

Heladiv[®]

TEA FROM PARADISE



VISION

Our Vision is to make H V A FOODS PLC a truly global company dealing in every kind of tea & tea-based products.

MISSION

To drive the flagship brand HELADIV to win customer confidence and loyalty in tea and tea-based products in all corners of the world, thereby empowering H V A FOODS PLC to reach its objectives.

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A BRAND WITH A GLOBAL RECOGNITION

Being an innovator means going where nobody has gone before. Over the years we are proud to be recognised as the tea innovators and we promise to pioneer on!

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HELADIV stems from the world Heladiva, Symbolising a product that is home-grown and synonymous with Ceylon Tea. HELADIV also connotes taking pride and distinction in an indigenous product while serving the needs of the modern marketplace.

Registered as a brand in over 40 countries around the world, HELADIV has also been a pioneer in product development in keeping with the dynamic changes taking place in the global marketplace.

So much so that it has carved out a special niche for itself in the international arena.

WHO WE ARE

Heladiv Tea has played a pivotal role in bringing immense pride to the Sri Lankan tea industry and has been a significant contributor to the country's economy for several decades since its inception. With a rich history deeply rooted in Sri Lanka's tea heritage, Heladiv Tea has consistently upheld the highest standards of quality and craftsmanship, showcasing the exceptional flavors and unique characteristics of Ceylon tea to the world.

Since its establishment, Heladiv Tea has been committed to nurturing and sustaining the tea plantations in Sri Lanka, fostering a sustainable and ethical approach to tea cultivation. By implementing environmentally friendly practices and supporting local communities, the brand has not only contributed to the economic growth of Sri Lanka but has also promoted social welfare and environmental conservation.

Heladiv Tea's unwavering dedication to excellence has earned itself a reputation as a trusted and revered name in the global tea market. The brand's extensive range of teas, including black, green, herbal, and specialty blends, has delighted tea connoisseurs worldwide, captivating their taste buds with the authentic essence of Sri Lankan tea.

Through its continuous innovation, Heladiv Tea has introduced new and exciting tea concepts, blending traditional craftsmanship with modern techniques. This has allowed the brand to stay at the forefront of the ever-evolving tea industry, appealing to a diverse range of consumers and expanding its market presence both domestically and internationally.

As an ambassador of Sri Lankan tea, Heladiv Tea has played a vital role in promoting the country's rich tea culture and heritage on the global stage. Its relentless pursuit of quality and commitment to sustainable practices has not only elevated the reputation of Ceylon tea but has also contributed significantly to the overall growth and success of the Sri Lankan tea industry.

The R&D laboratory of H V A, also known as the "Bumble Bee Concept Centre" is the country's first standardised laboratory and development Centre for Ceylon Tea. The key objective of the laboratory has been the development of new value added concepts, utilising tea and other organically grown produce that go beyond the traditional tea industry approach.

The Bumble Bee Concept Centre currently boasts many innovative new business ventures. The Bumble Bee Concept Centre has been fitted with the most cutting-edge equipment of its kind such as spectrophotometer, sophisticated analytical balances, research & development pH metres and Laminar flow facility for Microbiological testing among others.

OUR PRODUCTS MIX

H V A's portfolio of products have now transcended from traditional tea to modern ready-to-drink iced tea variants. It has also introduced superfoods like Moringa, spice teas and herbal infused beverages to suit wellness, mixology, culinary and HORECA needs. Founded by an expert tea connoisseur Rohan Fernando, counting over 4 decades of local and global experience in the industry, having worked at Brooke Bond, Ceylon Health & Co etc. H V A Foods PLC has been built upon a strong foundation of quality, consistency and innovation.

BEVERAGES COLLECTION

Made from 100% pure Ceylon tea using a methodology to retain the natural taste and properties.



PREMIUM COLLECTION

A tea for every season – a range of beautifully designed tins that encapsulate the spirit.



HERBAL COLLECTION

Using the knowledge of our ancestors, our tea masters and nutritionist have created this.



TEA BAG COLLECTION

The HELADIV flavour collection is a marriage of exotic flavours with the finest Ceylon tea.



TEA FROM PARADISE

We at Heladiv take pride in presenting "Pride of Ceylon" tea in its finest form.



HORECA COLLECTION

HELADIV professional is specifically designed for the hospitality and catering sectors.



GIFT COLLECTION

Heladiv brings you a collection of gifts items from the classic wooden compartment boxes to the...



MIXOLOGY COLLECTION

Be your own DIY Mixology! Step up your perfect party punch to fulfil the nostalgic cravings.



OTHER BRANDS



OUR REACH

HELADIV is today registered in over 40 countries around the world.



NORTH/SOUTH AMERICA

- » Canada
- » USA
- » Jamaica
- » St. Lucia
- » St. Vincent
- » Barbados

CIS/EUROPE

- » Russia
- » Ukraine
- » Kazakhstan
- » Latvia
- » Lithuania
- » Turkey
- » United Kingdom
- » Spain
- » Netherlands
- » France
- » Germany
- » Belgium



MIDDLE EAST & AFRICA

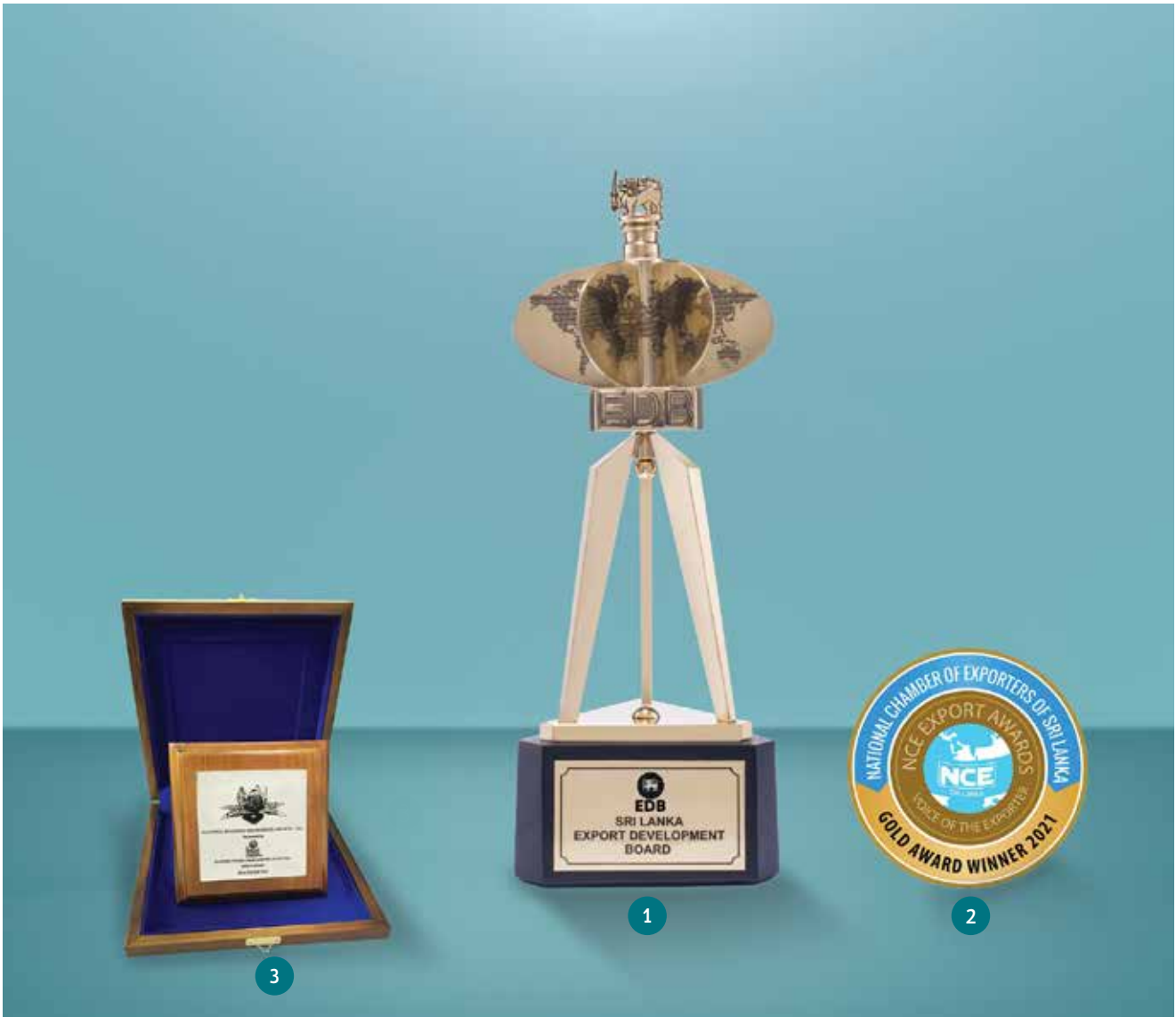
- » United Arab Emirates
- » Saudi Arabia
- » Kuwait
- » Iraq
- » Iran
- » Palestine
- » Qatar

ASIA

- » China
- » Japan
- » South Korea
- » Hong Kong
- » Taiwan
- » Philippines
- » Singapore
- » Thailand
- » India
- » Maldives
- » Australia
- » New Zealand
- » Fiji

RECENT AWARDS

Since its inception, H V A Foods Limited has won six Gold Awards as the Exporter of the Year in both traditional and non-traditional exports from Sri Lanka. These are the recent awards.



1. Sri Lanka Exports Development Board - Winner Best Exporter - Tea - Presidential Export Awards
2. National Chamber of Exporters of Sri Lanka - Tea & Tea Products Sector - Gold Award -2020/21
3. National Business Excellence Award - Food & Beverage Sector - Merit Award Winner -2021

SYMBOLISING PRODUCT EXCELLENCE AND CUSTOMER CONFIDENCE

All teas packed under the HELADIV brand carry a guarantee of product quality. The Heladiv 'Pure Ceylon Tea' varieties are also branded with the Lion emblem, the recognised seal of guarantee for single origin tea blends.

Sri Lanka is an identified 'ozone-friendly' nation compliant with all protocols associated with the reduction of harmful chemicals that consume the ozone layer as well as zero use of prohibited chemicals in Sri Lankan tea plantations. Ceylon Tea is currently among the cleanest produced in the world and consequently, the Heladiv 'Pure Ceylon Tea' range proudly carries the ozone friendly Earth symbol logo on its packs.

At the H V A production facility, we observe the 'good earth policy' focusing on the conservation of energy, nominal wastage, re-use of waste with zero emissions and therefore our fauna and flora are protected. These principles are inherent in all we do at Heladiv. The H V A cluster carefully adheres to the Company ethics elaborated elsewhere in this annual report. The Company has enjoyed excellent industrial harmony over the years; an affidavit to our continued application of moral values at each level and therefore the reason why we term our products 'guilt-free'.

Tea is a fine liquid that helps maintain a balanced life-style. New analysis has emerged on the therapeutic and curative properties of tea, which is considered to be rich in antioxidants. Our analysis and development department continuously analyses our teas to balance taste,

observe chemical residue and guarantee purity. Our products are pure and aids in healthy living.

There is an extra strength when promoting our product through major supermarkets and independent stores around the world. Globally-recognised certifications guarantee fair costs to customers and fair trade premiums to the manufacturer.

The Rainforest Alliance Certified seal assures customers that the merchandise they're getting has been grown and harvested using environmentally and socially accountable practices. H V A works to conserve diversity and improve livelihoods by implementing globally recognised sustainability standards in its many business areas.

USDA Organic A certificate that is directly endorsed by the United States Department of Agriculture, USDA Organic serves to regulate and educate establishments on sustaining a responsible business that specializes in organic produce

The EU-Organic Production-Regulation is a part of the European Union Regulation that sets out the rules for the production and labeling of organic products. In the European Union, organic food is more commonly referred to as ecological and biological

Organic JAS is the Japanese national standard established by the Minister of Agriculture that Applied to the agricultural products and processed foods which conform to the Organic JAS. Products without the Organic JAS logo can't be labelled as "organic

"Halal" is an Arabic word which suggests lawful or permissible. Any food or drink that carries this logo is permissible for Muslims' consumption. It additionally implies that product is produced in accordance with the Sharia law. Therefore, products of the H V A cluster are safe and suitable for the consumption by Muslim consumers anywhere as we do not use any non-permitted ingredients.

Our state-of-the-art producing facility complies with the ISO 22000:2018 food safety management international standards. This certification confirms that each nutrient created in our processes is free from physical, chemical and microbiological hazards by managing our supply chain. This is achieved through continuous observance of critical management points and maintaining the best degree of fine producing practices. The system is sporadically assessed internally as well as by an external certification establishment.



CHAIRMAN'S MESSAGE



“ The growing awareness of health and wellness is key to the success of tea among younger consumer segments; we consider it is vital that the industry continues to promote the health benefits of tea consumption and offers an exciting variety of blends to complement the traditional tea offerings. ”

I welcome you to the Annual General Meeting of H V A Foods PLC and am pleased to present the Annual Report and Audited Accounts for the year ended 31 March 2023.

The Sri Lankan economy experienced its worst financial crisis during the year under review, which placed unprecedented social and economic pressures on Sri Lankans from all walks of life. Businesses across the spectrum were impacted by a multitude of complex issues including an energy crisis, import restrictions, constraints on banking facilities, and shortages of essentials and raw material imports which exacerbated the deep hits from a poorly performing rupee and a global economic tightening.

However, your company chose to always believe that Sri Lanka Can; with determination and foresight, we have endured the challenges presented this year and have positioned ourselves to reap benefits of an improved economy in the coming year.

OPERATING CONTEXT

This financial year has been a watershed one for the Sri Lankan economy, as the country faced civic strife and upheaval during the first quarter which resulted in the resignations of the President and Prime Minister. The country faced innumerable hardships including a fuel and energy crisis, severe import restrictions and high levels of inflation, which peaked at 70% in September 2022. Having formally declared a sovereign default, Sri Lanka entered an IMF Bailout programme and was granted a USD 3 billion extended fund facility in March 2023. The country's economy contracted by 7.8% in 2022, as all three economic sectors of services, agriculture and manufacturing suffered contractions. The economy did record its higher ever total exports of USD 13,106 million in 2022, of which tea exports accounted for USD 1258.8 million.

The tea industry too faced numerous operational challenges arising from the national issues, including the fuel crisis which impacted both factory operations and logistics. However industry-specific complexities also impacted tea. The ban on fertiliser continues to have a sustained impact, as a 16% drop in tea output for the calendar year 2022 at 252.5 million kilograms was the lowest recorded in over a quarter of a century. Plantations are slowly recovering from the volume and quality drops experienced due to the fertiliser ban.

The global tea industry is a fiercely competitive one but the top producers across the world too have struggled with climate change as well as supply chain disruptions and production drops. It was fortuitous therefore that Ceylon Tea attracted strong demand in 2022 despite being perhaps the most expensive tea on the global market when compared with tea suppliers such as Kenya. However,

In this scenario, your company believes it is vital that we pursue our path of diversification to be ahead of the curve of industry transformation in the coming years.

PERFORMANCE

Despite the multiple mitigating factors, your company is proud to have doubled its growth in rupee terms during the year while also recording a growth of 14% in US Dollar terms. The turnover for the year stood at LKR 2,353.9 Million, over the LKR 1,261 Million posted in 21/22. Your company posted an operational profit of LKR 80 Million during the year, compared with an operation loss of LKR 192 million the previous year. The Net profit improved from a negative 229 Million in 2021/22 to a negative 45 Million in 2022/23. A growth of 10% was recorded in terms of volume, which rose from 1.411 million kilograms in 21/22 to 1.56 million kilograms in the year under review. It is important to note that the revenue was slightly affected in March due to currency appreciation. However, we managed to achieve a US Dollar value growth of 14% by focusing on value-added products targeted at high-yielding markets. This growth was further fueled by the acquisition of new customers, which resulted from our participation in key international trade fairs and international marketing efforts.

While we have made considerable progress, it is important to acknowledge that the high cost of borrowing and the low US Dollar liquidity in the banking sector have impacted our financials.

The high interest cost combined with the high prices paid for the purchase of teas at the Colombo Tea Auction has made Ceylon Tea less competitive in the global markets with key tea producing countries taking over market share. Therefore, with a long-term view, a conscious strategic decision was taken to absorb part of the high costs with a view of building on the companies' presence in key markets. As a result, we incurred a loss of LKR 45.5 million. However, it is encouraging to

note that the net loss of LKR 45.5 million as a percentage of revenue improved by 16 basis points to 2% compared last year [which stood at -18% (LKR -229Mn) in FY 21/22].

The largest markets for our products continue to be the Middle East and Africa while the USA/Canada region has grown rapidly over the last two years. H V A has also enhanced its presence in the Sri Lankan market, by utilising the synergies offered by its parent company George Stuart & Co, whose subsidiary George Stuart Consumer overlooks local distribution of our brand.

It is pertinent to note that the growth recorded during the year was driven by our non-tea-based portfolio, which bodes well for the diversification strategy undertaken during the past few years. H V A Foods will continue with the push on non-traditional highly value-added products, which will have a positive impact on overall performance.

In terms of financial operations, we are evaluating short and intermediate term strategies to combat the current constraints faced by the industry. This will include the conversion of borrowings to US Dollar where possible.

The forex fluctuation during the year was unprecedented and presented an unmanageable problem to exporters. While the year began with the exchange rate fixed at LKR 294 to the US Dollar, the currency fluctuated wildly during the year despite interventions, to end the year at LKR 327. The Central Bank of Sri Lanka imposed controls on all banks which resulted in the banking system being unable to grant facilities to book exchange rates and manage foreign currency forward contracts.

The steep exchange losses faced by your company as a result meant that the benefits of cut downs on net margins and costs amounted to nought. The company was confronted with battles on all financial fronts as cost of operations and interest costs soared. To exacerbate

matters, we faced rising commodity market prices at the local auction, as speculation of further devaluations resulted in prices rising far above the depreciated values. This resulted in costs being driven upwards which ultimately contributes to a further dip in competitiveness.

Notably, the company has raised the funds through Rights issue on April 2022. The sum of Rs 249 million raised via the rights issue was utilised fully to reduce some of the debt held by the company, thus strengthening the Balance Sheet.

FUTURE-PROOFING

Our identity has always been as a company that is modern and bold in its approach to tea; we are known for our innovations since inception and believe that tea can be the foundation of exciting new products. During the year, our innovation centre has been working on products ranges that respond to growing consumer trends such as wellness and natural organic applications. Among the products in development are those that use high-quality Sri Lankan superfoods, such as cinnamon, moringa, king coconut and aloe vera. The company is also seeking extensions outside of the food and beverage industry and looking for opportunities in cosmetics and nutraceuticals. In this context, we are indeed pleased with the commencement of value-added spice exports targeting the North American market which got underway in December 2023.

OUTLOOK

The early months of 2023 bode well for both the economy and the tea industry, as sentiment slowly turns positive with expectations of economic stability during the coming year. There are many dynamics that must be closely watched, not least the resumption of debt repayments during the coming financial year.

CHAIRMAN'S MESSAGE

The growing awareness of health and wellness is key to the success of tea among younger consumer segments; we consider it is vital that the industry continues to promote the health benefits of tea consumption and offers an exciting variety of blends to complement the traditional tea offerings.

Exports continue to form the bedrock of Sri Lanka's economy. As such, the country's ambitions to emerge stronger and more resilient from this crisis must in part be founded upon strengthening and empowering exporters to make a greater contribution to the economy. By becoming deeply embedded in global value chains, Sri Lanka's export industries can make a massive impact on not just revenue but also employment generation and value-creation. We urge policymakers to create conducive conditions for the exports sector to thrive, through the right framework of policy and incentives. Export facilitation must also take into consideration the removal of control and barriers, which limit our competitiveness on the global markets.

POST-BALANCE SHEET EVENTS

We bade farewell in July 2023 to Mr Charithra Hettirachchi, following a five year stint at Executive Director/ Chief Executive Officer. He has made a yeomen contribution to the company, and was the driving force behind new product development and innovation initiatives. I must place on record his exemplary management of operations at the company during the pandemic and the national economic crisis thereafter. We wish him the best in his endeavours.

I take this opportunity to welcome Mr Sethpriya Dassanayake, who will serve as Executive Director/Chief Operating Officer of the company from 28th July 2023.

APPRECIATIONS

My fellow members of the Board have extended great support during the year, and I am grateful for their counsel during the year.

There are many silent partners that play a yeomen role in enabling companies such as ours to navigate a difficult year; I take this opportunity to thank the Tea Board, the Board of Investment, the Export Development Board, Ministries and other public bodies that have supported us in numerous ways.

In spite of the tough conditions, our employees led by the Management Team have rallied round to deliver a strong performance. On behalf of the Board I express our gratitude for their commitment and hard work.

To you, our shareholder, I say thank you for the trust placed in us and the Company, and look forward to your support in future.

As the country's conditions slowly improve, so do our prospects as a company and we remain optimistic of an improved performance in the coming year.



B. S. M. De Silva
Chairman

29 August 2023

BOARD OF DIRECTORS

MR. B S M DE SILVA

*Chairman
Independent Non-Executive
Director*

Mr. De Silva counts over 48 years of experience in the spice industry, especially in the Cinnamon industry and is the Founder Chairman of the Spices Council in Sri Lanka. He has held many positions in the spice industry including the Chairmanship of the Export Development Board Advisory Committee on Spices and Allied products Trade Facilitation and the Ministry of Commerce and Industry Advisory Committee on Spices and Allied products and has been a member of the National Council of Economic Development (NCED) – Export Cluster and the steering committee to form the National Competitiveness Council of the Ministry of Finance. Mr. De Silva is also the past president and Patron of National Chamber of Exporters of Sri Lanka.

He is the Chairman and Managing Director of B. Darsin De Silva & Sons (Pvt) Ltd., and the Chairman of Cinnamon Training Academy Limited and a Director of Ceylinco General Insurance Limited. He was the Chairman and the Managing Director of Intercom Group of Companies until his retirement in 2014.

As founder Chairman of the Ceylon Cinnamon Association, Mr. De Silva was instrumental in highlighting the importance of the Cinnamon Industry over the last three decades. Mr. De Silva counts over 27 years of experience in the Tourism and Leisure Industry with the Serendib Hotels group, as a Director of Dolphin Hotels PLC and Hotel Sigiriya PLC and several other companies.

He was a Director of the Co-operative Wholesale Establishment (CWE) from 1994 to 2000 and Acting Chairman in 1998; and Chairman of the Committee appointed by the Minister of Trade and Commerce in drafting procurement of the CWE.

MR. S U DASSANAYAKE

*Chief Operating Officer
Executive Director
Appointed w.e.f. 28.07.2023*

Mr. S U Dassanayake counts over 12 years of corporate experience mainly in the FMCG industry. He has held roles in Sales, Trade Marketing and Brand Management in both local and multi-national companies such as Ceylon Tobacco Company (BAT), Unilever and Hemas FMCG. During Mr. Dassanayake's career, he has been a part of crafting brand activities, campaigns, and Route To Market (RTM) strategies for local and international brands. He is also exposed to export market development through value added Spices & Herbal Tea. He holds a MBA from the University of Bedfordshire (UK) and a Degree in Business Administration from the University of Staffordshire (UK).

MS. V S A FERNANDO

*Non Executive/Non Independent
Director*

Ms. Varuni Amunugama is the co-founder of Triad, the largest and most awarded Sri Lankan communication powerhouse extensively diversified to offer integrated communication solutions. She also serves as a Director in many companies including Powerhouse (Pvt) Ltd., the holding company of Sri Lanka's premium entertainment offering, TV Derana and FM Derana.

She is also a Director of George Steuart Group, which is the oldest corporate house and one of the largest conglomerates in Sri Lanka, diversified into almost every industry.

Her stamp on corporate Sri Lanka is accentuated by her belief that 'Sri Lanka Can', which has been the driving principle behind the Group's ventures.

Ms. Amunugama read for her LLB at the University of Colombo and is an Attorney-at-Law. She also holds a Diploma in Advertising from L'Ecole-de-Publicitaire, Paris.

BOARD OF DIRECTORS

MR. M P D COORAY

Independent Non-Executive Director

Mr Cooray is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.

He has worked with Ernst & Young for over 40 years of which 30 years was as a Senior Assurance and Talent Partner. He functioned as the Deputy Managing Partner from 2016 to 2019 and served as a member of Ernst & Young's Management Committee from the time the Management Committee was established in 1998 until his retirement in 2019. Mr Cooray was instrumental in establishing the Ernst & Young Practice in the Republic of Maldives in 1995 and functioned as the Partner responsible for the overall management of the Maldivian Practice from its inception. He represented Sri Lanka and Maldives for a number of years in the EY ASEAN Regional Partner Forum. He was seconded to EY USA for a year, where practical experience was gained by being part of assurance teams that performed audit engagements on several large enterprises.

Mr Cooray also spearheaded the Ernst and Young Sri Lanka/ Maldives Family Business Centre for Excellence which was instrumental in sending several eminent second generation family members to business schools worldwide. He has also served as a member of the Council of the Chartered Institute of Management Accountants UK.

Mr Cooray is the Managing Director of Management Systems (Pvt) Ltd and a Director of some of its Subsidiaries. He is also the Chairman of United Motors Lanka PLC and its subsidiaries and also serves as a Director of Hatton National Bank PLC, JAT Holdings PLC and George Steuart and Company Limited.

MR. S A AMERERESEKERE

Executive Director (Re-designated as an Executive Director w.e.f. 5th June 2023)

Mr. S A Amereresekere is Qualified in both business and engineering and has extensive local and foreign exposure in diverse areas of business.

Mr. S A Amereresekere is the Group Executive Director of George Steuart & Company Ltd., Sri Lanka's oldest business entity established in 1835. He plays a pivotal role in the management and strategic planning of the Group's diversified sectors including tea exports, healthcare, FMCG, financial services, industrial solutions and travel & leisure. Accordingly, he holds several key positions within the group including directorships of all of its listed entities - Citrus Leisure PLC and its subsidiaries, Colombo Land and Development Company PLC.

Mr. S A Amereresekere also serves as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading creative communication entities.

The Triad Group integrates a cluster of companies specialised in a plethora of communication disciplines, thereby offering clients an unmatched holistic and synchronised communication solution.

Mr. S A Amereresekere holds a master's degree in Engineering Management from the University of Southern California, Los Angeles and a bachelor's degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

SENIOR MANAGEMENT

MR. S.U DASSANAYAKE

COO / Executive Director

Appointed W.e.f. 28 July 2023

MR. G S INDIKA

Finance Manager

TEA INDUSTRY OVERVIEW

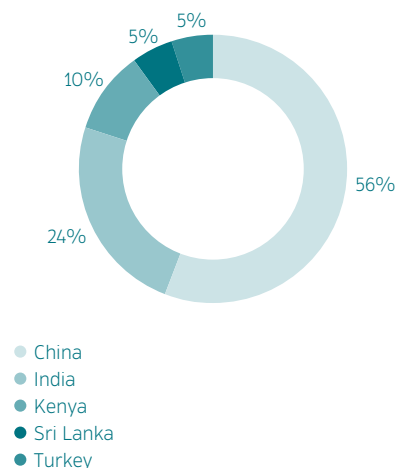
GLOBAL TEA INDUSTRY

Climate changes, decreased output and quality, shifting customer preferences, declining exports, and supply chain disruptions are just a few of the problems the world's tea sector is facing. The biggest producers of tea are found in Africa and Asia, and maintaining expansion in the contemporary day is difficult. To meet future market demand, manufacturing and tea blends must adapt quickly to the changing tastes of tea drinkers. Due to the economy's problems and the shifting weather patterns, tea exports worldwide are suffering. Tea importers are concerned about rising tea costs. In order to meet shifting consumer wants, maintain sustainability, and manage operations in dynamic economic environments, the industry must cooperate to overcome obstacles.

GLOBAL TEA PRODUCTION

When compared to 2021, when tea production was 6,452.19 million kilograms, there was a modest 1% decline in 2022, totaling 6,397.92 million kilograms. Reduced production in Sri Lanka, Africa, Bangladesh, Indonesia, and India was a major factor in the fall. With a 0.9% growth in production to 3,090 Mn kg in 2022 compared to 3,063.15 Mn kg in 2021, China will continue to be the world's top producer of tea. India, the world's second-largest producer of tea, had a little decrease in total production, from 1,343.06 million kg in 2021 to 1,340.49 million kg in 2022. The decrease was mostly brought on by a loss of roughly 5 Mn kgs of South Indian tea production. Sri Lanka dropped to fifth place on the list of the world's top tea-producing countries as a result of a 16% fall in output in 2022, while Kenya, the third-largest producer of tea, saw a 1.5% decrease in production to 530 Mn kgs in 2022, down from 537.83 Mn kgs in 2021. Turkey, on the other hand, reclaimed its fourth-place position after losing it in 2021 with a production volume of 280 Mn kgs.

GLOBAL TEA PRODUCTION



With a production of 5,535.15 Mn kg, or 86.5% of all tea produced worldwide in 2022, Asia is the world's top producer of tea. With a volume of 764.42 Mn kgs in 2022, Africa, the second-largest continent producing tea, barely accounted for 12% of the world's total production. South America, the third largest tea producer, produced 79.75 Mn kg of tea in 2022. The CIS region and Oceania represent the remaining global tea production.

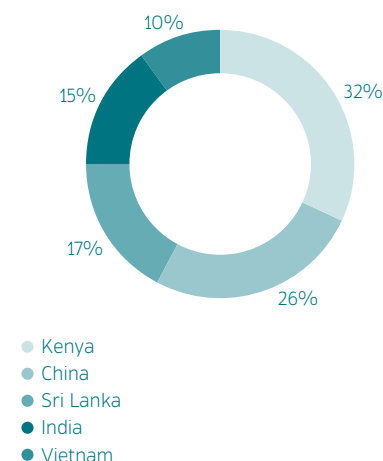
GLOBAL TEA EXPORTS

Global tea exports fell by 5% in 2022 to 1,827.99 Mn kgs from 1,918.4 Mn kgs the previous year. In general, the majority of the major tea exporting countries saw a decline in their export volumes during the year. Several elements, such as fluctuating tea prices, decreased tea output, slower consumption growth, natural disasters in major tea-importing countries, as well as other domestic issues affecting tea-drinking and importing nations, have contributed to this downward trend.

Despite a decline in export volume in 2022, Kenya continues to be the world's top exporter of tea. Kenya exported 456 million kilograms of tea in 2022, an 18% decrease from the 558.92 million kilograms exported in 2021. China, Sri Lanka, and India were the second, third, and fourth largest tea exporters, respectively. China, which raised its tea exports by 2% to 375.23 Mn kgs in

2022 from 369.3 Mn kgs in 2021, was the second-largest tea exporter. Despite a 12.5% drop in export volume in 2022 compared to the year before, Sri Lanka is still the third-largest exporter of tea. India, which is ranked fourth, saw a 17% growth in exports, from 190.8 million kilograms in 2021 to 224 million kilograms in 2022. With 140 million kg of tea exported in 2022 (down from 145 million kg in 2021), Vietnam was the fifth-largest tea exporter.

GLOBAL TEA EXPORT



Asia remained the world's largest exporter of tea, with total exports rising slightly from 1,072.73 Mn kgs in 2021 to 1,073.26 Mn kgs in 2022. Africa is still the second-largest exporter of tea, although its overall shipments fell from 769.37 million kilograms in 2021 to 671.222 million kilograms in 2022.

SRI LANKAN TEA INDUSTRY

Despite the severe obstacles the Sri Lankan tea sector encountered in 2022, robust demand for Ceylon Tea resulted in high auction prices and record-breaking export earnings. Additionally, the sector set numerous new all-time auction price records. However, because of unfavourable weather, inconsistent fertiliser application, and the ongoing economic crisis, Ceylon Tea production and export volumes fell. Due to high rates of inflation, rising interest rates, a lack of gasoline and other inputs needed by the industry, as well as supply chain disruptions, industry operations

encountered obstacles in the form of increased prices. The war between Ukraine and Russia, increased oil prices, and shifting conditions in important export markets like Turkey all put pressure on the Sri Lankan tea business. Additionally, the sector in 2022 was impacted by the depreciating currencies of tea-importing nations. The "Ceylon Tea" brand and industry operations were maintained despite these obstacles thanks to the hard work of industry professionals.

SRI LANKA TEA PRODUCTION

The decrease in 2022 tea production was mostly caused by less fertiliser being applied the year before, which resulted in decreased quality and quantity of green leaf. Unfavourable weather circumstances also had an impact on output levels, which led to a 16% drop in overall tea production in 2022 to 251.49 Mn kg from the 299.5 Mn kg produced in 2021. Unlike in 2021, where there were increases in the first three quarters, production decreased in all four quarters of 2022. Production for the first quarter of 2022 was 63 Mn kgs, a 15.5% decrease from 2021's production levels. The production decreased by 20.8% more than any other quarter, to 69.10 Mn kgs, in the second. Production fell by 19% in the third quarter to 59.10 Mn kgs, but it fell by the least amount in 2022 in the fourth quarter, by 9.5%, to 58.32 Mn kgs.

All elevations could see the low amounts of production. The production of tea at high height fell by 14% to 56.32 Mn kg in 2022, while the production at medium elevation fell by 21% to 40.19 Mn kg. The lowest elevation experienced a 15% reduction to 154.99 Mn kgs in 2022.

SRI LANKA TEA EXPORTS

When compared to the export volume of 286.02 Mn kgs in 2021, the total volume of Ceylon Tea exports fell by 12.5% to 250.19 Mn kgs in 2022. Reduced demand from Russia and Ukraine as well as declining orders from Turkey

and Japan were the main causes of this reduction. The cost of Ceylon Tea also had an impact on export numbers, as many nations chose to purchase teas from cheaper producers like Vietnam and India.

With a total import volume of 43.25 Mn kg in 2022 compared to 42.5 Mn kg in 2021, Iraq continued to be the largest importer. Despite a drop in volume to 24.73 Mn kgs in 2022 compared to 27.4 Mn kgs in 2021, Russia reclaimed its second-place ranking among the top 5 biggest importers of Sri Lankan tea. The third-placed United Arab Emirates (UAE) imported 22.58 Mn kgs in 2022, a small decrease from the 23.1 Mn kgs imported in 2021. Turkey dropped to fourth place as a result of a 48% decrease in tea imports from 29.7 million kg in 2021 to 15.6 million kg in 2022. Despite volumes dropping from 15.8 Mn kg in 2021 to 13.06 Mn kg in 2022, Iran remained the fifth-largest importer of Ceylon tea.

Exports of all significant tea varieties showed a downward trend in 2022. Although orthodox tea still dominates the market for Sri Lankan tea exports, export volumes fell by 12.50% to 250.19 Mn kgs from 286.02 Mn kgs in 2021. Black tea exports in bags decreased by 12% to 21.67 million kilograms in 2022 from 24.67 million kilograms in 2021. Black tea packet and bulk export volumes both decreased by 12% and 14%, totalling just over 110 Mn kgs each. Green tea export volumes marginally declined to 4.22 million kg from 4.59 million kg in 2021. On the other hand, exports of instant tea slightly increased to 3.08 Mn kg in 2022 from 3.03 Mn kg in 2021.

SRI LANKA TEA EXPORT PRICES AND EARNINGS

Despite some diversity in the quality of Ceylon Tea at all elevations, export prices of tea were positively impacted by lower production levels and the devaluation of the Sri Lankan rupee. The average sales prices for each quarter showed a striking

rise, rising from Rs. 988.15 per kg in the first quarter to Rs. 2029.12 per kg in the fourth. The average price per kilogram for the second quarter was Rs. 1644.36, and the average price per kilogram for the third quarter was Rs. 1931.58.

In comparison to 2021, the FOB value exhibited a trend toward decline in the first quarter of 2022, but then grew steadily during the rest of the year. From the first to the fourth quarters, FOB values increased by 56%. When compared to 2021, when export revenues for the Sri Lankan tea sector totalled Rs. 265.4 billion (US\$ 1,337.4 million), they increased dramatically by 54% to Rs. 411.09 billion (US\$ 1,268.37 million) in 2022.

The industry experienced its highest export revenue from tea in 2022. This huge increase can be mostly attributable to the Sri Lankan rupee's severe depreciation relative to the US dollar, together with the rising costs of specific categories and grades of Ceylon Tea as a result of decreased supply levels and increased consumer demand. In 2022, tea exports brought in a record amount of money.

MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL ENVIRONMENT

The Sri Lankan economy has experienced various challenges in recent years, as it grapples with exchange rate fluctuations, interest rate volatility, inflationary pressures, and the need to bolster export income. Understanding and effectively managing these factors are crucial for the country's economic stability and sustainable growth.

As World Bank data mentioned Sri Lanka's economy contracted by 7.8 percent in 2022. Sovereign debt and balance of payment issues led to announce the suspension of external debt servicing in April 2022. Further political instability and people unrest has significantly impacted to all sectors. While all key sectors contracted, manufacturing and construction sectors suffered the most amid shortages of inputs and supply chain disruptions. High frequency indicators, such as purchasing managers' indices, indicate continued stress in the first quarter of 2023. In September inflation rate recorded highest as 69.8% headline inflation closed at 57.2% in 2022. The trade deficit declined to US\$ 5.2 billion in 2022 from US\$ 8.1 billion in 2021. The currency (LKR) depreciated by 78 percent against the US Dollar between March and May 2022 when it was floating.

With the deepened financial crisis, business activities were hampered by continuous interruption power supply, shortage of fuel supply has directly impacted to production delays and transport of raw materials to warehouses and finished goods transportation to ports.

Further temporary ban & suspension of imported raw materials impacted on sourcing of requested inputs by the foreign buyers and cancellation some orders.

With the increase in policy rates by Central Bank of Sri Lanka, company interest cost on short term loans for financing raw materials for buyers orders have been increased rapidly and even bankers has made upward revise

of interest charge for term loan which originally obtained at the fixed rate. Average prime lending rate (AWPLR) increasing from 13% in April to 28% in October 2022 and at the year end AWPLR stood at 21.40%.

In 2022, Sri Lanka experienced a significant decline in its tea exports, as evidenced by the statistical data. The country, known for its high-quality tea production, faced numerous challenges that affected its export industry. According to the data, Sri Lanka's total tea exports dropped by a substantial percentage, reaching the lowest point in recent years. Factors such as unfavourable weather conditions, including droughts and excessive rainfall, greatly impacted tea production and subsequently led to a decrease in exports. Additionally, the ongoing global pandemic and associated restrictions on international trade further hindered the country's tea export performance. The statistical figures clearly indicate a sharp decline in Sri Lanka's tea exports, highlighting the urgent need for strategic measures to revitalise the industry and regain its competitive edge in the global market.

The economic crisis resulted in a decline in global demand for Sri Lankan tea, which directly affected Sri Lankan tea export companies. Reduced purchasing power and uncertainty among international buyers led to decreased orders and contracts. Industries such as apparel, tea, gems, and rubber, which contribute significantly to Sri Lanka's export revenue, faced a considerable slump in demand, impacting their profitability.

Disruptions in global supply chains were another major challenge faced by us. COVID-19-related restrictions, shipping delays, and logistical challenges hindered the smooth flow of goods. We struggled with raw material shortages, delays in receiving inputs, and difficulties in meeting delivery deadlines. These disruptions added to the overall costs and hampered the ability of the company to maintain competitiveness.

The devaluation of the Sri Lankan rupee during the economic crisis created additional challenges for export companies. A weakened currency affected the profitability of exporters as the value of their earnings in foreign currencies decreased when converted back to the local currency. It also made imports of raw materials and machinery more expensive, further straining the operational costs of export-oriented businesses.

Rising production costs due to soared inflation presented a significant hurdle for Sri Lankan tea export companies. Colombo Consumer Price Index (CCPI) rapidly increased and were at its maximum level in September 2022 at 69.68%. Factors such as inflation, higher energy prices, and increased wages due to the economic crisis elevated operational expenses. The company faced difficulties in maintaining competitive pricing while ensuring product quality. As a result, profit margins were squeezed, making it harder as an export business to sustain our operations.

The economic crisis made it challenging for export companies to access affordable financing and credit facilities. Financial institutions tightened lending requirements, increasing the difficulty for businesses to secure working capital, invest in technology upgrades, and expand their export capabilities. Limited access to finance constrained the growth potential of export companies and hindered their ability to adapt to changing market conditions.

The economic crisis exacerbated policy and regulatory uncertainty, creating a challenging environment for export companies. Frequent changes in trade policies, taxation, and regulations added complexity to business operations and planning. Uncertainty regarding future economic stability and government policies affected investment decisions and long-term business strategies, making it difficult for export companies to chart a clear path forward.

Sri Lanka Tea Exports (MT)

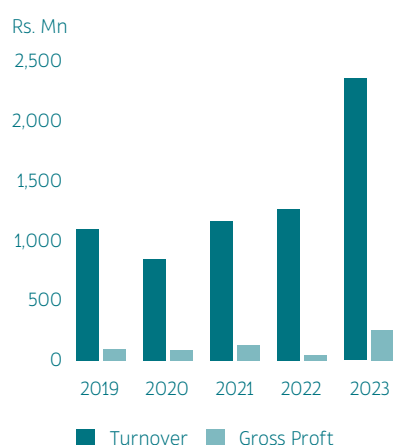
	2017	2018	2019	2020	2021	2022	Jan-Apr 2023
Bulk	125,629	122,428	122,844	118,251	125,388	110,453	30,083
Tea in packets	134,509	131,256	139,080	118,176	128,344	110,765	30,458
Tea bags	21,701	21,578	22,913	22,173	24,665	21,673	7,453
Instant Tea	2,122	2,481	3,071	2,843	3,032	3,076	890
Green Tea	5,023	4,620	4,749	4,126	4,587	4,222	1,367
Total	288,984	282,363	292,657	265,569	286,016	250,191	70,251

Source: Tea Exporters Association of Sri Lanka

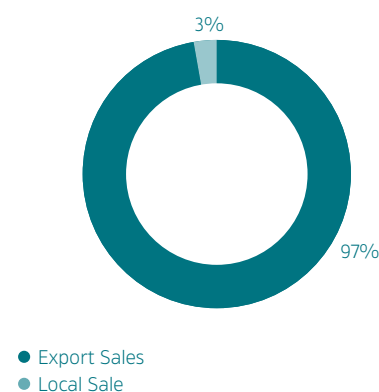
FINANCIAL CAPITAL

Despite the economic crisis in the country your company has successfully achieved its revenue target during the period, and it has recorded Rs.2.4Bn turnover with an 87% growth compared to last year. Despite facing exchange rate fluctuations and subsequent increases in input material prices, we successfully maintained consistent revenue growth by implementing strategies such as promoting value-added products and expanding into new markets and customer segments.

TURNOVER & GROSS PROFIT



EXPORT SALES & LOCAL SALES



During the specified period, the lending rates in the country experienced significant fluctuations, with the AWPLR rate ranging from 9.85% to 29.67% which was the highest in the year in November 2022. As a result, the finance cost of the company was heavily impacted, primarily due to changes in the interest rate of the old term loan and higher interest rates on packing credit loans.

Same as the interest rate, inflation of the country recorded historical peak in Sri Lanka. Headline inflation moved from 29.80 to 69.8 by September. This economic disaster impacted to the operation of the company as all the macro-economic factors were adversely impacted to the prices of input material, labour and other operational costs.

The fuel shortage crisis in the first quarter had a detrimental effect on the production process, leading to delays in container and transport cargo, which, in turn, affected export sales and collections. Additionally, higher freight costs persisted until around August, further complicating the situation. Continuous power cuts disrupted the production process until February 2023.

These challenges were not limited to the local environment, as they extended to global issues that severely impacted cargo clearing and the export process. Protectionist measures in the European zone caused delays in clearing processes, with some taking more than a month to resolve. Furthermore, the ongoing conflict in Ukraine significantly affected order placement and business promotion in the European Zone.

MANAGEMENT DISCUSSION & ANALYSIS

HUMAN CAPITAL

In today's fast-paced corporate world, employee well-being has become an essential aspect of creating a positive and productive work environment. H V A Foods PLC, a leading player in the food industry, understands the significance of employee well-being and has implemented various initiatives to ensure the holistic development and happiness of its workforce.

Work-Life Balance:

We recognise the importance of maintaining a healthy work-life balance for our employees. The company actively encourages its staff to prioritise their personal lives alongside their professional commitments. Flexible work arrangements, such as remote work options and flexible working hours, are provided to promote a better balance between work and personal life. This flexibility empowers employees to manage their time effectively, reducing stress and enhancing their overall well-being.

Employee Assistance Programs:

H V A Foods PLC understands that employees may face personal challenges and difficulties at times. To address these concerns, the company offers comprehensive employee assistance programmes. These programmes provide confidential counseling and support services for employees and their families, helping them navigate personal issues, mental health concerns, and work-related challenges. By providing these resources, H V A Foods PLC demonstrates its commitment to supporting the well-being of its employees beyond the workplace.

Health and Wellness Initiatives:

The well-being of employees extends beyond their mental health; physical well-being is equally crucial. H V A Foods PLC acknowledges this and invests in health and wellness initiatives. The company offers corporate Insurance packages, fitness programmes, facilitating to sports events, and recreational activities to encourage employees to prioritise their physical health. Regular health check-ups, on-site vaccination drives, and wellness workshops further promote a healthy lifestyle and foster a positive and vibrant workplace culture.

Professional Development Opportunities:

H V A Foods PLC is dedicated to nurturing the growth and development of its employees. The company provides ample opportunities for professional development, including training programmes, workshops, and mentorship initiatives. By investing in the skill development of its employees, H V A Foods PLC not only enhances their career prospects but also contributes to their overall well-being, job satisfaction, and motivation.

Recognition and Rewards:

Recognising and appreciating employee contributions is a key aspect of fostering well-being and a positive work environment. H V A Foods PLC actively acknowledges the achievements and efforts of its employees through a range of recognition programmes. These include annual get together, team celebrations, and performance-based incentives. By acknowledging their contributions, we motivate employees, boosts morale, and reinforces a sense of value and belonging within the organisation.

H V A Foods PLC's commitment to employee well-being sets a shining example for other organisations. By prioritising work-life balance, offering employee assistance programmes, promoting health and wellness initiatives, providing professional development opportunities, and recognising employee contributions, H V A Foods PLC has created an environment where employees feel supported, valued, and motivated. Such efforts not only enhance the well-being of employees but also contribute to their productivity, loyalty, and overall organisational success.

Motivation of Human Capital

Employee motivation is crucial for the success of any organisation. A motivated workforce leads to increased productivity, higher job satisfaction, and improved overall performance. H V A Foods PLC understands the significance of motivating its employees and has implemented a range of incentive programmes to boost their morale and job satisfaction.

Bonuses:

H V A Foods PLC recognises the value of rewarding employees for their hard work and dedication. The company offers performance-based bonuses to acknowledge outstanding achievements and incentivize employees to exceed expectations. These bonuses serve as a tangible recognition of employees' efforts, providing them with a sense of accomplishment and motivating them to maintain high levels of performance.

Subsidized Mid-Day Meals:

To promote a healthy work-life balance and enhance employee well-being, H V A Foods plc provides subsidized mid-day meals to its staff. By offering nutritious meals at affordable prices, the company ensures that employees have access to wholesome food options during their work hours. This initiative not only saves employees time and effort in meal preparation but also fosters a sense of camaraderie as employees dine together, promoting social interaction and team bonding.

Annual Vouchers:

H V A Foods PLC understands the importance of recognising its employees' loyalty and commitment. As a part of its employee motivation strategy, the company offers annual vouchers as a token of appreciation. These vouchers can be redeemed at various retail outlets, giving employees the freedom to choose items that align with their personal preferences. Such a gesture not only demonstrates the company's gratitude but also allows employees to feel valued and empowered, leading to increased job satisfaction and motivation.

Free Tea to Staff:

In a fast-paced work environment, small perks can go a long way in boosting employee morale. H V A Foods PLC offers free tea to its staff, creating a positive and inviting atmosphere within the workplace. Tea breaks provide employees with an opportunity to relax, recharge, and engage in informal conversations with their colleagues.

This simple gesture not only shows that the company cares about the well-being of its employees but also fosters a sense of belonging and camaraderie, ultimately enhancing employee motivation and job satisfaction.

These initiatives not only provide tangible benefits but also contribute to a positive work culture and a sense of belonging within the organisation. As a result, H V A Foods PLC is able to attract and retain talented individuals who are motivated to contribute their best efforts, ultimately driving the company's growth and success.

PLANNING AND STRATEGIES FOR FOREIGN EXCHANGE FLUCTUATIONS

Market Research and Diversification: Conduct thorough market research to identify countries or regions with stable currencies. Diversify our export destinations to minimise the impact of currency fluctuations in any single market.

Currency Hedging

Implement a currency hedging strategy to protect H V A Foods PLC. company against adverse exchange rate movements. This can involve using financial instruments such as forward contracts, futures, options, or swaps to lock in exchange rates for future transactions.

Pricing Strategy

Adjust our pricing strategy to account for potential currency fluctuations. Consider incorporating a buffer by setting prices slightly higher than the current exchange rate to mitigate the risk of adverse movements.

Long-Term Contracts

Establish long-term contracts with our customers that include provisions for currency fluctuations. For instance, we could negotiate fixed pricing terms or periodic adjustments based on predefined exchange rate benchmarks.

Invoice Currency Selection

Evaluate the currencies in which H V A invoices to its customers. Opt for more stable currencies or currencies that align with your hedging strategy. This can help reduce exposure to volatile exchange rates.

Supply Chain Optimization

Analyse our supply chain to identify potential cost savings and efficiency improvements. Look for opportunities to source raw materials or components from countries with favourable exchange rates, reducing the impact of fluctuations on your overall costs.

Cash Flow Management

Maintain a healthy cash flow and sufficient working capital to navigate potential fluctuations. Monitor your cash flow projections and consider maintaining reserves or lines of credit to cover any unforeseen currency-related costs.

Government Support:

Explore government programmes or incentives designed to assist export companies in managing currency risk. Some countries may offer export credit insurance, guarantees, or funding options that can help mitigate the impact of exchange rate fluctuations.

Continuous Monitoring and Review

Regularly review and assess the effectiveness of our risk mitigation strategies. Stay informed about geopolitical events, economic factors, and market trends that could impact exchange rates. Adjust our plan as necessary to adapt to changing circumstances.

By implementing these measures, H V A Foods PLC can minimise the negative effects of frequent exchange rate fluctuations and maintain a more stable financial position in the international market. The Sri Lankan economy has experienced various challenges in recent years, as it grapples with exchange

rate fluctuations, interest rate volatility, inflationary pressures, and the need to bolster export income. Understanding and effectively managing these factors are crucial for the country's economic stability and sustainable growth. In the current situation, we delve into the current state of the Sri Lankan economy, examining the risks associated with exchange rates and interest rates, the impact of inflation, and the importance of export income.

RISK MANAGEMENT

The Company empowers workers at all levels to contribute to and be part of risk management and has recognised the following as key risks for H V A Foods PLC.

MARKET RISK

The Company operates globally and follows a policy of geographic diversification on exports sales. Each hub is supported by assigned managers who maintain close partnerships with foreign agents/buyers (inter alia) through periodic visits to those markets. Further, the company operates in domestic markets through native distributors, supermarkets and HTC cafés. In order to mitigate market risk, the company has in place mechanisms for constant and active awareness of changing conditions in each market.

SUPPLY RISK

Individual business units constantly monitor changes in actual and potential supplier sources and take acceptable action to scale back exposure to factors such as adverse movements in material value. In rare events of high price fluctuations, material inputs are managed to scale back the impact on customers.

CREDIT RISK

The main objective is to manage the impact on the Company of potential default by outstanding debtors, in the present competitive business atmosphere. The company evaluates the credit-worthiness of customers at the pre-shipment stage and maintains applicable credit administration, analysis and observance procedures. In addition, credit insurance policies obtained from the Sri Lanka Export Credit Insurance Corporation cover the risks addressed under this category wherever required.

LIQUIDITY RISK

H V A Foods PLC manages liquidity by endeavouring to invariably have adequate liquidity to satisfy its liabilities when they fall due. It maintains cash and money equivalents at a level surpassing expected cash outflows (other than on trade payables) in the immediate future, and closely monitors the quantity of expected

assets and trade liabilities. In addition, it maintains unutilised lines of credit to meet any unforeseen circumstance.

EXCHANGE RATE RISK

Most of H V A Foods PLC revenue is generated in foreign currency. Exposure to fluctuations within the relative values of these currencies is substantial.

Company's exchange payments are matched against export receipts, making a natural hedge. It is H V A Foods PLC policy to not engage in foreign currency speculation.

OPERATIONAL RISK

This class of risk arises as a results of business process errors, systems and procedural failures, natural disasters, human error, non-compliance with internal policies and external laws and rules and fraud. Although such risks cannot be completely avoided, H V A Foods PLC strives to reduce them by actively evaluating and refining its internal controls and reviewing its operational processes.

At H V A Foods PLC, audits on internal controls are carried out by internal auditors' M/s KPMG, who report findings relating to control weaknesses and non-compliance to the Audit Committee. The Audit Committee oversees the effectiveness of the Company's internal controls. H V A Foods PLC is committed to 'Business Continuity Planning' (BCP), which suggests that operational risks flowing from a disaster are managed by early preparation. The BCP process at H V A Foods PLC considers every division on an individual basis, with the aim of facilitating business recovery within the shortest possible time, and with minimal adverse impact on stakeholder value.

HUMAN RESOURCES

Risks connected to human resources are managed to mitigate operational risks for the corporate. Measures are in place for regular coaching of workers and key operational personnel, while structured performance appraisal processes are in place.

IT SYSTEMS

Geographically separate locations from the head office are given on-line systems access for observance and controlling functions. Such access is subject to adequate controls to prevent unauthorised access.

The Company has taken measures for on-line and offline backup procedures for information storage. Additionally, alternative security measures have also been enforced through firewall and virus protection.

REPUTATION RISK

The name of H V A Foods PLC is of utmost importance in maintaining and increasing business. H V A Foods PLC strongly believes that the success it has achieved is primarily thanks to our high standards of integrity in all our activities. A series of rigorous quality controls are in place to confirm that customers receive merchandise and services that meet expected standards. The company strives to create unique merchandise which is extremely difficult to counterfeit.

LEGAL AND REGULATION RISK

The Company's policy is to conform to strict compliance with legal and regulatory necessities and to establish integrity in its dealings. Such policies are strictly enforced throughout the organisation by making certain that workers at all levels are responsive to the Company's commitment in this regard.

STRATEGIC FOCUS & FUTURE ORIENTATION

To overcome the challenges faced and improve the wealth of the business, management has focused on several strategies to be implemented.

We are continuously diversifying the product line to include different types of tea such as herbal blends, flavoured teas, and specialty teas. It is expected to attract a wider customer base and cater to different preferences.

ENHANCE PACKAGING AND BRANDING

Invest in attractive and eco-friendly packaging that stands out on store shelves and appeals to international customers. Develop a unique brand identity that highlights the company's heritage, quality, and sustainability practices.

IMPROVE QUALITY CONTROL

Ensure strict quality control measures at every stage of production, from purchasing the tea to packaging the final product. Consistently delivering high-quality tea will help build a reputation for excellence and increase customer satisfaction.

FOCUS ON SUSTAINABLE PRACTICES

Emphasize sustainable and ethical tea production methods. Promote organic and fair-trade certifications, highlight eco-friendly packaging options, and showcase the company's commitment to social and environmental responsibility. Many consumers today prefer products that align with their values.

ESTABLISH DIRECT TRADE RELATIONSHIPS

Build direct relationships with international buyers and distributors to reduce reliance on intermediaries. This allows for better control over pricing, distribution, and marketing strategies, ultimately increasing profitability.

ATTEND TRADE FAIRS AND EXHIBITIONS

Participate in international tea trade fairs and exhibitions to showcase the company's products to a global audience. This provides an opportunity to meet potential buyers, establish new partnerships, and gain valuable market insights.

DEVELOP AN ONLINE PRESENCE

Create a user-friendly and visually appealing website to showcase the company's tea products. Implement e-commerce capabilities to allow customers to easily purchase tea directly from the website. Utilise social media platforms to engage with customers, share updates, and run targeted marketing campaigns.

EXPLORE NEW MARKETS

Identify emerging markets or regions where there is a growing demand for high-quality tea. Conduct market research to understand the preferences, cultural nuances, and regulatory requirements of these markets. Tailor marketing strategies accordingly to penetrate and expand into new markets.

COLLABORATE WITH INFLUENCERS AND TEA EXPERTS

Partner with influential individuals in the tea industry, such as tea connoisseurs, bloggers, or social media influencers, to promote the company's products. Their endorsements and recommendations can significantly impact brand visibility and attract new customers. Offer personalised experiences: Consider creating tea subscription services, where customers receive regular shipments of curated tea blends based on their preferences. Offer guided tastings, tea pairing suggestions, and educational content to enhance the customer experience and build loyalty.

CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for the Company's corporate governance and the need to ensure the highest standards of accountability to all stakeholders.

H V A Foods PLC is fully committed to the principles of good governance and recognises that good corporate governance is the cornerstone of a successful organisation. The Company is committed to acting with integrity, transparency and fairness in all of its dealings and considerable emphasis is placed by the Board on the development of systems, processes and procedures to ensure the maintenance of high standards throughout the organisation.

BOARD OF DIRECTORS

The Board is the highest authority and it provides leadership to achieve the Company's strategic goals and compliance with generally accepted corporate governance practices, the requirements under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka.

COMPOSITION OF THE BOARD

The composition of the Board is governed by the Company's Articles of Association as well as the listing rules of the Colombo Stock Exchange. The Board comprises of five Directors who possess a broad range of skills and experience across a range of industries and functional areas. A detailed profile of each member of the Board appear on pages 13 and 14 of this Annual Report.

As at the reporting date, the Board comprised of two (02) Executive and three (03) Non-Executive Directors.

NON-EXECUTIVE DIRECTORS/ EXECUTIVE DIRECTORS

The Chairman - Mr. B. S. M. De Silva and Directors - Ms. V. S. A. Fernando and Mr. M.P. D. Cooray are Non Executive Directors. Mr. S. A. Ameresekere who served as a Non-Executive Director was re-designated as an Executive Director w.e.f. 5th June 2023.

Mr. C Hettiarachchi functioned as an Executive Director up to 31st July 2023 and Mr. S U Dassanayake was appointed as an Executive Director w.e.f. 28th July 2023.

INDEPENDENCE OF DIRECTORS

Based on declarations submitted by the Non-Executive Directors, the Board has determined that two Non-Executive Directors out of four, namely, Mr. B. S. M. De Silva and Mr. M. P. D. Cooray are "Independent Directors" in terms of Rule 7.10.3 (a).

Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the CA Code 2017.

APPOINTMENT/RE-ELECTION/ RESIGNATION/RETIREMENT OF DIRECTORS

Board members are appointed through a formal and transparent process which includes ensuring that Directors meet for requirements of being fit and proper for their role.

At each Annual General Meeting one third of the Directors except those appointed to the office of Chairman, Chief Executive or other Executive Director, retire by rotation.

All Directors who are appointed as additional Directors or to fill causal vacancies retire at the next Annual General Meeting following their

appointment and offer themselves for re-election by the Shareholders.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER/ CHIEF OPERATING OFFICER

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

Mr B S M De Silva who is an Independent Non-Executive Director is the Chairman of the Board of Directors, Mr S A Ameresekere is an Executive Director and Mr S U Dassanayake functions as the Chief Operating Officer/Executive Director.

BOARD MEETINGS

Board Meetings are held quarterly, or more often when required, to ensure the effective discharge of its duties and any other matter directed to the Board which can be resolved by circular resolution, is decided by Resolutions in writing.

The Board reviews strategic and operational issues, approves interim and annual financial statements and annual budgets, assesses performance, internal controls and risk management and ensures compliance with all statutory and regulatory obligations. Further, procedures are in place for the Directors to seek professional advice at the Company's expense when it is requested by the Board members.

The Board met 6 times during the period under review and the attendance is given below:

Directors' Attendance at the Board Meeting from 01.04.2022 to 31.03.2023

Name of the Director	2022					2023
	05.04.2022	24.05.2022	10.08.2022	26.08.2022	08.11.2022	07.02.2023
Mr. B S M De Silva (Chairman)	✓	✓	✓	✓	✓	✓
Mr. C Hettiarachchi	✓	✓	✓	✓	✓	✓
Ms. V S A Fernando	✓	✓	✓	✓	* Ex	✓
Mr. M P D Cooray	✓	✓	✓	✓	✓	✓
Mr. S A Ameresekere	✓	✓	✓	✓	✓	✓

* Ex - Excused

BOARD SUB COMMITTEES

The Board of Directors has formed three Sub Committees in compliance with the Listing Rules of the Colombo Stock Exchange.

Current composition of Board Sub Committees is set out in the Annual Report of the Board of Directors appearing on pages 36 to 39. As required by the Listing Rules, the Report of the Audit Committee, the Report of the Remuneration Committee and the Related Party Transactions Review Committee Report appear on pages 31 to 35 respectively.

MEETINGS OF BOARD SUB COMMITTEES

The Audit Committee and Related Party Transactions Review Committee meet quarterly with provision to schedule additional meetings if required. The Remuneration Committee meets as and when necessary.

The attendance at Board Sub Committee Meetings held during the year was as follows:

Audit Committee

Name of Director	Status	Attendance
Mr. M P D Cooray (Chairman)	NED/ IND	6/6
Mr. B S M De Silva (Member)	NED/ IND	6/6
Mr S A Ameresekere (Member) (Resigned w.e.f. 5th June 2023)	NED	6/6

Remuneration Committee

Name of Director	Status	Attendance
Mr. B S M De Silva (Chairman)	NED/ IND	2/2
Ms. V S A Fernando (Member)	NED	2/2
Mr. M P D Cooray (Member)	NED/ IND	2/2

Related Party Transactions Review Committee

Name of Director	Status	Attendance
Mr. M P D Cooray (Chairman)	NED/IND	4/4
Mr. B S M De Silva (Member)	NED/IND	4/4
Mr. S A Ameresekere (Member)	NED	4/4

COMPANY SECRETARY

P W Corporate Secretarial (Pvt) Ltd acts as the Company Secretary. The Company Secretary maintains minutes of all Board, Audit Committee, Related Party Transactions Review Committee, Remuneration Committee, meetings

and attends to Shareholder related matters. The Company Secretary assists in ensuring the Board procedures are followed.

The Company Secretary is also responsible for timely circulation of information and papers related to Board and Sub-Committee meetings and advice on matters relating to corporate governance. Board procedures, rules and regulations. All Directors have access to the advice and services of the Company Secretary.

ADVICE AND GUIDANCE TO SENIOR MANAGEMENT

Advice and Guidance is provided to the Senior Management team at monthly performance review meetings which provide an opportunity to evaluate progress and ensure accountability of the Senior Management team. Performance

targets for the Senior Management team are set at the beginning of the financial year by the Board which is in line with the short term, medium term and long term objectives of the Company. This is an ongoing process and is reviewed periodically. A strong focus on training and career development has created a committed and empowered workforce which continues to generate value and drive the Company towards high standards of achievement.

INTERNAL CONTROLS

The Board is responsible for the Company's internal controls. In this respect controls are established for safeguarding the Company's assets, making available accurate and timely information and imposing greater discipline on decision making. The process is strengthened by regular review by the Audit Committee on internal controls and procedures in the areas of finance, operations, human resources, and relevant legal and regulatory compliance. The Company is ISO 22000:2018 certified. All systems are well documented with clearly defined processes, duties and responsibilities.

COMPLIANCE WITH LAWS AND REGULATIONS

All necessary steps have been taken by the Board and the Management to ensure compliance with all relevant laws and regulations. The services of Lawyers, Auditors and other Consultants are obtained whenever it is necessary, to provide assurance to the Board in this respect.

GOING CONCERN

The Directors have reviewed the Company's budgets, capital expenditure requirements and future cash flows and are satisfied that the Company has sufficient resources to continue in operations for the foreseeable future. Therefore, the Going concern principle has been adopted in the preparation of the Financial Statements.

FINANCIAL REPORTING

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the Sri Lanka Accounting Standards (LKAS / SLFRS) and the relevant Statutes and has established formal and transparent processes for financial reporting and internal controls. The Statement of Directors' Responsibilities for the Financial Reporting is given on page 96 of this Report.

CORPORATE DISCLOSURES AND SHAREHOLDER RELATIONSHIP

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

Shareholders are provided with the Annual Report and, the Company disseminates to the market, Interim Financial Statements in accordance with the Listing Rules of the Colombo Stock Exchange. The Annual General Meeting provides a platform for shareholders to discuss and seek clarifications on the activities of the Company and its subsidiaries.

COMPLIANCE

The Company has complied with Rule 7.10 of the Listing Rules of the Colombo Stock Exchange on 'Corporate Governance'.

By Order of the Board H V A Foods PLC



P W Corporate Secretarial (Pvt) Ltd
Director/Secretaries

29th August 2023

STATEMENTS OF COMPLIANCE

The Board of Directors declares that the Company, including the Board of Directors, the Management and employees, are confident of their compliance with the principles of good governance as set out by the regulatory frameworks applicable to the Company, i.e., the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange and all other applicable regulations.

Appendix I: Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change thereof.	Yes	Who we are	3-4
168 (1) (b)	Signed Financial Statements of the Group and the Company.	Yes	Financial Statements	47-50
168(1) (c)	Auditors' Report on Financial Statements.	Yes	Independent Auditor's Report	42-46
168 (1) (d)	Accounting policies and any changes therein.	Yes	Note 1 to 4 the Financial Statements	51-61
168 (1) (e)	Particulars of the entries made in the Interests Register.	Yes	Annual Report of the Board of Directors on the Affairs of the Company	36-39
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company.	Yes	Note 8 to the Financial Statements & Key management personnel note 37.2.1	62 & 90
168 (1) (g)	Corporate donations made by the Company.	Yes	Annual Report of the Board of Directors on the Affairs of the Company	36-39
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period.	Yes	Annual Report of the Board of Directors on the Affairs of the Company	36-39
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered.	Yes	Note 8 the Financial Statements	62
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries.	Yes	Audit Committee Report	31-32
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board.	Yes	Annual Report of the Board of Directors on the Affairs of the Company	36-39

Appendix II: Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosures

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the entity.	Yes	Annual Report of Directors on the Affairs of the Company	36-39
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Yes	Annual Report of Directors on the Affairs of the Company	36-39
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held.	Yes	Investor Information	97-98
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement.	Yes	Investor Information	97-98
(v)	A statement of each Director's holding in shares of the entity at the beginning and end of each financial year.	Yes	Investor Information	97-98
(vi)	Information pertaining to material foreseeable risk factors of the entity.	Yes	Risk Management	22
(vii)	Details of material issues pertaining to employees and industrial relations of the entity.	Yes	Human Capital	20-21
(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Yes	Note 12 to the Financial Statements	65-68
(ix)	Number of shares representing the entity's stated capital.	Yes	Note 23 to the Financial Statements	74
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Yes	Investor Information	97-98
(xi)	Financial ratios and market price information.	Yes	Five year summary & Investor Information	99 & 97

STATEMENTS OF COMPLIANCE

Rule	Requirement	Complied	Reference (within the Report)	Page
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year.	Yes	Note 12 - Property, plant and Equipment to the Financial Statements	65-68
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year.	Yes	Annual Report of Directors on the Affairs of the Company	36-39
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes.	Not Applicable		
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules.	Yes	Corporate Governance Report	24-25
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower.	Not Applicable	Related Party Transactions Review Committee Report	34-35

Appendix III: Statement of Compliance under Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Subject	Requirement	Complied	Reference (within the Report)	Page
7.10.1(a)	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors on the Board, whichever is higher, should be NEDs.	Yes	Corporate Governance Report	24-25
7.10.2(a)	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, should be independent.	Yes	Corporate Governance Report	24-25
7.10.2(b)	Independent Directors (ID)	Each NED should submit a signed and dated declaration of his/her independence or non-independence.	Yes	Corporate Governance Report	24-25
7.10.3(a)	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR).	Yes	Corporate Governance Report	24-25
7.10.3(b)	Disclosure relating to Directors	The basis for the Board's determination of ID, if criteria specified for independence is not met.	Yes	Corporate Governance Report	24-25

Rule	Subject	Requirement	Complied	Reference (within the Report)	Page
7.10.3(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the AR including the Director's areas of expertise.	Yes	Board of Directors	13-14
7.10.3(d)	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE.	Yes	Board of Directors	13-14
7.10.4(a-h)	Criteria for defining Independence	Requirements for meeting criteria to be an Independent Director.	Yes	Corporate Governance Report	24-25
7.10.5	Remuneration Committee (RC)	A listed company shall have a Remuneration Committee.	Yes	Remuneration Committee Report	33
7.10.5.(b)	Functions of Remuneration Committee	The RC shall recommend the remuneration of Executive Directors.	Yes	Remuneration Committee Report	33
7.10.5.(c)	Disclosure in the Annual Report relating to Remuneration Committee	Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to Executive and Non-Executive Directors should be included in the Annual Report	Yes	Remuneration Committee Report & Note 8 to the Financial Statements	33 & 62
7.10.6	Audit Committee (AC)	The Company shall have an AC.	Yes	Audit Committee Report	31-32
7.10.6(a)	Composition of Audit Committee	Shall comprise Non-Executive Directors, a majority of whom are independent.	Yes	Audit Committee Report	31-32
		Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.	Yes		
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Yes		
7.10.6(b)	Audit Committee Functions	Should be as outlined in the Section 7.10 of the Listing Rules.	Yes	Audit Committee Report	31-32
7.10.6(c)	Disclosure in Annual Report relating to Audit Committee	a) Names of the Directors comprising the Audit Committee.	Yes	Audit Committee Report	31-32
		b). The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Yes		
		c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner.	Yes		

STATEMENTS OF COMPLIANCE

Appendix IV: Statement of Compliance under Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange (CSE) on Related Party Transactions

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Subject	Requirement	Complied	Reference (within the Report)	Page
9.3.2	Related Party Transactions Review Committee	a). Details pertaining to Non-Recurrent Related Party Transactions.	Yes	Annual Report of Directors on the Affairs of the Company	36-39
		b). Details pertaining to Recurrent Related Party Transactions.	Yes	Annual Report of Directors on the Affairs of the Company	36-39
		c). Report of the Related Party Transactions Review Committee.	Yes	Related Party Transactions Review Committee	34-35
		d). Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise.	Yes	Related Party Transactions Review Committee	34-35

AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Audit Committee of H V A Foods PLC comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The composition of the Committee since 8th August 2023 is as follows;

Mr. M P D Cooray - Independent Non-Executive Director – Chairman of the Committee

Mr. B S M De Silva - Independent Non-Executive Director – Member

Ms. V S A Fernando – Non-Independent Non- Executive Director – Member (Appointed with effect from 08.08.2023)

Mr. S A Ameresekere -Non-Independent Non- Executive Director - Member (Resigned w.e.f. 5th June 2023)

The Chairman of the Committee,

Mr. M P D Cooray, is Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of the United Kingdom.

Finance Manager also attended to meetings of the Audit Committee.

The Company Secretary acts as Secretary to the Audit Committee.

Messrs BDO Partners, Independent Auditors are requested to be present as and when required.

MEETINGS

The Committee met six times during the period under review.

Member's Attendance at the Audit Committee Meetings from 01.04.2022 to 31.03.2023 is as follows.

Name of the Director	2022					2023
	05.04.2022	24.05.2022	10.08.2022	26.08.2022	08.11.2022	07.02.2023
Mr. M P D Cooray (Chairman)	✓	✓	✓	✓	✓	✓
Mr. B S M De Silva (Member)	✓	✓	✓	✓	✓	✓
Mr. S A Ameresekere (Member)	✓	✓	✓	✓	✓	✓

THE ROLE OF THE AUDIT COMMITTEE

The Audit Committee is empowered by the Board of Directors to examine all matters relating to the financial status of the Company, and its internal and external audits. The Committee pursues and promotes good Corporate Governance by actively creating awareness and providing advice to management on Risk Management, appropriate internal control practices, and other related activities of the Company in compliance with the rules and regulations of the Colombo Stock Exchange. The proceedings of

the Audit Committee are regularly reported to the Board of Directors through formal minutes..

- » Monitoring the financial reporting process.
- » Monitoring the statutory audit of the Group's Financial Statements.
- » The Company's compliance with legal and regulatory requirements.
- » Reviewing the Group's Financial Statements and the material financial reporting judgments contained therein.
- » The Committee evaluates the internal control reports and compliance reports furnished by the management and are satisfied that an effective internal control system is in place.
- » Ensure the independence of the External Auditors and recommend the appointment of Independent Auditors and their fees
- » Identification of risks that would impact on the Company's business.
- » Based on the proceedings of the Audit Committee meetings, recommendations and observations were reported to the Board for appropriate action.
- » Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

AUDIT COMMITTEE REPORT

FINANCIAL REPORTING

The Committee reviewed and discussed the unaudited Interim Financial Statements and the Financial Statements for the year with the management and the External Auditors ensuring that the Company's financial reporting gives a true and fair view in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 07 of 2007 prior to the recommendation of same to the Board.

OPERATIONS OF THE AUDIT COMMITTEE

The Chairman of the Audit Committee is a Fellow Member of Institute of Chartered Accountants of Sri Lanka. The Statutory Auditors, the Internal Auditors, Chief Executive Officer, Finance Manager attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. Outsourced Internal Auditors, Messrs KPMG are required to attend meetings as and when required.

The internal audit function is carried out by Messrs KPMG, Chartered Accountants. The scope is planned to cover all significant areas of operations in a twelve month cycle. The Internal Audit observations were discussed with Management and corrective action taken as appropriate.

The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met six times during the financial year ended 31st March 2023.

EXTERNAL AUDITORS

The Committee held meetings with the External Auditors to review the nature, approach and scope of audit. The Committee also reviewed the Audited Financial Statements with the External Auditors.

The Committee also has a private audience with the External Auditors. No matters other than those that have already been discussed with management were raised by the External Auditors.

The Audit Committee is satisfied that the independence of the External Auditors has not been influenced by any event that results in a conflict of interest.

The fees pertaining to audit have been reviewed and recommended to the Board.

The Audit Committee has recommended to the Board of Directors that Messrs BDO Partners continue as Auditors for the ensuing financial year, subject to the approval of the shareholders at the next Annual General Meeting.

INDEPENDENCE OF AUDITORS

The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. To the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

RE-APPOINTMENT OF AUDITORS

The Audit Committee, having considered the External Auditors' performance during their period in office, recommends

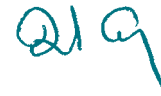
their re-appointment for the financial year ending 31st March 2024, subject to the approval of the shareholders at the next Annual General Meeting.

CONCLUSION

The Audit Committee is satisfied that the Company's accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with the set rules and that systems are in place to minimise the impact of identifiable risks.

The Committee further assessed the future prospects of its business operations and is satisfied with the going concern assumption used in the preparation of the Financial Statements as being appropriate.

This report was approved by the Board and signed on its behalf by:



Mr. M P D Cooray
Chairman - Audit Committee

29th August 2023
Colombo

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

The Remuneration Committee of H V A Foods PLC, appointed by and responsible to the Board of Directors, comprises of three (03) Non-Executive Directors, two (02) of whom are Independent.

The Composition of the Committee, is as follows:

Mr. B S M De Silva – Independent Non-Executive Director - Chairman of the Committee

Mr. M P D Cooray – Independent Non-Executive Director - Member

Ms. V S A Fernando – Non -Independent Non-Executive Director - Member

MEETINGS

The Committee met two times during the period under review.

Member's Attendance at the Remuneration Committee Meetings from 01.04.2022 to 31.03.2023;

Name of the Director	2022-2023	
	05.04.2022	25.11.2023
Mr. B S M De Silva (Chairman)	✓	✓
Ms. V S A Fernando (Member)	✓	✓
Mr. M P D Cooray (Member)	✓	✓

SUCCESSION PLANNING AND TALENT MANAGEMENT

Succession planning, and talent management continued to be a key area of focus in the deliberations of the Committee during the year under review. The Committee conducted in depth talent reviews covering critical roles of the Group, the incumbent in such roles, and the potential successors. Accordingly, the Committee also reviewed the progress of their development plans.

REMUNERATION POLICY

The Remuneration policy of the Company endeavours to attract, motivate and retain quality management in a competitive environment with the relevant expertise necessary to achieve the objectives of the Company. The Committee focuses and is responsible to ensure that the total package is competitive to attract the best talent for the benefit of the Company

The remuneration policy of the Company is determined considering the following factors:

- » Annual Increments are given to all confirmed employees (prorated less than one year) unless there is an issue of impropriety or misconduct that is being investigated.
- » The overall cost of the increments is treated as a guideline taking into account the profitability of the Company.
- » Increments are granted based on the performance of staff and their contribution for which the views of the supervising staff are noted.

- » Annual bonuses are granted in line with industry norms and realised profits.
- » The remuneration paid to the executive and non-executive Directors.

SCOPE

The Committee reviews all significant changes in the corporate sector in determining salary structures and terms and conditions relating to staff at Senior Executive level. In this decision-making process, necessary information and recommendations are obtained from the Chief Executive Officer. The Committee deliberates and recommends to the Board of Directors the remuneration packages and annual increments and bonuses of the Chief Executive Officer, members of the Corporate Management and Senior Executive staff and lays down guidelines for the compensation structure for all Executive staff and overviews the implementation thereof. The Chief Executive Officer who is responsible for the overall management of the Company attends all meetings by invitation and participates in the deliberations except when his own performance and compensation package is discussed.



Mr. B S M De Silva
Chairman - Remuneration Committee

29th August 2023
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in 6th February 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with those Rules facilitating independent review, approval and oversight of Related Party Transactions of the Company.

PURPOSE/OBJECTIVES OF THE COMMITTEE

The main objective of the Committee is to exercise on behalf of the Board, oversight of all Related Party Transactions of H V A Foods PLC (the Company) and its listed subsidiary company, and to ensure compliance with respect to the Code of Best Practice on Related Party Transactions (RPT), issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE).

COMPOSITION OF THE COMMITTEE

The Committee comprises of one (01) Executive Director and two (02) Non-Executive Directors, two (02) of whom are Independent.

The names of the members of the Related Party Transactions Review Committee are as follows:

Mr. M P D Cooray - Independent Non- Executive Director - Chairman of the Committee

Mr. B S M De Silva - Independent Non- Executive Director - Member

Mr. S A Ameresekere - Non-Independent Non- Executive Director (Re designated as an Executive Director w.e.f. 5th June 2023) - Member

MEETINGS

The Committee met four times during the period under review.

The members of the management attend the meetings upon invitation to brief the Committee on specific issues.

The Company Secretary functions as the Secretary to the Related Party Transactions Review Committee.

Member's Attendance at the Related Party Transactions Review Committee Meetings from 01.04.2022 to 31.03.2023;

Name of the Director	2022			2023
	24.05.2022	10.08.2022	08.11.2022	07.02.2023
Mr. M P D Cooray (Chairman)	✓	✓	✓	✓
Mr. B S M De Silva (Member)	✓	✓	✓	✓
Mr. S A Ameresekere (Member)	✓	✓	✓	✓

RELATED PARTY TRANSACTIONS DURING THE YEAR UNDER REVIEW

» During the year under review, the Committee discharged its duties in compliance with the Terms of Reference. Accordingly, all RPTs of the Company have been reviewed by the Committee and comments and observations have been communicated to the Board.

The Committee has exercised oversight on behalf of the Board, on all RPTs of the Company to ensure that these transactions are in compliance with the Code of Best Practice on Related Party transactions, issued by the Securities and Exchange Commission of Sri Lanka and with Section 9 of the Listing Rules of the Colombo Stock Exchange.

» All recurrent Related Party Transactions of the Company during the financial year 2022/23 were reviewed and approved by the Committee. The aggregate value of the recurrent related party transactions did not exceed 10% of the gross revenue/ income of the Company during the year (Note 37.3.1 to the Financial Statements).

» Therefore, a requirement to make a disclosure 9.3.2(b) of the Listing Rules of the CSE has not arisen. The comments and Observations of the Related Party Transactions Review Committee have been communicated to the Board.

The Committee also reviewed and approved the non-recurrent Related Party Transactions of the Company during financial year 2022/23. The aggregate value of non-recurrent related party transactions did not exceed 10% of the equity or 5% of the total assets of the Company during the year. Therefore, a requirement to make a disclosure in terms of Section 9.3.2(a) of the Listing Rules of the CSE did not arise

DUTIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

- » The Related Party Transactions Review Committee ("the Committee") is tasked with reviewing all Related Party Transactions of the Company and ensuring that it complies with the Listing Rules of the Colombo Stock Exchange (CSE) and other relevant statutes and regulations.
- » The Committee reviews and pre-approves all proposed non-recurrent Related Party Transactions of the Company.
- » The Committee reviews all recurrent Related Party Transactions on a quarterly basis and annually to ensure compliance with the limits and reporting guidelines specified by the Listing Rules of CSE.
- » Scheduling quarterly meetings to review and report to the Board, on matters involving RPT falling under its terms of Reference.
- » To review the disclosures requirements relating to the Related Party Transactions.
- » Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- » Ensure that all transactions with related parties are in the best interest of the Company and for all shareholders and adequate transparency is maintained.
- » Establish guidelines and policies for the management and reporting of related party transactions.

KEY MANAGEMENT PERSONNEL

Key management personnel include all the members of the Board of Directors of the Company having authority and responsibilities for planning, directing and controlling the activities of the Company.

COMMITTEE EVALUATION

The Board conducted the annual evaluation of the Committee during the year and the review concluded that the Committee continues to operate effectively.

DECLARATION

In terms of Rule 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on page 39 of the Annual Report.



Mr. M P D Cooray
Chairman - Related Party Transactions Review Committee

29th August 2023
Colombo

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

The Board of Directors of H V A Foods PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary for the financial year ended 31st March 2023, conforming to all relevant statutory requirements.

This Report provides the information as required by the Companies Act, No.07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices.

GENERAL

H V A Foods PLC is a Public Limited Company which was incorporated under the Companies Act, No. 17 of 1982 as a Private Limited Company on 22nd August 1997 and re-registered as per the Companies Act, No. 07 of 2007 on 8th January 2008 with PV 1765 as the new number assigned to the Company. The Company was converted to a public limited liability company on 3rd November 2010 and it obtained a listing on the Colombo Stock Exchange on 15th February 2011.

Consequent to the listing on the Colombo Stock Exchange, the name of the Company was changed to "H V A Foods PLC" on 4th May 2011 with Company No PV 1765 PB/PQ as the new number assigned to the Company.

The Company was a Subsidiary of H V A Lanka Exports (Private) Limited, which was principally involved in exporting bulk tea up to 10th February 2021. Consequent to the acquisition of 67.1% of the issued shares of the Company by George Steuart and Company Limited, the Company became a subsidiary of George Steuart and Company Limited which has a diverse range of businesses.

PRINCIPAL ACTIVITIES

During the year under review the principal activities of the Company were processing, packing and export of value added teas. The Company was also engaged in the development, manufacture and distribution of tea Extract-based products. The Company's wholly owned subsidiary, H V A Holdings (Private) Limited is the owner of the worldwide franchise for the 'Heladiv' trade mark and other brands used for the business of the Company.

REVIEW OF OPERATIONS

Analysis of the performance of the Company during the financial year under review.

The Company had recorded a revenue of Rs 2.35 Bn as against the 1.26 Bn achieved in the previous year. Exports to all the regions performed satisfactorily when compared with the previous year's turnover, especially Middle East and Africa, European and Far East/Asia.

During the year, turnover of the Company increased by 87% compared to the previous year. The Company's gross profit margin increased to 11% compared to the level of 4% in the previous year.

Distribution expenses were increased by 53% in comparison to the previous year. Reported loss before tax was Rs 171.6 Mn and the effect of relevant tax benefit for the period amounted to Rs 126 Mn.

After all the aforementioned expenses and charges, the Company recorded an after-tax loss of Rs. 45.57 Mn and a negative comprehensive income of Rs. 47.25 Mn during the year. Statement of Comprehensive Income of the Company are set out on page 47 of the Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and the Sri Lanka Accounting Standards (LKAS) laid down by The Institute of Chartered Accountants of

Sri Lanka and comply with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The aforesaid Financial Statements, duly signed by the Finance Manager, two Directors on behalf of the Board and the Auditors are included in this Annual Report and form an integral part of the Annual Report of the Board of Directors.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements is given on pages 42 to 46.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 51 to 61 and are consistent with those of the previous period.

DIRECTORS

As at end of the financial year under review, the Board consisted of five Directors namely, one Executive Director and four Non-Executive Directors, two (02) of whom are Independent.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 13 to 14.

Executive Director

Mr.C Hettiarachchi (Resigned w.e.f. 31st July 2023)

Mr.S U Dassanayake (Appointed w.e.f. 28th July 2023)

Non-Independent Non-Executive Directors

Ms. V S A Fernando

Mr. S A Ameresekere (Re-designated as an Executive Director w.e.f.5th June 2023)

Independent Non-Executive Directors

Mr. B S M De Silva

Mr. M P D Cooray

CHANGES IN THE DIRECTORATE OF THE COMPANY

Mr. Charithra Hettiarachchi, Director/Chief Executive Officer (CEO) has tendered his resignation from the Office of Director/CEO of H V A Foods PLC with effect from 31st July 2023.

Mr. S A Ameresekere was re-designated as an Executive Director with effect from 5th June 2023.

Mr. S U Dassanayake was appointed as an Executive Director/Chief Operating Officer with effect from 28th July 2023.

Recommendation for re-election of Directors who retire by rotation

Ms. V S A Fernando retires by rotation in terms of Article 88(i) of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Retirement of Directors

In terms of Article 95 of the Articles of Association of the Company, Mr S. U. Dassanayake will retire and being eligible offers himself for re-election.

DIRECTORS OF THE SUBSIDIARY

The directors of the subsidiary, H V A Holdings (Private) Limited as at 31st March 2023 consisted of the following:

Ms. V S A Fernando
Mr. S A Ameresekere

There were no changes in the Directors of the subsidiary, during the year under review and upto the date of this report

DIRECTORS' SHAREHOLDING IN THE COMPANY

Name of the Director	No. of shares as at 31.03.2023	No. of shares as at 31.03.2022
Mr. B S M De Silva	Nil	Nil
Acuity Partners (Pvt) Ltd /Mr. B S M De Silva	1600	800
Ms. V S A Fernando	Nil	Nil
Ms. M P D Cooray	Nil	Nil
Mr. S A Ameresekere	Nil	Nil
Mr. C Hettiarachchi	Nil	Nil

INDEPENDENCE OF DIRECTORS

Based on the declarations submitted by the Non-Executive Directors, the Board has determined that two (02) Non-Executive Directors, namely, Messrs B S M De Silva and M P D Cooray are 'Independent' in terms of Rule 7.10.3(a) of the Listing Rules.

DIRECTORS INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND INTEREST REGISTER

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007, which is deemed to form part and parcel of this Annual Report and is available for inspection upon request.

DIRECTORS' REMUNERATION

The Directors' Remuneration is disclosed under key management personnel compensation in Note 37.2.1. to the Financial Statements on page 90.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of their state of affairs.

The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 47 to 95. have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Director Responsibility for Financial Reporting is given on page 96.

CORPORATE GOVERNANCE

The Directors place a high degree of importance on sound corporate governance practices and are committed to the highest standards of corporate governance within the organisation.

The Directors confirm that, the Company is in compliance with the Corporate Governance Rules contained in the Listing Rules of the Colombo Stock Exchange.

The report on Corporate Governance is given on pages 24 to 25 of the Annual Report.

AUDIT COMMITTEE

The Audit Committee comprises of three (03)Non-Executive Directors, two (02) of whom are Independent.

Mr. M P D Cooray- Independent Non-Executive Director- Chairman of the Committee

Mr. B S M De Silva- Independent Non-Executive Director – Member

Ms. V S A Fernando - Non-Independent Non-Executive Director – Member

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

The Report of the Audit Committee is appearing on page 31 to 32.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent;

Mr. B S M De Silva - Independent Non-Executive Director - Chairman of the Committee

Ms. V S A Fernando - Non-Independent Non-Executive Director - Member

Mr. M P D Cooray - Independent Non-Executive Director - Member

The Report of the Remuneration Committee is appearing on Page 33.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee comprises of three (03) Non-Executive Directors, two (02) of whom are Independent;

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2023 was Rs. 582,965,063/- represented by 116,250,155 ordinary shares (Rs. 333,857,588/- represented by 66,428,660 ordinary shares as at 31st March 2022).

RIGHTS ISSUE

During the year, the Company has raised a sum of Rs.249,107, 475/- by way of a Rights Issue of 49,821,495, Ordinary Voting Shares in the proportion of three (03) Ordinary Share for every four (04) Ordinary Shares held in the Company at a consideration of Rs.5 per share, which concluded on 19th April 2022.

Accordingly, the stated capital of the Company increased upto 582,965,063.

Right issue funds utilisation as at 29th August 2022 following objectives,

Objective No	Objective as per circular	Amount allocated as per circular- Rs	Proposed date of utilisation as per circular	Amount allocated from the proceeds Rs (A)	% of total proceeds	"Amount utilised Rs (B)"	"% of utilisation against allocation (B/A)"	Clarification if not fully utilised including where funds are invested
1	Part settlement of short -term packing credit loans -NDB Bank	189,000,000	Immediately upon allotment	189,000,000	76%	189,000,000	100%	N/A
2	Part settlement of short-term loans -George Steuart & Company (Immediate Parent)	60,107,475	Immediately upon allotment	60,107,475	24%	60,107,475	100%	N/A

INVESTOR INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market value per share, earnings per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 97 to 98 under Shareholders' Information.

PUBLIC SHAREHOLDING PERCENTAGE

The percentage of public shareholding as at 31st March 2023 is 21.392%.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Company.

EMPLOYMENT POLICY

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

As at 31st March 2023, 68 persons were in employment (53 persons as at 31st March 2022). There were no material issues pertaining to employees and industrial relations during the financial year.

STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all payments in respect of statutory liabilities including EPF, ETF and taxes as applicable have been made within the stipulated periods during the financial year.

RESERVES

The reserves of the Company with the movements during the year are given on page 49 in the Financial Statements.

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given in Note 12 to the Financial Statements on pages 65 to 68.

The revaluation details of the Land, Plant and Machinery are given in Note 12.7 & 12.8 on pages 67 to 68.

INVESTMENTS AND FINANCIAL INSTRUMENTS

Details of investments and financial instruments held by the Company are disclosed in Note 14 & 35 to the Financial Statements on pages 69 & 81.

CAPITAL COMMITMENTS

There were no material capital or other commitments as at reporting date

as set out in Note 38 to the Financial Statements on page 93.

CONTINGENT LIABILITIES

There were no Contingent Liabilities as at reporting date as set out in Note 38 to the Financial Statements on page 93.

DONATIONS

No Donations were made by the Company and the subsidiary during the year under review.

DIVIDENDS

Directors do not recommend a dividend for the year under review.

RELATED PARTY TRANSACTIONS/ DISCLOSURES DURING THE YEAR

Non-Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(a) of the Listing Rules

There were no non-recurrent Related Party Transactions of which the aggregate value exceeds 10% of equity or 5% of total assets in the latest Audited Financial Statements as at 31st March 2022, which requires additional disclosures in the Annual Report 2022/23 in terms of Section 9.3.2(a) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act of the Listing Rules of the Colombo Stock Exchange.

Recurrent Related Party Transactions – Disclosure in terms of Rule 9.3.2(b) of the Listing Rules

There were no recurrent Related Party Transactions of which the aggregate value exceeds 10% of the Company's Turnover as per the latest Audited Financial Statements as at 31st March 2022, which requires additional disclosures in the Annual Report 2022/23 in terms of Section 9.3.2(b) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act of the Listing Rules of the Colombo Stock Exchange.

The Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party transactions entered during the Financial Year ended 31st March 2023.

EVENTS OCCURRING AFTER THE REPORTING DATE

Details of events after reporting date are set out in Note 39 on page 93

GOING CONCERN

After making adequate enquiries from the management and from based on the Annual Budget approved by the Directors, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future as disclosed in Note 40 on page 93 to 94.

ENVIRONMENTAL PROTECTION

To the best of knowledge of the Board, the Company has not engaged in any activity that is harmful or hazardous to the environment. The Directors also confirm that to the best of their knowledge and belief that the Company has complied with the relevant environmental laws and regulations.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held by electronic means on Monday, 25th September 2023 at 9.30 a.m. centered at the Boardroom of Triad (Pvt) Ltd, No. 45/6, Alwis Place, Colombo 03.

The Notice of the Annual General Meeting appears on Page 102.

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

B S M De Silva
Chairman

M P D Cooray
Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th August 2023
Colombo

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT



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"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

TO THE SHAREHOLDERS OF H V A FOODS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of H V A Foods PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in Notes 05 to 42.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and Group as at 31st March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

a) Carrying Value of Inventories

Refer to Note 3.8 for the accounting policies and Note 16 for notes to the financial statements on Inventories.

Basis for Opinion

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

Key Audit Matters

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

Risk Description	Our Responses
<p>As shown in Note 16, the Group holds inventory of Rs. 460,443,483/- and management judgment is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs.</p> <p>A risk surrounding the carrying value of inventory when compared to the net realizable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete, and damaged inventory involves estimates and judgments, considering forecast sales and historical usage of information.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Evaluating the design and implementation of the Group's key controls relating to the existence of inventory quantities and assessment of inventory valuation and inventory provisioning. » Attending to the inventory physical count conducted by the management and performing the following procedures: <ul style="list-style-type: none"> » Observing management's inventory count procedures to assess compliance with Group's policy and proper conduct of the count. » Making inquiries regarding obsolete inventory items and inspecting the condition of items counted.

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Yasanthakumar Bsc (Acc), ACA, F. Sarah Z. Afker ACA, ACMA (UK), CGMA, MCS1 (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Nirosha Vadivel Bsc (Acc), ACA, ACMA.

Risk Description	Our Responses
<p>Further, determination of whether inventories will be realized at the stated amounts, especially considering the current global & local macro-economic conditions, requires management to exercise judgments and apply assumptions relating to realization of inventories considering the markets where inventories are sold.</p>	<ul style="list-style-type: none"> » Comparing the quantities counted to the quantities recorded to ensure that accounting records have properly been updated for physical quantities existed as of the reporting date. Also, inquiring management for explanations for significant inventory count variances and inspecting supporting documents to validate those explanations. » On a sample basis, testing the accuracy of valuation of raw materials, work in progress and finished goods, bearing in mind the appropriateness of costing methods used and absorption rates applied. » Inspecting the post period sales transactions to evaluate whether inventories are measured at lower of cost or net realizable value. » Inquiring from the management with regards to the impact of current economic conditions on the sales and verify whether there have been inventories not sold or sold at a lesser price due to current economic conditions. » Assessing whether the impact of current macro-economic conditions on the sales and verify whether there have been inventories not sold or sold at a lesser price due to current economic conditions » Assessing whether the Group's policies had been consistently applied and the adequacy of the financial statements disclosures in respect of the judgment and estimation made for inventory provisioning.

b) Impairment Assessment on Goodwill

Refer to Note 3.5 for the accounting policies and Note 13 for notes to the financial statements on Goodwill.

Risk Description	Our Responses
<p>The financial statements include goodwill amounting to Rs.263,849,498/- with infinite useful life. It represents the goodwill arising on the acquisition of business operations and certain assets of H V A Lanka Exports (Pvt) Ltd.</p> <p>Goodwill is subject to an annual impairment test using significant estimates as disclosed in Note 13 to the financial statements.</p> <p>We identified the assessment of potential impairment of Goodwill as a key audit matter because such assessment involves certain judgmental assumptions which could be subject to management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Group and experience of the industry in which it operates. » Challenging management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the related operations and compared them against historical forecasts and performance and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied. » Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models. » Assessing whether the impact of current macro-economic conditions has been considered when preparing impairment assessment and evaluating the reasonableness of assumptions and judgments made in this regard. » Assessing the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT



c) Impairment Assessment on the Intangible Assets of Trademarks

Refer to Note 3.5 for the accounting policies and Note 15 for notes to the financial statements on Intangible assets.

Risk Description	Our Responses
<p>The financial statements include intangible assets of Trademarks amounting to Rs.47,833,599/- on acquisition of H V A Holdings (Pvt) Ltd and acquisition of business operations and certain assets of H V A Lanka Exports (Pvt) Ltd. Those Trademarks have indefinite useful life.</p> <p>Trademarks are subject to an annual impairment test using significant estimates as disclosed in Note 15 to the financial statements.</p> <p>We identified the assessment of potential impairment of Trademarks as a key audit matter because such assessment involves certain judgmental assumptions which could be subject to management bias.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Assessing the accuracy of royalty rates for the respective market segments based on available current market information and valuation reports given by the external specialists at the time of acquisition. » Assessing the cash flow forecast prepared by the management against our own expectations based on our knowledge of the Group and experience of the industry in which it operates. » Challenging management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the related operations and compared them against historical forecasts and performance and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied. » Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models » Assessing whether the impact of current macro-economic conditions has been considered when preparing impairment assessment and evaluating the reasonableness of assumptions and judgments made in this regard. » Assessing the adequacy of the disclosures in the financial statements.

d) Management Assessment of the Impact of the Economic Downturn and Current Economic Impact on the Business Operations

Refer to Note 41 for notes to the financial statements on current economic impact.

Risk Description	Our Responses
<p>The economic crisis in the country has caused many challenges to businesses across different sectors. Significant price increases fueled by depreciation of the Sri Lankan Rupee, increased interest rates, increased government taxes and the resulting fall in the purchasing power of the consumers have caused challenges in maintaining growth levels for the businesses.</p> <p>The export businesses have been significantly affected by the current economic crisis. The cost of tea has risen due to the impact of inflation, the depreciation of the Sri Lankan rupee, increase fertilizer prices impact over revenue, freight cost and interest-bearing borrowings. In addition, the increased interest rates significantly impact on higher finance costs for the Group.</p> <p>Management assessment of economic crisis impact on the business operation including going concern were therefore considered as a key audit matter since the assessment involved assessment of uncertain future events, which is also based on cash flow projections and business plans that were dependent on the significant management judgment.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Evaluating the future cash flow forecast of the Company and the Group. » Assessing the indicators of going concern issues and evaluate the mitigation plans for all unfavorable indicators. » Verifying the parent entity's credit facilities and arrangements and receiving a letter from the parent entity to confirm the parent's support. » Obtaining the management's assessment on the economic crisis impact on the group operations and evaluated the mitigative actions suggested by the group to overcome the unfavorable conditions and circumstances. » Assessing the adequacy of the going concern disclosures in the financial statements including disclosures associated with the prevailing economic crisis. <p>Based on the procedures performed, we are satisfied that management has considered the impact of the current economic situation on the Groups' operations satisfactorily in determining the appropriateness of the going concern assumption and disclosed such consideration adequately in the financial statements</p>

Other Information

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as the 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, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- » Identify and assess the risks of material misstatement of the consolidated 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 and Group'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 use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditors' report is 4639.

BDO Partners
CHARTERED ACCOUNTANTS

Colombo

29th August 2023

NV/cc

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue	5	2,353,909,140	1,261,234,481	2,353,909,140	1,261,234,481
Cost of sales		(2,102,798,498)	(1,215,324,928)	(2,102,798,498)	(1,215,324,928)
Gross profit		251,110,642	45,909,553	251,110,642	45,909,553
Other operating income	7	20,058,758	94,166,619	20,058,758	94,166,619
Distribution expenses		(23,772,688)	(15,507,477)	(23,772,688)	(15,507,477)
Administration expenses		(167,218,384)	(317,019,350)	(167,178,184)	(316,865,110)
Results from operating activities	8	80,178,328	(192,450,655)	80,218,528	(192,296,415)
Net finance expenses	9	(251,863,518)	(56,661,031)	(251,858,818)	(56,656,544)
Loss before income tax		(171,685,190)	(249,111,686)	(171,640,290)	(248,952,956)
Income tax expense	10	126,068,134	20,066,395	126,068,134	20,066,395
Loss for the year		(45,617,056)	(229,045,291)	(45,572,156)	(228,886,561)
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Actuarial gain on retirement benefit obligations	26	10,960	52,698	10,960	52,698
Deferred tax on actuarial gain on retirement benefit obligations	25	(3,288)	(7,378)	(3,288)	(7,378)
Revaluation gain of property, plant and equipment	24	1,406,885	-	1,406,885	-
Deferred tax on loss revaluation of property, plant and equipment	24	(3,094,238)	-	(3,094,238)	-
Total other comprehensive income		(1,679,681)	45,320	(1,679,681)	45,320
Total comprehensive income for the year		(47,296,737)	(228,999,971)	(47,251,837)	(228,841,241)
Loss attributable to;					
Owners of the Company		(45,617,056)	(229,045,291)	(45,572,156)	(228,886,561)
Non-controlling interest		-	-	-	-
Loss for the year		(45,617,056)	(229,045,291)	(45,572,156)	(228,886,561)
Total comprehensive income attributable to;					
Owners of the Company		(47,296,737)	(228,999,971)	(47,251,837)	(228,841,241)
Non-controlling interest		-	-	-	-
Total comprehensive income for the year		(47,296,737)	(228,999,971)	(47,251,837)	(228,841,241)
Basic earnings per share	11	(0.27)	(3.45)	(0.27)	(3.45)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 to 95 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	51,803,306	44,154,530	51,803,306	44,154,530
Goodwill	13	263,849,498	263,849,498	263,849,498	263,849,498
Investment in subsidiary	14	-	-	45,000,001	45,000,001
Other intangible assets	15	52,869,688	53,251,884	7,930,691	8,312,887
Deferred tax assets	29	194,360,608	71,390,000	194,360,608	71,390,000
Total non-current assets		562,883,100	432,645,912	562,944,104	432,706,916
Current assets					
Inventories	16	460,443,483	166,504,061	460,443,483	166,504,061
Financial assets	17	31,521,554	1,887,938	31,521,554	1,887,938
Trade receivables	18	296,689,218	287,376,671	296,689,218	287,376,671
Amounts due from related parties	19	2,690,953	706,525	2,956,593	935,925
Pre-payments and other receivables	20	16,380,846	40,634,369	16,380,846	40,634,369
Deposits and advances	21	37,888,757	165,236,467	37,888,757	165,236,467
Cash and cash equivalents	22	37,225,916	125,562,484	37,224,801	125,556,669
Total current assets		882,840,727	787,908,515	883,105,252	788,132,100
Total assets		1,445,723,827	1,220,554,427	1,446,049,356	1,220,839,016
EQUITY AND LIABILITIES					
Stated capital	23	582,965,063	333,857,588	582,965,063	333,857,588
Revaluation reserve	24	15,013,718	16,701,071	15,013,718	16,701,071
Accumulated losses	25	(573,046,322)	(527,436,938)	(572,698,793)	(527,134,309)
Total equity attributable to the equity holders of the Company		24,932,459	(176,878,279)	25,279,988	(176,575,650)
Non-controlling interest		-	-	-	-
Total equity		24,932,459	(176,878,279)	25,279,988	(176,575,650)
Non-current liabilities					
Retirement benefit obligations	26	8,582,785	7,113,868	8,582,785	7,113,868
Interest-bearing loans and borrowings - non-current	27	483,920,779	536,840,000	483,920,779	536,840,000
Government grant - non-current	28	7,765,726	8,875,126	7,765,726	8,875,126
Total non-current liabilities		500,269,290	552,828,994	500,269,290	552,828,994
Current liabilities					
Trade payables	30	50,737,350	40,865,145	50,737,350	40,865,145
Interest-bearing loans and borrowings - current	27	486,119,259	270,202,758	486,119,259	270,202,758
Government grant - current	28	1,109,400	1,109,400	1,109,400	1,109,400
Income tax payable	34	-	-	-	-
Deposits and advances	31	1,790,056	308,106,204	1,790,056	308,106,204
Accrued expenses and other payables	32	89,411,438	70,508,588	89,389,438	70,490,548
Amount due to related parties	33	30,000,000	92,290,527	30,000,000	92,290,527
Bank overdrafts	22	261,354,575	61,521,090	261,354,575	61,521,090
Total current liabilities		920,522,078	844,603,712	920,500,078	844,585,672
Total liabilities		1,420,791,368	1,397,432,706	1,420,769,368	1,397,414,666
Total equity and liabilities		1,445,723,827	1,220,554,427	1,446,049,356	1,220,839,016

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 to 95 form an integral part of these financial statements. These financial statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Mr. Sameera Gamage
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and Signed for and on behalf of the Board.

Mr. B S M De Silva
Director

Mr. M P D Cooray
Director

Colombo
29th August 2023

STATEMENT OF CHANGES IN EQUITY

Group

For the year ended 31 March	Note	Attributable to equity holders of the Company				Non-controlling interest Rs.	Total Rs.
		Stated capital Rs.	Revaluation reserves Rs.	Accumulated losses Rs.	Total Rs.		
Balance as at 31st March 2021		333,857,588	237,613,039	(555,691,982)	15,778,645	-	15,778,645
Comprehensive income							
Loss for the year	25	-	-	(229,045,291)	(229,045,291)	-	(229,045,291)
Other comprehensive income							
Defined benefit plan actuarial gain	26	-	-	52,698	52,698	-	52,698
Deferred tax on actuarial gain on retirement benefit obligations	25	-	-	(7,378)	(7,378)	-	(7,378)
Realisation of revaluation surplus on disposal of assets held for sale			(257,255,015)	257,255,015	-	-	-
Deferred tax impact on realisation of revaluation surplus	29	-	36,343,047	-	36,343,047	-	36,343,047
Total comprehensive income		-	(220,911,968)	28,255,044	(192,656,924)	-	(192,656,924)
Balance as at 31st March 2022		333,857,588	16,701,071	(527,436,938)	(176,878,279)	-	(176,878,279)
Comprehensive income							
Loss for the year	25	-	-	(45,617,056)	(45,617,056)	-	(45,617,056)
Other comprehensive income							
Defined benefit plan actuarial gain	26	-	-	10,960	10,960	-	10,960
Deferred tax on actuarial gain on retirement benefit obligations	25	-	-	(3,288)	(3,288)	-	(3,288)
Revaluation surplus on property, plant and equipment	24	-	1,406,885	-	1,406,885	-	1,406,885
Deferred tax on revaluation of property, plant and equipment	29	-	(3,094,238)	-	(3,094,238)	-	(3,094,238)
Total comprehensive income		-	(1,687,353)	(45,609,384)	(47,296,737)	-	(47,296,737)
Transactions with owners of the Group							
Issue of shares	23	249,107,475	-	-	249,107,475	-	249,107,475
Balance as at 31st March 2023		582,965,063	15,013,718	(573,046,322)	24,932,459	-	24,932,459

Company

For the year ended 31 March	Note	Stated capital Rs.	Revaluation reserves Rs.	Accumulated losses Rs.	Total Rs.
Balance as at 31st March 2021		333,857,588	237,613,039	(555,548,083)	15,922,544
Comprehensive income					
Loss for the year	25	-	-	(228,886,561)	(228,886,561)
Other comprehensive income					
Defined benefit plan actuarial gain	26	-	-	52,698	52,698
Deferred tax on actuarial gain on retirement benefit obligations	25	-	-	(7,378)	(7,378)
Realisation of revaluation surplus on disposal of assets held for sale			(257,255,015)	257,255,015	-
Deferred tax impact on realisation of revaluation surplus	29	-	36,343,047	-	36,343,047
Total comprehensive income		-	(220,911,968)	28,413,774	(192,498,194)
Balance as at 31st March 2022		333,857,588	16,701,071	(527,134,309)	(176,575,650)
Comprehensive income					
Loss for the year	25	-	-	(45,572,156)	(45,572,156)
Other comprehensive income					
Defined benefit plan actuarial gain	26	-	-	10,960	10,960
Deferred tax on actuarial gain on retirement benefit obligations	25	-	-	(3,288)	(3,288)
Revaluation surplus on property, plant and equipment	24	-	1,406,885	-	1,406,885
Deferred tax on revaluation of property, plant and equipment	29	-	(3,094,238)	-	(3,094,238)
Total comprehensive income		-	(1,687,353)	(45,564,484)	(47,251,837)
Transactions with owners of the Company					
Issue of shares	23	249,107,475	-	-	249,107,475
Balance as at 31st March 2023		582,965,063	15,013,718	(572,698,793)	25,279,988

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 to 95 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flow from operating activities					
Loss before tax		(171,685,190)	(249,111,686)	(171,640,290)	(248,952,956)
Adjustments for:					
Depreciation on property, plant and equipment	12	8,644,674	10,705,265	8,644,674	10,705,265
Amortisation of intangible assets	15	1,252,938	55,677	1,252,938	55,677
Provision for defined benefit obligations - gratuity	26	2,576,265	1,535,261	2,576,265	1,535,261
Interest income on deposits and savings	9	(3,176,993)	(1,781,686)	(3,176,993)	(1,781,686)
Reversal of provision for inventories	16	(18,500,000)	(7,012,869)	(18,500,000)	(7,012,869)
Write off - inventories	16	29,734,171	42,718,782	29,734,171	42,718,782
Provision on trade receivables	18	12,657	6,600,565	12,657	6,600,565
Trademark impairment loss	15	1,555,398	-	1,555,398	-
Income tax set off against ESC	34	-	(529,040)	-	(529,040)
ESC write off		-	2,668,599	-	2,668,599
Dividend income	7	(60,976)	(67,496)	(60,976)	(67,496)
Amortisation of government grant	28	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Loss on fair valuation of financial investments	7	10,884	348,956	10,884	348,956
Gain on disposal of financial instruments	7	(35,076)	-	(35,076)	-
Unrealised exchange loss on borrowings	27	(3,878,128)	26,781,557	(3,878,128)	26,781,557
Interest on lease	9	595,110	-	595,110	-
Interest expenses	9	215,212,299	89,458,838	215,212,299	89,458,838
Write back of other payables	7	(1,860)	(36,039,861)	(1,860)	(36,039,861)
Write back of trade payables		(11,563,576)	-	(11,563,576)	-
Write off - other receivables		3,390,728	6,489,703	3,390,728	6,489,703
Write off - advance of trade creditors		508,019	9,113,705	508,019	9,113,705
Write Back - trade receivables		(326,514)	132,184,934	(326,514)	132,184,934
Profit on disposal of non-current assets held for sale	7	-	(41,026,570)	-	(41,026,570)
Profit on disposal of property, plant and equipment	7	(1,810,208)	(175,000)	(1,810,208)	(175,000)
		223,030,412	240,919,920	223,030,412	240,919,920
Operating profit/(loss) before working capital changes		51,345,222	(8,191,766)	51,390,122	(8,033,036)
Increase in inventories		(305,173,593)	(47,419,752)	(305,173,593)	(47,419,752)
Increase in trade receivables		(8,998,690)	(198,392,145)	(8,998,690)	(198,392,145)
(Increase)/decrease in pre-payments and other receivables		20,862,795	(42,059,677)	20,862,795	(42,059,677)
Increase in amounts due from related parties		(1,984,428)	(569,810)	(2,020,668)	(722,410)
(Increase)/ decrease in deposits and advance receivables		126,839,691	(95,492,124)	126,839,691	(95,492,124)
Increase/ (decrease) in trade payables		21,435,781	(1,250,173)	21,435,781	(1,250,173)
Increase/ (decrease) in amount due to related parties		(62,290,527)	44,846,911	(62,290,527)	44,846,911
Increase/ (decrease) in deposits and advance payables		(306,316,148)	174,341,757	(306,316,148)	174,341,757
Increase in accrued expenses and other creditors		18,904,710	50,935,952	18,900,750	50,934,312
Cash used in operations		(445,375,187)	(123,250,827)	(445,370,487)	(123,246,337)
Interest paid	9	(215,212,299)	(89,458,838)	(215,212,299)	(89,458,838)
Lease interest paid	9	(595,110)	-	(595,110)	-
Gratuity paid	26	(1,096,388)	(870,800)	(1,096,388)	(870,800)
Net cash used in operating activities		(662,278,984)	(213,580,465)	(662,274,284)	(213,575,975)
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(15,006,357)	(5,490,086)	(15,006,357)	(5,490,086)
Acquisition of intangible assets	15	(2,426,140)	(305,400)	(2,426,140)	(305,400)
Investments in fixed deposit	17	(30,000,000)	-	(30,000,000)	-
Interest received	9	3,176,993	1,781,686	3,176,993	1,781,686
Dividend received	7	60,976	67,496	60,976	67,496
Proceeds from sale of property, plant and equipment	7	1,930,000	175,000	1,930,000	175,000
Proceeds from sale of financial assets	17	390,576	-	390,576	-
Proceeds from disposal of non-current assets held for sale	7	-	332,564,095	-	332,564,095
Net cash (used) in/generated investing activities		(41,873,952)	328,792,791	(41,873,952)	328,792,791
Cash flows from financing activities					
Repayments of lease creditors	27	(106,709)	-	(106,709)	-
Initial lease recognition	27	5,460,000	-	5,460,000	-
Issue of shares	23	249,107,475	-	249,107,475	-
Proceeds from interest bearing loans and borrowings	27	1,525,863,013	1,230,906,341	1,525,863,013	1,230,906,341
Repayment of interest bearing loans and borrowings	27	(1,364,340,895)	(1,393,555,181)	(1,364,340,895)	(1,393,555,181)
Net cash generated /(used) in financing activities		415,982,884	(162,648,840)	415,982,884	(162,648,840)
Net decrease in cash and cash equivalents		(288,170,053)	(47,436,514)	(288,165,353)	(47,432,024)
Cash and cash equivalents at the beginning of the year (Note A)		64,041,394	111,477,908	64,035,579	111,467,603
Cash and cash equivalents at the end of the year (Note B)		(224,128,659)	64,041,394	(224,129,774)	64,035,579
At the beginning (Note A)					
Cash in hand and balance at bank	22	125,562,484	150,829,210	125,556,669	150,818,905
Bank overdraft	22	(61,521,090)	(39,351,302)	(61,521,090)	(39,351,302)
		64,041,394	111,477,908	64,035,579	111,467,603
At the end (Note B)					
Cash in hand and balance at bank	22	37,225,916	125,562,484	37,224,801	125,556,669
Bank overdraft	22	(261,354,575)	(61,521,090)	(261,354,575)	(61,521,090)
		(224,128,659)	64,041,394	(224,129,774)	64,035,579

Figures in brackets indicate deductions.

The accounting policies and notes on pages 51 to 95 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

H V A Foods PLC (the "Company") is a public quoted company domiciled in Sri Lanka. The Company was incorporated on 02nd August 1997 and the registered office of the Company is located at No. 118, Braybrooke Place, Colombo 02.

Ordinary shares of the Company are listed on the Colombo Stock Exchange and the Company became a public quoted company on 04th May 2011.

1.2 Principal activities and nature of operations

The principal activity and nature of operations of the Company are processing, packing and exporting of value-added teas. The Company also engages in the development, manufacture and distribution of tea extract-based products.

1.3 The parent entity

George Stuart and Company Limited is the parent entity which owned 67.1% of ordinary shares of the Company. The shareholding of the parent entity has increased from 51.1% to 67.1% due to the right issue made on 13th May 2023 as disclose in note 23 to the financial statements.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements of H V A Foods PLC, as at and for the year ended 31st March 2023 comprise the Company and its subsidiary company (together referred to as the "Group" and individually as "Group entities").

The financial statements of all the companies in the Group are prepared for a common financial year, which ends on 31st March.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and the summary of significant accounting policies and other explanatory information have been prepared in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS), and the requirements of the Companies Act, No. 07 of 2007 and provide appropriate disclosures as required by the listing rules of the Colombo Stock Exchange.

The financial statements were authorised for issue by the Board of Directors on 29th August 2023.

2.2 Responsibility for the financial statements

The Board of Directors take responsibility for the preparation of these financial statements in accordance with the requirements of Companies Act No.07 of 2007 and Sri Lanka Accounting Standards.

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following account balances:

- » The liability for defined benefit obligation recognised is actuarially valued and recognised at the present value of the defined benefit obligation.
- » Land and buildings and machinery and stores equipment are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses.
- » Financial instruments classified as fair value through profit and loss are measured at fair value.

2.4 Going concern

The Group has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and their effect on the Group and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company and Group's ability to continue to operate as a going concern. The management has formed the judgment that the Company and Group, has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Company and Group.

In determining the above, significant management judgment, estimates, and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations, and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

The going concern of the Group discussed in detail under note 40 to the financial statements.

2.5 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the functional currency of the Company and the Group. All amounts have been rounded to the nearest rupee, unless stated otherwise.

There was no change in the Group's presentation and functional currency during the year.

2.6 Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect

NOTES TO THE FINANCIAL STATEMENTS

the application of accounting policies of the Group and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, 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 are described in the following notes:

Critical accounting estimate/judgment	Disclosure note
Property, plant and equipment	12
Inventories	16
Trade receivables	18
Retirement benefits obligations	26
Deferred taxation	29
Commitments and contingencies	38

2.7 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.

2.8 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.

2.9 Changes in accounting Policies

The Group has consistently applied the accounting policies to all periods presented in these financial statements, except for the changes arising out of the amendments to the Accounting Standards as set out below:

2.9.1 Changes in accounting standards

The Group applied for the first time the following amendments to Accounting Standards, which are effective for annual period beginning on or after 01st January 2023. The Group has not early adopted any other accounting standards, interpretation or amendments that have been issued but are not yet effective.

2.9.2 New accounting standards, amendments and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

The Group intends to adopt these amended standards and interpretations, if applicable, when they become effective.

Accounting standard	Description	Effective date
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases.	1 January 2023
Amendments to LKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to LKAS 1 and SLFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to LKAS 8	Definition of accounting estimates	1 January 2023

The assessment of the impact on the Company does not have any material impact on the financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated. The accounting policies of the Company have been consistently applied by the Group entities where applicable and deviations if any, have been disclosed accordingly.

3.1 Basis of consolidation

The consolidated financial statements (referred to as the "Group") comprise the financial statements of the Company and its subsidiary Company.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidated financial statements are prepared up to the common financial year end of 31st March. There are no significant restrictions on the ability of the subsidiary company to transfer its funds to the parent entity in the form of cash dividends or to repay loans and advances.

- » H V A Holdings (Pvt) Limited – the subsidiary company, which is incorporated in Sri Lanka, has been consolidated with the Company.

3.1.2 Acquisition of non-controlling interest

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognised as a result of such transactions.

3.1.3 Goodwill on consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. The goodwill is initially recognised at cost. Such goodwill is identified into a cash generating unit and is annually tested for impairment. After initial recognition, the goodwill is stated at cost less accumulated impairment losses. The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, it is recognised immediately in the consolidated statement of comprehensive income.

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency, at exchange rates at the dates of the transactions. Export sales contracts which were transacted in foreign currency are converted to functional currency at the rates of exchange prevailing at the date when revenue is recognised.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.3 Financial instruments – initial recognition and subsequent measurement

3.3.1 Financial assets

3.3.1.1 Initial recognition and subsequent measurement

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

a) Amortised cost

These assets arise principally from the provision of goods and services to customers (trade and receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within SLFRS 9 – Financial Instruments, using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a generally expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve months' expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, amounts due from related parties and cash and cash equivalents.

Cash and cash equivalents include cash in hand and demand deposits held with banks.

NOTES TO THE FINANCIAL STATEMENTS

b) Fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on the specified dates to cash flows that are solely the payments of principal and interest on the principal amount outstanding. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in fair value through other comprehensive income reserve. Upon disposal, any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

c) Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as "at fair value through profit or loss" and measured at fair value with changes in fair value recognised in profit or loss.

A financial asset measured at fair value through profit or loss is recognised initially at fair value and its transaction cost is recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and presented in "finance income" or "finance cost" in the statement of income for the reporting period in which it arises.

Financial assets at fair value through profit or loss of the Group include investment in quoted and non-quoted shares.

3.3.1.2 Derecognition

The Group de-recognizes a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, it either transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

When the Group transfers a financial asset, the Group evaluates the extent to which it retains the risks and rewards of the ownership of the financial asset. In this case:

- if the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset and recognizes separately as assets or liability any rights and obligations created or retained in the transfer.

- if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognize the financial asset.

- if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset.

3.3.1.3 Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortised cost or at fair value through other comprehensive income. The Group, at each reporting date measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since the initial recognition. For trade and other receivables, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

3.3.2 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

3.3.3 Financial liabilities

3.3.2.1 Initial recognition and measurement

All financial liabilities are recognised initially at fair value. This includes directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost or fair value through profit or loss, as discussed below.

3.3.2.2 Classification of financial liabilities

- Financial liabilities measured at amortised cost

A financial liability other than those measured at fair value through profit or loss is classified as a financial liability measured at amortised cost. A financial liability at amortised cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. After initial recognition, the financial liability is measured at amortised cost based on the effective interest rate method.

- Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value. After initial recognition, the financial liability is measured at fair value with subsequent changes recognised as profit or loss.

The financial liabilities of the Group include trade and other payables, and interest-bearing borrowings. Those financial liabilities are measured at amortised cost.

3.3.2.3 Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.3.3 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 recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.3.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments that are not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in the Note 35 to the financial statements.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Land and buildings, machinery and store equipment are stated at fair value less accumulated depreciation and accumulated impairment losses. All other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that the future economic benefits embodied

within the part will flow to the Group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment are expensed as incurred.

3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Lease assets 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. Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives are as follows.

Motor vehicles	04 to 06 years
Stores equipment	05 to 20 years
Furniture and fittings	10 years
Plant and machinery	05 to 20 years
Tea-room equipment	04 years
Office equipment	04 years
Irrigation equipment	04 years
Tea cafe assets	05 years
Ice tea equipment and others	04 years

3.4.4 De-recognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from it. The gain or loss arising on derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the item is de-recognised.

When replacement costs are recognised in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspection is derecognised.

3.4.5 Gain and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised "net within "other income/ other expenses" in the statement of profit or loss and other comprehensive income. When re-valued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

3.4.6 Revaluation of Property, plant and equipment

A revaluation of an item of property, plant and equipment (PPE) is carried out when there is substantial difference between the fair value and the carrying amount. Valuation of the land and buildings, machinery and store equipment are undertaken by professionally qualified valuers at a minimum of 4-5 years.

On revaluation of an item of PPE, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity, under revaluation reserve or used to reverse a previous revaluation decrease relating to the same item of PPE, which was charged to profit or loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in profit or loss or debited in the other comprehensive income to the extent of any credit balance existing in the capital reserve in respect of that item of PPE. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an item of PPE is transferred directly to retained earnings on retirement or disposal of the item of PPE.

3.4.6.1 Revaluation of plant and machinery

Accounting judgements estimate and assumption

Fair value of the plant and machinery are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar category. Plant and machinery are appraised of similar category. Plant and machinery are appraised in accordance with LKAS 16, SLFRS 13 and the Valuations Standards published by the Institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the assets, future usability and associated re-development requirements have been considered. Further valuers have made reference to market evidence of transaction prices for similar assets, with appropriate adjustments for size and category. The most recent revaluation was carried out on 31st March 2023.

3.4.7 Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3.4.7.1 Finance leases

Finance leases – Group as a lessee:

Finance leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.4.7.2 Right-of-use assets – Company as a lessee

a) Basis of recognition

The Group applies Sri Lanka Accounting Standard SLFRS 16 "Leases" in accounting for all lease hold rights except for short-term leases, which are held for use in the provision for services.

b) Basis of measurement

The Group recognizes the right-of-use assets at the date of commencement of the lease, which is the present value of lease payments to be made over the lease term. Right-of-use assets are measured at cost less any accumulated amortization and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred and lease payments made at or before the commencement date less any lease incentives received.

c) Depreciation

Right-of-use assets are depreciated over the lease term of the assets as there is no reasonable certainty that the Group will obtain the ownership of such assets by end of the lease term.

3.4.7.3 Lease liability

At the commencement date of the lease, the Group recognises lease liabilities, measured at present value of lease payments to be made over the lease term. The present value of lease commitments as at 1st April 2019 has been calculated using the weighted average incremental borrowing rate. The Group applied modified retrospective approach in accordance with SLFRS 16 when accounting for right-of-use assets and operating lease liabilities.

Details of "Right-of-use asset" and "Lease liability" are given in Note 12.3 and 27 to the financial statements.

3.4.7.4 Operating leases - Company as a lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Company recognises lease payments from operating leases as income on a straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The intangible assets of the Group include the following:

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. The goodwill acquired in a business combination is tested annually for impairment and losses on impairment are recognised in arriving at profit or loss for the period. Impairment losses on goodwill are not reversed.

b) Trademarks

Trademarks acquired as part of a business combination, are capitalised as part of intangible assets if the trademark meets the definition of an intangible asset and the recognition criteria are satisfied. Trademarks are reviewed for impairment annually and losses on impairment are recognised in arriving at profit or loss for the period.

c) Computer software

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and with the probability that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure incurred on software is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

The class of intangible assets	Useful life
Computer software	4 years
Art work	4 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is

recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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.

3.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to assess whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit 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 risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.7 Government grants

A government grant is recognised in the statement of financial position initially as deferred income when there is a reasonable assurance that it will be received and the conditions attached to it are complied with.

Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the periods in which the expense is incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life.

3.8 Inventories

Inventories are measured at the lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less than estimated cost of completion and the estimated cost necessary to make the sale.

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The cost of inventory is determined on the basis of the Weighted Average Cost (WAC) and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

3.9 Liabilities and provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment later than one year from the reporting date.

All known liabilities have been accounted for in preparing the financial statements.

3.9.1 Employee benefits

3.9.1.1 *Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund*

The Group contributes 12% and 3% of gross salary to the Employees Provident Fund and Employees Trust Fund respectively, in terms of Employees' Provident Fund Act No.15 of 1958 as amended and to the Employees' Trust Fund in terms of the Employees' Trust Fund Act No.46 of 1980 as amended. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognised as an expense in the statement of comprehensive income, as incurred.

3.9.1.2 *Defined benefit plan*

Defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The liability recognised in the statement of financial position 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 by independent actuaries, using the projected unit credit method, as recommended by LKAS 19 "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the Note 26 to the financial statements. This liability is not externally funded, and the item is grouped under non-current liabilities in the statement of financial position. However, under The Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Group recognizes all actuarial gains and losses arising from the defined benefit plans in other comprehensive income and expenses related to defined benefit plans in staff expenses in statement of profit or loss.

3.9.1.3 *Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.9.2 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the liability. Unwinding of discount is recognised as finance cost.

3.10 Revenue recognition

3.10.1 Revenue

3.10.1.1 *Sale of goods*

a) Revenue recognition

The Group recognizes revenue when the Group satisfies a performance obligation transferring promised goods or services to a customer. Goods are transferred when the customer obtains the control of those goods.

b) Performance obligations and timing of revenue recognition

The Group's revenue is mainly derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. There is limited judgment needed in identifying the point at which control passes: once physical delivery of the products to the agreed location has occurred, the Group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods.

c) Determining the transaction price

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

d) Allocating amounts to performance obligations

For contracts with customers, there is a fixed unit price for each product sold. Therefore, there is no judgment involved in allocating the contract price to each unit in such contracts. Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each product's stand-alone selling prices (all product lines are capable of being, and are, sold separately).

3.10.1.2 Interest income

Interest income is recognised based on the effective interest rate method and it is accrued in profit or loss.

3.10.1.3 Dividend income

Dividend income is recognised when the shareholders' right to receive the payment is established, which in the case of quoted securities is the ex-dividend date.

3.10.1.4 Other income

Other income consists of income from sources other than the main operational activities. Other income is recognised on an accrual basis.

3.10.2 Expenditure

3.10.2.1 Expenses recognition

Expenses are recognised in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of a specific item of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

3.10.2.2 Finance expenses

Finance expenses comprise interest expenses on borrowings which are recognised in the profit or loss using the effective interest method, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

3.11 Taxation

a) Income tax

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

b) Current taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.24 of 2017 and amendments thereto.

c) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not

a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future, and differences measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of the goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.12 Events occurring after the reporting date

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

3.13 Comparative information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous year. Where the presentation or classification of items in the financial statements is amended in the current year, comparative amounts are also re-classified unless it is impracticable.

3.14 Segmental information

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities. Inter-segment transfers are based on fair market prices. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Board of Directors believes that it is not practical to provide segmental disclosures relating to segment costs and expenses and subsequently segment profits and losses, since a realistic allocation cannot be made. The fixed assets used in the Group's business are not identifiable to any particular reportable segment and can be used interchangeably among segments. Consequently, management believes that it is not practical to provide segmental disclosures relating to total assets since a realistic analysis among the various operating segments is not possible.

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3.16 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

3.17 Statement of cash flows

The cash flows of the Group have been presented by using the "indirect method" in accordance with LKAS-7: Statement of Cash Flows.

3.18 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. Contingent liabilities and commitments are disclosed in Note 38 to the financial statements.

4. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments.

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

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

The Group is exposed to credit risk on trade receivables and other receivables, investment securities and bank balances.

4.1.1 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group applies the SLFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade and other receivables as disclosed in Note 3.3.1.1.(a).

4.2 Liquidity risk

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

The Group considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of Group-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of the current economic crisis.

4.3 Market risk

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

4.3.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are USD, SGD and Euro. To manage foreign exchange risk arising from those transactions, the Group ensures that it keeps adequate funds in foreign currency in its bank accounts and negotiates terms and conditions in the agreements with the suppliers. Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The uncertainty caused by the current economic crisis could lead to increased pressure on the local currency resulting in higher foreign exchange risk. However, the management has implemented various policies and strategies over foreign activities to minimize anticipated currency risk, if any.

4.4 Operational risk

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

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- » Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- » Requirements for the reconciliation and monitoring of transactions;
- » Compliance with regulatory and other legal requirements;
- » Documentation of controls and procedures;
- » Development of contingency plans;
- » Training and professional development;
- » Ethical and business standards;
- » Risk mitigation, including insurance where this is effective.

With the prolonged impact from the disruptive waves of the Pandemic, the Group has heightened the importance of having robust governance, processes and systems and controls to mitigate the potential for operational losses.

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For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.

5 REVENUE

Export sales	2,288,836,489	1,192,085,274	2,288,836,489	1,192,085,274
Local sales	65,072,651	67,233,522	65,072,651	67,233,522
Revenue from Heladive Tea Café	-	1,915,685	-	1,915,685
	2,353,909,140	1,261,234,481	2,353,909,140	1,261,234,481

6 SEGMENTAL INFORMATION

6.1 Geographical segment analysis (by location of customers)

Russia and the CIS States	153,342,107	74,852,207	153,342,107	74,852,207
Far East/Asia	478,806,030	246,985,621	478,806,030	246,985,621
Europe	816,355,412	385,894,304	816,355,412	385,894,304
USA /Canada	77,356,128	44,699,935	77,356,128	44,699,935
Middle East and Africa	762,976,812	439,653,208	762,976,812	439,653,208
Domestic	65,072,651	69,149,206	65,072,651	69,149,206
	2,353,909,140	1,261,234,481	2,353,909,140	1,261,234,481

6.2 There are no separately distinguishable expenses, assets and liabilities for the above segments.

7 OTHER OPERATING INCOME

Scrap sales and sample sales income	-	2,741,499	-	2,741,499
Insurance claims	-	11,700,000	-	11,700,000
Profit on disposal of non-current assets held for sale	-	41,026,570	-	41,026,570
Profit on disposal of property, plant and equipment	1,810,208	175,000	1,810,208	175,000
Amortization of Government grant (Note 28)	1,109,400	1,109,400	1,109,400	1,109,400
Dividend income - quoted investments	60,976	67,496	60,976	67,496
Write back of other payable balances	1,860	36,039,861	1,860	36,039,861
Reimbursement income	4,632,600	1,655,749	4,632,600	1,655,749
Fair value gain/(loss) on investments	(10,884)	(348,956)	(10,884)	(348,956)
Disposal of investment	35,076	-	35,076	-
Other income	526,773	-	526,773	-
Write back debtors	329,173	-	329,173	-
Write back of creditors	11,563,576	-	11,563,576	-
	20,058,758	94,166,619	20,058,758	94,166,619

8 RESULTS FROM OPERATING ACTIVITIES

The results from operating activities are stated after charging all expenses including the following:

For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Auditor's remuneration - external audit	1,072,000	963,040	1,050,000	945,000
Auditor's remuneration - other services	849,028	537,600	849,028	537,600
Internal audit fee	400,000	-	400,000	-
Directors' emoluments including non-executive directors' fees	12,557,000	7,940,000	12,557,000	7,940,000

For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Depreciation of property, plant and equipment	8,076,342	10,705,265	8,076,342	10,705,265
Amortization of intangible assets	1,252,938	55,677	1,252,938	55,677
Legal and secretarial expenses	2,847,180	1,523,415	2,828,980	1,503,915
Salaries and wages	64,356,876	44,572,805	64,356,876	44,572,805
EPF	7,722,826	5,337,126	7,722,826	5,337,126
ETF	1,930,706	1,334,281	1,930,706	1,334,281
Provision for retirement benefit obligations	2,576,265	1,535,261	2,576,265	1,535,261
Bonus and incentives	-	8,012,600	-	8,012,600
Inventory write off - Kandana flood damage & obsolete stocks	-	42,718,782	-	42,718,782
Inventory write off - obsolete stocks	29,734,171	-	29,734,171	-
Provision for impairment of trade receivables	12,657	6,600,565	12,657	6,600,565

9 NET FINANCE EXPENSES

For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Finance income				
Interest income	3,176,993	1,781,686	3,176,993	1,781,686
	3,176,993	1,781,686	3,176,993	1,781,686
Finance expenses				
Loan interest - packing credit	(89,674,573)	(23,349,977)	(89,674,573)	(23,349,977)
Loan interest - term loan	(65,648,515)	(59,474,066)	(65,648,515)	(59,474,066)
Interest on lease rentals	(595,110)	-	(595,110)	-
Interest on bill discounts	-	(391,700)	-	(391,700)
Interest on related party advances	(413,017)	(4,697,554)	(413,017)	(4,697,554)
Overdue interest	-	(220,899)	-	(220,899)
Bank overdraft interest	(37,863,276)	(1,324,642)	(37,863,276)	(1,324,642)
Interest on loans	(21,612,918)	(57,367)	(21,612,918)	(57,367)
Bank charges	(9,935,216)	(11,289,747)	(9,930,516)	(11,285,257)
Foreign exchange gain /(loss)	(29,297,886)	42,363,235	(29,297,886)	42,363,235
	(255,040,511)	(58,442,717)	(255,035,811)	(58,438,227)
Net finance expenses	(251,863,518)	(56,661,031)	(251,858,818)	(56,656,541)

10 INCOME TAX EXPENSE

10.1 Current income tax expense

For the year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
Income tax expense on current year's profit		-	211,572	-	211,572
Deferred tax expense					
Origination of deferred tax assets	29	(126,068,134)	(20,277,967)	(126,068,134)	(20,277,967)
Total income tax expense		(126,068,134)	(20,066,395)	(126,068,134)	(20,066,395)

NOTES TO THE FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE (CONTD....)

10.2 Reconciliation between the taxable profit/(loss) and accounting profit/(loss)

For the year ended 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Loss before tax		(171,685,190)	(249,111,686)	(171,640,290)	(248,952,956)
Exempt income/other source of income		(377,620)	(900,138)	(377,620)	(900,138)
Realisation of depreciable assets		1,810,208	307,420,510	1,810,208	307,420,510
Aggregate disallowable expenses		240,290,054	(165,145,466)	240,290,054	(165,145,466)
Aggregate allowable expenses		6,460,005	(45,515,482)	6,460,005	(45,515,482)
Taxable profit/(loss) for the year		76,497,457	(153,252,262)	76,542,357	(153,093,532)
Tax losses brought forward		(217,078,657)	(63,103,574)	(217,078,657)	(63,103,574)
Tax profit/(loss) incurred during the year		-	(154,042,579)	-	(154,042,579)
Utilization of tax losses		76,542,357	67,496	76,542,357	67,496
Tax losses carried forward		(140,536,300)	(217,078,657)	(140,536,300)	(217,078,657)
Total statutory income		76,542,357	(153,093,532)	76,542,357	(153,093,532)
Deductions; utilization of tax losses		(76,542,357)	153,975,083	(76,542,357)	153,975,083
Taxable income - other source of income		-	881,551	-	881,551
Income tax income at the rate @ 24%		-	211,572	-	211,572
Income tax income at the rate @ 30%		-	-	-	-
Total current tax for the year		-	211,572	-	211,572

10.3 Reconciliation of effective tax rate

Loss before income tax		(171,685,190)	(249,111,686)	(171,640,290)	(248,952,956)
Income tax using the domestic tax rate		(51,492,087)	(59,748,709)	(51,492,087)	(59,748,709)
Non-deductible expenses		72,087,016	(39,634,912)	72,087,016	(39,634,912)
Realisation of depreciable assets		543,062	73,780,922	543,062	73,780,922
Deductible expenses		1,938,002	(10,923,716)	1,938,002	(10,923,716)
Tax exempt income		(113,286)	(216,033)	(113,286)	(216,033)
Tax loss utilised		(22,962,707)	36,954,020	(22,962,707)	36,954,020
Current tax on profits/(loss) for the year	10.1	-	211,572	-	211,572
Charge to deferred tax liability on temporary differences		(1,017,848)	(1,371,570)	(1,017,848)	(1,371,570)
Charge to deferred tax asset on temporary differences		127,085,982	21,649,537	127,085,982	21,649,537
Total income tax expense		(126,068,134)	(20,066,395)	(126,068,134)	(20,066,395)

11. BASIC EARNING PER SHARE

The calculation of basic earnings per share is based on the net loss attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

Loss attributable to ordinary shareholders		(45,617,056)	(229,045,291)	(45,572,156)	(228,886,561)
Weighted average number of ordinary shares		167,455,580	66,428,660	167,455,580	66,428,660
Basic earnings per share		(0.27)	(3.45)	(0.27)	(3.45)

The diluted earnings per share is as same as computed above.

12 PROPERTY, PLANT & EQUIPMENT
12.1 Group

Description	Land	Plant & Machinery - Heavy Duty	Plant & Machinery - Other	Ice Tea Equipment & Others	Stores equipment - Heavy Duty	Stores equipment - Other	Furniture & fittings	Office Equipment	Motor Vehicles	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At cost / valuation											
Balance at 01st April 2022	2,672,000	46,436,656	10,283,470	7,017,506	2,169,002	9,745,745	14,397,043	16,408,871	25,731,482	1,671,127	136,532,902
Additions/revaluation	1,670,000	(17,401,062)	(640,447)	512,337	-	1,183,300	-	5,201,607	-	-	(9,474,235)
Disposals / transfers	-	(10,987,743)	(7,632,225)	11,876,358	(2,169,002)	7,400,896	5,178	1,137,520	(22,528,915)	(1,671,127)	(24,569,060)
Balance at 31st March 2023	4,342,000	18,047,851	2,010,828	19,406,201	-	18,329,941	14,402,221	22,747,998	3,202,567	-	102,489,607
Depreciation and impairment losses											
Balance at 01st April 2022	-	19,377,308	9,610,415	6,999,146	605,018	9,151,724	8,359,706	12,543,573	25,731,482	-	92,378,372
Depreciation	-	3,152,984	1,020,596	218,509	-	625,494	1,173,535	1,885,224	-	-	8,076,342
Accumulated depreciation of revalued assets	-	(16,462,514)	(2,571,089)	-	-	-	-	-	-	-	(19,033,603)
Disposals / transfers	-	(6,067,778)	(7,986,758)	8,123,542	(605,018)	5,675,787	16,581	594,417	(22,528,915)	-	(22,778,142)
Balance at 31st March 2023	-	-	73,164	15,341,197	-	15,453,005	9,549,822	15,023,214	3,202,567	-	58,642,969
Total carrying amount											
Balance at 31st March 2023	4,342,000	18,047,851	1,937,664	4,065,004	-	2,876,936	4,852,399	7,724,784	-	-	43,846,638
As at 31st March 2022	2,672,000	27,059,348	673,055	18,360	1,563,984	594,021	6,037,337	3,865,298	-	1,671,127	44,154,530

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT & EQUIPMENT (CONTD....)
12.2 Company

Description	Land Rs.	Plant & Machinery - Heavy Duty Rs.	Plant & Machinery - Other Rs.	Ice Tea Equipment & Others Rs.	Stores equipment - Heavy Duty Rs.	Stores equipment - Other Rs.	Furniture & fittings Rs.	Office Equipment Rs.	Motor Vehicles Rs.	Capital work in progress Rs.	Total Rs.
At cost / valuation											
Balance at 01st April 2022	2,672,000	46,436,656	10,283,470	7,017,506	2,169,002	9,745,745	14,397,043	16,408,871	25,731,482	1,671,127	136,532,902
Additions/revaluation	1,670,000	(17,401,062)	(640,447)	512,337	-	1,183,300	-	5,201,607	-	-	(9,474,235)
Disposals / transfers	-	(10,987,743)	(7,632,225)	11,876,358	(2,169,002)	7,400,896	5,178	1,137,520	(22,528,915)	(1,671,127)	(24,569,060)
Balance at 31st March 2023	4,342,000	18,047,851	2,010,828	19,406,201	-	18,329,941	14,402,221	22,747,998	3,202,567	-	102,489,607
Depreciation and impairment losses											
Balance at 01st April 2022	-	19,377,308	9,610,415	6,999,146	605,018	9,151,724	8,359,706	12,543,573	25,731,482	-	92,378,372
Depreciation	-	3,152,984	1,020,596	218,509	-	625,494	1,173,535	1,885,224	-	-	8,076,342
Accumulated depreciation of revalued assets	-	(16,462,514)	(2,571,089)	-	-	-	-	-	-	-	(19,033,603)
Disposals / transfers	-	(6,067,778)	(7,986,758)	8,123,542	(605,018)	5,675,787	16,581	594,417	(22,528,915)	-	(22,778,142)
Balance at 31st March 2023	-	-	73,164	15,341,197	-	15,453,005	9,549,822	15,023,214	3,202,567	-	58,642,969
Total carrying amount											
Balance at 31st March 2023	4,342,000	18,047,851	1,937,664	4,065,004	-	2,876,936	4,852,399	7,724,784	-	-	43,846,638
As at 31st March 2022	2,672,000	27,059,348	673,055	18,360	1,563,984	594,021	6,037,337	3,865,298	-	1,671,127	44,154,530

12.3 Right of Use Assets

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Balance as at 1st April	-	-	-	-
Additions	8,525,000	-	8,525,000	-
Balance as at 31st March	8,525,000	-	8,525,000	-
Accumulated depreciation				
Balance as at 1st April	-	-	-	-
Charge for the year	568,332	-	568,332	-
Balance as at 31st March	568,332	-	568,332	-
Depreciation carrying amount				
Balance as at 1st April	-	-	-	-
Additions	7,956,668	-	7,956,668	-
Balance as at 31st March	7,956,668	-	7,956,668	-

Right-of-Use Assets represent a Lorry.

- 12.4** During the year, the Group acquired property, plant and equipment to the aggregate value of Rs.8,152,484/- (2021/22 - Rs.5,490,086/-). It was acquired by means of cash payments amounting to Rs.Rs.6,481,357.10/- (2021/22 - 5,490,086/-).
- 12.5** Property, plant and equipment of the Group include fully-depreciated assets, the cost of which as at 31st March 2023 amounted to Rs.41,588,399/-(2021/22- Rs.63,885,783/-) and continue to be in use by the Group.
- 12.6** Assets pledged as security against borrowings are disclosed in Note no.42.
- 12.7.1** Valuation is carried out in accordance with LKAS 18 and 8th edition of International Valuation Standards published by the International Valuation Committee (IVSC)
- 12.7.2** Lands, Plant & Machinery - Heavy Duty and Plant & Machinery - other assets class had been revalued by an Independent chartered valuation surveyor, Mr. P.B. Kalugalagedara as at 31st March 2023.

The details of Land, Plant & Machinery - Heavy Duty and Plant & Machinery - others which are stated at revalued amounts are as follows;

Company property	Method of valuation	Last valuation date	Revalued amount (Rs.)	Property valuer
a. Machinery - heavy duty at Linton Road, Kandana	Replacement cost method	31-03-2023	17,297,852	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor
b. Machinery - Others at Linton Road, Kandana	Replacement cost method	31-03-2023	755,588	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor
c. Land situated at 39 A, Linton Road, Kandana	Direct capital comparison method	31-03-2023	4,342,000	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor

12.8 The details of the Company's land holdings

	Extent of land	Cost of purchase Rs.	Year of purchase Rs.
(i) No 39, Linton Road, Kandana - Land	OA OR 06.68P	2,672,000	10/03/2021

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTD....)

Name of the Company/ Location	Extent	Valuation Method	Range of Estimates for Unobservable inputs Estimated price per perch/ Estimated price per square foot/estimated discount rate	Valuation per Perch Rs'000	Valuation Rs'000	Date
H V A Foods PLC	OA OR 06.68P	Direct Capital comparison Method	LKR 500,000-LKR 1,000,000	650,000	4,342,000	31.03.2023

Significant unobservable input

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

measurement to changes in significant unobservable inputs are tabulated below;	Significant unobservable valuation input	Sensitivity of the fair value Measurement to input
Direct Capital Comparison Method	Price per perch for land	Price per perch increases/(decreases)

12.9 Expenses recognised in statement of comprehensive income

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Depreciation	8,644,674	10,705,265	8,644,674	10,705,265
	8,644,674	10,705,265	8,644,674	10,705,265

13. GOODWILL

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1st April	263,849,498	263,849,498	263,849,498	263,849,498
Balance as at 31st March	263,849,498	263,849,498	263,849,498	263,849,498

On 10th March 2021, the Company had acquired the business and certain assets of H V A Lanka Exports (Pvt) Ltd for a total consideration of Rs.290,000,000/-. This acquisition has been accounted for as a business combination as per the requirements of SLFRS 3 – Business Combination.

The fair values of the net assets acquired and goodwill on acquisition are as follows:

	Rs.
Freehold land	2,672,000
Inventories	19,028,502
Trademark	4,450,000
Total identifiable assets	26,150,502
Total consideration paid	290,000,000
Goodwill on acquisition	263,849,498

The management has assessed to ascertain whether there could be any impairment on the goodwill on acquisition of the business of H V A Lanka Exports (Pvt) Ltd. As required by LKAS 36, Impairment of assets, the management assessed the recoverable amount of the goodwill based on value in use taking into consideration the future estimated cash flows generated through the acquired business.

Management determined forecast operating results based on past performance and expectations for the future. The pre-tax discount rate used is 22.6% and the growth rate used to extrapolate cash flow projections beyond five years is 1% per annum. Based on the assessment carried out, Value in Use is higher than the carrying value of the goodwill.

Since the carrying value is less than the value in use, the management concluded that there was no impairment of the goodwill as at reporting date.

14. INVESTMENT IN SUBSIDIARY

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Non - quoted investment				
H V A Holdings (Pvt) Ltd	-	-	45,000,001	45,000,001
	-	-	45,000,001	45,000,001

The Board of Directors have made an assessment on the impairment of the carrying amount of investment in subsidiary as at the reporting date and are confident that no impairment has been required. This is discussed in detail under Note 15.1 of the financial statements.

15. OTHER INTANGIBLE ASSETS

15.1 Trademark - "HELADIV"

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Balance as at 1st April	44,938,997	44,938,997	-	-
Balance as at 31st March	44,938,997	44,938,997	-	-

Trademark represents the excess of the cost of the business combination over the fair value of identifiable net assets of the subsidiary i.e. H V A Holdings (Pvt) Ltd as at the date of acquisition.

The Company acquired H V A Holdings (Pvt) Ltd on 29th September 2010 in order to use the international brand, "HELADIV" owned by H V A Holdings (Pvt) Ltd., as per the valuation report of Pricewaterhouse Coopers on 01st October 2010.

For the purpose of purchasing the subsidiary, the "HELADIV" trademark has been valued by royalty method, based on the five-year forecast sales projects provided by the management and the below-mentioned royalty rates have been assessed by the indicative value of the trade mark as at 31st December 2009 to be in the order of USD 1.08mn to USD 1.24mn (with a mid-point of USD 1.16mn).

As of the reporting date, the Group has carried out an annual impairment test to assess whether the trademark has been impaired. For this purpose, "Royalty method" has been applied and the following key assumptions have been established:

Royalty rate	- 4.6%
Discount factor (pre tax)	- 22.6%
Terminal growth	- 1% p.a.
Brand related expenses	- 1.15% of revenue from revenue generated from Heladiv sales.

Having considered the positive growth in revenue in 2023/2024 and future revenue forecast together with reasonableness of royalty rates applied, the Board of Directors is confident that trademark has not been impaired as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

15. OTHER INTANGIBLE ASSETS (CONTD....)

15.2 Trademark - "INFINI-T"

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cost				
Balance as at 1st April	4,450,000	4,450,000	4,450,000	4,450,000
Impairment loss during the year	(1,555,398)	-	(1,555,398)	-
Balance as at 31st March	2,894,602	4,450,000	2,894,602	4,450,000

Out of the total consideration paid for the acquisition of business of H V A Lanka Exports (Pvt) Ltd, Rs.4,450,000/- was attributed to the trademark which was determined based on a valuation carried out by an independent professional valuer.

Valuation methodology and principal assumptions used for the brand valuation

"Income approach" has been considered for the valuation of trademark and the following principal assumptions were used:

- » Revenue growth - 18% p.a.
- » Royalty rate - 4.6%
- » Discount rate - 16%
- » Terminal growth rate - 3%

As of the reporting date, the Group has carried out an annual impairment test to assess whether the trademark has been impaired. For this purpose, "Royalty method" has been applied and following key assumptions established:

- Royalty rate - 4.6%
- Discount factor - 22.6%
- Terminal growth - 1% p.a.
- Brand related expenses - 1.15% of revenue from revenue generated from Infinit sales.

Having considered the negative growth in revenue in 2023/2024 and future revenue forecast together with reasonableness of royalty rates applied, the Company has made an impairment of Rs.1,555,398 as at reporting date.

15.3 Software

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Summary					
Cost					
Balance as at 1st April		628,400	323,000	628,400	323,000
Acquired / incurred during the year		3,578,164	305,400	3,578,164	305,400
Balance as at 31st March		4,206,564	628,400	4,206,564	628,400
Amortization					
Balance as at 1st April		343,677	288,000	343,677	288,000
Amortisation charge for the year		781,188	55,677	781,188	55,677
Balance as at 31st March		1,124,865	343,677	1,124,865	343,677
Carrying amount					
Balance as at 1st April		284,723	35,000	284,723	35,000
Acquired / incurred during the year		2,796,976	249,723	2,796,976	249,723
Balance as at 31st March	(a)	3,081,699	284,723	3,081,699	284,723

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
15.4 Software - WIP					
Balance as at 1st April		3,578,164	2,757,340	3,578,164	2,757,340
Acquired / incurred during the year		-	820,824	-	820,824
Capitalised during the year		(3,578,164)	-	(3,578,164)	-
Balance as at 31st March	(b)	-	3,578,164	-	3,578,164
15.5 Artworks					
Summary					
Cost					
Balance as at 1st April		-	-	-	-
Acquired / incurred during the year		2,426,140	-	2,426,140	-
Balance as at 31st March		2,426,140	-	2,426,140	-
Amortization					
Balance as at 1st April		-	-	-	-
Amortisation charge for the year		471,750	-	471,750	-
Balance as at 31st March		471,750	-	471,750	-
Carrying amount					
Balance as at 1st April		-	-	-	-
Acquired / incurred during the year		1,954,390	-	1,954,390	-
Balance as at 31st March		1,954,390	-	1,954,390	-
15.6 Total					
Carrying amount					
Trademark - "HELADIV"		44,938,997	44,938,997	-	-
Trademark - "INFINI-T"		2,894,602	4,450,000	2,894,602	4,450,000
Software	(a) + (b)	3,081,699	3,862,887	3,081,699	3,862,887
Artworks		1,954,390	-	1,954,390	-
Net carrying amount		52,869,688	53,251,884	7,930,691	8,312,887

16. INVENTORIES

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Raw materials - Tea		145,442,514	62,864,618	145,442,514	62,864,618
Flavours		31,705,813	17,617,016	31,705,813	17,617,016
Packing materials		74,576,754	72,374,204	74,576,754	72,374,204
Semi-finished goods		197,973,808	10,465,004	197,973,808	10,465,004
Finished goods		4,528,510	19,240,839	4,528,510	19,240,839
Tea café stocks		20,897	261,876	20,897	261,876
Other stocks		6,195,187	2,180,504	6,195,187	2,180,504
		460,443,483	185,004,061	460,443,483	185,004,061
Provision for impairment of inventories	16.1	-	(18,500,000)	-	(18,500,000)
		460,443,483	166,504,061	460,443,483	166,504,061

Inventories amounting to Rs. 29,734,171/- have been written off during the year and total provision for impairment amounting to Rs.18,500,000/- have been reversed during the year.

16.1 Provision for impairment					
Balance as at 01st April		18,500,000	25,512,869	18,500,000	25,512,869
Reversal for the year		(18,500,000)	(7,012,869)	(18,500,000)	(7,012,869)
Balance as at 31st March		-	18,500,000	-	18,500,000

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL ASSETS

17.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March	2023			2022		
	No. of shares	Cost Rs.	Market value Rs.	No. of shares	Cost Rs.	Market value Rs.
Group						
Muller & Phipps (Ceylon) PLC	105,040	115,544	126,048	105,040	115,544	105,040
Vallibel Finance PLC	-	-	-	3,950	232,645	586,180
Colombo Land Developments PLC	25,000	595,000	502,500	25,000	595,000	622,500
Sanasa Development Bank	19,465	1,638,756	488,572	19,465	1,638,756	574,218
		2,349,300	1,117,120		2,581,945	1,887,938
Company						
Muller & Phipps (Ceylon) PLC	105,040	115,544	126,048	105,040	115,544	105,040
Vallibel Finance PLC	-	-	-	3,950	232,645	586,180
Colombo Land Developments PLC	25,000	595,000	502,500	25,000	595,000	622,500
Sanasa Development Bank	19,465	1,638,756	488,572	19,465	1,638,756	574,218
		2,349,300	1,117,120		2,581,945	1,887,938

18. TRADE RECEIVABLES

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade debtors - Export		268,304,768	249,744,840	268,304,768	249,744,840
Trade debtors - Local		4,540,149	31,749,000	4,540,149	31,749,000
Trade debtors - Intercompany	18.1	38,131,697	31,559,332	38,131,697	31,559,332
Provision for impairment losses	18.2	(14,287,396)	(25,676,501)	(14,287,396)	(25,676,501)
		296,689,218	287,376,671	296,689,218	287,376,671

Trade debtors -Local amounting to Rs. 11,404,421/- has been directly written off during the year and total provision for impairment amounting to Rs.11,401,762/- have been reversed during the year.

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.

18.1 Trade debtors - Intercompany				
Citrus Silver Ltd	616,782	316,367	616,782	316,367
George Steuart Consumer (Pvt.) Ltd	36,171,686	15,262,325	36,171,686	15,262,325
George Steuart Ethicals (Pvt) Ltd	458,067	10,158,067	458,067	10,158,067
George Steuart Teas (Pvt.) Ltd	662,340	1,822,573	662,340	1,822,573
George Steuart Travels (Pvt) Ltd	-	4,000,000	-	4,000,000
Hikkaduwa Beach Resort PLC	35,618	-	35,618	-
Waskaduwa Beach Resort PLC	187,204	-	187,204	-
	38,131,697	31,559,332	38,131,697	31,559,332

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
18.2 Provision for impairment losses				
Balance as at 1st April	25,676,501	214,039,370	25,676,501	214,039,370
Provision for the year	12,657	6,600,565	12,657	6,600,565
Write offs during the year	(11,401,762)	(194,963,434)	(11,401,762)	(194,963,434)
Balance as at 31st March	14,287,396	25,676,501	14,287,396	25,676,501

19. AMOUNTS DUE FROM RELATED PARTIES

As at 31 March	Nature of relationship	Note	Group		Company	
			2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
HVA Holdings (Pvt) Ltd	Subsidiary		-	-	265,640	229,400
Hikkaduwa Beach Resort PLC	Affiliate		23,000	-	23,000	-
Citrus Silver Ltd	Affiliate		2,667,953	706,525	2,667,953	706,525
			2,690,953	706,525	2,956,593	935,925

20. PREPAYMENTS AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Other taxes recoverable	-	1,794,293	-	1,794,293
Receivable from Quality Ceylon Ltd	-	30,000,000	-	30,000,000
Prepayment	9,037,842	2,383,474	9,037,842	2,383,474
Other receivables	7,343,004	6,456,602	7,343,004	6,456,602
	16,380,846	40,634,369	16,380,846	40,634,369

21. DEPOSITS AND ADVANCES

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Advances	33,269,717	161,819,507	33,269,717	161,819,507
Deposits	4,619,040	3,416,960	4,619,040	3,416,960
	37,888,757	165,236,467	37,888,757	165,236,467

NOTES TO THE FINANCIAL STATEMENTS

22. CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
22.1 Short-term deposits				
Exports margin accounts	24,360,114	70,354,242	24,360,114	70,354,242
	24,360,114	70,354,242	24,360,114	70,354,242
22.2 Favourable balances				
Cash at banks (USD)	1,970,132	35,726,125	1,970,132	35,726,125
Cash at banks (EUR)	944,392	15,118,190	944,392	15,118,190
Cash at banks (LKR)	9,809,134	3,738,419	9,808,019	3,732,604
Cash in hand and cheques in hand	142,144	625,508	142,144	625,508
Total favorable balances	12,865,802	55,208,242	12,864,687	55,202,427
Total short-term deposits and favorable balances	37,225,916	125,562,484	37,224,801	125,556,669
22.3 Unfavourable balances/overdrafts				
Bank overdrafts	261,354,575	61,521,090	261,354,575	61,521,090
Cash and cash equivalents for the purpose of statement of cashflows	(224,128,659)	64,041,394	(224,129,774)	64,035,579

23. STATED CAPITAL

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1st April	333,857,588	333,857,588	333,857,588	333,857,588
Issued during the year	249,107,475	-	249,107,475	-
Balance as at 31st March	582,965,063	333,857,588	582,965,063	333,857,588
	Nos.	Nos.	Nos.	Nos.
Shares as at 1st April	66,428,660	66,428,660	66,428,660	66,428,660
Issued during the year	49,821,495	-	49,821,495	-
Shares as at 31st March	116,250,155	66,428,660	116,250,155	66,428,660

The holders of ordinary shares are entitled to receive dividend from time to time and entitled to one vote per individual present at the meeting of shareholders or one vote per share in case of a poll.

Share right issue

The Company issued 49,821,495 ordinary shares by way of a right Issue in the proportion of three (03) Ordinary shares for four (04) Ordinary shares held in the capital of the company and shares were listed on the Colombo Stock Exchange (CSE) on 13th May 2022.

24. REVALUATION RESERVE

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 01st April	16,701,071	237,613,039	16,701,071	237,613,039
Realization of revaluation surplus on disposal of assets held for sale	-	(257,255,015)	-	(257,255,015)
Deferred tax impact on realization of revaluation surplus	-	36,343,047	-	36,343,047
Revaluation surplus on property, plant and equipment revaluation	1,406,885	-	1,406,885	-
Deferred tax on revaluation of property, plant and equipment	(3,094,238)	-	(3,094,238)	-
Balance as at 31st March	15,013,718	16,701,071	15,013,718	16,701,071

25. ACCUMULATED LOSSES

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 01st April	(527,436,938)	(555,691,982)	(527,134,309)	(555,548,083)
Loss for the year	(45,617,056)	(229,045,291)	(45,572,156)	(228,886,561)
Actuarial gain on retirement benefit obligation	10,960	52,698	10,960	52,698
Deferred tax on actuarial gain on retirement benefit obligations	(3,288)	(7,378)	(3,288)	(7,378)
Realization of revaluation surplus on disposal of assets held for sale	-	257,255,015	-	257,255,015
Balance as at 31st March	(573,046,322)	(527,436,938)	(572,698,793)	(527,134,309)

26. RETIREMENT BENEFITS OBLIGATION

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1st April	7,113,868	6,502,105	7,113,868	6,502,105
Interest cost for the year	1,067,080	502,361	1,067,080	502,361
Current service cost for the year	1,509,185	1,032,900	1,509,185	1,032,900
Gratuity paid during the year	(1,096,388)	(870,800)	(1,096,388)	(870,800)
Actuarial gain	(10,960)	(52,698)	(10,960)	(52,698)
Balance as at 31st March	8,582,785	7,113,868	8,582,785	7,113,868

26.1 Expenses recognised in profit/loss

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current service cost	1,509,185	1,032,900	1,509,185	1,032,900
Interest cost	1,067,080	502,361	1,067,080	502,361
	2,576,265	1,535,261	2,576,265	1,535,261

26.2 Actuarial gain

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Actuarial Gain on Obligations;				
Due to Change in Demographic Assumptions	(27,920)	21,610	(27,920)	21,610
Due to Change in Financial Assumptions	(1,493,444)	(260,642)	(1,493,444)	(260,642)
Due to Experience adjustment	1,510,404	186,334	1,510,404	186,334
	(10,960)	(52,698)	(10,960)	(52,698)

Actuarial gain recognised in other comprehensive income

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Actuarial gain	(10,960)	(52,698)	(10,960)	(52,698)
	(10,960)	(52,698)	(10,960)	(52,698)

NOTES TO THE FINANCIAL STATEMENTS

26. RETIREMENT BENEFITS OBLIGATION (CONTD....)

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messers. Actuarial & Management Consultants (Pvt) Ltd., actuaries.

The principal assumptions used in determining the cost of employee benefits as at the reporting date were;

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Demographic Assumptions				
Retirement Age	60 Years	60 Years	60 Years	60 Years
Financial Assumptions				
Discount rate	16.00%	15.00%	16.00%	15.00%
Future salary increases	10.00%	8.00%	10.00%	8.00%

26.3 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
1% increase in discount rate		(279,203)	(215,621)	(279,203)	(215,621)
1% decrease in discount rate		300,021	230,629	300,021	230,629
1% increase in salary escalation rate		352,110	263,149	352,110	263,149
1% decrease in salary escalation rate		(332,140)	(249,912)	(332,140)	(249,912)

In calculating the discount as per the quarterly issued by CA Sri Lanka January 2023 country default spread and pre Covid default impact have been considered.

26.4 Following payments are the expected payments to the define benefit plan for the future years:

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Years From the Current Period				
1st Following Year	1,756,322	1,466,638	1,756,322	1,466,638
2nd Following Year	1,564,408	1,400,593	1,564,408	1,400,593
3rd Following Year	1,211,612	1,104,660	1,211,612	1,104,660
4th Following Year	976,755	824,474	976,755	824,474
5th Following Year	723,042	618,152	723,042	618,152
Between 5 and 11 years	1,920,139	1,441,362	1,920,139	1,441,362
Sum of Years 11 and above	430,507	257,991	430,507	257,991
Total	8,582,785	7,113,870	8,582,785	7,113,870
Weighted Average Duration of Defined Benefit Obligation (Years)	4	4	4	4

27. INTEREST BEARING LOANS AND BORROWINGS

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
27.1 Non-current liabilities					
27.1.1 Secured term loans					
Balance as at 01st April		581,607,500	478,973,870	581,607,500	478,973,870
Loans obtained during the year		-	500,000,000	-	500,000,000
		581,607,500	978,973,870	581,607,500	978,973,870
Repayments during the year		(47,460,648)	(424,147,927)	(47,460,648)	(424,147,927)
		534,146,852	554,825,943	534,146,852	554,825,943
Effect of movements in foreign exchange		11,899,246	26,781,557	11,899,246	26,781,557
Balance as at 31st March		546,046,098	581,607,500	546,046,098	581,607,500
Transferred to current liabilities		(65,153,010)	(44,767,500)	(65,153,010)	(44,767,500)
Secured term loans - Non-current borrowings	(a)	480,893,088	536,840,000	480,893,088	536,840,000
Repayable within one year		65,153,010	44,767,500	65,153,010	44,767,500
Repayable between one and five years		480,893,088	536,840,000	480,893,088	536,840,000
Balance as at 31st March		546,046,098	581,607,500	546,046,098	581,607,500
27.1.2 Finance lease obligations					
Balance as at 01st April		-	-	-	-
Lease obtained during the year		11,628,000	-	11,628,000	-
Interest in suspense		(6,168,000)	-	(6,168,000)	-
Repayments during the year		(106,709)	-	(106,709)	-
Balance as at 31st March		5,353,291	-	5,353,291	-
Transferred to current liabilities		(2,325,600)	-	(2,325,600)	-
Finance lease obligations - non-current borrowings	(b)	3,027,691	-	3,027,691	-
Finance lease obligations repayable within one year					
Gross liability		531,634	-	531,634	-
Finance charges		1,793,966	-	1,793,966	-
Net lease obligation		2,325,600	-	2,325,600	-
Finance lease obligations repayable between one and five years					
Gross liability		4,821,732	-	4,821,732	-
Finance charges		3,899,268	-	3,899,268	-
Net lease obligation		8,721,000	-	8,721,000	-
Total non-current borrowings	(a)+(b)	483,920,779	536,840,000	483,920,779	536,840,000

NOTES TO THE FINANCIAL STATEMENTS

27. INTEREST BEARING LOANS AND BORROWINGS (CONTD....)

As at 31 March	Note	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
27.2 Current liabilities					
Packing credit loans		418,640,649	225,435,258	418,640,649	225,435,258
Secured term loans - repayable within one year		65,153,010	44,767,500	65,153,010	44,767,500
Finance lease obligations - repayable within one year		2,325,600	-	2,325,600	-
		486,119,259	270,202,758	486,119,259	270,202,758

27.3 Assets pledged as security against borrowings and the facility details are disclosed in Note 42.

28. GOVERNMENT GRANTS

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1st April	9,984,526	11,093,926	9,984,526	11,093,926
Recognised in profit or loss during the year	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Balance as at 31st March	8,875,126	9,984,526	8,875,126	9,984,526
Amounts expected to be recognised after one year	7,765,726	8,875,126	7,765,726	8,875,126
Amounts expected to be recognised within one year	1,109,400	1,109,400	1,109,400	1,109,400
	8,875,126	9,984,526	8,875,126	9,984,526

The Asian Development Bank offered a grant on 30th September 2009 to construct a tea concentrate plant and the project was completed on 31st March 2011. The grant is recognised as deferred income in profit or loss on a systematic basis over the useful life of the related assets.

29. DEFERRED TAX LIABILITIES/(ASSETS)

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 01st April	(71,390,000)	(14,776,364)	(71,390,000)	(14,776,364)
Origination in profit or loss	(126,068,134)	(20,277,967)	(126,068,134)	(20,277,967)
Recognised in other comprehensive income	3,097,526	7,378	3,097,526	7,378
Recognised in realisation of revaluation surplus	-	(36,343,047)	-	(36,343,047)
Balance as at 31st March	(194,360,608)	(71,390,000)	(194,360,608)	(71,390,000)

Deferred tax provision / reversal for the year

Deferred tax assets/(liabilities) are attributable to the following:

Reversal and (origination) of temporary differences

As at 31 March	Group			
	2023		2022	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligations	8,582,785	2,574,836	7,113,868	995,942
Carried forward tax losses	140,536,299	42,160,890	217,078,656	30,391,012
Adjustment on thin capitalisation	522,526,249	156,757,875	307,313,950	43,023,953
	671,645,333	201,493,601	531,506,474	74,410,907
Deferred tax liabilities				
Property, plant and equipment	5,668,687	1,700,606	4,876,833	682,758
Revaluation reserve	18,107,956	5,432,387	16,701,065	2,338,149
	23,776,643	7,132,993	21,577,898	3,020,907
Net deferred tax asset	647,868,690	194,360,608	509,928,576	71,390,000

As at 31 March	Company			
	2023		2022	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligations	8,582,785	2,574,836	7,113,868	995,942
Carried forward tax losses	140,536,299	42,160,890	217,078,656	30,391,012
Adjustment on thin capitalisation	522,526,249	156,757,875	307,313,950	43,023,953
	671,645,333	201,493,601	531,506,474	74,410,907
Deferred tax liabilities				
Property, plant and equipment	5,668,687	1,700,606	4,876,833	682,758
Revaluation reserve	18,107,956	5,432,387	16,701,065	2,338,149
	23,776,643	7,132,993	21,577,898	3,020,907
Net deferred tax asset	647,868,690	194,360,608	509,928,576	71,390,000

NOTES TO THE FINANCIAL STATEMENTS

29. DEFERRED TAX LIABILITIES/(ASSETS) (CONTD....)

Movement in deferred tax balance during the year

As at 31 March	Balance as at 31st March 2022 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Balance as at 31st March 2023 Rs.
Retirement benefit obligations	995,942	1,582,182	(3,288)	2,574,836
Adjustment on thin capitalisation	43,023,953	113,733,922	-	156,757,875
Property, plant and equipment	(682,757)	(1,017,848)	-	(1,700,605)
Revaluation reserve	(2,338,150)	-	(3,094,238)	(5,432,388)
Carried forward tax losses	30,391,012	11,769,878	-	42,160,890
Net deferred tax asset	71,390,000	126,068,134	(3,097,526)	194,360,608

As per the amendment to Inland Revenue Act No. 24 of 2017 which was effective from 01st October 2022, the applicable income tax rate of the Company is 30%. Accordingly, 30% has been used in computing the deferred tax since that rate is substantively enacted as at 31st March 2023.

As at 31 March	Group		Company		
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	
30. TRADE PAYABLES					
Tea creditors	455,000	591,168	455,000	591,168	
Packing material creditors	44,799,858	37,392,841	44,799,858	37,392,841	
Flavour creditors	5,482,492	2,881,136	5,482,492	2,881,136	
	50,737,350	40,865,145	50,737,350	40,865,145	
31. DEPOSITS AND ADVANCES					
Advances and deposits from customers	1,790,056	308,106,204	1,790,056	308,106,204	
	1,790,056	308,106,204	1,790,056	308,106,204	
32. ACCRUED EXPENSES AND OTHER PAYABLES					
Salary and related expenses payables	-	8,734,246	-	8,734,246	
Freight creditors	11,219,020	16,957,643	11,219,020	16,957,643	
Other payables	78,192,418	44,816,699	78,170,418	44,798,659	
	89,411,438	70,508,588	89,389,438	70,490,548	
33. AMOUNT DUE TO RELATED PARTIES					
As at 31 March	Nature of relationship	Group		Company	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
George Steuart & Company Ltd	Parent	30,000,000	92,286,983	30,000,000	92,286,983
George Steuart Optimize (Pvt) Ltd	Affiliate	-	3,544	-	3,544
		30,000,000	92,290,527	30,000,000	92,290,527

34. INCOME TAX PAYABLE

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 01st April	-	317,468	-	317,468
Provision for the year	-	211,572	-	211,572
Set off from ESC	-	(529,040)	-	(529,040)
Balance as at 31st March	-	-	-	-

35. FINANCIAL INSTRUMENTS

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

- » Credit risk
- » Liquidity risk
- » Market risk
- » Operational Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk management framework

The Board of Directors has the overall responsibilities for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities.

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

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk

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

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Carrying amount				
Trade receivables	310,976,614	313,053,172	310,976,614	313,053,173
Cash and cash equivalents	37,225,916	125,562,484	37,224,801	125,556,669
Financial assets measured at fair value through profit and loss	1,117,120	1,887,938	1,117,120	1,887,938
Financial assets - at amortized cost	30,404,434	-	30,404,434	-
	379,724,084	440,503,594	379,722,969	440,497,780
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:				
Domestic	42,671,846	63,308,332	42,671,846	63,308,332
Russia and the CIS States	39,000,294	45,053,483	39,000,294	45,053,483
Far East /Asia	126,160,035	84,558,861	126,160,035	84,558,861
Europe	84,746,789	92,639,353	84,746,789	92,639,353
USA / Canada	18,397,650	9,193,759	18,397,650	9,193,759
Middle East and Africa	-	18,299,385	-	18,299,385
	310,976,614	313,053,173	310,976,614	313,053,173

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTD....)

Impairment losses

The ageing of trade receivables at the reporting date was:

As at 31 March	Gross 2023 Rs.	Impairment 2023 Rs.	Gross 2022 Rs.	Impairment 2022 Rs.
Group				
Not past due	193,162,744	-	187,807,691	-
Past due 0-90 days	43,958,469	-	40,721,764	-
Past due 90-120 days	33,197,113	-	7,737,925	-
Past due 120-365 days	19,184,370	-	53,320,116	-
Past due more than 365 days	21,473,918	14,287,396	23,465,676	25,676,501
	310,976,614	14,287,396	313,053,172	25,676,501
Company				
Not past due	193,162,744	-	187,807,691	-
Past due 0-90 days	43,958,469	-	40,721,764	-
Past due 90-120 days	33,197,113	-	7,737,925	-
Past due 120-365 days	19,184,370	-	53,320,116	-
Past due more than 365 days	21,473,918	14,287,396	23,465,676	25,676,501
	310,976,614	14,287,396	313,053,172	25,676,501

The movement in the allowance for impairment in respect of trade receivables during the year is given in Note 18.

35.2 Liquidity risk

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

The Group considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the units including setting up of Group-wide spend control and cash management measures for preserving and increasing liquidity, particularly on account of the impact of the current economic crisis.

The following are the contractual maturities of financial liabilities of the Group and the Company

As at 31 March	Carrying amount Rs.	Contractual amount Rs.	Less than 01 year Rs.	More than 01 year Rs.
Group				
31st March 2023				
Non-derivative financial liabilities				
Trade payable	50,737,350	50,737,350	50,737,350	-
Amount due to related parties	30,000,000	30,000,000	30,000,000	-
Bank overdraft	261,354,575	261,354,575	261,354,575	-
Interest bearing loans and borrowing	970,040,038	970,040,038	486,119,259	483,920,779
	1,312,131,963	1,312,131,963	828,211,184	483,920,779
31st March 2022				
Non-derivative financial liabilities				
Trade payable	40,865,145	40,865,145	40,865,145	-
Amount due to related party	92,290,527	92,290,527	92,290,527	-
Bank overdraft	61,521,090	61,521,090	61,521,090	-
Interest bearing loans and borrowing	807,042,758	807,042,758	270,202,758	536,840,000
	1,001,719,520	1,001,719,520	464,879,520	536,840,000
Company				
31st March 2023				
Non-derivative financial liabilities				
Trade payable	50,737,350	50,737,350	50,737,350	-
Amount due to related parties	30,000,000	30,000,000	30,000,000	-
Bank overdraft	261,354,575	261,354,575	261,354,575	-
Interest bearing loans and borrowing	970,040,038	970,040,038	486,119,259	483,920,779
	1,312,131,963	1,312,131,963	828,211,184	483,920,779
31st March 2022				
Non-derivative financial liabilities				
Trade payable	40,865,145	40,865,145	40,865,145	-
Amount due to related parties	92,290,527	92,290,527	92,290,527	-
Bank overdraft	61,521,090	61,521,090	61,521,090	-
Interest bearing loans and borrowing	807,042,758	807,042,758	270,202,758	536,840,000
	1,001,719,520	1,001,719,520	464,879,520	536,840,000

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

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTD....)

35.3 Market risk

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

- » Currency risk
- » Interest rate risk
- » Equity price risk

35.3.1 Currency risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies in which these transactions primarily are denominated are USD, SGD and Euro.

Exposure to currency risk

The exposure to foreign currency risk was as follows based on notional amounts.

Group

As at 31 March	31 March 2023			
	LKR	USD	SGD	EURO
Trade receivable	42,570,690	480,174	107,810	237,574
Trade payable	11,552,910	119,777	-	-

As at 31 March	31 March 2022			
	LKR	USD	SGD	EURO
Trade receivable	63,308,333	449,953	122,139	280,842
Trade payable	13,762,075	42,502	-	-

Company

As at 31 March	31 March 2023			
	LKR	USD	SGD	EURO
Trade receivable	42,671,846	480,174	107,810	237,574
Trade payable	11,552,910	119,777	-	-

The Group has the exposure to the following risks from its use of financial instruments and operations:

As at 31 March	31 March 2022			
	LKR	USD	SGD	EURO
Trade receivable	63,308,333	449,953	122,139	280,842
Trade payable	13,762,075	42,502	-	-

The following significant exchange rates were applied during the year

As at 31 March	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
USD	327	293	327	293
SGD	246	216	246	216
EURO	357	327	357	327

Foreign currency sensitivity

The table below summarizes the Group's total exposure and sensitivity to currency risk.

As at 31 March	2023		2022	
	Amount in foreign currency Rs.	LKR amount Rs.	Amount in foreign currency Rs.	LKR amount Rs.
Group				
USD assets	80,485	26,330,246	645,580	188,832,150
Euro assets	2,647	944,392	327,127	106,849,696
SGD assets	-	-	122,139	26,402,045
Total foreign currency denominated assets	83,132	27,274,638	1,094,846	322,083,891
Impact on PBT				
5% strengthening of Rupee		(1,363,732)		(16,104,195)
5% weakening of Rupee		1,363,732		16,104,195
Company				
USD assets	80,485	26,330,246	645,580	188,832,150
Euro assets	2,647	944,392	327,127	106,849,696
SGD assets	-	-	122,139	26,402,045
Total foreign currency denominated assets	83,132	27,274,638	1,094,846	322,083,891
Impact on PBT				
5% strengthening of Rupee		(1,363,732)		(16,104,195)
5% weakening of Rupee		1,363,732		16,104,195

35.3.2 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's interest rate risk arises mainly from the borrowings and investment of excess funds in financial investments. Borrowings at variable rates expose the Company to cash flow interest rate risk. Borrowings and investments at fixed rates expose the Company to fair value interest rate risk.

The principal risk to which non-trading portfolios are exposed to is the loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

At the end of the reporting period, the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Company was as follows;

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Variable rate instruments				
Financial liabilities	546,046,098	581,607,500	546,046,098	581,607,500
	546,046,098	581,607,500	546,046,098	581,607,500

A change of 100 basis points in interest rates at the end of the reporting period would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

Increase/decrease in interest rate

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL INSTRUMENTS (CONTD....)

As at 31 March	2023 Effect on profit before tax	
	Group Rs.	Company Rs.
100 bp increase	(1,092,092,196)	(1,092,092,196)
100 bp decrease	1,092,092,196	1,092,092,196

Increase/decrease in interest rate

As at 31 March	2022 Effect on profit before tax	
	Group Rs.	Company Rs.
100 bp increase	(4,975,089)	(4,975,089)
100 bp decrease	4,975,089	4,975,089

35.3.3 Equity price risk

Listed equity securities are susceptible to equity price risk arising from uncertainties of future values of the investment securities. The Company manages the equity price risk through diversification of its portfolio to different business segments.

The Company's equity risk management policies adopted are as follows:

- » Equity investment decisions are based on fundamentals rather than on speculation.
- » Decisions are made based on in-depth industry and macro economic analysis as well as on research reports on the Company performance.

The table below shows the diversification of equity investments;

As at 31 March	2023 Rs.	2022 Rs.
Trading Share		
Quoted equity securities	1,117,120	1,887,938

Sensitivity analysis

Investments in equity shares are subject to the performance of the investee Group and the factors that affect the status of the stock market.

The following table demonstrates the sensitivity of the Group's equity to a reasonably possible change in the market prices of the listed equity securities, with all other variables held constant.

As at 31 March	Change in year share price of all Companies in which the Group has invested	Effect on profit before tax as a result of gain/losses on equity securities classified as at FVTPL Rs.
Investment in equity shares	+5%	55,856
	-5%	(55,856)

35.4 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas.

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

35.4 Capital management

The Board's policy is to maintain a strong capital base so as to maintain the investor, creditor and market confidence and to sustain future development of the business. Capital consists of stated capital, reserves and non-controlling interests of the Group. The Board of Directors monitor the return on capital, which the Group defines as the result from operating activities divided by total shareholders' equity. The Board of Directors also monitor the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

As at 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
For the year ended 31st March				
Total liabilities	1,420,791,368	1,397,432,706	1,420,769,368	1,397,414,666
Less: Cash and cash equivalents	(37,225,916)	(125,562,484)	(37,224,801)	(125,556,669)
Net debt	1,383,565,452	1,271,870,222	1,383,544,567	1,271,857,997
Total equity	24,932,459	(176,878,279)	25,279,988	(176,575,650)
Debt to adjusted capital ratio as at 31st March	5549%	-719%	5473%	-720%

NOTES TO THE FINANCIAL STATEMENTS

36. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

36.1 The fair values of financial assets and liabilities together with carrying amounts shown in the Statement of Financial Position, are as follows.

Group

As at 31 March	Financial assets measured at fair value through profit or loss Rs.	Financial assets measured at amortised cost Rs.	Other financial liabilities at amortised cost Rs.	Total Rs.
2023				
Financial assets				
Financial investments	1,117,120	30,404,434	-	31,521,554
Trade receivable	-	296,689,218	-	296,689,218
Amounts due from related parties	-	2,690,953	-	2,690,953
Deposits	-	37,888,757	-	37,888,757
Cash and cash equivalents	-	37,225,916	-	37,225,916
	1,117,120	404,899,278	-	406,016,398
Financial liabilities				
Borrowings	-	-	970,040,038	970,040,038
Trade payable	-	-	50,737,350	50,737,350
Amount due to related parties	-	-	30,000,000	30,000,000
Other payables	-	-	91,201,494	91,201,494
Bank overdraft	-	-	261,354,575	261,354,575
	-	-	1,403,333,457	1,403,333,457
2022				
Financial assets				
Financial investments	1,887,938	-	-	1,887,938
Trade receivable	-	287,376,671	-	287,376,671
Amounts due from related parties	-	706,525	-	706,525
Deposits	-	165,236,467	-	165,236,467
Cash and cash equivalents	-	125,562,484	-	125,562,484
	1,887,938	578,882,147	-	580,770,085
Financial liabilities				
Borrowings	-	-	807,042,758	807,042,758
Trade payable	-	-	40,865,145	40,865,145
Amount due to related parties	-	-	92,290,527	92,290,527
Other payables	-	-	378,614,792	378,614,792
Bank overdraft	-	-	61,521,090	61,521,090
	-	-	1,380,334,312	1,380,334,312

Company

As at 31 March	Financial assets measured at fair value through profit or loss Rs.	Financial assets measured at amortised cost Rs.	Other financial liabilities at amortised cost Rs.	Total Rs.
2023				
Financial assets				
Financial investments	1,117,120	30,404,434	-	31,521,554
Trade receivables	-	296,689,218	-	296,689,218
Amounts due from related parties	-	2,956,593	-	2,956,593
Deposits	-	37,888,757	-	37,888,757
Cash and cash equivalents	-	37,224,801	-	37,224,801
	1,117,120	405,163,803	-	406,280,923
Financial liabilities				
Borrowings	-	-	970,040,038	970,040,038
Trade payables	-	-	50,737,350	50,737,350
Amount due to related parties	-	-	30,000,000	30,000,000
Other payables	-	-	91,179,494	91,179,494
Bank overdraft	-	-	261,354,575	261,354,575
	-	-	1,403,311,457	1,403,311,457
2022				
Financial assets				
Financial investments	1,887,938	-	-	1,887,938
Trade receivables	-	287,376,671	-	287,376,671
Amounts due from related parties	-	935,925	-	935,925
Deposits	-	165,236,467	-	165,236,467
Cash and cash equivalents	-	125,556,669	-	125,556,669
	1,887,938	579,105,732	-	580,993,670
Financial liabilities				
Borrowings	-	-	807,042,758	807,042,758
Trade payables	-	-	40,865,145	40,865,145
Amount due to related parties	-	-	92,290,527	92,290,527
Other payables	-	-	378,596,752	378,596,752
Bank overdraft	-	-	61,521,090	61,521,090
	-	-	1,380,316,272	1,380,316,272

The Group does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not being material for disclosure.

NOTES TO THE FINANCIAL STATEMENTS

36. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD....)

36.2 Fair value hierarchy for assets carried at fair value

The table below analyses the financial instruments and non-financial assets measured at fair value at the end of the reporting period, by the level of the fair value hierarchy.

As at 31 March	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Group					
2023					
Financial assets - Fair value through profit or loss	171	1,117,120	-	-	1,117,120
Freehold land and building	12	-	-	4,342,000	4,342,000
Machinery	12	-	-	19,985,515	19,985,515
2022					
Financial assets - Fair value through profit or loss	171	1,887,938	-	-	1,887,938
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipment	12	-	-	28,623,332	28,623,332
Company					
2023					
Financial assets - Fair value through profit or loss	171	1,117,120	-	-	1,117,120
Freehold land and building	12	-	-	4,342,000	4,342,000
Machinery	12	-	-	19,985,515	19,985,515
2022					
Financial assets - Fair value through profit or loss	171	1,887,938	-	-	1,887,938
Freehold land and building	12	-	-	2,672,000	2,672,000
Machinery and stores equipment	12	-	-	28,623,332	28,623,332

37. RELATED PARTY DISCLOSURE

37.1 Parent

George Stuart & Company Ltd is the parent entity of the Company.

37.2 Transactions with key management personnel

Key management personnel include all the members of the Board of Directors of the Company having the authority and responsibilities for planning, directing and controlling the activities of the Company.

37.2.1 Key management personnel compensation

For the year ended 31 March	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Short- term employee benefits including salaries	12,557,000	7,940,000	12,557,000	7,940,000
Total	12,557,000	7,940,000	12,557,000	7,940,000

37.3 Transactions with groups' companies

37.3.1 Recurrent related party transactions

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
a. Company	George Steuart & Company Ltd				
Directors	Mr. S. A. Amaresekere				
	Ms. V.S.A. Fernando				
Relationship	Parent company				
Nature of transaction	Loan received	30,000,000	100,000,000		
	Loan repayments	(90,000,000)	(57,159,800)		
	Interest charge	413,017	4,697,552		
	Interest paid	(2,700,000)	(2,694,385)		
	Service fee	3,465,231	3,300,000		
	Payments for service fee	(3,465,231)	(3,025,000)		
	Local goods purchase	288,930	48,360		
	Payment received for local sale	(288,930)	(48,360)	(30,000,000)	(92,286,983)
b. Company	H V A Farms (Pvt) Ltd				
Directors	Ms. V.S.A. Fernando				
Relationship	Common directors				
Nature of transaction	Receipts for expenses and other transactions		-		
	Payments	-	(36,715)	-	-
c. Company	Lake Drive Holdings (Pvt) Ltd				
Directors	Ms. V.S.A. Fernando				
Relationship	Common directors				
Nature of transaction	Payments	-	(100,000)	-	-
d. Company	H V A Holdings (Pvt) Ltd				
Directors	Ms. V.S.A. Fernando				
	Mr. S. A. Amaresekere				
Relationship	Common directors /Subsidiary				
Nature of transaction	Receipts for expenses and other transactions	36,240	152,600	265,640	229,400
e. Company	George Steuart Optimize (Pvt) Ltd				
Relationship	Affiliate				
	IT services	1,236,000	1,671,097		
	Payments for IT services	(1,310,500)	(1,667,553)		
	Service fee	1,795,041	1,884,000		
	Payments for service fee	(577,090)	(1,891,087)	(1,146,994)	(3,544)

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTY DISCLOSURE (CONTD....)

37.3 Transactions with groups' companies (CONTD....)

37.3.1 Recurrent related party transactions (CONTD....)

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
f. Company	George Steuart Teas (Pvt) Ltd				
Relationship	Affiliate				
	Sales of goods	-	10,548,720		
	Payment Received	(1,160,233)	(8,726,147)		
	Purchase of services	(2,770,140)			
	Payments	2,770,140		662,340	1,822,573
g. Company	George Steuart Ethicals (Pvt) Ltd (Formerly known as a Seri Naturals (Pvt) Ltd)				
Directors	Mr. S. A. Amaresekere Ms. V.S.A. Fernando				
Relationship	Affiliate				
	Sales of goods	-	10,871,705		
	Payment received	(9,700,000)	(713,637)	458,067	10,158,067
h. Company	George Steuart Consumer (Pvt) Ltd (Formerly known as a George Steuart Laboratories (Pvt) Ltd)				
Relationship	Affiliate				
	Sales of goods	52,662,668	15,262,325		
	Receipts	(31,753,308)	-		
	Reimbursements of head office shared expenses	2,265,873	-		
	Net Receipts from reimbursements of head office shared expenses	(1,352,856)	-		
	Purchase of goods	(30,602)	(37,800)		
	Payments	41,766	13,500	37,071,567	15,238,025
i. Company	Citrus Silver Ltd				
Directors	Ms. V.S.A. Fernando				
Relationship	Affiliate				
	Reimbursements of tea café expenses	5,378,772	1,453,819		
	Net Receipts and re-imburement of tea expenses and other transactions	(3,417,344)	(747,294)		
	Sale of goods	2,117,183	340,893		
	Receipts	(1,816,768)	(24,526)		
	Goods purchase	240,387	(144,817)		
	Payment for purchases	-	9,930	2,937,926	888,005

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
j. Company	George Steuart Travels (Pvt) Ltd				
Relationship	Affiliate				
	Sales of goods	-	4,000,000		
	Receipts	(4,000,000)			
	Purchase of goods	8,458,998			
	Payments	(8,458,998)		-	4,000,000
k. Company	Emagewise (Pvt) Ltd				
Directors	Mr. S. A. Amaresekere				
	Ms. V.S.A. Fernando				
Relationship	Common directors				
	Purchases of services	250,000	507,000		
	Payment made	(250,000)	(1,115,000)	-	-
l. Company	Hikkaduwa Beach Resort PLC				
Directors	Mr. S.A. Amaresekere				
Relationship	Common directors				
	Fixed Assets Sale	23,000			
	Sale of goods	123,569			
	Receipts	(87,951)	-	58,618	-
m. Company	Waskaduwa Beach Resort PLC				
Directors	Mr. S. A. Amaresekere				
	Ms. V.S.A. Fernando				
Relationship	Common directors				
	Sale of goods	312,248			
	Receipts	(125,044)		187,204	-

37.4 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms. The sales to and purchases from related parties are made on terms equivalents to those that prevail in arm's length transactions.

38. COMMITMENTS AND CONTINGENCIES

There have been no material commitments and contingencies as at the reporting date that require adjustments to, or disclosure in the financial statements.

39. EVENTS AFTER THE REPORTING DATE

There have been no material events occurring since the reporting date that require adjustments to or disclosure in the financial statements.

40. GOING CONCERN

The Board of Directors of the Company / Group has determined that the use of going concern assumption in the preparation of financial statements as at 31st March 2023 is appropriate based on following factors.

40.1 Company

The Company has reported a net loss of Rs. 45,572,156/- during the year ended 31st March 2023 (2022: Net loss of Rs.228, 886,561/-) and, as of that date, the Company's current liabilities exceeded its current assets by Rs.37, 394,826/- (2022- Rs.56, 453,572/-). The positive net assets of the Company as at the reporting date was Rs.25, 279,988/- (2022: negative net assets Rs.176, 575,650/-). However, the net assets of the Company is less than half of stated capital situation in terms of section 220 of the Companies Act No 07 of 2007.

NOTES TO THE FINANCIAL STATEMENTS

40. GOING CONCERN (CONTD....)

However, having noted the above position, the Board of Directors of the Company has determined that the use of going concern assumption in the preparation of financial statements of the Company for the year ended 31st March 2023 is appropriate based on following factors.

- a) The cash flow forecast of the Company for the period up to next 12 months.
- b) The continued support of the parent company, George Steuart & Company Ltd.
- c) The Company's ability to settling outstanding bank loans, lease rental, statutory payables and other liabilities when they fall due.
- d) Revenue and profitability forecasts for the Company not limited to next financial year, but having an outlook beyond 31st March 2024, and
- e) The Company has moved away from its heavy reliance on the volatile Russian market and diversified its market mix, including markets such as Europe and the Far East, through the acquisition of new customers. Further, the Company has embarked on introducing successful new product developments such as a Wellness Range, Moringa Range, King Coconut water, Tea Extracts, Tea Syrups, etc., which have commenced to be exported.

Company's rigorous strategies aimed at increase sales volumes in new territories and investing in research & developments in developing new product range for the existing and potential customers, intend to decrease the losses and therefore the accumulated losses. Improved warehouse work flow efficiency effected to keep the minimum stock balance to improve the liquidity. Further, to improve the financial position of the Company the Management have taken several steps such as Restructure of long-term borrowings, re - negotiate the terms and conditions of loans and extending of current tenor period with borrowing institutions etc.

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

40.2 Group

The Group has reported a net loss of Rs.45, 617,056/- during the year ended 31st March 2023 (2022: Rs.229, 045,291/-) and, as of that date, the Group's current liabilities exceeded its current assets by Rs.37, 681,351/- (2022 - Rs. 56,695,197/-). The positive net assets of the Group's as at the reporting date was Rs.24, 932,459/- (2022: negative net assets Rs.176, 878,279/).

H V A Foods PLC is a significant component in the Group. Hence, the Directors of the Group are confident that the financial position of the Group will improve in the future as a result of steps taken by the Company as outlined in Note 40.1 above.

41. MANAGEMENT ASSESSMENT OF THE IMPACT OF THE ECONOMIC CRISIS AND CURRENT ECONOMIC CHALLENGES ON THE BUSINESS OPERATIONS

The inflation rate, which reached its peak in September 2022, is currently experiencing a downward trend. As a result, it is anticipated that the authorities will ease the policy rate of the country. This action can have several positive effects in the operation of H V A Group and support our continuity.

When the policy rate eases, it typically leads to lower borrowing costs for H V A. This can enable the company to access credit at a lower cost, which can stimulate investment, expansion, and overall economic activities.

Exchange rate fluctuations significantly impacted the Sri Lankan economy. The Sri Lankan rupee has faced volatility against major currencies after floating against the USD in March 2022, leading to uncertainties for importers and exporters. A depreciating currency raises the tea cost at a rapid pace, as do all other packing materials and flavour cost. Moreover, it increases the burden of foreign currency debt as repayments become more expensive. To mitigate the exchange risk, the Central Bank of Sri Lanka employs measures such as intervening in the foreign exchange market and maintaining sufficient foreign reserves.

The management carefully monitors market changes and is alert to frequent changes while planning the company sales,purchase,receipts and payments.

Based on the provided information, the accounting policies of the Company include a review of the carrying values of various assets such as intangible assets, inventory, and trade and other receivables. This review takes into consideration the potential impact of current economic conditions on these assets. After conducting the review, the Company has determined that no impairment is necessary, indicating that the carrying values of these assets are considered appropriate.

Additionally, the Company has also reviewed its medium-term business plans and is confident that the necessary procedures are in place to mitigate any adverse effects on its operations and safeguard its assets. Therefore, the Board of Directors concludes that the economic conditions in the country have not significantly affected the Group's performance during the reporting period.

The Board is satisfied that the Group has adequate resources and business plans in place to continue its operations and manage risks for the next 12 months from the date of approval of the financial statements. This suggests that the Group is confident in its ability to navigate potential challenges and maintain its business activities in the foreseeable future.

42. ASSETS PLEDGED AS SECURITIES AND FACILITY DETAILS

42.1. ASSETS PLEDGED AS SECURITIES

There were no assets that have been pledged as security for liabilities as at the reporting date.

42.2. FACILITY DETAILS

The following assets of the Company have been pledged as securities for liabilities as at the reporting date.

Lender	Facility type	Security	Interest rate	Amount of facility as at 31st March 2023 Rs. /USD	Balance as at 31st March 2023 Rs.	Balance as at 31st March 2022 Rs.
People's Bank	Long-term loan	a). Letter of hypothecation	3 month LIBOR+4.5% p.a. or floor rate of 7.0% p.a. & 6.75% p.a. at disbursement	USD 350,000	68,046,098	81,607,500
National Development Bank PLC	Packing credit loans	a). George Steuart & Company Ltd corporate guarantee	30.1% p.a. and adjusted periodically whenever necessary	750,000,000	242,453,550	225,435,258
	Long-term loan		16.8% p.a.	500,000,000	478,000,000	500,000,000
	Overdrfat		30.1% p.a. and adjusted periodically whenever necessary	5,000,000	153,833,548	-
Hattion National Bank PLC	Packing credit loans	a). George Steuart & Company Ltd corporate guarantee	USD: 03M LIBOR+3.75% LKR: AWPLR +0.5%	USD 1.0Mn or equivalent LKR 203,000,000	176,187,099	-
	Overdrfat		AWPLR +0.5% p.a. (weekly review)	100,000,000	107,521,027	-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of the Directors, in relation to the Financial Statements of the Company and its subsidiary differ from the responsibilities of the Auditors.

The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 42 to 46 of the Annual Report

As per the Sections 150(1), 151, 152(1) and (2), 153(1) and (2) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiary as at the end of the financial year and of the results of its operations for the financial year, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that they are in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not less than fifteen working days before the date fixed for holding the Annual General Meeting.

The Directors consider that in preparing these Financial Statements set out on pages 47 to 95, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements as disclosed in Note 40.

Further, the Directors have a responsibility to ensure that the Company and its subsidiary maintain sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company and its subsidiary.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and its subsidiary and in this regard to give proper consideration to the establishment of appropriate internal control systems to prevent and detect fraud and other irregularities.

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS) and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

COMPLIANCE REPORT

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

The Directors also confirm that to the best of their knowledge, all statutory payments payable by the Company and its subsidiary as at the reporting date have been paid or where relevant provided for

By Order of the Board of
HVA Foods PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th August 2023

INVESTOR INFORMATION

SHARE DISTRIBUTION

Shareholding as at 31st March 2023

From	To	No of Holders	No of Shares	%
1	1,000	2,185	801,179	0.69
1,001	10,000	1,058	4,072,436	3.50
10,001	100,000	304	8,829,608	7.60
100,001	1,000,000	32	8,734,617	7.51
Over 1,000,000	-	5	93,811,315	80.70
		3,584	116,250,155	100

CATEGORIES OF SHAREHOLDERS

From	No of Holders	No of Shares	%
Local Individuals	3,456	20,849,107	17.935
Local Institutions	110	95,078,372	81.788
Foreign Individuals	17	97,065	0.083
Foreign Institutions	1	225,611	0.194
	3,584	116,250,155	100.000

DIRECTORS' SHAREHOLDING AS AT 31 ST MARCH 2023

From	No of Shares	%
Mr B S M De Silva	-	-
Shares held in the following manner		
Acuity Partners (Pvt) Limited / Mr B S M De Silva	1600	0.001
Ms. V S A Fernando	-	-
Mr M P D Cooray	-	-
Mr S A Ameresekere	-	-
Mr C Hettiarachchi	-	-

SHARE PRICES FOR THE YEAR

Market price per share	As at 31/03/2023	As at 31/03/2022
Highest	Rs 4.70	Rs 7.40
Lowest	Rs 3.80	Rs 4.00
Last Traded	Rs 4.20	Rs 4.10

INVESTOR INFORMATION

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2023

Name	No of Shares 31.03.2023	% of holding	No of Shares 31.03.2022	% of holding
1 George Steuart & Co Ltd A/C No 01	78,006,977	67.103	33,946,105	51.102
2 H V A Lanka Exports (Private) Limited	11,625,015	10.000	6,642,866	10.000
3 Mr A.R.H. Fernando	1,747,755	1.503	731,442	1.101
4 DFCC Bank PLC/Maskeliya Tea Exports (Pvt) Ltd	1,236,568	1.064	1,236,568	1.861
5 People's Leasing And Finance PLC/S.Gobinath	1,195,000	1.028	1,175,000	1.769
6 Dr S.M.T.B. Samarakoon	651,469	0.560	588,861	0.886
7 Mrs R.M.N. Wijesekara	561,174	0.483	359,847	0.542
8 Mr M.T. Rajab Khan	539,566	0.464	400,056	0.602
9 Mr R.E. Rambukwelle	522,909	0.450	536,000	0.807
10 Mr G.A.M.P. Chandana	500,000	0.430	500,000	0.753
11 Mr T.G. Thoradeniya	444,636	0.382	444,636	0.669
12 Dialog Finance PLC/Mr S.D. Divakarage	400,193	0.344	-	-
13 Mr J.A.M. Jiffry	400,000	0.344	415,000	0.625
14 Mr H.A. Nasar	399,706	0.344	399,706	0.602
15 Mr S.M. Nazeer & Mrs M.A.K. Samsunnisa	329,205	0.283	316,750	0.477
16 Mr K.M.S.M. Razik	313,854	0.270	313,854	0.472
17 Lake Drive Holdings (Private) Limited	309,522	0.266	176,870	0.266
18 Merchant Bank Of Sri Lanka & Finance PLC/P.B.C. Viduranga	255,468	0.220	252,357	0.380
19 Mes D. Eassuwaren (Deceased)	237,968	0.205	237,968	0.358
20 Mr M.H.A. Kamil	236,064	0.203	217,652	0.328
SUB TOTAL	99,913,049	85.947	48,891,538	0.736
OTHERS	16,337,106	14.053	17,531,451	0.264
TOTAL	116,250,155	100.000	66,428,660	1.000

PUBLIC HOLDING

Public Holding percentage as at 31st March 2023 = 21.392%.

Number of Public shareholders representing the above percentage = 3,580

FLOAT ADJUSTED MARKET CAPITALISATION

The float adjusted market capitalisation of LKR 104,448,993.60.

The Float adjusted market capitalisation of the Company falls under Option 2 of Rule 714.1(i) (b) of the Listing Rules of the Colombo Stock Exchange, and the Company has complied with the minimum public holding requirement applicable under the said Option.

FIVE YEAR SUMMARY

For the year ended 31 March	2023	2022	2021	2020	2019
TRADING RESULTS (Rs.)					
Revenue	2,353,909,140	1,261,234,481	1,164,440,585	850,380,041	1,096,941,641
Cost of Sales	(2,102,798,498)	(1,215,324,928)	(1,032,347,737)	(763,337,326)	(998,050,035)
Other Operating Income	20,058,758	94,166,619	6,193,976	19,868,890	24,053,137
Profit before Finance charges	80,218,528	(192,296,415)	164,572,708	(25,942,511)	(302,481,100)
Finance Cost	(255,035,811)	(58,438,227)	(91,573,025)	(115,710,860)	(107,140,540)
Finance income	3,176,993	1,781,686	293,965	245,956	33,428,919
Profit before Income Tax	(171,640,290)	(248,952,956)	73,293,649	(141,407,415)	(376,192,721)
Income Tax on Profits	126,068,134	20,066,395	5,269,058	15,797,559	9,210,718
Profit/(Loss) after Income Tax	(45,572,156)	(228,886,561)	78,562,707	(125,609,856)	(366,982,003)
SHAREHOLDERS FUNDS (Rs.)					
Stated Capital	582,965,063	333,857,588	333,857,588	333,857,588	333,857,588
Reserves	(557,685,075)	(510,433,238)	(317,935,044)	(396,570,775)	(273,356,301)
NET ASSETS	25,279,988	(176,575,650)	15,922,544	(62,713,187)	60,501,287
ASSETS (Rs.)					
Property , Plant & Equipment	51,803,306	44,154,530	50,190,533	367,597,459	381,798,856
Goodwill	263,849,498	263,849,498	263,849,498	-	-
Intangible Assets	7,930,691	8,312,887	7,242,340	2,792,340	2,757,340
Investment in subsidiary	45,000,001	45,000,001	45,000,001	45,000,001	45,000,001
Deferred Tax Assets	194,360,608	71,390,000	14,776,364	9,201,726	-
Current Assets	883,105,252	788,132,100	613,306,898	465,807,309	640,902,682
Non-Current Assets Classified as held for sale	-	-	291,537,524	-	-
LIABILITIES (Rs.)					
Non-current Liabilities	500,269,290	552,828,994	263,027,108	292,394,747	167,546,171
Current Liabilities	920,500,078	844,585,672	1,006,953,506	660,717,275	842,411,421
NET ASSETS (Rs.)	25,279,988	(176,575,650)	15,922,544	(62,713,187)	60,501,287
RATIOS & OTHER INFORMATION					
Current ratio	0.96	0.93	0.61	0.70	0.76
Quick Assets Ratio	0.46	0.74	0.46	0.53	0.65
Interest Cover (No. of times)	0.37	(2.15)	2.15	(0.22)	(2.51)
Debt Equity Ratio (%)	5620.13	(791.4)	7029	(1464)	1669.32
Return on Equity (%)	(180.27)	(129.63)	493	(191.15)	(606.57)
Return on Total Assets (%)	(3.15)	(18.75)	6.11	(14.11)	(34.28)
Net Asset Value per share	0.22	(2.66)	0.24	0.94	0.91
Earnings Per Share (Rs.)	(0.39)	(3.45)	1.18	(1.89)	(5.52)
Revenue Growth (%)	86.64	8.31	36.93	(22.48)	(13.92)
Dividend per share	Nil	Nil	Nil	Nil	Nil
Dividend pay out	Nil	Nil	Nil	Nil	Nil

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth (13th) Annual General Meeting of the Company will be held by electronic means on 25th September 2023 at 9.30 a.m. centered at the Boardroom of Triad (Pvt) Ltd, No. 45/6, Alwis Place, Colombo 03 for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To re-elect as a Director Ms. Varuni Sonali Amunugama Fernando who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.
3. To re-elect Mr. Sethpriya Udana Dassanayake who retires in terms of Article 95 of the Articles of Association of the Company as a Director.
4. To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.
5. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.

By Order of the Board
H V A FOODS PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

29th August 2023

Notes:

1. A shareholder entitled to participate and vote at the meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy enclosed herewith.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. Shareholders are advised to follow the Guidelines and Registration Process for the Annual General Meeting attached hereto.

FORM OF PROXY

I/We* (NIC/Passport/Co. Reg. No.....) of
..... being a shareholder / shareholders of HVA FOODS PLC hereby appoint
..... (NIC/Passport No.....) ofor failing him,

Mr. B S M De Silva	or failing him*
Mr. S U Dassanayake	or failing him*
Mr. S A Ameresekere	or failing him*
Ms. V S A Fernando	or failing her*
Mr. M P D Cooray	

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Thirteenth Annual General Meeting of the Company to be held by electronic means on 25th September 2023 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

	For	Against
1. To re-elect as a Director Ms. Varuni Sonali Amunugama Fernando who retires by rotation in terms of Article 88(i) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Sethpriya Udana Dassanayake who retires in terms of Article 95 of the Articles of Association of the Company as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine donations for the year ending 31st March 2024 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this day of Two Thousand and Twenty Three.

.....
Signature of Shareholder/s

*Please delete what is inapplicable.

Notes: 1. A proxy need not be a shareholder of the Company
2. Instructions as to completion appear overleaf.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The duly completed Form of Proxy should be deposited at the Registered Office of the Company, No.118, Braybrooke Place, Colombo 02 or forwarded by email to hva.pwcs@gmail.com by 9.30 p.m. on 23rd September 2023

In forwarding the completed and duly signed Proxy to the Company, please follow the Guidelines and Registration Process for the Annual General Meeting attached to the Notice of Annual General Meeting.

3. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)
4. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided.
5. Please indicate with a 'X' in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.

CORPORATE INFORMATION

NAME OF COMPANY

H V A Foods PLC

LEGAL FORM

Public Limited Liability Company
Incorporated in Sri Lanka in 1997

REGISTERED OFFICE OF THE COMPANY

No 118, Braybrooke Place – Colombo 02

COMPANY REGISTRATION NO.

PB/PV 1765 PQ

STOCK EXCHANGE LISTING

The Ordinary Shares are listed on
Colombo Stock Exchange

DIRECTORS

Mr. B S M De Silva

Chairman -Non Executive/ Independent
Director

Mr. S.U Dassanayake

COO / Exective Director
(Appointed w.e.f 28 July 2023)

Mr. S A Ameresekere

Executive Director

Ms. V S A Fernando

Non-Executive/ Non Independent
Director

Mr. M P D Cooray

Non Executive/ Independent Director

AUDIT COMMITTEE

Mr. M P D Cooray

Non Executive/Independent Director -
Chairman of the Committee

Mr. B S M De Silva

Non Executive/Independent Director

Ms. V S A Fernando

Non-Executive/ Non Independent
Director

REMUNERATION COMMITTEE

Mr. B S M De Silva

Non Executive/Independent Director -
Chairman of the Committee

Mr. M P D Cooray

Non Executive/Independent Director

Ms. V S A Fernando

Non-Executive/ Non Independent
Director

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Mr. M P D Cooray

Non Executive/Independent Director -
Chairman of the Committee

Mr. B S M De Silva

Non Executive/Independent Director

Mr. S A Ameresekere

Executive Director

SECRETARIES / REGISTRARS

P W Corporate Secretarial (Pvt) Ltd.
3/17 Kynsey Road, Colombo 08.

LAWYERS

Nithi Marugesu Associates,
28 (Level 2) W.A.D.Ramanayake Mawatha,
Colombo 02.

EXTERNAL AUDITORS

BDO Partners, Chartered Accountants, "Charter
House"
65/2, Sri Chittampalam A Gardiner Mawatha,
Colombo 02.

INTERNAL AUDITORS

KPMG Sri Lanka,
32A, Sir Mohomad Macan Markar Mawatha,
Colombo 03.

BANKERS

National Development Bank PLC
Hatton National Bank PLC
People's Bank
Bank of Ceylon
DFCC Bank PLC

INVESTOR RELATIONS

H V A Foods PLC
No.118, Braybrooke Place, Colombo -02.
Tel : 011 442 7600
Web : www.heladiv.com

Heladiv[®]
TEA FROM PARADISE

HV A Foods PLC
118 Braybrooke Place,
Colombo 02,
Sri Lanka