instruments. This note presents information about the Company exposure to each of the above risks, the Company objectives, policies and processes for measuring and managing risk.

Credit risk

This is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company receivable from customers.

Liquidity risk

Liquidity risk arises when the Company is unable to meet its financial obligations due to insufficient cash flow situations. The Company 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 Company reputation.

Interest rate risk

Interest Rate Risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

36.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company financial risk management framework which includes developing and monitoring the Company financial risk management policies. The Company financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Company, 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 Company's activities.

The Audit Committee of the Company oversees how management monitors compliance with the Company financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Company.

36.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

36.2.1 Trade and Other Receivables

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. The Company's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Company's standard payment and delivery terms and conditions are offered. Company review includes external ratings, when available and in some cases, bank references, 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 Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the company at the reporting date is Rs. 109.8 Mio. The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea auction system.



ANNEXURES

Agaratana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2022

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

36.2.1 Investments

Credit risks from inverted balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

36.2.3 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs. 47.8 Mn as at 31st March 2022 (2021 - Rs. 124.6 Mn) which represents its maximum credit exposure on these assets.

36.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company 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 Company reputation.

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities of the individual and Company level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Company consults Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31st March 2022	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowings	206,371,066	618,513,197	1,922,691,335	-	2,747,575,598
Trade and other payables	1,796,867,372	46,194,613	-	-	1,843,061,985
	<u>1,992,338,438</u>	<u>664,707,810</u>	<u>1,922,691,335</u>	<u>-</u>	<u>4,579,737,583</u>
As at 31st March 2021	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowings	199,690,155	482,574,200	1,663,740,000	-	2,346,004,355
Trade and other payables	1,923,150,805	36,614,618	-	-	1,959,765,223
	<u>2,122,840,960</u>	<u>519,188,818</u>	<u>1,663,740,000</u>	<u>-</u>	<u>4,305,769,578</u>

36.4 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 four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instruments affected by market risk include loans & borrowings, deposits & derivative financial instruments.

36.4.1 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 Company exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company'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.
+1%	(21,880,616)
-1%	21,880,616
+1%	(24,326,594)
-1%	24,326,594

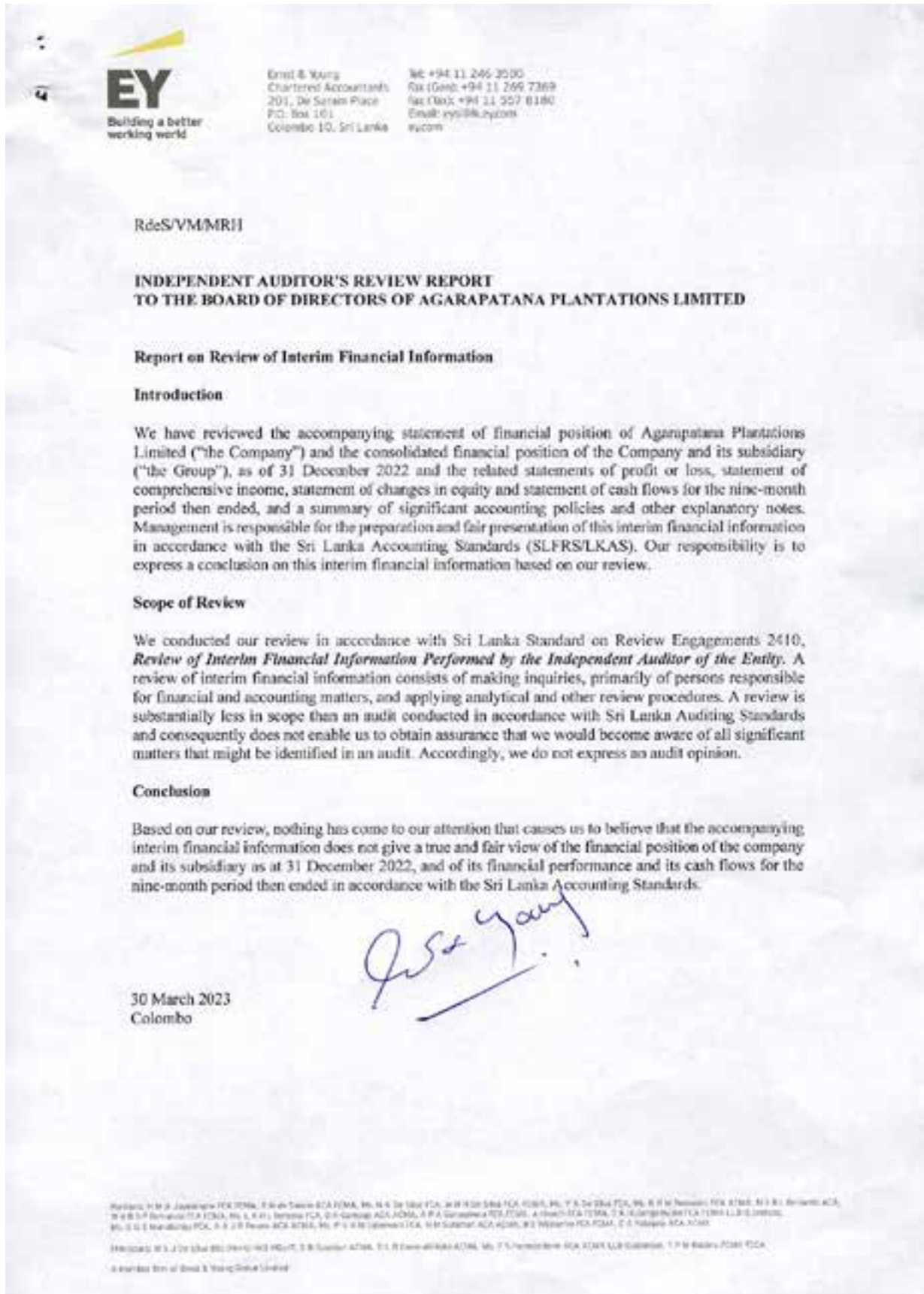


**ANNEXURE 3 – UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31ST DECEMBER 2022 WITH THE LIMITED REVIEW**



AGARAPATANA PLANTATIONS LIMITED
FINANCIAL STATEMENTS
PERIOD ENDED 31 DECEMBER 2022

ANNEXURES



Agaraplana Plantations Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

ASSETS	Group		Company	
	As At 31/12/2022 Rs.000	As At 31/03/2022*	As At 31/12/2022 Rs.000	As At 31/03/2022 Rs.000
Non Current Assets				
Right-of-use Assets	158,496	-	158,496	168,028
Freehold Property, Plant & Equipment	1,655,143	-	1,543,305	1,127,368
Bearer Biological Assets	2,206,373	-	2,206,325	2,225,510
Consumable Biological Assets	1,435,524	-	1,435,524	1,438,365
Goodwill	341,104	-	-	-
Investment in Subsidiary	-	-	474,000	-
Other Non Current Financial Assets	35,503	-	1,560	1,170
	<u>5,831,103</u>	<u>-</u>	<u>5,205,710</u>	<u>5,261,441</u>
Current Assets				
Produce on Bearer Biological Assets	10,852	-	10,852	10,852
Inventories	3,165,277	-	1,165,277	473,856
Trade and Other Receivables	296,693	-	225,858	277,576
Amounts due from Related Companies	104,967	-	42,695	421,265
Short Term Investments	33,930	-	33,930	45,567
Cash & Bank Balances	77,489	-	27,447	47,788
	<u>3,689,108</u>	<u>-</u>	<u>1,567,099</u>	<u>1,736,901</u>
TOTAL ASSETS	<u>9,520,211</u>	<u>-</u>	<u>6,772,809</u>	<u>7,039,342</u>
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated Capital	1,730,437	-	1,730,437	1,730,437
Fair Value Reserve of Financial Assets at FVOCI	(181,968)	-	(181,968)	(181,558)
Timber Reserve	1,312,053	-	1,312,053	1,319,131
Revaluation Reserve	777,102	-	777,102	777,102
Retained Profit (Loss)	(121,239)	-	(125,628)	(2,013,929)
TOTAL EQUITY	<u>3,515,395</u>	<u>-</u>	<u>3,511,996</u>	<u>1,630,282</u>
Non Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	614,243	-	614,173	740,018
Retirement Benefits Obligations	1,193,046	-	1,193,046	1,129,918
Deferred Income	197,965	-	197,965	(92,565)
Lease Liabilities	126	-	126	126
Deferred Tax Liability	207,360	-	186,628	186,628
	<u>2,222,741</u>	<u>-</u>	<u>2,191,938</u>	<u>2,249,245</u>
Current Liabilities				
Interest Bearing Loans & Borrowings	418,376	-	378,861	457,257
Lease Liabilities	2	-	2	2
Trade and Other Payables	934,375	-	933,229	1,832,362
Amounts due to Related Companies	44,976	-	64,886	28,691
Income Tax Payable	-	-	-	34,501
Bank Overdraft	244,953	-	272,356	415,992
	<u>1,707,682</u>	<u>-</u>	<u>1,649,335</u>	<u>2,758,707</u>
TOTAL EQUITY AND LIABILITIES	<u>5,223,077</u>	<u>-</u>	<u>5,161,331</u>	<u>4,388,989</u>
Net Assets per Share	<u>8.43</u>	<u>-</u>	<u>8.42</u>	<u>3.99</u>

These Financial Statements are in compliance with the requirements of the companies Act No 97 of 2007.


N. Fernando
Finance Manager

The Board of Directors is responsible for these Financial Statements. Authorized and signed for and on behalf of the Board of Directors of Agaraplana Plantations Ltd.


S.D.R. Anandaprasim
Director


M. Fernando
Director

The Accounting Policies on pages 67 to 70 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

* The company acquired Waverly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date forwards.



ANNEXURES

Agarapatana Plantations Limited
STATEMENT OF PROFIT OR LOSS
 For the Period ended 31 December 2022

	Group		Company	
	From 01/10/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022* Rs.000	From 01/04/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 Rs.000
Revenue	5,405,178	-	5,381,434	4,486,527
Cost of Sales	(4,162,146)	-	(4,155,588)	(4,423,318)
Gross Profit	2,243,032	-	2,225,846	63,209
Gain / (loss) on change in fair value of biological assets	-	-	-	158,117
Other Income	56,332	-	58,263	158,365
Administrative Expenses	(236,633)	-	(238,954)	(130,434)
Finance Income	42,450	-	42,450	32,123
Finance Cost	(217,793)	-	(202,287)	(221,474)
Profit Before Tax	1,887,407	-	1,884,358	59,907
Income Tax (Expense)/ Reversal	(3,135)	-	(3,135)	(32,074)
Net Profit for the year	1,884,272	-	1,881,223	27,833
Attributable to:				
Equity holders of the Parent	1,884,272	-	1,881,223	27,833
Non-controlling interest	-	-	-	-
Profit/(loss) for the year	1,884,272	-	1,881,223	27,833
Basic Earnings per Share	4.52	-	4.51	0.89

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

- The company acquired Waverly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date onwards.



Agarapatana Plantations Limited
STATEMENT OF PROFIT OR LOSS
For the Period ended 31 December 2022

	Group		Company	
	From 01/10/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022* Rs.000	From 01/04/2022 to 31/12/2022 Rs.000	From 01/04/2021 to 31/03/2022 Rs.000
Revenue	5,405,178	-	5,381,434	4,486,527
Cost of Sales	(4,162,146)	-	(4,155,588)	(4,423,318)
Gross Profit	2,243,032	-	2,225,846	63,209
Gain / (Loss) on change in fair value of biological assets	-	-	-	158,117
Other Income	56,332	-	58,263	158,365
Administrative Expenses	(236,633)	-	(238,954)	(130,434)
Finance Income	42,450	-	42,450	32,123
Finance Cost	(217,793)	-	(207,287)	(221,474)
Profit Before Tax	1,887,407	-	1,884,358	59,907
Income Tax (Expense)/ Reversal	(3,185)	-	(3,135)	(32,074)
Net Profit for the year	1,884,222	-	1,881,223	27,833
Attributable to:				
Equity holders of the Parent	1,884,222	-	1,881,223	27,833
Non-controlling interest	-	-	-	-
Profit/(loss) for the year	1,884,222	-	1,881,223	27,833
Basic Earnings per Share	4.52	-	4.51	0.89

The Accounting Policies on pages 07 to 39 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

- The company acquired Waverly Power (Pvt) Ltd on 10th September 2022 and the group accounts are prepared from that date onwards.



ANNEXURES

Agarapatana Plantations Limited
STATEMENT OF COMPREHENSIVE INCOME
For the Period ended 31 December 2022

	Group		Company	
	From	From	From	From
	01/10/2021 to 31/12/2022	01/04/2021 to 31/03/2022 *	01/04/2022 to 31/12/2022	01/04/2021 to 31/03/2022
	Rx,000	Rx,000	Rx,000	Rx,000
Profit/(loss) for the Period	1,884,272	-	1,881,223	27,833
Other Comprehensive Income				
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods				
Net Gain/(loss) on financial assets at fair value through OCI	390	-	390	(29,545)
Tax Effect	-	-	-	-
	<u>390</u>	<u>-</u>	<u>390</u>	<u>(29,545)</u>
Remeasurement gains/(losses) on defined benefit plan	-	-	-	579,582
Tax Effect	-	-	-	(60,855)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,727</u>
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	<u>390</u>	<u>-</u>	<u>390</u>	<u>489,137</u>
Other comprehensive income/(loss) for the Period, net of tax	<u>390</u>	<u>-</u>	<u>390</u>	<u>489,137</u>
Total comprehensive income/(loss) for the Period, net of tax	<u>1,884,662</u>	<u>-</u>	<u>1,881,613</u>	<u>516,969</u>
Attributable to:				
Equity holders of the Parent	1,884,662	-	1,881,613	516,969
Non-controlling interest	-	-	-	-
Profit/(loss) for the year	<u>1,884,662</u>	<u>-</u>	<u>1,881,613</u>	<u>516,969</u>

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied in both current and prior period

- * The company acquired Waverly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date forwards.



Agarapatana Plantations Limited
STATEMENT OF CHANGES IN EQUITY
 For the Period ended 31 December 2022

Group

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Ru.000	Ru.000	Ru.000	Ru.000	Ru.000	Ru.000
Balance as at 01 October 2021	1,730,437	(182,366)	1,319,131	777,182	(2,013,869)	1,631,223
Net Profit / (Loss) for the period	-	-	-	-	1,084,272	1,084,272
Other comprehensive income/ (loss) for the year, net of tax	-	390	-	-	-	390
Realized gain on harvested valuable timber trees	-	-	(7,078)	-	7,078	-
Balance as at 31 December 2022	<u>1,730,437</u>	<u>(181,966)</u>	<u>1,312,053</u>	<u>777,182</u>	<u>(121,721)</u>	<u>3,515,983</u>

Company

	Stated Capital	Fair Value Reserve of Financial Assets at FVOCI	Timber Reserve	Revaluation Reserve	Retained Profit/(Loss)	Total
	Ru.000	Ru.000	Ru.000	Ru.000	Ru.000	Ru.000
Balance as at 31 March 2021	1,270,797	(152,410)	1,177,034	881,191	(2,852,842)	653,563
Net Profit / (Loss) for the year	-	-	-	-	27,833	27,833
Issue of shares	459,549	-	-	-	-	459,549
Other comprehensive income/ (loss) for the year, net of tax	-	(28,949)	-	-	519,084	489,135
Gain / (loss) on change in fair value of Consumable Biological assets	-	-	156,121	-	(156,121)	-
Realized gain on harvested valuable timber trees	-	-	(14,025)	-	14,025	-
Transfer from Revaluation Reserve	-	-	-	(38,090)	38,090	-
Deferred Tax effect on Revaluation Reserve	-	-	-	3,999	(3,999)	-
Balance as at 31 March 2022	<u>1,730,437</u>	<u>(182,356)</u>	<u>1,319,131</u>	<u>777,182</u>	<u>(2,013,929)</u>	<u>1,631,382</u>
Net Profit / (Loss) for the nine month period	-	-	-	-	1,881,223	1,881,223
Other comprehensive income/ (loss) for the year, net of tax	-	390	-	-	-	390
Realized gain on harvested valuable timber trees	-	-	(7,078)	-	7,078	-
Balance as at 31 December 2022	<u>1,730,437</u>	<u>(181,966)</u>	<u>1,312,053</u>	<u>777,182</u>	<u>(125,628)</u>	<u>3,511,089</u>

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied to both current and prior periods.

- The company acquired Waverly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date onwards.



ANNEXURES

Agarapatana Plantations Limited				
STATEMENT OF CASH FLOWS				
For the Period ended 31 December 2022				
	Group		Company	
	From 01/01/2022 to 31/12/2022	From 01/01/2021 to 31/12/2021	From 01/01/2022 to 31/12/2022	From 01/01/2021 to 31/12/2021
	Rs.000	Rs.000	Rs.000	Rs.000
CASH FLOWS FROM/USED IN OPERATING ACTIVITIES				
Net Profit before Taxation	1,887,407	-	1,884,358	89,307
ADJUSTMENTS FOR				
Interest Income	(42,450)	-	(42,450)	(32,123)
Interest Expenses	217,792	-	262,266	221,474
Retirement Benefit Obligations - Provisions	234,953	-	234,563	177,492
Depreciation	136,589	-	137,190	176,110
(Gain) / Loss on Fair Valuation of Biological Assets	-	-	-	(158,117)
Amortisation Capital Grants	(5,000)	-	(5,000)	(9,334)
(Profit) / Loss from sale of Valuable Timber Trees	(11,244)	-	(11,244)	(767)
Provision for Indemnities	23,000	-	23,000	60,538
Write back of Taxes Payable	-	-	-	(89,377)
Operating Profit before Working Capital Change	2,445,946	-	2,421,703	446,545
(Increase) / Decrease in Inventories	(692,424)	-	(692,423)	42,081
(Increase) / Decrease in Trade & Other Receivables	29,777	-	41,718	(179,630)
(Increase) / Decrease in Amount due from Related Companies	361,570	-	378,370	(43,602)
Increase / (Decrease) in Trade & Other Payables	(573,478)	-	(672,123)	(79,348)
Increase / (Decrease) in Amount due to Related Companies	35,586	-	35,192	(409,278)
Cash Generated from/(used in) Operations	1,536,978	-	1,811,532	(67,320)
Retirement Benefit Obligations - Payments	(433,830)	-	(433,836)	(25,891)
Interest Received	42,450	-	42,450	32,123
Interest Paid	(738,463)	-	(714,386)	(344,587)
Payment of Taxes	(37,433)	-	(37,433)	(32,255)
Net Cash from/(used in) Operating Activities	879,744	-	879,453	(136,131)
CASH FLOWS FROM/USED IN INVESTING ACTIVITIES				
Investment in Subsidiary	(434,000)	-	(434,000)	-
Investment in Field Development	(28,332)	-	(20,332)	(36,274)
Investment in Timber	(4,237)	-	(4,237)	(7,893)
Proceeds from Sale of Valuable Timber Trees	18,322	-	18,322	14,792
Purchase of Property, Plant & Equipment	(85,573)	-	(85,573)	(24,908)
Net Cash from/(used in) Investing Activities	(527,824)	-	(527,824)	(33,584)
CASH FLOWS FROM/USED IN FINANCING ACTIVITIES				
Payment of Loans	-	-	-	(2)
Grants Received	600	-	600	4,821
Proceeds from Issue of shares	-	-	-	459,649
Proceeds from Term Loans	325,931	-	305,798	349,538
Repayment of Term Loans	(732,154)	-	(750,138)	(478,817)
Net Cash from / (Used in) Financing Activities	(180,723)	-	(189,940)	335,210
Net Increase/ (Decrease) in Cash and Cash Equivalents	198,747	-	197,561	(37,455)
Cash & Cash Equivalent at the beginning of the year	(333,782)	-	(322,639)	(267,184)
Cash & Cash Equivalent at the end of the year	(135,035)	-	(125,078)	(302,639)
NOTE A				
Cash & Cash Equivalent at the beginning of the year				
Short Term Investments	45,567	-	45,567	28,847
Cash & Bank Balances	47,836	-	47,788	121,628
Bank Overdraft	(127,179)	-	(127,994)	(421,655)
	(33,776)	-	(34,643)	(371,180)
NOTE B				
Cash & Cash Equivalent at the End of the year				
Short Term Investments	33,930	-	33,930	45,567
Cash & Bank Balances	73,899	-	73,847	47,788
Bank Overdraft	(284,933)	-	(272,556)	(445,894)
	(177,104)	-	(165,779)	(332,639)

The Accounting Policies on pages 07 to 30 form an integral part of the Financial Statements has been consistently applied in both current and prior periods.

• The company acquired Wewaly Power (Pvt) Ltd on 30th September 2022 and the group accounts are prepared from that date onwards.



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

1. REPORTING ENTITY

1.1 Domicile and legal form

Agarapatana Plantations Limited is a limited liability company incorporated and domiciled in Sri Lanka. It was incorporated on June 22, 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. 53-1/1, Sir Baron Jayathilaka Mawatha, Colombo 01 and Plantations are situated in the planting districts of Badulla and Nuwara Eliya.

The Consolidated Financial Statements of Agarapatana Plantations Limited, as at and for the period ended 31 December 2022 comprise the Company and its Subsidiary namely, Waverly Power (Pvt) Ltd.

1.2 Principal activities and the nature of the operations

During the year, the principal activities of the company were the cultivation, manufacture and sale of black tea.

Principal activities of other companies in the Group are as follows,

Company	Relationship of Business	Nature of the business/Principal Place
Waverly Power (Pvt) Ltd	Subsidiary	Generating electricity for the National Grid.

1.3 Parent enterprise

The Company is a subsidiary of Lankem Developments PLC, whose ultimate parent enterprise is The Colombo Fort Land & Building PLC.

1.4 Date of Authorization for issue

The Financial Statements of Agarapatana Plantations Limited for the period ended 31 December 2022 were authorized for issue in accordance with a resolution of the board of directors on 30 March 2023.



ANNEXURES

Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

2. BASIS OF PREPERATION

2.1 Statement of Compliance

The Financial Statements of the company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) promulgated by The Financial Statements of the Company comprise the Statement of Financial Position, Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to Financial Statements.

The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention other than buildings, consumable biological assets, produce on bearer biological assets and financial instruments.

- Managed Consumable biological assets are measured at fair value.
- Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

That have been measured at fair value and where appropriate, specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 Functional and Presentation Currency

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

2.4 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.5 Going Concern

a). Agarapatana Plantations Limited

These financial statements are prepared on the assumption that the company is a going concern, i.e. as continuing in operation for the foreseeable future. It is therefore assumed that the company has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

However, as of the Statement of Financial Position date, the company's current liabilities exceeded its current assets by Rs.76 Mn (2021/2022 Rs. 1,482 Mn).

However, Board of Directors are of the belief that the Company has adequate resources to continue company operation well into the foreseeable future. The directors of the company are confident that the financial position of the company will significantly improve during the current financial year.



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

b). Waverly Power (Pvt) Ltd

These Financial Statements are prepared on the assumption that the Company is a going concern, i.e. as continuing in operation for a foreseeable future. It is therefore assumed that the company has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations.

Further, the company has signed an agreement with Ceylon Electricity Board to supply electricity for a period of 20 years starting from the date of commercial operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

There are no comparative information related to the group since Waverly has acquired effect from 30 September 2022.

3.2 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be 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

- There is no right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.3 Fair Value Measurement

The Company 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:

- Freehold property plant and equipment under revaluation model (Building).
- Consumable biological assets



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Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

- Produce on bearer biological assets.
- Financial instruments (including those carried at amortized cost)

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 principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Company.

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 Company 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 Company 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 buildings, Consumable biological assets, and significant liabilities, such as retirement benefit obligation. 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. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of Fair value disclosures, the Company 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.

3.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 December 2022. 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



Agarapatana Plantations Limited
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 Period ended 31 December 2022

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3.5 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 recognized in profit or loss or other comprehensive income, as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable



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 Period ended 31 December 2022

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 recognized 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 recognized 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.

Agarapatana Plantations Limited has acquired full control over the Wavely Power (Pvt) Limited effect from 01 October 2022.

3.6 Property Plant & Equipment's

3.6.1 Recognition and measurement

Property, Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of Property, Plant and Equipment are measured at cost (or at fair value in the case of buildings), less accumulated depreciation and accumulated impairment losses, if any.

3.6.2 Owned assets

The cost of Property, Plant and Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, 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.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized 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 recognized in the statement of profit or 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.

Buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The company's policy is to revalue Buildings once in every four years.

Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.



Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

3.6.3 Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right of use the underlying assets.

Short-term leases and leases of low-value assets

The Company does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low values assets.

3.6.3.1 Right-of-use assets

The company recognises right-of-use assets at the commencement date of the 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 assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives 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 transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

a) 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:

	No. of Years	Rate (%)
Right to use of land	53	1.89
Improvements to land	30	3.33
Mature Plantations - Tea	30	3.33
Roads & Bridges	40	2.50
Buildings	25	4.00
Fences & Securities	20	5.00
Machinery	15	6.67
Water supply	20	5.00
Power Augmentation	20	5.00
Vested Tea	30	3.33

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.6.3.2 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and



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Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

amounts expected to be paid under residual value guarantees. 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 Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.6.4 De-recognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognized and gains are not classified as revenue.

3.6.5 Land improvement cost

Permanent land improvement costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalized 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.

3.6.6 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 and other plantations are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea 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 recognize 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.

3.6.6.1 Bearer Biological Assets

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.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea) which comes into bearing during the year, is transferred to mature plantations.



Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

3.6.6.2 Infilling Cost on Bearer Biological Assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with LKAS 16 and depreciated over the useful life at rates applicable to mature plantation.

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

3.6.6.3 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 Profit or Loss Statement.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with the in "LKAS 23 - Borrowing Costs"

Borrowing costs to be capitalised towards the field development activities are determined based on the effective borrowing rate applied to the average carrying amount of the qualifying immature asset (excluding interest). Effective borrowing rate is determined as a percentage of total borrowing costs over outstanding average borrowings. The capitalisation will cease when the crops are ready for commercial harvest.

3.6.6.4 Consumable Biological Assets

Consumable biological assets includes 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 are measured using DCF method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in 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 profit or loss for the period in which it arises.



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Impairments to Biological Assets are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.6.6.5 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.

3.6.6.6 Produce 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 recognized 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 (current month) less cost of harvesting & transport.

3.6.7 Depreciation and amortisation

(a) Depreciation

Depreciation is recognised in Income Statement 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:

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	No. of Years	Rate (%)
Buildings	26	3.85
Roads	25	4.00
Plant & Machinery	13 1/3	7.50
Motor Vehicles	5	20.00
Equipment	8	12.50
Furniture & Fittings	10	10.00
Sanitation, Water & Electricity Supply	20	5.00

Waverly Power (Pvt) Ltd

	No. of Years	Rate (%)
Buildings	40	02.50
Plant & Machinery	13 1/3	07.50
Furniture & Fittings	10	10.00
Motor Vehicle	05	20.00
Tools & Equipment	08	12.50



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Computers & Equipment	04	25.00
Transformer	20	5.00

Mature Plantations (Replanting and New Planting)

	No. of Years	Rate (%)
Mature Plantations - Tea	33 1/3	3.00
Rubber	20	5.00
Cinnamon	25	4.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognized. 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 lower.

No depreciation is provided for immature plantations.

3.7 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.

3.7.1 Financial assets

3.7.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 Company'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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, investments, trade and other receivables, available for sale financial assets.

3.7.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized 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 derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:



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- 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 principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial Asset at amortized 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 Company 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 principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

c) Financial assets at fair value through OCI

Upon initial recognition, the Company 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 Company 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 Company's financial assets fair value through OCI includes investments in quoted and unquoted shares which included under other non-current financial assets.

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 principal 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 amortized 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.



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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.

3.7.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or

(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset. In that case, the Company 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 Company 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 Company could be required to repay.

3.7.1.4 Impairment of financial assets

The Company 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 Company 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).



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3.7.2 Financial Liabilities

3.7.2.1 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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

3.7.2.2 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 recognized in the statement of profit or loss.

b) Financial instruments at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, and amounts due to related parties.

3.7.2.3 Derecognition

A financial liability is derecognized 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 or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

3.7.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.



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3.8 Inventories

a) Finish goods manufactured from agricultural produce of biological assets

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

b) Input materials, Spares and consumables

At average cost.

c) Growing Crop Nurseries

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, and deposits Bank overdrafts that are repayable on demand form and integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.10 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (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 Company 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. 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 Company 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



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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.

3.11 Liabilities and provisions

Provisions are recognised when the Company 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 Company 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 Profit or Loss Statement net of any reimbursement.

3.12 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' 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 recognized 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 I.KAS 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.

3.13 Capital commitments and contingencies

There are no significant capital commitments and contingent assets or contingent liabilities since the last annual reporting date.



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3.14 Foreign currency transactions

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 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 other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

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 profit or loss are also recognised in OCI or profit or loss, respectively).

3.15 Events occurring after the reporting period

There have been no any other material events occurring after the reporting date that require adjustments or disclosure in the Financial Statements.

3.16 Earnings per share

The Company 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.

3.17 Deferred income - Grants and subsidies

Government grants are recognized 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 recognized 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 recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Company 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.

3.18 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 Company's performance.



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3.18.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 obligations.

The Company is in the business of cultivation, manufacture and sale of black tea (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

Revenue from contract with customers**Agarapatana Plantations Limited - Sale of Plantation produce**

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea produce is sold at the Colombo Tea 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.

There is no element of financing present as the Company'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.

Waverly Power (Pvt) Ltd - Electricity Supply

Revenue from electricity supply is recognized upon delivery of electricity to Ceylon Electricity Board. Delivery of electrical energy shall be completed when electrical energy meets the specifications as set out in standardized power purchase agreement, which is completed at the metering point.

3.18.2 Other Source of Revenue

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

Dividend income is recognized when the right to receive payment is established.

- **Interest Income**

Interest income is recognized based on effective interest method.

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

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



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- **Management Fee**

Revenue from management fee is recognized when the services are rendered as per the management fee agreement.

3.18.3 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the year.

3.18.4 Financing income and finance cost

Finance income comprises interest income on funds invested. Interest income is recorded using the Effective Interest Rate (EIR) method.

Finance expenses comprise interest payable on borrowing. 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 payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.18.5 Taxes

3.18.5.1 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 Company 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.

3.18.5.2 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

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:



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- 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.

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.

3.19 Statement of cash flow

The Statement of Cash Flow has been prepared using the "Indirect Method". Interest paid is classified as operating cash flows, 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 Cash Flow Statement.

3.20 Segment Reporting

Segmental information is provided for the different business segments of the company. Business segmentation has been determined based on the nature of goods provided by the company after considering the risk and rewards of each type of product. 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 below.

Group	Plantations		Hydro Power		Total	
	2022 (Rs,000)	2021 (Rs,000)	2022 (Rs,000)	2021 (Rs,000)	2022 (Rs,000)	2021 (Rs,000)
Net Revenue	6,381,434	-	23,744	-	6,405,178	-
Gross Profit	2,224,886	-	18,146	-	2,243,032	-
Net Finance Cost	(159,837)	-	(15,506)	-	(175,343)	-
Profit Before Tax	1,881,514	-	5,893	-	1,887,407	-
Tax Expenses	(3,135)	-	-	-	(3,135)	-
Profit After Tax	1,878,379	-	5,893	-	1,884,272	-
Total Assets	7,234,154	-	262,151	-	7,496,305	-



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4. USE OF ESTIMATES AND JUDGMENTS

The preparation of Financial Statements in conformity with SLFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstance. Hence, actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period 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 company 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 01 April 2019 and Agro processing is liable at 14% for first six months and 30% is liable for the second six months. Accordingly, where applicable, the company has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates. Subsidiary company is liable for income tax as mentioned below.

Waverly Power (Pvt) Ltd:

In accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments there to, the company is liable to income tax at the rate of 14% for first six months and 30% is liable for the second six months.

4.2 Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

Deferred Tax is calculated at the tax rates that are expected to be applied to the taxable profit (or tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.



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4.3 Retirement benefit obligations

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.

4.4 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different 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 the fair value of biological assets. All assumptions are reviewed at each reporting period.

4.5 Bearer Biological assets

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.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets which comes into bearing during the year, is transferred to mature plantations.

4.6 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.

5. SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) 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 Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.



Agarapatana Plantations Limited
 NOTES TO THE FINANCIAL STATEMENTS
 Period ended 31 December 2022

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 (SLFRS 4) 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 Definition of Accounting Estimates - Amendments to LKAS 8

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

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 (and interest expense) or to the related asset component (and 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.



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Agarapatana Plantations Limited
NOTES TO THE FINANCIAL STATEMENTS
Period ended 31 December 2022

5.4 Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide 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 Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

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 Group is currently assessing the impact the amendments will have on current practice



ANNEXURE 4 - RESEARCH REPORT

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AGARAPATANA PLANTATIONS LIMITED

Research Report

15 March 2023

Prepared by



CAPITAL ALLIANCE PARTNERS LIMITED

Level 05, Millennium House, 46/58, Nawam Mawatha, Colombo 02,
Sri Lanka

We, Capital Alliance Partners Limited ("CAL") hereby declare that we possess the requisite expertise to perform reports of this nature involving a quoted company wherein, we expect the Company to be categorized under the GICS Sector Classification: Food, Beverage and Tobacco. We further declare that the Research Report has been prepared in conformity with the disclosures stated in the 'Guidance Note' pertaining to the preparation of a Valuation/Research report.

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The Board of Directors,

Agarapatana Plantations Limited,
53 1/1, Sir Baron Jayatilaka Mawatha,
Colombo 01,
Sri Lanka

Dear Sir/Madam,

**Valuation Report to the Board of Directors and Shareholders of Agarapatana Plantations Limited
on the proposed Initial Public Offering**

We, Capital Alliance Partners Limited, in the capacity of Managers and Financial Advisors to the Initial Public Offering (IPO) of Agarapatana Plantations Limited (hereinafter referred to as "Managers to the Issue"), wish to submit the enclosed Research Report in accordance with Section 3.1.4 (c) of the Listing Rules of the Colombo Stock Exchange.

Please find enclosed herewith the detailed Research Report for your reference.

Thank you,

Yours faithfully,

CAPITAL ALLIANCE PARTNERS LIMITED

Digitally signed by

Nishok Goonasekera

Nishok Goonasekera
Chief Executive Officer

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Glossary of Terms and Abbreviations

Agarapatana/APL	Agarapatana Plantations Limited
C.	Circa (Approximately)
CAL	Capital Alliance Partners Limited
CBSL	Central Bank of Sri Lanka
CSE	Colombo Stock Exchange
EPS	Earnings Per Share
EV	Enterprise Value = Market Capitalization + Interest Bearing Debt – Cash and Cash Equivalents
FY	Financial Year
Ha	Hectares
Kg	Kilogram
Mn	Million
NAV	Net Asset Value
NSA	Net Sales Average
P/E	Price to Earnings Ratio
P/BV	Price to Book Value Ratio
Peers	Comparable Peer Companies to Agarapatana Plantations Limited
Rs/LKR	Sri Lankan Rupee
TTM	Trailing Twelve Months
Valuation Date	31 st December 2022
YoY	Year on Year

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1.0 Introduction

1.1 Executive Summary

CAL valued Agarapatana Plantations Limited ("APL"/ "Company") by utilizing three relative valuation methods: P/E Relative, EV/Hectare Relative and P/BV Relative to arrive at a value for the Company. We have concluded that APL's value per share is LKR 10.73 based on above mentioned valuation metrics: P/E Relative, EV/Hectare and P/BV.

We would also like to point out that the IPO offer price of LKR 9.00 has been priced at a 16% discount to our valuation price of LKR 10.73. This IPO discount is provided to investors to provide a potential upside on the investment.

Table 1-1 Valuation Methodology

Valuation Methodology	Price per Share (LKR) ¹ – Average	Discount compared to the issue price
PER	12.10	25.62%
P/BV	7.90	(13.92)%
EV/Hectare	12.20	26.23%
Average	10.73	16.15%

¹The price per shares are subject to the viability of the sales forecasts/assumptions made in Section 5 of this Research Report.

The Market Based Valuation methods setout herein of the company, is dependent upon the relative size of the peer entities identified under section 5 of the Research Report, in comparison to the company.

We considered three methods to provide an intrinsic value for APL's ordinary voting shares and concluded that all three methods were appropriate and therefore have assigned an equal weighting due to the following reasons:

- a. PER: There are direct competitors for APL listed on the CSE with a readily available market value. For the peer comparison, we have considered several factors (see Section 5 for more details) such as crop grown and elevation in order to shortlist the most suitable tea plantation companies. As such, given they have a readily established market value, driven by demand and supply, we deemed this valuation methodology to be appropriate.
- b. P/BV: Given that, the biological assets of the company are the main assets of the business and is a function of what drives revenue. As such, we have used comparable peer multiples and deem this valuation metric to be appropriate as well.

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- c. **EV/ Hectare:** The EV/Hectare method is the final method that we considered. This metric reflects the value derived from the total mature extent of the grown crop for a plantation company which in effect is the revenue driver for a plantation company (No of Hectares * Yield per hectare * NSA = Revenue). Hence, we deemed it to be appropriate. Additionally, this metric normalizes the valuation across land extent in addition to considering earnings.

Considering the above, we used an equal weightage for all three methodologies for the purpose of arriving at the fair value of Ordinary Voting Shares of APL.

1.2 Objective of the Report

In accordance with the 'Guidance Note', CAL has prepared this research report to provide the basis behind the reference price for the listing of the ordinary voting shares of the Company. APL is a tea plantation company specialising in only High Grown tea. The Board of Directors of this company hope to publicly list its shares by way of an IPO to raise a total of LKR 747,630,999 of which LKR 672,630,999 of the funds will be utilized to purchase Plant & Machinery and the remaining will be utilized to repay high-cost debt of LKR 75,000,000.

Table 1-2 Fund Utilization

Description	Fund Utilization (LKR)	Expected Utilization Timeline
Plant & Machinery	672,630,999	FY 2023/24 & FY 2024/25
High-Cost Debt Repayment	75,000,000	FY 2023/24
Total Funds Raised	747,630,999	

1.3 Valuation Summary and Recommended Reference Price

The table below sets out the findings from the valuation methodologies mentioned above. Please refer Section 5.0 – Valuation Results for a more detailed discussion.

Table 1-3 Valuation Summary

Method	Weightage	Average	
		Intrinsic Value of Equity (LKR)	Value Per Share (LKR) ¹
P/E Relative	33%	5,055,257,572	12.10
P/BV Relative	33%	3,273,402,648	7.90
EV/Hectare Relative	33%	5,066,205,023	12.20

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Value Per Share	10.73
Discount	16%
Reference Price	9.00

Based on the pre-IPO number of ordinary voting shares in issue of the company and rounded up or down to the nearest 00 cents.

Based on the Company's business operations, the industry and the trading multiples of peer companies, CAL concludes that APL shares would have Average price per share of c. LKR 10.73 and hence recommends **LKR 9.00 per share as the reference price.**

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2.0 Overview - Agarapatana Plantations Limited

Incorporated in 1992, Agarapatana Plantations Limited is a mono-crop, tea only plantation and is one of the largest plantation companies in Sri Lanka with 21 tea estates spread across the high grown region of Agras Valley located in the Dimbula District of Nuwara Eliya and in the Uva District of Haputale. The Company has a land extent of c. 10,000 hectares with a mature extent of over 6,000 hectares for the cultivation of tea.

The two agro-climatic regions in which APL's estates are located are ideal for producing high quality tea which offers the distinctive flavours and aromas of tea grown in a variety of elevations across agro-climatic zones. The Company has over 14 fully equipped factories which manufactures and handles the entire production process of Tea. Additionally, there are 3 factories that process refuse tea.

Vision of the Company

"To be the foremost producer of high-quality Tea in full conformity with desired quality requirement."

Mission of the Company

"To produce the highest quality tea whilst protecting and preserving the environment and safeguarding the interest of the community with whom we work with, improving our asset base, developing our employee base and providing value to our shareholders."

Values

APL follows the 3 fundamental values:

- Integrity
- Courage
- Commitment

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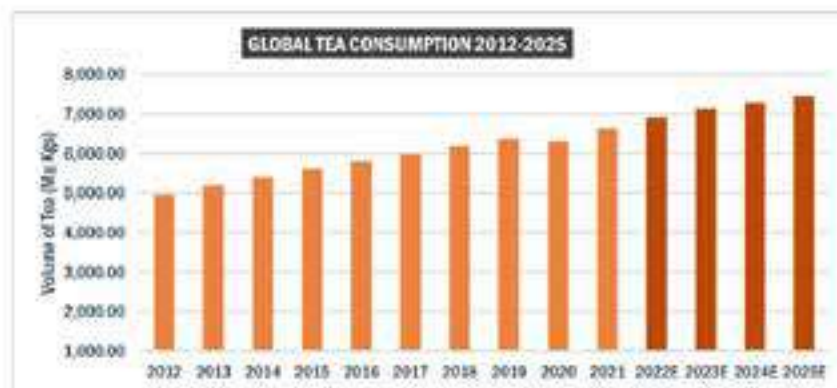
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3.0 Industry Overview

3.1 Global Tea Industry

Global Tea consumption expected to increase by 2025

Discovered around 2,700BC, tea is considered to be one of the oldest beverages in the world. Tea currently represents one of the most consumed beverages in the world, after water. According to Statista, global consumption of tea amounted to 6.3 billion kilograms in 2020 and is forecasted to reach to approximately 7.4 billion kilograms by 2025 due to the increasing popularity¹.



Source: <https://www.statista.com/statistics/940100/global-tea-consumption/> (Accessed on 9th January 2023)

3.1.1 Key Trends Driving Tea Demand

Several market drivers have helped boost the consumption of tea such as rise in the disposable income of consumers, the availability of diverse flavors of tea and the awareness of health benefits of regular tea consumption. The COVID-19 pandemic accelerated a number of existing trends in the tea industry and has influenced the buying patterns of the consumers.

Affordability

Tea is perceived as an inexpensive beverage which makes it affordable to all socio-economic groups especially in developing markets such as India as most consumers belong to low-

¹ <https://www.statista.com/statistics/940100/global-tea-consumption/> (Accessed on 9th January 2023)

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income group. In addition, due to its strong customer acceptance, tea is consumed on a daily basis in the Asia and Europe region.

Health Benefits

The shift towards the improvement of health is the most pressing trend. The COVID-19 pandemic accelerated attention towards the improvement of health during the last two years. Many awareness campaigns were initiated globally to highlight the health benefits of consuming natural food and beverages and increasing health risks of consuming caffeine. The health benefits of tea were among the main focused areas of these campaigns.

Move from Ordinary Tea to Premium Tea

With the effects of the COVID-19 pandemic, tea consumers have started to explore new flavours in the tea market. This is due to their intention to look for healthy and luxury beverages. Consumers are increasingly demanding organic ingredients, and diversified blends and flavours. There is also growing interest in higher-quality specialty teas, with green teas and fruit teas gaining popularity, especially in Europe, owing to perceived health benefits. As a result, demand for premium flavours is on the rise as there is a tendency to try out new flavours.

3.2 Sri Lanka Tea Industry

Tea was first cultivated and manufactured during the British era. Today, the tea industry in Sri Lanka plays a vital role in the economy and over the years, 'Ceylon Tea' has also gained recognition as one of the finest teas that is produced in the world. Sri Lanka is the 4th biggest tea producing country globally and has a production share of 10% in the international sphere and constitutes c. 19%¹ of the global demand. Tea is one of the largest foreign exchange earners in the country, accounting for c. 10.6%² of the country total exports in 2021 and 48%³ of the total agriculture exports in the country. The agriculture sector provides employment to c. 27%⁴ of the total employed population of Sri Lanka and the tea industry in particular provides labour to nearly 1⁵ million people in Sri Lanka (c. 13%⁴ of the total employed population of Sri Lanka).

Sri Lanka mainly produces orthodox teas and its tea is renowned for its high quality, aroma and taste. The country has been in the forefront of tea exports to the world market and has maintaining this position over the years. Tea cultivation takes place in three major geographical zones: High Country (1,200m), Mid Country (600m-1,200m) and Low country

¹ Industry Capability Report (Prepared by Export Development Board), 2022

² CBSL Annual Report (Prepared by Central Bank of Sri Lanka), 2021

³ CBSL External Sector Performance (Prepared by Central Bank of Sri Lanka), November 2022

⁴ Sri Lanka Labour Force Survey (Prepared by Department of Census & Statistics), Third Quarter 2022

⁵ <https://www.srilankabusiness.com/tea/about-tea/industry-capability.html> (Accessed on 20th January 2023)

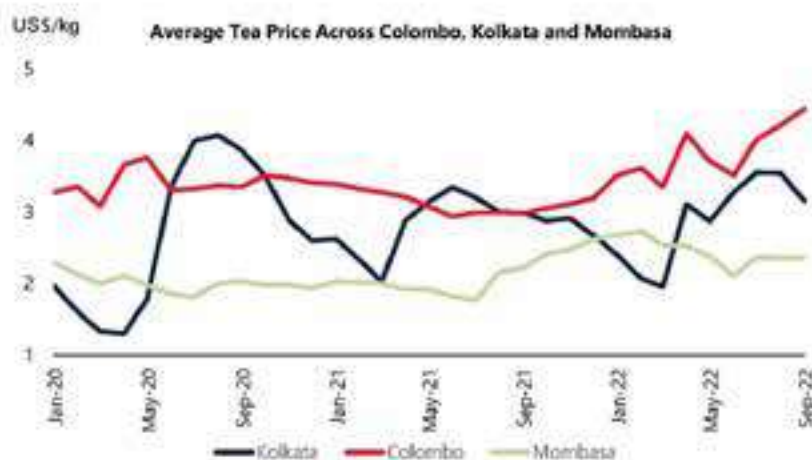
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(600m). The high grown tea is widely used in many quality blends in Germany and Japan, the medium grown tea is popular in Australia, Europe, Japan and North America, whereas the low grown tea is popular in Western Asia, Middle Eastern countries and CIS and BRICS countries.

The Colombo tea auction showed elevated prices for tea in 2022 compared to 2021 and the pre pandemic levels. The prices are expected to stabilize with improved production globally and in Sri Lanka in the coming year.

A significant increase of almost 9%⁴ was observed in international tea prices during the third quarter of 2022 reflecting large increases at the Colombo and Kolkata auctions (12 and 11 percent, respectively). The price strength reflects declining global tea supplies by major producers and exporters. Sri Lanka continues to fetch the highest prices across the three main tea auctions with a price of USD 4.49⁵ per kg in September 2022 which was markedly higher than the prices fetched at tea auctions in Kolkata and Mombasa due to the premium that 'Ceylon tea' commands that has led to an increase in demand.



Source: Commodity Markets Outlook (Prepared by World Bank), October 2022

Tea Industry to have a strong growth in 2023 amidst political turbulence

The tea production in 2021 recorded an overall growth of 7.5%⁶ and the production of high, medium and low grown tea expanded by 4.5%, 8.9% and 8.0% in 2021. The cumulative tea production during January-December 2022 totaled to 251⁷ million Kgs⁸, recording a significant decrease of 47.84 million Kgs compared to 2021, due to the banning of chemical fertilizers.

⁴ Commodity Markets Outlook (Prepared by World Bank), October 2022

⁵ World Bank Commodity Prices Data (The Pink Sheet – Monthly Data) (Prepared by World Bank), 2022

⁶ <https://web.forbestea.com/statistics/sri-lanka-statistics/65-sri-lanka-tea-production> (Accessed on 25th February 2023)

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and the economic crisis. Amidst the recessionary conditions of the country, relatively inelastic demand patterns and strong export volumes are evident, anticipating that the tea industry would remain strong in the coming years despite the Ukraine -Russia conflict.

International buyers are starting to pay higher prices for the Sri Lankan tea for their blend⁸. Additionally, given that the wage revision of tea planters took place in 2021 and the significant rupee depreciation, it is predicted that the industry would further benefit in the year 2023 due to expected hike in production accompanied with the high tea prices at tea auctions, thus reducing the strain on the plantations margins⁹.

Government measures that were undertaken to strengthen the tea industry

The Colombo tea auction is the single largest tea auction in the world. Amidst the covid pandemic the government introduced an e-Auction system which was a major stepping stone in the tea industry that strengthened the tea trade. This ensures the continuity of supply and demand and cash flow and allows brokers and sellers to catalogue their teas electronically allowing buyers to bid online¹⁰.

⁸ <https://economictimes.indiatimes.com/small-biz/trade/reports/insights/sri-lankan-economic-crisis-may-provide-opportunities-for-indian-tea-exporters-experts/articleshow/3065170.cms> (Accessed on 9th January 2023)

⁹ Plantation Sector: Positive Outlook (Prepared by CAL Research Team¹¹), 2022

¹⁰ The report is published on the CAL Portal which is limited to registered users. Their latest outlook on the plantation sector was prepared in July 2022 and as such we have used that information.

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4.0 Valuation Methodology

CAL considered the following valuation methodologies in order to arrive at a fair value for APL's shares based on the relevance and appropriateness of the respective valuation methodology for a plantation company.

- PER Relative Valuation
- P/BV Relative Valuation
- EV/Hectare Relative Valuation

4.1 PER Relative Valuation

The price-to-earnings ratio (P/E ratio) measures a company's current share price relative to its Earnings Per Share (EPS). The price-to-earnings ratio or P/E is one of the most widely used stock analysis tools by investors and analysts for determining a share's valuation.

The relative value for APL's shares using a PER would be calculated as follows:

$$\text{Implicit Value of APL} = \left(\text{Earnings of APL} \times \frac{P}{E} \text{ Multiple} \right)$$

Where:

P/E Multiple: Average of the Peer Group P/E Multiple

Earnings = Profit Attributable to Equity Holders of APL

4.2 P/BV Relative

A P/BV ratio measures a company's market value to its book value. The book or liquidation value is based on balance sheet accounting values. A company's price per share is determined by applying the P/BV ratio of its nearest peer or comparable peer group to the company's book value.

The relative value for APL's shares using a P/BV ratio would be calculated as follows:

$$\text{Implicit Value of APL} = \left(\text{NAV Per Share of APL} \times \frac{P}{BV} \text{ Multiple} \right)$$

Where:

P/BV Multiple: Average of the Peer Group P/BV Multiple

NAV Per Share = Net Asset Value Per Share of APL

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4.3 EV/Hectare Relative

EV/Hectare is a valuation metric commonly used to value plantation companies. It reflects the value derived from the total mature extent of the grown crop (tea, in this case). The relative value for APL's shares using an EV/Hectare ratio would be calculated as follows:

$$\text{Implicit Value of APL} = \left(\text{Number of Hectares of APL} \times \frac{\text{EV}}{\text{Hectare}} \text{ Multiple} \right) - (\text{Net Debt})$$

Where:

EV/Hectare Multiple = Weighted Average of the Peer Group EV/Hectare Multiple

Net Debt = Interest Bearing Debt – Cash and Cash Equivalents

Enterprise Value (EV) is defined as the sum of market capitalization of listed shares, plus market value of debt less market value of cash and securities. EV is a measure of the productive capacity of an entire firm irrespective of its indebtedness or cash holdings. Companies having similar market capitalizations or shareholder values ("SV") may have very different enterprise values.

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5.0 Valuation Results

This section details out the assumptions used for the valuation and results based on the valuation methods described in Section 4.0 – Valuation Methodology.

The group company consists of Waverly Power (Pvt) Ltd and Agarapatana Plantations Limited. Waverly Power (Pvt) Ltd was acquired in September 2022 to engage in hydro power production generating over 1 megawatt of power that is supplied to the main electricity board as part of their renewable energy strategy. However, the revenue of Waverly Power (Pvt) Ltd represents only <1.0% of the combined revenue for the past 3 years (See Table below). As such, we have not carried out a separate valuation. However, the performance has been included as a result taking into consideration Group numbers.

Table 3-1 Group Revenue

As at 31 st March	Revenue (LKR'000)		
	2022	2021	2020
Group Companies			
Waverly Power (Pvt) Ltd	46,601	35,495	30,314
Agarapatana Plantations Limited	4,486,527	4,291,538	3,187,556
Waverly Power (Pvt) Ltd Revenue as a % of Agarapatana Plantation + Waverly revenue combined	1.07%	0.82%	0.94%

CAL used the following Comparable Peers for the relative valuation of APL. The peer group for APL was selected based off the companies listed under the plantation sector on the CSE. Due to differences in the crops produce by plantation companies, CAL chose the following companies based on the peer's being primarily tea producing plantations with most of the estates located in the high grown region.

We would also like to bring to the reader's attention that the IPO price of LKR 9.00 per Share is at a 16% discount to our reference Point Valuation, based on Average of LKR 10.73 for all three methods. This IPO discount is provided to investors in order to provide a potential upside on the investment.

Table 3-2 Comparable Peers

#	Comparable Peers
1.	Hatton Plantations PLC
2.	Bogawantalawa Tea Estates PLC
3.	Maskeliya Plantations PLC
4.	Udapussellawa Plantations PLC
5.	Talawakelle Tea Estates PLC
6.	Kelani Valley Plantations PLC
7.	Balangoda Plantations PLC

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The table below includes the comparable ratio analysis for APL. These ratios represent rule of thumb calculations, with the values varying daily according to the closing price of a given counter. Therefore, CAL advises investors not to place much emphasis on single ratio measures, particularly outliers and anomalies.

Table 3-3 Comparable Peer Ratios

Comparable Peer	P/E ²	P/BV ²	EV/Hectare (LKR'000's) ³	Market Capitalization (LKR'000's) ¹
Hatton Plantations PLC	3.75	1.46	1810	5,703,667
Bogawantalawa Tea Estates PLC	3.20	1.53	1743	4,020,000
Maskeliya Plantations PLC	2.03	1.21	626	2,212,093
Udapussellawa Plantations PLC	1.72	0.70	611	1,807,973
Talawakelle Tea Estates PLC	2.11	0.83	303	4,227,500
Kelani Valley Plantations PLC	1.84	0.71	1038	4,991,200
Balangoda Plantations PLC	3.39	0.78	805	3,304,364
Average	2.58x	1.03x	991	

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st March 2022 published on the CSE Website and Interim Financial Statements for the period ended 31st December 2022 and 2021 published on the CSE Website. Based on the Interim Financial Statements of the aforesaid companies for the period ended 31st December 2022 published on the Capital IQ (Market Intelligence Platform - limited to registered users only)

¹Market Capitalization as at 27th February 2023 which has been sourced from Capital IQ (Market Intelligence Platform - limited to registered users only).

²Closing price as at 27th February 2023, earnings per share is based off the financial statements for the trailing 12 months ended 31st December 2022. The book value and net debt positions are based off the financial statements as at 31st December 2022.

³Mature/ revenue generating extent as at 31st March 2022 has been used in the calculation of the EV/Hectare

Where the data provided were incomplete, we have used reasonable judgment and we take responsibility for the same.

Assumptions identified by CAL in relation to the Valuation

Suitable peers were those plantation Companies, listed on the CSE, which predominantly grow tea with most of the estates located at an elevation of over 1,200m above mean sea level (i.e. High Grown Tea). This has been referred to from the audited financial statements of the aforesaid companies for the year ended 31st March 2022 published on the CSE Website. The cultivated extent of APL and the peer Companies is also assumed to have remained unchanged from the date of their last respective annual report.

When arriving at the Average multiples of the three valuation methodologies, CAL has excluded companies that has less than 85% of their plantations growing tea.

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5.1 P/E Relative Result

CAL used the trailing 12 Month earnings as at 31st December 2022 of APL combined with the Average P/E ratios of comparable peers (See Table 5-4). Based on the 31st December 2022 (of peers) TTM Earnings and the 27th February 2023 closing share price, the Peer Average Multiple is 2.58x.

Table 5-4 P/E Relative Comparable Peers

Comparable Peer	Market Capitalization (LKR'000's) ¹	TTM PAT ²	P/E
Halton Plantations PLC	5,703,667	1,521,015	3.75
Bogawantalawa Tea Estates PLC	4,020,000	1,255,675	3.20
Maskeliya Plantations PLC	2,212,093	1,088,154	2.03
Udapussellawa Plantations PLC	1,807,973	1,048,600	1.72
Talawakelle Tea Estates PLC	4,227,500	2,007,673	2.11
Kelani Valley Plantations PLC	4,991,200	2,709,357	1.84
Balangoda Plantations PLC	3,304,364	975,452	3.39
Average			2.58x

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st March 2022 published on the CSE Website and Interim Financial Statements for the period ended 31st December 2022 and 2021 published on the CSE Website, based on the Interim Financial Statements of the aforesaid companies for the period ended 31st December 2022 published on the Capital IQ (Market Intelligence Platform - limited to registered users only)

¹Market Capitalization as at 27th February 2023

²Profit after tax is based off the unaudited financial statements for the trailing 12 months ended 31st December 2022.

Applying this ratio (comparable peer P/E) to APL's 31st December 2022 TTM profit of LKR 1,961,192,894 generates a share price of LKR 12.10 based on Peer Average Multiple.

Table 5-5 P/E Relative

PAT for nine months ended 31 st December 2021	: LKR (44) Mn
PAT for the year ended 31 st March 2022	: LKR 28 Mn
PAT for nine months ended 31 st December 2022	: LKR 1,681 Mn
APL TTM PAT (Without Waverly Power (Pvt) Ltd) ¹	: LKR 1,953 Mn
PAT for nine months ended 31 st December 2021	: LKR 4 Mn
PAT for the year ended 31 st March 2022	: LKR 9 Mn

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PAT for nine months ended 31 st December 2022	: LKR 3 Mn
Waverly Power (Pvt) Ltd TTM PAT ²	: LKR 6 Mn
APL TTM PAT (With Waverly Power (Pvt) Ltd) ³	: LKR 1,961 Mn
Number of shares (Pre IPO)	: 416,929,889
Peer Average P/E	: 2.58x
Equity Value Per Share based on Peer Average Multiple	: LKR 12.10 Per Share

Source: Based on Audited Financial Statements of APL for the year ended 31st March 2022 and Consolidated Financial Statements for the period ended 31st December 2022 (Limited review) and Interim Financial Statements for the period ended 31st December 2021.

¹Unaudited TTM PAT as at 31st December 2022 (excluding TTM PAT of Waverly Power (Pvt) Ltd). This has been calculated by adding the PAT for nine months ended 31st December 2022 and PAT for the year ended 31st March 2022 and thereafter subtracting the PAT for nine months ended 31st December 2021.

²Unaudited TTM PAT of Waverly Power (Pvt) Ltd as at 31st December 2022. This has been calculated by adding the PAT for nine months ended 31st December 2022 and PAT for the year ended 31st March 2022 and thereafter subtracting the PAT for nine months ended 31st December 2021.

³Unaudited TTM PAT as at 31st December 2022 (including TTM PAT of Waverly Power (Pvt) Ltd). We have used the TTM PAT for the company and added the TTM for Waverly Power (Pvt) Ltd, given it will continue as a subsidiary going forward.

Table 5-6 P/E Relative Sensitivity Analysis

Peer Average P/E	Value per share
PER + 20%	14.60
PER + 15%	14.00
PER + 10%	13.30
Base Case	12.10
PER - 10%	10.90
PER - 15%	10.30
PER - 20%	9.70

5.2 P/BV Relative Result

CAL compared the Adjusted Book value of APL (Refer Table 5-8) to that of Average P/BV metric of comparable peers (See Table 5-7). Based on the 31st December 2022 Equity Value and the 27th February 2023 Market Capitalization, the Peer Average Multiple is 1.03x.

Table 5-7 P/BV Relative Comparable Peers

Comparable Peer	Equity Value (LKR'000's) ¹	Market Capitalization (LKR'000's) ²	P/BV
Hatton Plantations PLC	3,915,376	5,703,667	1.46
Bogawantalawa Tea Estates PLC	2,632,124	4,020,000	1.53

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Comparable Peer	Equity Value (LKR'000's) ¹	Market Capitalization (LKR'000's) ²	P/BV
Maskeliya Plantations PLC	1,828,106	2,212,093	1.21
Udapussellawa Plantations PLC	2,581,867	1,807,973	0.70
Talawakelle Tea Estates PLC	5,068,518	4,227,500	0.83
Kelani Valley Plantations PLC	7,063,597	4,991,200	0.71
Balangoda Plantations PLC	4,223,095	3,304,364	0.78
Average			1.03x

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st March 2022 published on the CSE Website and Interim Financial Statements for the period ended 31st December 2022 and 2021 published on the CSE Website; Based on the Interim Financial Statements of the aforesaid companies for the period ended 31st December 2022 published on the Capital IQ (Market Intelligence Platform)

¹Equity Value as at 31st December 2022 based on the Unaudited Interim Financial Statements

²Market Capitalization as at 27th February 2023

Applying this ratio (comparable peer P/BV) to APL's 31st December 2022 Adjusted NAV per share of LKR 7.61 per share generates a share price of LKR 7.90 based on Peer Average Multiple of 1.03x.

Table 5-8 P/BV Multiple

APL NAV ²	: LKR 3,516 Mn
Goodwill of Waverly Power (Pvt) Ltd	: LKR 341 Mn
APL Adjusted NAV ¹	: LKR 3,175 Mn
Number of shares	: 416,929,889
Adjusted NAV per share	: LKR 7.61
Peer Average P/BV ¹	: 1.03x
Equity Value Per Share based on Peer Average Multiple	: LKR 7.90 Per Share

Source: Based on Consolidated Financial Statements for the period ended 31st December 2022 (Limited review)

¹P/BV of Comparable Peers, Refer Table 5-7

²Based on the Group NAV as at 31st December 2022

³The goodwill of LKR 341 Mn (Based on Consolidated Financial Statements for the period ended 31st December 2022) (Limited review) has been deducted from the NAV of LKR 3,516 Mn, as goodwill is an intangible asset and it is prudent to not include goodwill in the NAV (Assumption made by CAL)

Table 5-9 P/BV Relative Sensitivity Analysis

Peer Average P/BV	Value per share
P/BV + 20%	9.40
P/BV + 15%	9.00
P/BV + 10%	8.60
Base Case	7.80
P/BV - 10%	7.10

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P/BV - 15%	6.70
P/BV - 20%	6.30

5.3 EV/Hectare Relative Result

CAL compared the Hectareage of APL to that of the Average EV/ Hectare multiple of comparable peers (See Table 5-10). Based on the latest available hectareage figures, the Peer Average EV/ Hectare is LKR 990,724

Table 5-10 EV/Hectare Relative Comparable Peers

Comparable Peer	Enterprise Value ¹ (LKR'000's)	Tea Area ² (Hectares)	EV/Hectare (LKR'000's)
Hatton Plantations PLC	6,341,349	3,504.0	1810
Bogawantalawa Tea Estates PLC	5,813,906	3,336.3	1743
Maskehiya Plantations PLC	3,372,147	5,385.4	626
Udapussellawa Plantations PLC	1,979,822	3,238.9	611
Talawakelle Tea Estates PLC	1,253,875	4,139.0	303
Kelani Valley Plantations PLC	6,507,298	6,271.0	1038
Balangoda Plantations PLC	4,804,035	5,970.4	805
Average			991

Source: Based on Audited Financial Statements of the aforesaid companies for the year ended 31st March 2022 published on the CSE Website and Interim Financial Statements for the period ended 31st December 2022 and 2021 published on the CSE Website. Based on the Interim Financial Statements of the aforesaid companies for the period ended 31st December 2022 published on the Capital IQ (Market Intelligence Platform)

¹Net Debt as at 31st December 2022 and Market Capitalisation as at 27th February 2023

²Only Tea & rubber mature extent has been used in the calculation of the EV/hectare (A minimum of 85% of the peer plantations grow tea, therefore we have included the rubber mature extent as well to cover for completion as it constitutes c. 100% contribution to revenue combined. The other crops were insignificant to the tea and rubber mature extent.)

Applying this ratio (comparable peer EV/Hectare) to APL's hectareage of 6,416 Ha and deducting the Net Debt of APL generates a share price of LKR 12.20

Table 5-11 EV/Hectare Relative

Number of Hectares of APL ¹	: 6,416 Hectares
APL Debt ²	: LKR 1,113 Mn
APL Bank Overdraft	: LKR 285 Mn
APL Cash	: LKR 107 Mn
APL Net Debt ³	: LKR 1,290 Mn
Peer Average EV/Hectare ⁴	: LKR 990,724
(Peer Average EV/Hectare) * Number of Hectares of APL	: LKR 6,356 Mn

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[(Peer Average EV/Hectare) * Number of Hectares of APL] - APL Net Debt	: LKR 5,066 Mn
Equity Value Per Share based on Peer Average	: LKR 12.20 Per Share

Source: Based on Consolidated Financial Statements for the period ended 31st December 2022 (Limited review)

¹ Based on APL's mature tea extent of 6,416 Ha as at 31st December 2022

² Includes the non-current and current interest-bearing borrowings and lease liabilities of the group

³ Net Debt is calculated by deducting the cash from the total of debt and bank overdraft of the group

⁴ Average EV/Hectare of Comparable Peers, Refer Table 5-10

Table 5-12 EV/Hectare Relative Sensitivity Analysis

Peer Average EV/Hectare	Value per share
EV/Hectare + 20%	15.20
EV/Hectare + 15%	14.40
EV/Hectare + 10%	13.70
Base Case	12.20
EV/Hectare - 10%	10.60
EV/Hectare - 15%	9.90
EV/Hectare - 20%	9.10

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5.4 Discounted Cash flow analysis

Given the increasing and volatile interest rate environment over the last year, we felt that the WACC assumptions, i.e. The cost of equity, debt will be overly elevated due to high-risk free rates as a result of the country's economic crisis, which will change over the coming years. Additionally, using 2022 prices as a base price may lead to inaccurate results as tea prices have increased significantly due to the LKR depreciation which was an exceptional circumstance. Therefore, we felt the discounted cash flow analysis methodology was not appropriate and therefore we have not considered income-based valuation methodology.

5.5 Net Asset Value

In almost every instance short of bankruptcy or its near equivalent, the going concern (business as usual) worth of a company is more than the book value. Book or liquidation value is based on balance sheet accounting values. This method ignores the market value of a share, and instead refers exclusively to balance sheet values (adjusted for known off balance sheet assets and liabilities). Given the NAV of the individual companies is not directly related to the earnings capacity of the respective entities based on the nature of operations, we have not considered asset-based valuation methodology.

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6.0 Valuation Recommendation

We summarise the rationale for our recommendation as follows:

- The PER Relative valuation indicates a price of LKR 12.10
- The P/BV relative valuation indicates a price of LKR 7.90
- The EV/Hectare valuation indicates a price of LKR 12.20

We conclude our valuation recommendation of LKR 9.00 for a share of APL has been priced at a 16% discount to the simple average of the PER, P/BV and EV/Hectare valuations.

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7.0 Risks

The future performance of APL is subject to a number of risks that may or may not be within the control of the Company. Should any of the risks highlighted here materialize, it could have an adverse effect on the performance of the Company and its ordinary share price. This section highlights the main sources (but not necessarily all) of the risks that could be faced by the Company.

Unpredictable weather/climate changes

Most of the plantations are situated at 5,000 ft above sea level and is exposed to extreme weather conditions largely affected by global warming. Crop losses and reduction in yield due to adverse weather conditions can cause shortfalls in revenue which will hamper the overall profitability of the business. There is also a risk of the effects of natural disasters on the harvest such as droughts, landslides, flooding and other related natural disasters that may lead to destruction in the landscape of the plantations as well as the crops.

Tea price volatility

The existing macro-economic conditions prevailing in the market such as the global supply of tea, export demand for tea, geopolitical uncertainties, free trade agreements and the changes in global consumer trends may have a significant effect on the prices of tea fetched at the auctions. Policies adopted by different governments and political stability in different geographies play a crucial role. Furthermore, inflation rates of a country will affect consumer spending power and indirectly impact the company's performance. Should the global commodity markets grow in the future, auction prices could improve which may improve the Company's profitability. A continuous increase in the output from Kenya and China may result in the Sri Lankan tea industry facing higher competition leading to reduced margins and ultimately lower profitability.

Rising labour costs and labour shortages

The labour-intensive nature of the plantation sector results in labour costs contributing 60-70% to the cost of production of a kilogram of tea. Any significant increases in wages would raise the cost of production by a significant margin. Labour strikes and further ad-hoc wage increment demands can result in unrest leading to low productivity. Labour shortages as migration of workers continue, will disrupt the tea-plucking operations, and will have a detrimental impact on revenue.

Increase in Fertilizer prices/Unavailability of Fertilizers

Fertilizer subsidies have a direct impact on the cost of production and overall profitability. Although the ban on fertilizers have been reversed, the scarcity of fertilizer and chemicals may

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continue, as imports have been restricted due to the foreign exchange crisis. This may cause great difficulty in the progress of field practices with timely applications.

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8.0 CAL Team

Nishok Goonasekera, BEng – CEO - Capital Alliance Limited Partners

Having spent over 15 years in London, Singapore and Hong Kong at J.P. Morgan and Morgan Stanley in Global Fixed Income Markets, Mr. Goonasekera is CEO of CAL Partners, where he is focused on building the corporate finance business both locally and internationally. Most recently he was an Executive Director at Morgan Stanley's Hong Kong office, running a team advising on Asian foreign exchange, interest rates, and credit markets. His institutional clientele were multi-strategy hedge funds and asset managers who invest globally across emerging markets. He has a Bachelor's Degree in Computer Engineering from Imperial College, London.

Ashvanth Vijayaram, BBA, ACCA Affiliate – Vice President – Investment Banking

Ashvanth joined CAL in early 2017 and has been involved in a number of M&A transactions since. He is an Affiliate of the Association of Chartered Certified Accountants (UK) and he holds a Bachelor's degree in Business Administration (Finance) from the University of Colombo. Prior to joining CAL Ashvanth lectured at the Mercury Institute of Management.

Mathurya Sowmdarajan, BSc – Analyst - Investment Banking

Mathurya has previous experience working as a financial analyst at Planlogic and a M&A Associate at Climb Advisors. Having joined CAL in October 2022, she has been involved with transactions related to Equity Capital Markets including IPOs and M&A transactions. Mathurya holds a Bachelor's degree in Accounting and Financial Management from Loughborough University and is also a Level III ACCA candidate.

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9.0 Disclaimer

CAL's analysis is based on information obtained from the audited financial and unaudited interim financial statements supplied by Agarapatana Plantations Limited. CAL relied primarily on the information provided by Agarapatana Plantations Limited and acted with due care, due diligence and consideration in preparing the report. CAL assumes no responsibility for errors or omissions in information furnished by Agarapatana Plantations Limited.

This report is for the purpose set out in Section 1.2 of this report and should not be used for any other purpose.

Neither all nor part of the contents of this report shall be disseminated to the public, through advertising, public relation, news, sales or any other public media without prior approval of Capital Alliance Partners Limited.

In carrying out this Assignment, analysis deemed appropriate and assessments that were possible and practical within the time available have been carried out. Financial information and market data from the CSE have also been used for this Assignment.

The value recommendations given in this report are valid as at 15 March 2023 and the validity of the Valuation report/Research report will be for a minimum period of 3 months from the date of issuance of the final Prospectus and/or where material changes have taken place in the Company's operating environment. A factor to be considered for this report is that the valuations carried out are done based on financial data provided by Agarapatana Plantations Limited. Where the data provided were incomplete, we have used reasonable judgment and we take responsibility for the same.

ANNEXURE 5 – COLLECTION POINTS

Copies of the Prospectus and the Application Form can be obtained free of charge from the following collection points.

MANAGERS AND FINANCIAL ADVISORS TO THE OFFER

Capital Alliance Partners Limited

Level 5, "Millennium House",
46/58, Navam Mawatha, Colombo 02
Tel: +94 11 2317777
Fax: +94 11 2317788

COMPANY

Agarapatana Plantations Limited

53 1/1, Sir Baron Jayatilaka Mawatha,
Colombo 1
Tel: +94 11 2381 508 / +94 11 5388 388
Fax: +94 11 2381 513

REGISTRARS TO THE OFFER

S S P Corporate Services (Private) Limited

101, Inner Flower Road,
Colombo 03.
Tel: +94 11 257 3485
Fax: +94 11 257 3609

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ANNEXURE 6 - TRADING PARTICIPANTS OF THE COLOMBO STOCK EXCHANGE

NDB Securities (Private) Ltd.

Level 2, NDB Capital Building, No. 135, Bauddhaloka Mawatha, Colombo 4.

Tel: +94 11 2 131 000

Fax: +94 11 2 314 181

E-mail: mail@ndbs.lk

Almas Equities (Pvt) Ltd

Westin Tower, 5th Level, No 2 - 4/1, Lake Drive, Colombo 8

Tel: +94 11 2 673 908

Fax: +94 11 2 673 908

E-mail - info@almasequities.com

Asha Securities Limited.

No.60, 5th Lane, Colombo 3.

Tel: +94 11 2 429 100

Fax: +94 11 2 429 199

E-mail: asl@ashasecurities.net

J B Securities (Pvt) Ltd.

No. 150, St. Joseph Street, Colombo 14.

Tel: +94 11 2 490 900

Fax: +94 11 2 430 070

E-mail: jbs@jb.lk

Asia Securities (Pvt) Ltd.

4th Floor, Lee Hedges Tower, No. 349, Galle Road, Colombo 3

Tel: +94 11 7 722 000

Fax: +94 11 258 4864

E-mail: inquiries@asiasecurities.lk

S C Securities (Pvt) Ltd.

5th Floor, No. 26B, Alwis Place, Colombo 3.

Tel: +94 11 4 711 000 / +94 11 4 711 001

Fax: +94 11 2 394 405

E-mail: itdivision@sampathsecurities.lk

First Capital Equities (Pvt) Ltd.

No. 2, Deal Place, Colombo 3.

Tel: +94 11 2 639 898

Fax: +94 11 5 736 264

E-Mail: equity@firstcapital.lk

Nation Lanka Equities (Pvt) Ltd.

No.44, Guildford Crescent, Colombo 07.

Tel: +94 11 7898302

Fax: +94 11 2673355

E-mail - info@nlequities.com

Somerville Stockbrokers (Pvt) Ltd.

No. 1A, Park Way, Park Road, Colombo 5.

Tel: +94 11 2 502 852 / +94 11 2 502 854 / +94 11 2 502 858 /

+94 11 2 502 862

Fax: +94 11 2 502 852

E-mail: contact@somerville.lk

John Keells Stock Brokers (Pvt) Ltd.

No. 186, Vauxhall Street, Colombo 2.

Tel: +94 11 2 306 250

Fax: +94 11 2 342 068

E-mail: jkstock@keells.com

Acuity Stockbrokers (Pvt) Ltd.

No. 53, Dharmapala Mawatha, Colombo 3.

Tel: +94 11 2 206 206

Fax: +94 11 2 206 298 / 9

E-mail: sales@acuitystockbrokers.com

Lanka Securities (Pvt) Ltd

No. 228/1, Galle Road, Colombo 4.

Tel: +94 11 4 706 757 / +94 11 2 554 942

Fax: +94 11 4 706 767

E-mail: info@lankasec.com

Capital Trust Securities (Pvt) Ltd.

No, 42, Mohamed Macan Markar Mawatha, Colombo 3.

Tel: +94 11 2 174 174 / +94 11 2 174 175

Fax: +94 11 2 174 173

E-mail: inquiries@capitaltrust.lk

CT CLSA Securities (Pvt) Ltd.

4-14, Majestic City, 10, Station Road, Colombo-4.

Tel: +94 11 2 552 290 - 4

Fax: +94 11 2 552 289

E-mail: info@ctclsal.lk

Bartleet Religare Securities (Pvt) Ltd.

Level "G", "Bartleet House", No. 65, Braybrooke Place, Colombo 2.

Tel: +94 11 5 220 200

Fax: +94 11 2 434 985

E-mail: info@bartleetstock.com

TRADING PARTICIPANTS OF THE COLOMBO STOCK EXCHANGE**Capital Alliance Securities (Pvt) Ltd.**

Level 5, "Millennium House", 46/58 Navam Mawatha, Colombo 2.
 Tel: +94 11 2 317 777
 Fax: +94 11 2 3177 88
 E-mail: info@cal.lk

Nestor Stock Brokers (PVT) Ltd

No. 02, Gower Street, Colombo 5.
 Tel: +94 11 5 388 138
 Fax: +94 11 2 550 100
 E-Mail: info@nestorstockbrokers.lk

First Guardian Equities (Pvt) Ltd.

32nd Floor, East Tower, World Trade Centre,
 Colombo 1.
 Tel: +94 11 5 884 400 (Hunting)
 Fax: +94 11 5 884 401
 E-mail: info@fge.lk

Senfin Securities Limited

4th Floor, No.180, Baudhaloka Mawatha, Colombo 04.
 Tel: +94 11 2 359 100
 Fax: +94 11 2 305 522
 E-Mail: info@senfinsecurities.com

Richard Pieris Securities (Pvt) Ltd.

No.310, High Level Road, Nawinna, Maharagama
 Tel: +94 11 431 0500
 Fax: +94 11 280 2385
 Email: communication@rpsecurities.com

LOLC Securities Limited

No. 481, T.B.Jayah Mawatha, Colombo 10.
 Tel: +94 11 588 9889
 Fax: +94 11 266 2883
 E-Mail: info@lolcsecurities.com

Asia Capital Stock Brokers (Pvt) Ltd.

No. 59, Gregory's Road, Colombo 07.
 Tel: +94 117 564 000
 Fax: +94 112 331 756
 E-Mail: info@acapstockbrokers.lk

Softlogic Stockbrokers (Pvt) Ltd

Level 16, One Galle Face Tower, Colombo 02.
 Tel: +94 11 7 277 000
 Fax: +94 11 7 277 099
 Email: ssb.inquiry@softlogic.lk

Enterprise Ceylon Capital (Private) Limited.

2nd Floor-4B, Liberty Plaza, 250, R. A. De Mel Mawatha,
 Colombo 3
 Tel: +94 11 244 5644, 11 230 1861/2
 Fax: -
 E-mail: info@ecc.lk

Ambeon Securities (PVT) LTD

2nd Floor, No. 10, Gothami Road, Colombo 08.
 Tel: +94 11 5 328 200 / +94 11 5 328 100
 Fax: +94 11 5 328 177
 E-Mail: info@ambeonsecurities.lk

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ANNEXURE 7 - CUSTODIAN BANKS

Bank of Ceylon

Head Office
11th Floor, 04, Bank of Ceylon Mawatha, Colombo 01.
Tel: +94 112 204064

Citi Bank, N A

65 C, Dharmapala Mawatha.
P. O. Box 888, Colombo 07.
Tel: +94 114 794728

Commercial Bank of Ceylon PLC

Commercial House
21, Bristol Street, P.O. Box 853, Colombo 01.
Tel: 011 2 445 010-15

Deutsche Bank AG

P.O. Box 314, 86, Galle Road, Colombo 03.
Tel: 011 2 447 062 / 011 2 438 057

Hatton National Bank PLC

HNB Towers, 479, T. B. JayahMawatha, Colombo 10.
Tel: +94 112 661 762

Union Bank of Colombo PLC

64, Galle Road, Colombo 03.
Tel: +94 112 374205

Nations Trust Bank PLC

256, Sri Ramanathan Mawatha, Colombo 15
Tel: +94 114 313131

Pan Asia Banking Corporation PLC

Head Office
450, Galle Road, Colombo 03.
Tel: 011 2 565 565

The Hong Kong and Shanghai Banking Corporation Limited

24, Sir Baron Jayathilake Mawatha, Colombo 01.
Tel: 011 2 325 435, 011 2 446 591, 011 2 446 303

People's Bank

Head Office - Treasury, 5th Floor, Sir Chittampalam A Gardiner
Mawatha, Colombo 02.
Tel: 011 2 206782

Public Bank Berhad

340, R A De Mel Mawatha, Colombo 03.
Tel: 011 2 576 289, 011 7 290 200-7

Standard Chartered Bank

37, York Street, P. O. Box 112, Colombo 01.
Tel: +94 112 480450

Sampath Bank PLC

110, Sir James PeirisMawatha, Colombo 02.
Tel: +94 115 331458, +94 114 730662

State Bank of India

16, Sir Baron Jayathilake Mawatha, Colombo 01.
Tel: +94 114 622350

Seylan Bank PLC

Level 8, Ceylinco Seylan Towers,
90, Galle Road, Colombo 03.
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ANNEXURE 8 – INDEPENDENT CONFIRMATION FROM EXTERNAL AUDITORS



27th January 2023

The Board of Directors
Agarapatana Plantations Limited
No.53 1/T,
Sir Baron Jayathilka Mawatha,
Colombo 01,
Sri Lanka.

Dear Sirs/ Mesdames,

Evaluation of the proposed IPO price and the share issue price in March 2022 of Agarapatana Plantations Limited

We have evaluated the proposed IPO price of Rs. 9.00 per share provided by the management and shares issued price of Rs. 5.00 per share in March 2022 of Agarapatana Plantations Limited. The purpose of our evaluation is to determine whether the proposed IPO price will not give an undue advantage for existing shareholders.

The evaluation was based on three main valuation approaches as follows:

1. Income Approach
2. Market Approach
3. Asset Approach

We have used following information in evaluating the proposed IPO price and the shares issued price,

- Audited Financial statements as of 31st March 2022 and 31st March 2021.
- Five years cash flow projections as of 31st December 2022.
- Share issue details from 1st January 2022 to 31st December 2022.
- Financial statements as of 31st December 2022.
- Business valuation report dated 14th February 2022, prepared by Moore Consulting (Pvt) Ltd.
- Business Valuation report dated 20th January 2023, prepared by Capital Alliance Partners Limited.
- Observable Market information.

The share issued price in March 2022 was according to a business valuation performed as of 31st December 2021 based on the income approach and the net asset approach. The market approach has not been used to the valuation as of 31st December 2021 due to the negative financial performances of the company as of 31st December 2021. Refer Appendix 03 for the details of negative ratios of the company as of 31st December 2021.

The proposed IPO price is according to a business valuation performed as of 31st December 2022 based on the market approach where income and net asset approaches were not used in that computation.

Therefore, we have re-performed the business valuation as of 31st December 2022 using the income approach and the net asset approach in order to evaluate the business value of the company as of 31st December 2022 in line with the approaches used as of 31st December 2021. As a result, we have arrived at Rs. 8.97 of per share value as of 31st December 2022 based on the income approach and the net asset approach (Refer Appendix 01: Re-computation of the business valuation as of 31st December 2022).

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Managing Director : Tishan Subasingha FCA, FCPA, CMA (USA), MBA (PhD), LL.B (Hons)

Director : Ruwan Perera FCA, FCPA, ACPA, RFP, ACCA (UK), FRM, FRM (UK), Joseph Jayawardena FCA, FTA (UK), BBA (Hons), FRM, Richard Perera FCA, ACCA, LL.B (Hons), BBA (Hons)

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ANNEXURES

We observed that the increase in share price from 31st December 2021 to 31st December 2022 is as a result of the significant increase in revenue figures in the cash flow projection of 31st December 2022 compared to the cash flow projection as of 31st December 2021. Based on the interim profit or loss statement for the nine (09) months ended December 2022, we observed that the revenue has increased in actual terms. The increase is mainly due to the increase in tea auction prices imposed after 31st December 2021 as per the management (Refer Appendix 02 for detail comparison of projections and actual financial performances). Our evaluation on the publicly available information also evidenced the increase in tea auction prices. Refer Annexure 01 and 02 for the Monthly Tea Statistics published by Sri Lanka Tea Board for 31st December 2021 and 30th November 2022 accordingly (The latest sales auction prices have been updated for November 2022). Further the cash flow projections and the valuation assumptions including the discount factor have also changed from 31st December 2021 to 31st December 2022 based on the numerous volatilities observed in the market during the period from 01st January 2022 to 31st December 2022 which has directed a change in the business valuation.

Further, we have re-performed the market approach to evaluate the value per share as of 31st December 2021 since the IPO value as of 31st December 2022 has been derived based on the market approach (Refer Appendix 03 for more details). Accordingly, the business value based on market approach has also derived at Rs. 2.50 per share value as of 31st December 2021.

Accordingly, the summary of the evaluation of the share valuation results as of 31st December 2021 are as follows for the share issued price of Rs. 5.00 per share.

Value per share based on the Income approach and Net Asset approach (Base price for the share issue in March 2022)	Reperformed value per share based on the Market approach for evaluation purpose
Rs. 5.47	Rs. 2.50

The summary of the evaluation of the share valuation results as of 31st December 2022 are as follows for the proposed IPO price of Rs. 9.00 per share.

Value per share based on the Market approach (Base price for the proposed IPO price)	Reperformed value per share based on the Income approach and Net Asset approach for evaluation purpose
Rs. 9.00	Rs. 8.97

Further, the management of Agarapatana Plantations Limited has confirmed that there was only one share issue in March 2022 for the twelve (12) months period from 1st January 2022 to 31st December 2022.

Accordingly, as per our evaluation we can observe that the shares issued in the twelve (12) months preceding to the date of application of IPO (March 2022) do not provide an undue gain to the existing shareholders at the expense of the IPO investors.

In the context of the present volatility in the business environment, the value of a share can also vary within a short time span.

Yours truly,


 Director
 Moore Consulting (Pvt) Ltd

Appendixes

Appendix 01

The summary of re-computed valuation results as of 31st December 2022 based on the Income approach and the Net Asset approach is as follows,

	Value - Rs '000		
	Lowest	Absolute	Highest
Weighted Average consensus range	4,279,532	5,120,843	6,351,780
Income Approach (Discounted Cash Flow method)	4,974,202	6,077,680	7,642,931
Net Asset Approach	3,199,562	3,420,890	3,642,900

	Value per share – Rs		
	Lowest	Absolute	Highest
Weighted Average consensus range	10.26	12.28	15.23
Income Approach (Discounted Cash Flow method)	11.93	14.58	18.33
Net Asset Approach	7.67	8.20	8.74

Since the capital Alliance Partners Limited has applied a 27% discount to the valuation price, we have also applied the same discount in deriving the value per share.

Value per share as of 31 st December 2022	Rs. 12.28
Application of 27% discount	Rs. 03.31
Net value per share	Rs. 08.97



ANNEXURES

Appendix 01 (Contd.,)

Computation of Business Value using Discounted Cash Flow Method

Rs. 000

	2022 December (Actual)	2022/23 (Rolling)	2023/24 (Estimate)	2024/25 (Estimate)	2025/26 (Estimate)	2026/27 (Estimate)
Revenue	6,381,434	8,816,415	10,502,153	12,143,564	14,320,923	16,887,202
Cost of sales	4,247,654	6,723,463	7,486,509	8,492,998	10,245,884	11,601,437
Gross Profit	2,133,780	2,092,954	3,105,643	3,650,565	4,075,039	5,285,765
Other Income	58,263	176,730	128,756	113,000	114,000	115,000
Administrative expenses	238,954	602,930	597,696	680,209	753,297	848,166
Net finance cost on loans	202,287	343,543	151,500	151,500	151,500	151,500
Net financing cost - working capital	-	18,780	-	-	-	-
Taxation	27,435	638,738	497,510	770,212	888,336	1,174,625
Net profit after Taxation	1,723,367	665,693	1,987,693	2,161,644	2,395,906	3,226,534
Add: Interest	202,287	362,323	151,500	151,500	151,500	151,500
Add: Tax	27,435	638,738	497,510	770,212	888,336	1,174,625
Profits Before Interest and Tax (PBIT)	1,953,089	1,666,754	2,636,703	3,083,356	3,435,742	4,552,658
Add: Depreciation	133,190	-	-	-	-	-
PBITDA	2,086,279	1,666,754	2,636,703	3,083,356	3,435,742	4,552,658
PBITDA (1-Tax)	1,585,572	1,266,733	2,003,895	2,343,351	2,611,164	3,460,020
Less: Change in WIC	(1,743,340)	(436,152)	(216,183)	(223,630)	(236,226)	(276,693)
Less: CAPEX	(87,577)	(881,451)	(562,073)	(292,164)	(267,844)	(218,196)
FCFF	(245,345)	349,130	1,225,639	1,827,556	2,107,094	2,965,130
Terminal Value						13,788,863
Discount rate	-	0.782	0.612	0.479	0.375	0.293
	-	273,138	750,156	875,092	789,335	868,997
NPV	7,597,820					
Subtract: Net Debt (Debt + Overdraft - (Cash + FD))	(1,520,140)					
Total Value	6,077,680					



Appendix 02

Detail comparison of projections and actual financial performances

	Audited Year ended 3/31/2022	Nine Months ended 12/31/2022	Projected P & L 2022/2023 (12 Months) Prepared for the valuation as of 31st December 2021	Projected P & L 2022/2023 (12 Months) Prepared for the valuation as of 31st December 2022
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	4,486,527	6,381,434	5,584,374	8,833,523
Cost of Sales	(4,423,318)	(4,247,654)	(5,421,139)	(6,265,323)
Gross Profit/(loss)	63,209	2,133,780	163,235	2,568,199
Gains/(loss) on change in fair value of biological assets	158,117	-	-	-
Other Income	158,365	58,263	40,000	777,256
Administrative Expenses	(130,433)	(238,954)	(112,625)	(546,542)
Finance Income	72,123	42,450	-	-
Net Financing Cost	(221,474)	(202,287)	(169,520)	(362,323)
Profit/(loss) before Income Tax Expense	59,907	1,793,252	(78,960)	1,936,590
Income Tax Expense/Reversal	(32,073)	(3,135)	-	-
Net Profit/(loss) for the Period	27,834	1,790,117	(78,960)	1,936,590

The comparison clearly shows that the revenue projection has been increased. The actual revenue derived for the nine (09) months of period also reflects that the projection as of 31st December 2022 is more realistic than the projection as of 31st December 2021.



ANNEXURES

Appendix 03

The summary of valuation results as of 31st December 2021 based on the Market approach is as follows.

Valuation Methodology- AGPL (Plantation)	Weightage	Peer Metric	Intrinsic Value	Value Per Share (LKR)
Price to Book Multiple	50.00%	0.16	100,412,446	0.30
EV/Hectare Multiple	50.00%	416,093	1,491,934,666	4.60
Weighted Reference Price				2.5

The Market approach was based on a comparison of the entity to a comparable publicly traded company and transactions in its industry. The valuation based on market approach used two market multiples as follows:

- Price to Book Value Multiple
- EV/Hectare Multiple

PER (Price to Earning) Multiple was not used to determine the value because the company has recorded a net loss for the period ended 31st December 2021.



Annexure 01 : Tea sales at auction- End December 2021

**Monthly Tea Statistics – December 2021****1. TEA PRODUCTION**

Cumulative tea production for the period January to December 2021 shows an increase of 7% against last year.

Elevation	Dec		January to Dec	
	2021	2020	2021	2020
	Kg.	Kg.	Kg	Kg
High Grown	4,566,347	6,537,989	65,326,571	62,242,494
Medium Grown	3,236,898	4,725,292	50,985,716	46,732,256
Low Grown	12,720,340	17,393,872	183,176,135	169,877,015
Total	20,523,585	28,657,154	239,488,422	278,851,765

Tea Production (Category wise)

Category	Dec		January to Dec	
	2021	2020	2021	2020
	Kg	Kg	Kg	Kg
Orthodox(Including Bio, Reclaimed)	18,323,583	25,747,680	270,721,345	252,724,901
CTC	2,005,120	2,723,590	26,194,701	24,099,171
Green	194,882	185,884	2,572,375	2,027,694
Total	20,523,585	28,657,154	239,488,422	278,851,765

The above production figures are excluding instant tea and details of the instant tea is as follows.

Year	December	End December
2021	347,817	3,638,813
2020	291,396	3,063,331

2. SALES DATA**Sales at Auction End December 2021(All inclusive)**

Elevation	Qty Kg	Gross Unit Price (Rs./Kg.)
High Grown	63,515,032	587.13
Medium Grown	52,338,655	550.80
Low Grown	179,936,125	644.23
All Sales	295,790,812	615.44

Source: SLTB Sales Report



ANNEXURES

2. EXPORTS STATISTICS- DECEMBER 2021



Category	Qty Kg	Value Rs	FOB Ru/kg
Export			
Black			
Bags	1,895,503	3,256,536,833	1,717.04
Bulk	10,362,339	7,948,872,025	767.09
Packets (1Kg-3Kg)	134,106	269,481,898	746.72
Packets (3Kg-5Kg)	1,118,140	934,005,215	880.04
Packets (4g-1kg)	5,873,549	5,460,655,202	929.70
Packets (5kg-10kg)	3,226,908	2,156,184,334	668.25
Black Total	22,811,367	20,055,737,363	879.20
Green			
Bags	74,385	271,966,717	3,656.41
Bulk	45,552	47,683,554	1,040.79
Packets (1Kg-3Kg)	531	1,129,250	2,126.65
Packets (3Kg-5Kg)	11	2,436	203.00
Packets (4g-1kg)	81,136	151,795,840	1,871.99
Packets (5kg-10kg)	1,184	5,221,764	1,543.07
Green Total	307,175	477,803,582	2,306.28
Instant			
Packets (>3kg)	300,094	488,306,421	1,627.18
Packets (4g-1kg)	75	48,233	643.08
Instant Total	300,169	488,354,654	1,626.93
Export Total	23,118,706	21,021,895,578	901.50
Re Export			
Black			
Bags	478,001	637,881,784	1,345.75
Bulk	140,317	102,421,189	729.98
Packets (3kg-5kg)	2	7,868	3,934.00
Packets (4g-1kg)	38,107	56,954,056	1,491.05
Packets (5kg-10kg)	14,700	22,054,567	1,497.59
Black Total	667,219	829,295,464	1,227.91
Green			
Bags	101,258	335,210,879	3,278.09
Bulk	1,362	2,075,955	617.48
Packets (4g-1kg)	20,283	91,393,162	1,328.82
Packets (5kg-10kg)	4,790	5,558,293	1,295.17
Green Total	188,193	436,236,478	2,420.94
Instant			
Packets (>3kg)	2,171	3,095,342	1,426.01
Instant Total	2,171	3,095,342	1,426.01
Re Export Total	849,586	1,258,631,268	1,483.46



Annexure 02 : Tea sales auction - End November 2022.

**Monthly Tea Statistics – November 2022****1. TEA PRODUCTION**

Cumulative tea production for the period November 2022 shows a decrease of 17% against last year.

Elevation	November		January to November	
	2022	2021	2022	2021
	Kg	Kg	Kg	Kg
High Grown	4,345,969	4,127,663	51,983,444	60,760,224
Medium Grown	3,093,063	3,237,282	37,275,693	47,748,618
Low Grown	12,805,882	12,099,761	142,608,476	170,455,794
Total	20,244,914	19,464,706	211,867,613	279,964,636

Category	November		January to November	
	2022	2021	2022	2021
	Kg	Kg	Kg	Kg
Orthodox(Including Bko, Reclaimed)	18,225,311	18,038,052	209,494,412	252,397,762
CTC	1,833,197	1,871,895	20,749,436	24,189,581
Green	186,407	154,759	1,623,765	2,377,493
Total	20,244,914	19,464,706	211,867,613	279,964,636

The above production figures are excluding instant tea and details of the instant tea is as follows.

Year	November	End November
2022	1,092,288	4,216,126
2021	316,371	3,290,996

2. SALES DATA

Sales at Auction End November 2022(All inclusive)

Elevation	Qty Kg	Gross Unit Price (Rs. /Kg.)
High Grown	50,888,032	1,078.25
Medium Grown	39,907,957	1,015.56
Low Grown	143,626,433	1,327.39
BB Sales	234,422,422	1,280.96

Source: SLTB Sales Report



ANNEXURES



J. Monthly Exports

Category	2022 November		
	Qty Kg	Value RS	FOB RS/Kg
Export			
Black			
Bags	1,436,321	4,681,679,187	3,261.52
Bulk	8,485,156	14,757,997,409	1,739.27
Packets (1Kg-3Kg)	247,795	216,308,623	1,598.90
Packets (3Kg-5Kg)	600,058	1,195,411,957	1,992.30
Packets (5Kg-10Kg)	5,642,050	11,080,321,981	1,963.90
Packets (10Kg-15Kg)	1,816,317	2,883,400,193	1,587.50
Black Total	18,127,695	34,637,818,800	1,921.81
Green			
Bags	53,544	371,594,120	6,926.98
Bulk	43,885	92,799,061	2,149.87
Packets (1Kg-3Kg)	55,520	194,193,086	3,497.30
Packets (3Kg-10Kg)	1,200	2,226,744	2,024.33
Green Total	253,439	660,813,011	4,306.94
Instant			
Packets (>3Kg)	263,305	838,402,085	3,183.97
Packets (1Kg-3Kg)	1	584	382.50
Instant Total	263,306	838,402,679	3,210.96
Export Total	18,541,932	36,396,554,490	1,959.70
Re Export			
Black			
Bags	296,677	761,617,195	2,567.16
Bulk	148,057	236,934,663	1,609.29
Packets (1Kg-3Kg)	118,240	272,925,989	2,308.23
Packets (3Kg-10Kg)	300	345,804	1,152.68
Black Total	563,274	1,271,823,651	2,257.81
Green			
Bags	82,542	592,681,659	6,404.51
Bulk	25,766	27,574,560	1,070.44
Packets (3Kg-5Kg)	11,700	30,292,974	2,589.14
Packets (1Kg-3Kg)	35,813	126,961,480	3,545.33
Green Total	155,812	777,510,673	4,689.10
Instant			
Packets (>3Kg)	5,895	14,683,624	2,507.85
Instant Total	5,895	14,683,624	2,507.85
Re Export Total	734,941	2,064,617,948	2,808.41
Grand Total	19,276,873	38,461,172,438	1,982.90



ANNEXURE 9 – MANAGEMENT AGREEMENT AND THE ADDENDUM

15

AGREEMENT BETWEEN
AGARAPATANA PLANTATIONS LTD
&
LANKEM TEA & RUBBER PLANTATIONS (PVT) LTD
 (FORMERLY KNOWN AS GEORGE STEUART MANAGEMENT SERVICES (PVT) LTD)

THIS AGREEMENT is made on the 28th day of December, 1997 between Agarapatana Plantations Limited, a company duly incorporated in Sri Lanka, having its registered office at 760, Baseline Road, Colombo 09 (hereinafter referred to as the "Company") of the one part, AND Lankem Tea and Rubber Plantations Limited, a company duly incorporated in Sri Lanka and having its registered office at 760, Baseline Road, Colombo 09 (hereinafter referred to as the "Managing Agent") of the other part;

WHEREAS the Company is desirous of engaging the services of the Managing Agent to manage the Business and Assets of the Company,

AND WHEREAS the Managing Agent has the skills and expertise and also the ability to procure expertise such as is needed by the Company and is agreeable to utilise the said skills and expertise in the management of the Business and Assets of the Company,

AND WHEREAS the parties intend to enter into an Agreement in terms of which the Company would hand over the Business and Assets to the Managing Agent for management and thereafter the Managing Agent would so manage same for remuneration;

WHEREAS in consideration of the services rendered by the Managing Agent, the Company shall remunerate the Managing Agent for the performance of the said management services.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. ENGAGEMENT OF THE MANAGING AGENT AND RELATED MATTERS

1.1 The Company hereby appoints the Managing Agent to manage the assets of the Company and serve the Company as the Company's manager in the day to day running of the Business of the Company, which said services are more fully described in clause 2 hereof, and the Managing Agent hereby accepts the appointment on the terms and conditions as set out in this Agreement.

1.2 The appointment shall commence on the first day of January, 1998.

CERTIFIED TRUE COPY
 CORPORATE MANAGERS & SECRETARIES (PRIVATE) LTD.

[Handwritten Signature]
 PV 7008

Secretaries

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1.3 The Managing Agent shall be entitled to a remuneration during each financial year on the following basis:-

- A fee equivalent to 4% of the Company's turnover.
- A fee equivalent to 3.5% of the Company's profit.
- Buying commission of 2% on purchase of supplies.
- Crop charge of Rs. 0.75 per kg. of tea sold.

1.4 Definitions of terms used in 1.3 -

- Turnover means the total revenue received by the Company during the financial year.
- Financial year means the twelve month period 1st April to 31st March.
- Profit means gross revenue for a particular financial year less all expenditure including retiring gratuity provision, but excluding depreciation, amortisation, lease rental, interest payments, profit and loss from sale of capital assets and capital expenditure.
- Crop is the total quantity of tea (including bought leaf) accounted for as sold in a particular financial year.
- Supplies means all purchases including fertiliser, chemicals, packing materials and capital equipment procured by the Managing Agent on behalf of the Company.

1.5 The mode of payment of the Management Fee shall be as follows:-

- Fees/charges/commission based on turnover, supplies and crop shall be computed monthly and paid before the end of the following month.
- Fee based on profits shall be -

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- Computed quarterly on the basis of the Interim Quarterly Accounts and 80% of such fee be paid within one month after the completion of the quarter.
- The final payment of such profit based fees shall be made within one month after completion of the annual audit of the Company.

1.6 Provided however, in the event the Company undertakes new ventures or projects, the Company and the Managing Agent shall agree on further sums to be paid as Management Fees to the Managing Agent for carrying out additional managerial functions arising from such new ventures or projects.

2. SCOPE OF SERVICES AND RELATED MATTERS

- 2.1 The Managing Agent shall render to the Company all services necessary for the management of the Company inclusive of but not necessarily confined to the following services.
- 2.1.1 The overall management of the Assets and the Business of the Company with a view to maximising the long term profitability of the Company.
- 2.1.2 The day to day management of the Estates, Factories, Assets and Business of the Company.
- 2.1.3 The management, disciplinary control and recruitment of the staff and labour of the Head Office, Regional Offices, Estates and Factories for the purpose of the Business of the Company.
- 2.1.4 The purchasing and procurement of goods and services.
- 2.1.5 Agronomic management services.
- 2.1.6 The management and supervision of the factories in all aspects of process engineering.
- 2.1.7 Marketing services.
- 2.1.8 The management of accounts and financial management including all aspects of financial control, budgeting, financial planning, payments, bank transactions and financial authorisations, of the Assets and Business of the Company.

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ANNEXURES

- 2.1.9 Arranging the procurement of adequate working Capital and Investment Capital for development expenditure as is required for the purposes of the Company on the security of the Assets of the Company.
- 2.1.10 Arranging for required technical support including training of staff and labour.
- 2.1.11 The representations of the Company in all matters connected with the Assets and Business of the Company, inclusive of representation in courts, tribunals and bodies adjudicating on the rights and the duties of the Company and rendering assistance as is required in connection therewith.
- 2.1.12 The Managing Agent shall on or before February 1, each year submit to the Board a Corporate Plan for a period of five (5) years starting April 1 of each year setting out the development programme for the Estates and the Company, and update same annually on a rolling basis on or before October 31 each year.
- 2.1.13 The Managing Agent shall submit to the Board a budget covering the period April 1 to March 31 on or before February 1, each year.

The Annual Budget shall consist of:

- Operations Budgets including anticipated revenues, all expenditure for operations including but not limited to the costs of production, administrative costs, selling expenses, interest, taxes and extra-ordinary income and expenditure, and the remuneration for the Managing Agent. The cash flow requirements of the Company should also be set out as part of the said Operations Budget.
 - Capital Budget containing all expenditures of a capital nature.
- 2.1.14 The Managing Agent shall provide to the Board within thirty (30) days of each month a report on the performance of the Company containing the following information:
- Key aspects of physical and financial operations and progress in development; and
 - The status of financial performance against the budget with comparison of actual and targeted figures and indications of working capital requirements for the next quarter.

S.M. N. I. D. E.

The Managing Agent shall ensure that annual audit reports, in co-operation with independent auditors, are finalised and submitted to the Board not later than three (3) months of the close of each Accounting Period. In the event that the Managing Agent is unable to do so in any year due to unforeseen circumstances the Managing Agent shall notify the Board in writing as to the reasons for not meeting the deadline and request an extension of the period for the submission of audited accounts.

3. AUTHORITY OF THE MANAGING AGENTS AND RELATED MATTERS

- 3.1 Without in any way prejudicing the rights and diminishing or increasing the liabilities of the company arising in terms of its Memorandum and Articles of Association, the leases and contracts entered into by the Company, any requirements of the law of Sri Lanka howsoever arising, and subject to what is herein provided, and the guidelines on policy which the Board may lay down from time to time, the Managing Agent in the exercise of its functions under this Agreement shall have all powers and authorities needed to manage the Company's Business and Assets as aforesaid fully, effectively and efficiently.
- 3.2 The Managing Agent through its officers shall have the power to give directions and exercise control over all employees of the Company.
- 3.3 Notwithstanding any provision contained herein, the Managing Agent shall not without prior written approval of the Board:
 - 3.3.1 Borrow money on behalf of the Company.
 - 3.3.2 Sell or otherwise dispose of any of the movable and immovable assets of the Company other than in the ordinary course of business.
 - 3.3.3 Commit the Company to any expenditure not covered by the estimates previously approved by the Board, save necessary expenditure which could not reasonably have been foreseen at the time of the meeting of the Board held next before the expenditure was incurred.
 - 3.3.4 Create any lease, mortgage, charge or lien or other encumbrance of whatever nature on the whole or any part of the Assets or Business of the Company.

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ANNEXURES

- 3.3.5 Subscribe, on behalf of the Company to any share capital or loan capital of any other company or cause the Company to enter into partnership or profit sharing arrangement with any person.
- 3.3.6 Cause the Company either directly or indirectly to lend or give credit to any person in the ordinary course of its business and
- 1.3.7 Cause the Company to guarantee or give an indemnity in respect of any indebtedness or liability, whether actual or contingent, of any person, or to assume any liability for the benefit either directly or indirectly of any such person.

4. OBLIGATIONS OF THE MANAGING AGENT

- 4.1 Without prejudice to the foregoing provisions of the Agreement inclusive of those casting obligations on the Managing Agent expressly or impliedly, the Managing Agent shall discharge its duties and responsibilities arising hereunder and manage and develop the said Estates and Business with a degree of professional skill not less than that customary to such discharge, management and development, with due diligence and efficiency and in conformity with sound technical, administrative, business, financial and other relevant practice with a view to maximising the long profitability of the Company.
- 4.2 The Managing Agent shall act at all times so as to protect the interests of the Company and shall not make any secret profits, and shall take all reasonable steps to keep expenses to a minimum consistent with sound business, financial, agricultural and technical practices.
- 4.3 The Managing Agent shall take all reasonable steps to ensure that any employee or contractor of the Managing Agent or any specialist engaged for the purpose of this Agreement shall not, except with the prior written consent of the Board, during the Management period or after its termination disclose to any person, body or entity, any confidential information relating to the Business or affairs of the Company or its customers which may come to the knowledge of the Managing Agent or such person during such Management period.

Notwithstanding the above, the Managing Agent may disclose information of a confidential nature relating to the Company, its Estates, Assets or Business, to any person to the extent that such is necessary and proper for the performance of the duties of the Managing Agent or as required by any Statute or Order of any competent court or tribunal having jurisdiction.

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5. OBLIGATION OF THE COMPANY

- 5.1 The obligation of the Company under this Agreement shall include but not be confined to the following:
- 5.1.1 Use its best endeavours to facilitate the performance of the Managing Agent's duties under this Agreement and co-operate to the fullest extent possible with the officers and staff of the Managing Agent.
 - 5.1.2 Generally vest in the Managing Agent all such powers as are reasonably necessary to enable the Managing Agent to efficiently and effectively discharge its functions and obligations under this Agreement and ratify actions done by the Managing Agent in the compliance of its obligations under this Agreement if such ratification is warranted.
 - 5.1.3 Mortgage the Assets of the Company for the purpose of borrowing to meet the working capital and investment capital needs of the Company as required under this Agreement and in accordance with the borrowing powers vested in the Company by its Memorandum and Articles of Association.
 - 5.1.4 Assist the Managing Agent by way of the execution of any document necessary to secure through borrowing an adequate level of funding both for operation and for development as required under the Agreement.
 - 5.1.5 Pay such sums as are payable to the Managing Agent under the Agreement.

6. TERMINATION

Either party may terminate this Agreement by giving 180 days notice in writing to the other.

7. SETTLEMENT OF DISPUTES AND ARBITRATION

If at any time any question, dispute or difference of opinion in relation to, or in connection with or pertaining to the Agreement or any part thereof or in the interpretation of any provision herein contained or perceived as such by either party, shall arise between the Company and the Managing Agent, which cannot be amicably settled between the two parties thereof, it shall be referred to Arbitration.

[Handwritten signature]

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8. NOTICES

8.1 Any notice or other communication under this Agreement to the Company or the Managing Agent shall be given in writing and shall be delivered by personal delivery, pre-paid registered post, or by telex or facsimile addressed to the party to whom such notice or communication is directed. Such notice or communication shall be deemed to have been received by the addressee (as applicable):

- (1) If by personal delivery, on the date of personal delivery to such addressee's place of business as last notified in advance of posting or delivery by the addressee; or
- (2) If by posting, two (2) days after the date of registered posting to the addressee's place of business as last notified in advance of posting or delivery by that party; or
- (3) If by facsimile, contemporaneously with facsimile transmission to the facsimile number last notified in advance of transmission by the addressee, with the receipt of the appropriate transmission contact report.

For the purpose of this Agreement the respective addresses of the parties hereto shall be as follows:-

Address of Company	760, Baseline Road, Colombo 09.
Fax Number	682728
Telephone Number	074-616260
Address of Managing Agent	760, Baseline Road, Colombo 09.
Fax Number	698350
Telephone Number	698292

8.2 Any notice given by registered mail shall be deemed to have been received by the addressee four (4) working days after it has been posted as aforesaid, and any notice given by way of facsimile shall be deemed to have been received by the addressee eight (8) working hours after it has been sent in the manner aforesaid.

8.3 Either party hereto may by notice to the other party given in terms hereof change the address to which any notice intended for the party so giving such notice shall be addressed.

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IN WITNESS WHEREOF the Parties have hereunto and to one other of the same tenor and date as these presents caused their respective common seals to be affixed at on this 29th day of December, 1997.

Common Seal of Agarapatana Plantations Limited
affixed in the presence of;

1. [Signature]
Director

2. [Signature]
Director

Directors of the said company do hereby attest the said sealing

WITNESSES

1. [Signature]

2. [Signature]

Common Seal of Lankem Tea & Rubber Plantations (Pvt) Limited

1. [Signature]
Director

2. [Signature]
Director

Directors of the said company do hereby attest the said sealing

WITNESSES

1. [Signature]

2. [Signature]

ANNEXURES

ADDENDUM TO THE MANAGEMENT AGREEMENT

This addendum made and entered into at Colombo in the Democratic Socialist Republic of Sri Lanka on this 30th day of September 2022, by and between **LANKEM TEA AND RUBBER PLANTATIONS (PVT) LTD** a Company duly incorporated in Sri Lanka and having its registered office at No 8-2/1, York Arcade Building, Leyden Bastian Road, Colombo 1 in the said Republic (hereinafter referred to as the '**Managing Agent**') of the one part and **AGARAPATANA PLANTATIONS LTD** a Company duly incorporated and having its registered office at 53-1/1, Sir Baron Jayathillaka Mawatha Colombo 1 (hereinafter referred to as the '**Company**') of the other part.

WITNESSETH

WHEREAS by Management Agreement entered into on 29th day of December 1997 (Hereinafter sometimes referred to as the 'Principal Management Agreement') the Managing Agent agreed to offer its expertise services to manage the business and the assets of the Company on the terms and conditions indicated therein.

WHEREAS upon discussion between the parties it has now become necessary to execute this addendum to the Principal Management Agreement entered into on 29th day of December 1997.

WHEREAS it has now been agreed between the parties that all the respective terms and conditions related to the remuneration to the Managing Agents be annulled.

NOW THIS ADDENDUM THEREFORE WITNESSETH AS FOLLOWS:

WHEREAS The Parties have now agreed that clauses 1.3,1.4,1.5,1.6 and 5.1.5 in the Principal Management Agreement to be annulled with effect from 30th September 2022, on the basis that Lankem Tea & Rubber Plantations (Pvt) Ltd is an affiliated Company of Agarapatana Plantations Limited.

WHEREAS parties wish to execute this Addendum to the Principal Management Agreement previously entered as indicated aforesaid a copy of which is annexed hereto.

WHEREAS the parties agree that all other terms and conditions of the Principal Management Agreement dated 29.12.1997 will remain in force.

CERTIFIED TRUE COPY

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LTD.

[Handwritten Signature]
PA 7900

Secretaries

WHEREAS the parties agree that the conditions of this Addendum will be in force and construed as a part of the Principal Management Agreement throughout the continuation the Principal Management Agreement.

IN WITNESS WHEREOF the within named parties hereto have set their hands hereunto and one other of the same tenor and date at Colombo on this 30th day of September Two Thousand and Twenty Two.

LANKEM TEA AND RUBBER (PVT) LTD)

Signed in presence of)
)
 Director)
)
 Director)

[Handwritten signature]
[Handwritten signature]

Witnesses

1. *[Handwritten signature]*
976102746V
2. *[Handwritten signature]*
66650084V

AGARAPATANA PLANTATIONS LTD)

Signed in presence of)
)
 Director)
)
 Director)

[Handwritten signature]
[Handwritten signature]

Witnesses

1. *[Handwritten signature]*
807120247V
2. *[Handwritten signature]*
766290588V



AGARAPATANA
PLANTATIONS LIMITED