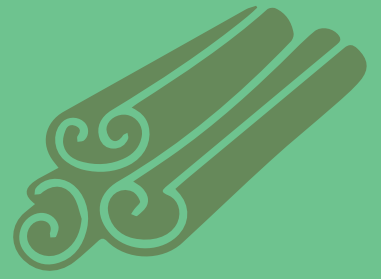
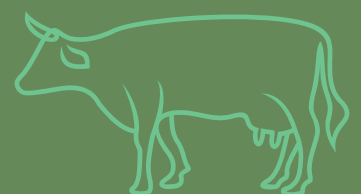




WATAWALA PLANTATIONS PLC
ANNUAL REPORT 2021/22



TAKING SRI LANKA ONWARDS



TAKING SRI LANKA ONWARDS

Throughout our upward growth trajectory, we have contributed to taking Sri Lanka onwards; building a nation thriving on prosperity and sustainable progress. As a pioneer Agri business in Sri Lanka, we have walked hand in hand through every chapter of our nation, counting on our resilience to deliver lasting value. This is reflected in our approach to business and sound values system that guides our operations to be environmentally conscious, our people to be empowered and communities to be uplifted.

As we navigate the years ahead, we are poised to deliver consistent value relying on strategies built to enhance our performance. As a local entity with global standards, today we are geared to drive national excellence and continue on our journey of sustainable value creation through growth multiple strategies that are currently in action.

As we move upwards, we are taking Sri Lanka onwards.

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Buildings available - As at 31.03.2022	190
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INTRODUCTION TO THE REPORT

Our 7th Integrated Annual report which details our performance for the financial year ended 31st March 2022 is a continuation of our pursuit of excellence in corporate reporting. The year under review discloses our strenuous and commendable endeavor in driving our company towards sustainable growth in the industry. The financial Year 2021/22 Annual Report is organized as follows:

AN OVERVIEW

- ABOUT US
- AN INTRODUCTION
- PERFORMANCE HIGHLIGHTS
- CHAIRMAN'S MESSAGE
- MANAGING DIRECTOR'S MESSAGE

MANAGEMENT DISCUSSION AND ANALYSIS

- A CLEAR PATH
Gives you an inside look at our strategic planning process and how we handle risks on the downside.
- TAKING ACCOUNT OF OUR CAPITALS
Sets forward our resources and how we handled them to provide stakeholders with long-term benefit.
- CORPORATE GOVERNANCE
Insights into our business practices and how we shape our culture

FINANCIAL STATEMENTS

- AUDITED FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

- NOTICE OF ANNUAL GENERAL MEETING
- PROXY FORM
- CORPORATE INFORMATION

With the intention of adhering to regulatory compliance and corporate best practices in our reporting methods, the following standards, frameworks, and guidelines were followed in the preparation of the report.

Regulatory Requirements

- COMPANIES ACT NO.7 OF 2007
- CONTINUED LISTING REQUIREMENTS OF THE COLOMBO STOCK EXCHANGE
- SRI LANKA ACCOUNTING & AUDITING STANDARDS ACT NO.15 OF 1995
- SRI LANKA ACCOUNTING STANDARDS
- CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2017
- INTEGRATED REPORTING FRAMEWORK
- GRI STANDARDS "IN ACCORDANCE" OPTION

The following sources were used to compile the information in this report:

Information	Source
Financial statement including accounting policies and notes to the accounts	<ul style="list-style-type: none"> • Watawala Plantations PLC
Operational and sustainability information	<ul style="list-style-type: none"> • Watawala Plantations PLC
Information on the global economy and market trends	<ul style="list-style-type: none"> • World Economic Outlook October 2021 Published by International Monetary Fund • Palm Oil Buyers Scorecard 2021 Edition: Report by WWF • Global Dairy Market Outlook 2021 by Agriculture and Horticulture Development Board (AHDB)
Information on the Sri Lankan economy, plantation and dairy industries	<ul style="list-style-type: none"> • Annual Report 2021 - Central Bank of Sri Lanka, • Ministry of Plantations and National Livestock Development Board Website • Agriculture and Environment Statistics Division Web page of Department of Census and Statistics Website • Sri Lanka Export Development Board (EDB) Website • Tea Exporters Association (TEA) Sri Lanka Website

Processes and internal systems of our company are constantly improved to ensure that qualitative and quantitative data is available for decision-making and to assist in the efficient utilization of resources. The following are the significant changes in this year's report:

- The outstanding performance of the Company's endeavor to achieve all the 17 Sustainable Development Goals of United Nations are highlighted in the report.
- The strategic focus of the report is strengthened by a clear relationship between strategy, resource allocation and KPIs.
- We continue to use external sources to offer comparable data throughout the report.

For inquiries about this report, please contact:

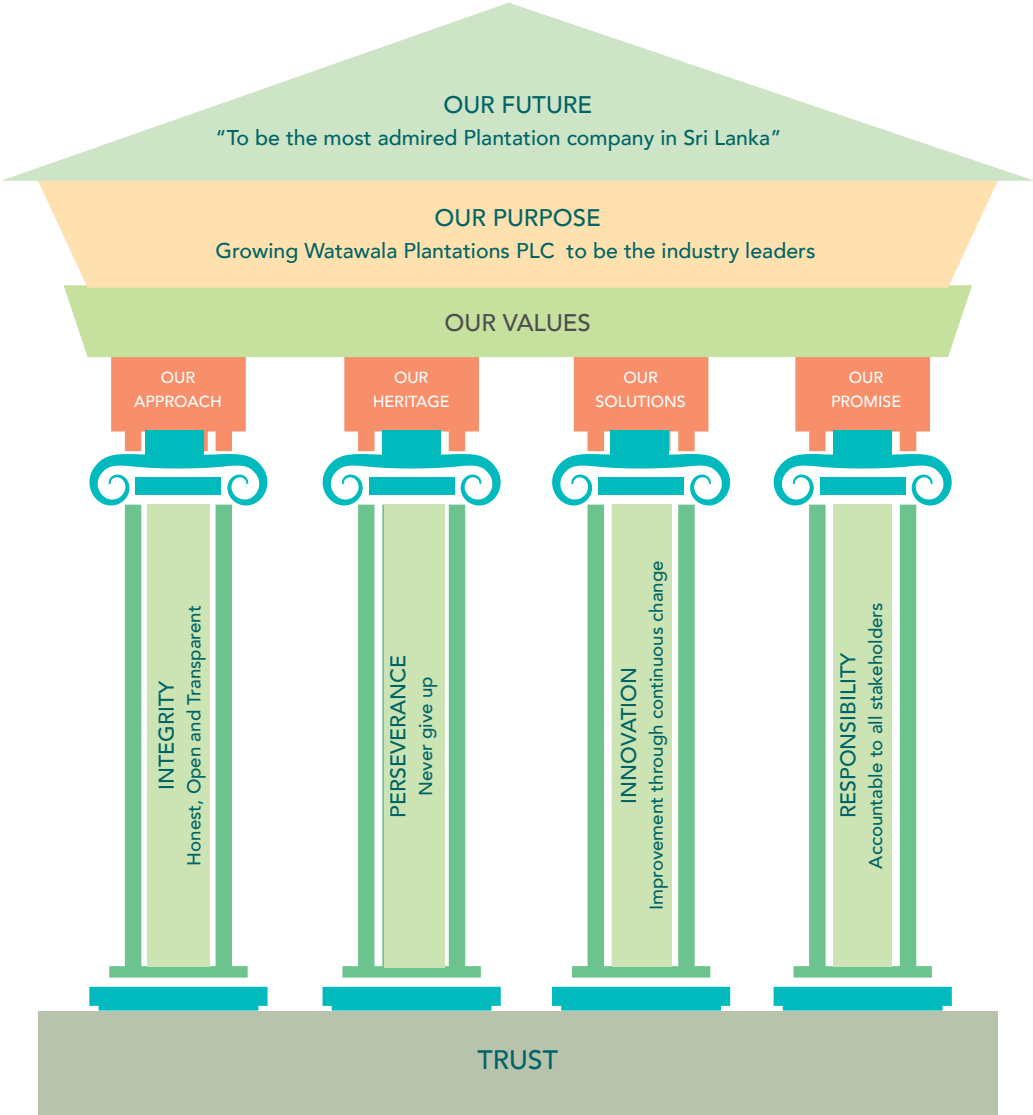
Mr. Eranda Kapukotuwa

Senior Manager Finance

Phone : +94 11 477 2505

email : eranda.kapukotuwa@sunshineholdings.lk

OUR VALUES



OUR STORY



Watawala Plantations PLC is a reputed plantation company in diversified agribusiness. It is a pioneer in palm oil plantation in Sri Lanka, catering to Sri Lanka's demand for edible oil, whilst providing thousands of employment opportunities directly and livelihood opportunities to the communities we operate in on an indirect basis in the southern province. Over the years, the Company has evolved to become Sri Lanka's largest palm oil cultivator through strategic investments and focus on innovation and value addition. Furthermore, Watawala Plantations has, over the last decade, diversified into the dairy industry with the establishment of its dairy farm in Ginigathena on Lonach Estate which boasts of a herd strength amounting to 1,741 cattle and over 800 milking cows at any given time. The dairy farm caters to a growing national demand for dairy in the face of the current dearth of said product in the industry. It also provides for alternate employment opportunities for the youth of the Central Province while

introducing state-of-the-art technology for dairy that has not been experienced hitherto in Sri Lanka.

Watawala Plantations PLC is proud of its role as a contributor to the cause of nation building against a backdrop of developing a sustainable and environmentally responsible palm oil cultivation industry in Sri Lanka.

With a rich history in the agribusiness and a continuous leader towards nation building efforts, the Company has diversified its product portfolio into cinnamon, dairy, tea and fertilizer during the last decade promoting local based agri production.

While being ISO 45001, 14001 and 50001 certified for the system implementation in occupational safety and health, environmental management and integrated energy management, we are proud to be the only South Asian company to be awarded the prestigious RSPO Supply Chain

Certification and RSPO Principles and Criteria for credible sustainability and transparency.

To date, Watawala Plantations PLC has touched the lives of every Sri Lankan, and been a partner of Sri Lanka's economic growth towards becoming a self-sufficient and export oriented economy.

OUR BEGINNING

We commenced in 1992 with the decision of the Government of Sri Lanka to privatise the "Management" of 22 regional plantation companies who produced tea, rubber, coconut and palm oil at that time. This opened the door for Watawala Plantations PLC and Tata Tea Ltd. of India to form a strategic partnership. There onwards, we were able to create value for the plantation sector in Sri Lanka, by actively engaging in improving the community's life economically, socially, and culturally.

Our true quest to greatness began in the latter part of 1996, when Estates Management Services (Pvt) Ltd took the important role of management into their hands which was previously handled by Lankem Plantations (Pvt) Ltd. Watawala Plantations PLC took on the challenge of turning the trade into a productive and competitive one through its partnership with Tata Tea India. Watawala Plantations PLC was able to advance in a variety of directions in terms of getting connected with the daily lives of Sri Lankans with the help of its unique crop advantage of oil palm, cinnamon, tea and rubber and also dairy.

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

Across our business and our operations, we are mindful of the impact we make on the multiple stakeholders we associate with including the environment, as well as the need to improve the quality of life of our employees, communities, flora, and fauna. We understand that profit alone is insufficient to achieve long term success and hence adopt the triple bottom line approach in our strategy and operations. Therefore, we have made a conscious effort to adopt the United Nations Sustainable Development Goals in all our activities. Sustainable development and business growth are critical to our company's long-term success, as well as in the creation of shared value for our stakeholders. We strive to meet these goals through a comprehensive approach to sustainability that is fully incorporated into our business strategy.



Watawala Plantation PLC's contribution towards achieving these SDGs.

Goal No.	Goal	Our Contribution
01	No Poverty <ul style="list-style-type: none"> Job opportunities Fair remuneration Benefit schemes 	<ul style="list-style-type: none"> We provide job opportunities in the village. All employees are provided with a fair remuneration package. We offer a host of benefits to employees in addition to the wages.
02	Zero Hunger <ul style="list-style-type: none"> Sustainable agriculture Food rich in nutrients 	<ul style="list-style-type: none"> We sustainably produce our edible agricultural products which are rich in nutrients. We commenced the secondary production of ghee and conducted trials for cheese production, expanding our dairy product portfolio. Our estate workers are provided meals during work hours
03	Good Health and Well-Being <ul style="list-style-type: none"> Employee health care 	<ul style="list-style-type: none"> We are dedicated to provide a safe and clean workplace for our employees. We take care of our employees' health, both on-site and off-site through many health and insurance packages. We are committed to ensure our teams/ workers maintain healthy work-life balance and encourage recreational/ sports activities within the premises.

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

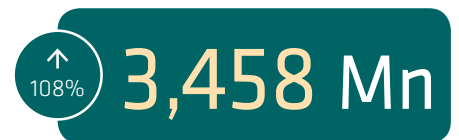
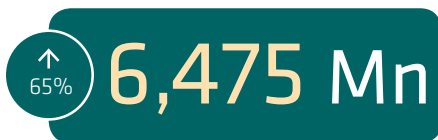
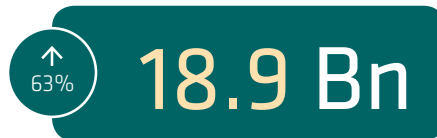
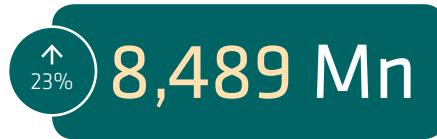
Watawala Plantation PLC's contribution towards achieving these SDGs.

Goal No.	Goal	Our Contribution
04	Quality Education <ul style="list-style-type: none"> Continuous training Development of workforce skills 	<ul style="list-style-type: none"> Training and development was conducted to enhance employee productivity. Conducted soft skills trainings and provided certain employees with LinkedIn Learning access. We provide scholarships to children of associates and staff.
05	Gender Equality <ul style="list-style-type: none"> Employee gender balance 	<ul style="list-style-type: none"> Over 33% of our estate workforce is female. We are working to improve the gender balance in administrative departments by increasing the number of females hired.
06	Clean Water & Sanitation <ul style="list-style-type: none"> Water quality checks 	<ul style="list-style-type: none"> The CEA has determined that the water quality in wastewater discharged from the mill and in natural rivers meets the CEA's guidelines. We ensure that farm effluent does not contaminate streams and other natural waterways. Further, we ensure our water sources are kept unpolluted at all times.
07	Affordable and Clean Energy <ul style="list-style-type: none"> Renewable energy use 	<ul style="list-style-type: none"> Over 90% of the mill's energy needs are met by biomass generated from FFB waste, with the remainder coming from electricity via the national grid. We have invested in renewable energy sources in our plantations and business premises to sustainably source energy.
08	Decent Work and Economic Growth <ul style="list-style-type: none"> Strong governance & policy 	<ul style="list-style-type: none"> We are dedicated to promote inclusive and productive employment in an atmosphere that promotes dignity, mutual respect, welfare, and safety, guided by a strong governance and policy structure. Our estate associates are amongst the highest paid in the Sri Lankan plantation industry.
09	Industry, Innovation and Infrastructure <ul style="list-style-type: none"> Investments for acquiring latest technology Infrastructure development 	<ul style="list-style-type: none"> Innovation: We've been able to incorporate several novel practices into our company such as converting wastage of our process into compost using technology and introducing in-house developed micro-organisms. Infrastructure: We have invested over Rs. 1.8 Bn on property, plant and equipment since privatization, with several strategic investments in the mill and estates.
10	Reduced Inequalities <ul style="list-style-type: none"> Opportunities for career growth 	<ul style="list-style-type: none"> Equal opportunity provider for career growth All employees are treated equally with respect and without discrimination of any form.
11	Sustainable Cities and Communities <ul style="list-style-type: none"> Hospital facilities Medical care units Education facilities 	<ul style="list-style-type: none"> "Watawala Kalana Mithuru", Watawala Plantations PLC's CSR initiative, established an Intensive Care Unit at the Udugama Base Hospital to uplift the health facilities of the community. We donated a dispensary with the aim of assisting people living at Nakiyadeniya in accessing medical treatment. The Watawala Kalana Mithuru Pre-School donated by us, facilitates early childhood development of village children.

Goal No.	Goal	Our Contribution
12	Responsible Consumption and Production <ul style="list-style-type: none"> Accountable to shareholders High-quality products 	<ul style="list-style-type: none"> We have invested with purpose: mainly in pilot projects and machinery for the dairy industry. Our production has acquired many local and international certifications and standards including two ISO certifications for the mill and the coveted RSPO certification.
13	Climate Action <ul style="list-style-type: none"> Control global warming 	<ul style="list-style-type: none"> By flaring trapped methane, it is converted to CO₂, which reduces global warming. Over 10% of the land (536 Ha) we manage is under forest cover with 11,832 mature trees and plants. We preserve the forestry and biodiversity within our plantation
14	Life Below Water <ul style="list-style-type: none"> Preserving aquatic life 	<ul style="list-style-type: none"> We collaborated on a series of studies with the Rainforest Rescue International in Sri Lanka and the University of Peradeniya Center for Sustainability to determine the current state of habitats and to regularly monitor and nurture them. The discovery of a new species of fish, <i>Schistura scripta</i>, in the Nakiyadeniya Estate, which is endemic to Sri Lanka, is a major achievement.
15	Life on Land <ul style="list-style-type: none"> Sustainable use of soil Maintenance of biodiversity 	<ul style="list-style-type: none"> We adopt good agricultural practices formulated in accordance with RSPO standards. We contribute to soil conservation and enrichment with the use of organic fertilizer. Our “Watawala Sarupasa” organic fertilizing project helps to add organic matter to improve soil structure. Bio diversity was preserved by; Zero deforestation No (open) burning
16	Peace, Justice and Strong Institutions <ul style="list-style-type: none"> Accountability 	<ul style="list-style-type: none"> We engage with the government by fully complying with and adhering to the law of the country, and duly attending to all taxation matters. We conform with standard accounting and auditing practices. We go beyond the regulatory requirement to maintain accountability to all our stakeholders.
17	Partnerships for the Goals <ul style="list-style-type: none"> Accountability 	<ul style="list-style-type: none"> Compliance with the Roundtable on Sustainable Palm Oil (RSPO).

HIGHLIGHTS

Financial highlights		2022	2021
Earning highlights and Ratios			
Revenue	Rs. Mn	5,782	3,285
GP Margin	%	61%	57%
Operating profit	Rs. Mn	3,286	1,729
Profit before tax	Rs. Mn	3,297	1,699
Profit after tax	Rs. Mn	3,430	1,657
Earnings per share	Rs.	16.87	8.15
Cash earning per share	Rs.	18.37	9.90
Interest cover	Times	81.30	31.87
ROE	%	48%	30%
ROCE	%	42%	27%
Financial position highlights			
Total assets	Rs. Mn	8,489	6,879
Total debt	Rs. Mn	310	409
Total shareholders' funds	Rs. Mn	7,132	5,482
No. of shares issue	Nos.	203,308,634	203,308,634
Net assets per share	Rs.	35.08	26.97
Debt/equity ratio	Times	0.04	0.07
Debt/total assets	%	7%	6%
Current ratio	Times	4.00	2.96
Quick assets ratio	Times	3.68	2.80
Market/Shareholders information			
Market price of share as at 31st March (actual)	Rs.	93.30	57.10
Market capitalization	Rs. Mn	18,969	11,609
Enterprise value	Rs. Mn	17,866	11,628
Price earning ratio	Times	5.53	7.01
Dividend pay out	%	53%	74%
Dividend per share	Rs.	9.00	6.00
Dividend yield	%	10%	11%



WORKFORCE

64%

MALE



36%

FEMALE



TOTAL WORKFORCE

1,461

INVESTMENT IN TRAINING

3 Mn (219%) ↑

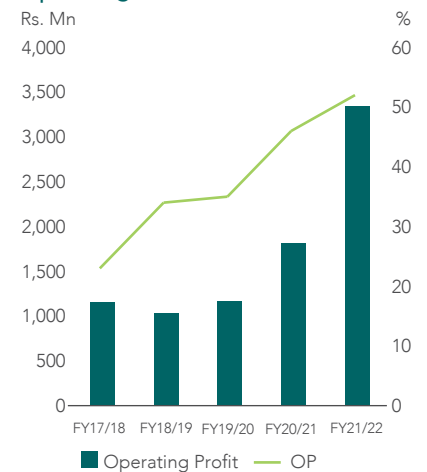
NEW RECRUITS

37

TRAINING COVERAGE

100%

Operating Profit



HISTORICAL MILESTONES

Watawala Plantations PLC is an agribusiness company focused on palm oil and dairy operations. With a market capitalisation of Rs. 19 Bn, we are ranked as the leading plantation company in the Colombo Stock Exchange.

1992



- Birth of WATA on 18 June 1992 under Companies Act no 17 of 1982 following the government decision to privatize the management of 22 RPCs.
- Strategic joint venture with TGBL of India

1996



- Estate Management Services (Pvt) Ltd took over the management

2000



- Recorded highest ever turnover of Rs. 1.86 bn and highest ever tea production of 12 Mn kg

2001/02



- Establishment of Tea Cup at Rozalla

2003/04



- Building a lasting blend of Tea and Trust with the introduction of "Watawala Kahata" to the market.
- Reached a turnover of Rs. 2Bn for the first time in history

1993 - 1995



- Repeated losses on cards

1998



- The tea brand Zesta was introduced to the market by Watawala Plantations PLC and achieved the highest turnover within two years
- Successfully overcame the economic downturn which adversely affected Asian region

1997



- New dawning with a payoff to years of consecutive losses (Registered first substantial dividend payment to shareholders)

2002/03



- Obtaining ISO 9002:1994 International Certificate and HACCP Certification
- Won Taiki Akimoto 5S Award which is globally renowned as a technique for setting benchmark quality standards

2005/06

- Tea sourcing and supply chain to Tata Tea and Tetley Group.
- Awarded the Silver at the Annual Report competition held by the CA Sri Lanka

2007/08

- The first plantation company to be awarded Business Super Brands status
- Diversification in to Dairy Farming
- Gold Award for the best annual report in the plantation sector by CA Sri Lanka
- Installation of new 10 TPH steam boiler at Palm Oil Mill – the first step in Mill expansion process

2009/10

- Gold Award for the best annual report in the plantation sector by CA Sri Lanka third time in a row
- Gold Award for Business Excellence in the Agriculture and Plantation sector

2004-05

- Collaboration with Tata Tetley in the UK to spread the art of pure Ceylon tea across the Global.

2006/07

- Expansion in to Oil Palm plantations
- First Runner-up in the best annual reports awards completion 2005/06 held CA Sri Lanka

2008/09

- Gold Award for the best annual report in the plantation sector by CA Sri Lanka for the second time
- Establishment of Spice Garden at Ginigathhena area.

2010/11

- Gold Award for Annual Report in plantation sector 2009/10 by CA Sri Lanka fourth time in a row
- Won National Quality Merit Award by Sri Lanka Standard Institute in the medium scale manufacturing Company
- Installation of latest technology vertical sterilizers by replacing the aged conventional horizontal sterilizers in order to enhance the capacity, safety and the process efficiency

HISTORICAL MILESTONES

2011/12

- State of the art tea factory was newly constructed and commissioned in Lindula region
- Won the Gold Award for the Best Presented Accounts for 2010 in Agriculture sector by South Asian Federation of Accountants (SAFA)
- Gold Award for Annual Report in plantation sector 2010/11 by CA Sri Lanka for 5th consecutive year

2013/14

- The Sunshine Holdings PLC and Tata Global Beverages Ltd, the two shareholders of our parent company, Estate Management Services (Pvt) Limited welcomed a new joint venture partner Pyramid Wilmar Plantations (Pvt) Ltd
- Won the Gold Award for the Best Presented Accounts for 2012 in Agriculture sector by South Asian Federation of Accountants (SAFA)
- Gold Award for the best annual report in the Plantation Sector for the 7th consecutive year
- Effluent treatment facility with Bio-gas generation system installed in the Palm Oil Mill

2015/16

- WATA signed a joint venture agreement with PADC Holdings a subsidiary of Duxton Asset Management to set up a US\$ 11.5 million dairy operations on Lonach Estate under Watawala Dairy Ltd

2012/13

- The training opportunity in Oil Palm given to Assistant Managers bore fruit in the form of inventing a new Clamp for Telescopic Oil Palm Harvesting Pole, totally made from locally available material
- Achieved net profit after tax of Rs. 726 Mn
- Gold Award for the best annual report in the Plantation Sector for the 6th consecutive year

2014/15

- In a bid to take a sustainable approach to Palm Oil production a steam turbine was introduced to the production facility, which reduced the dependency on the National Grid
- Won the Gold Award for the Best Presented Accounts for 2014 in Agriculture sector by South Asian Federation of Accountants (SAFA)

2016/17

- Delivered a strong performance recording a profit after tax of LKR1.2 bn which is the highest in the history of the company and the industry
- Sunshine Holdings PLC celebrates 50 years of responsible entrepreneurship in Sri Lanka

2017/18



- Watawala Dairy Ltd commenced commercial operations at year end, a herd of 1,128 cattle in the farm
- Divesting net assets of Rs.1,856 Bn relating to Tea operations in September 2017 in a mirrored shareholding of new company Hatton Plantations PLC
- Achieved 4 Bn Revenue and 1Bn profit after tax as an Oil Palm cultivator

2019/20



- Launch of "Pride of Lonach" bottled milk brand to the retail market
- Introduction of Watawala "Saru Pasa" compost to the market
- High capacity, efficient and sophisticated Decanter installation at Palm Oil Mill
- Installation of Dissolved Air Floatation system (DAF) at Palm Oil Mill to improve the effluent treatment efficiency

2021/22



- RSPO Full Certification for the full extent of estates and Palm Oil Mill
- Achieved 3 Bn profit after tax for the first time in the history of WATA
- Construction and opening of Watawala Kalana Mithuru ICU at Udugama Base Hospital, Galle District
- Addition of "Pride of Lonach" Ghee and low fat milk to the product portfolio
- Expansion of Palm Oil Mill by upgrading Sterilization, Nut Plant, Pressing and Effluent treatment plants in order to increase production capacity and efficiency
- ISO 50001:2018 Energy Management System certification to the Palm Oil Mill

2018/19



- Focused on two important import substitution projects, Palm Oil and milk production which reduces imports of edible oils and powdered milk.
- Achieved 1 Bn profit after tax
- Obtained ISO 45001: 2018 certification (Occupational Health and Safety management system) for the Palm Oil Mill
- Establishment of the CSR Brand "Watawala Kalana Mithuru"
- Installation of Variable Frequency Drives (VFDs) covering 75% of the load of Palm Oil Mill to ensure Energy Efficiency

2020/21



- RSPO partial Certification for Oil Palm Mill of Watawala Plantations PLC supply chain
- Achieved 1.6 Bn profit after tax
- Construction and opening of a Dispensary and a Child Development Centre in the Homadola Estate, Udugama, Galle District
- 2nd runner-up at the Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Award for Corporate Governance Disclosures 2019 presented by the South Asian Federation of Accountants
- Silver award at Annual Report Awards 2019 conducted by CA Sri Lanka

AWARDS AND ACCOLADES

Achievements during the year 2021/22

- South Asia's first RSPO (Round Table Sustainable Palm Oil) Certified Regional Plantation Company
- RSPO Certification Renewal and Extension to all 3 Estates
- ISO 50001:2018 certification for the Palm Oil Mill
- ISO 45001:2018 certification for the Palm Oil Mill
- Sun Awards 2021 – Best Performing Company of the year

Annual Report Awards – Institute of Chartered Accountants - Sri Lanka

- 2020/21 : Silver Award – Plantation Companies by CA Sri Lanka
- 2018/19 : Silver Award – Plantation Companies by CA Sri Lanka
- 2017/18 : Bronze Award – Plantation Companies by CA Sri Lanka
- 2016/17 : Bronze Award – Plantation Companies by CA Sri Lanka
- 2013/14 : Gold Award – Plantation Companies by CA Sri Lanka
- 2012/13 : Gold Award – Plantation Companies by CA Sri Lanka
- 2011/12 : Gold Award – Plantation Companies by CA Sri Lanka
- 2010/11 : Gold Award – Plantation Companies by CA Sri Lanka
- 2009/10 : Gold Award – Plantation Companies by CA Sri Lanka
- 2008/09 : Gold Award – Plantation Companies by CA Sri Lanka
- 2007/08 : Gold Award – Plantation Companies by CA Sri Lanka
- 2006/07 : First Runner-up – Plantation Companies by CA Sri Lanka



Annual Report Awards 2020/21

Annual Report Awards - South Asian Federation of Accountants (SAFA) Awards

- Second Runner-up - Best Presented Annual Report Award 2019 - Agriculture sector by South Asia Federation of Accountants (SAFA)
- First Runner-up - Best Presented Annual Report Award 2018 - Agriculture sector by South Asia Federation of Accountants (SAFA)
- Gold Award - Best Presented Annual Report Award 2015 - Agriculture sector by South Asia Federation of Accountants (SAFA)
- Gold Award - Best Presented Annual Report Award 2012 - Agriculture sector by South Asia Federation of Accountants (SAFA)
- First Runner-up - Best Presented Annual Report Award 2011 - Agriculture sector by South Asia Federation of Accountants (SAFA)
- Gold Award - Best Presented Annual Report Award 2010 - Agriculture sector by South Asia Federation of Accountants (SAFA)

Historical Achievements

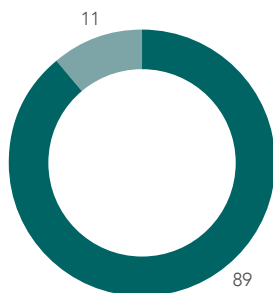
- Great Place To Work Award for Watawala Dairy Ltd in 2019
- Won the GOLD award under Large category Manufacturing sector, at the SLCBCC (Sri Lanka China Business Co-Operation Council) Business Star Awards 2015/16
- Recipient of Gold award at the Sri Lanka Institute of Training and Development (SLITAD) People Development Award 2013/14
- Won the Bronze Award at JASTECA CSR Awards 2012/13
- Won National Quality Merit Award, by Sri Lanka Standard Institute in the medium scale manufacturing company 2010/11
- Gold Award Business Excellence in the Agriculture and Plantations Sector 2009/10
- Awarded CTTA Specialty Tea Award of Excellence for most number of top prices for Western CTC High Grown Teas 2007/08
- Superbrand Award in 2007/08

PRODUCT PORTFOLIO

Watawala Plantations PLC has a diverse range of agriproducts including palm oil, tea, rubber, cinnamon, coconut, and dairy. Oil palm is Watawala Plantations PLC's major crop, covering most of the land managed by the company. The minor crops maintain the diversity in the plantation business. The Company's subsidiary, Watawala Dairy Ltd, produces fresh milk in a state-of-the-art farm. The Company also produces compost using the large volumes of cattle slurry generated by the dairy farm.

Contribution of our products based on turnover

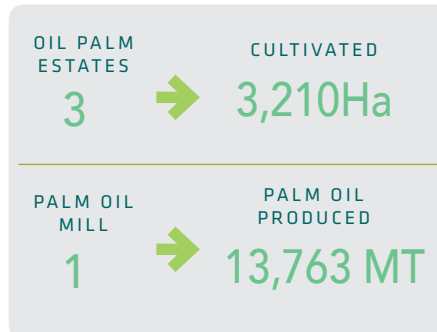
Revenue
%



● Palm Oil and Allied Products
● Dairy Farming

Palm Oil

Palm oil is extracted from the fruit of the oil palm tree. Firstly, fresh fruit bunches (FFB) with optimal ripeness are harvested from our three estates. Thereafter, the harvested FFB is sent to the Nakiadeniya palm oil mill for oil extraction. Oil is extracted from the fruit by mechanical and heating processes. The extracted palm oil is then sent to refineries to process refined palm oil. Palm kernel cake is a by-product of the palm kernel oil extraction process.



Main Products:

- Crude Palm Oil
- Palm Kernel Oil

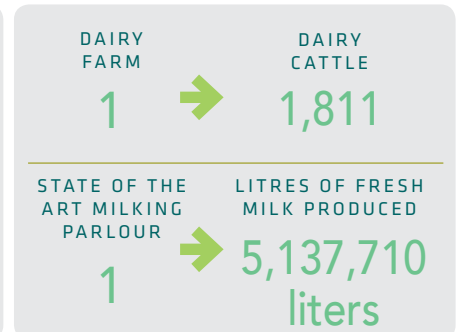
Byproduct:

- Palm Kernel Cake

Dairy

The dairy farm, which is home to Australian and New Zealand cattle breeds, produces fresh cow milk. The herd is well looked after and lives in a stress-free environment in the cool hill country.

Watawala Dairy Ltd entered the downstream dairy business with



the launch of pasteurized fresh milk under the consumer brand "Pride of Lonach". A 'Farm to Home' concept was introduced with the unique selling proposition of delivering premium fresh milk to consumer homes within 24 hours of milking. The freshness of the milk and product traceability is guaranteed as the entire value chain is handled by the Company. Furthermore, the milk sold is 100% natural with no added preservatives.

Watawala Dairy Ltd also produces ghee which is a by-product of the low-fat milk production process. Our 100% natural cow ghee is amongst the best ghee produced in the country.

Pride of LONACH		
Full Cream Pasteurized Fresh Milk	Low Fat Pasteurized Fresh Milk	Fresh Cow Ghee
SKUs: 500ml & 1000 ml	SKU: 500ml	SKU: 300ml

SKU : Stock Keeping Unit

Cinnamon

Our cinnamon is produced and packed under strict quality control standards, such as GMP (Good Manufacturing Practices). The cinnamon is cultivated, harvested, and produced in our estates. Cinnamon leaf oil is produced by extracting oil from the cinnamon leaf.

Our cinnamon product portfolio consists of:

- Grades C4, H1
- Cinnamon chips - off grade
- Cinnamon oil
- Cinnamon Cut Quills

PRODUCT PORTFOLIO



Tea

The employees of Watawala Plantations PLC have worked hard over the years to produce Sri Lanka's finest Tea. Watawala tea, a household brand is the market leader in Sri Lanka with a loyal customer base. Despite significantly reducing exposure to the tea business, Watawala Plantations PLC maintains a high standard in its tea fields to ensure that its green leaf appeals to our quality-conscious customers.



Rubber

Despite rubber being a minor crop, the quality of rubber produced is amongst the best.



Coconut

The Company resumed management of coconut cultivation in 2021. Currently, the Company sells both husked and de-husked coconut.



Maize

We commenced a maize cultivation project in 2022 to produce cattle feed. This contributes as a supplementary source of feed to the cattle in addition to the imported specialized feed provided for the cattle.

Compost

We produce organic fertilizer using the effluent generated at our palm oil mill and dairy farm. The compost produced is high in plant nutrients due to the scientific formulation. The compost is marketed under the brand "Watawala Sarupasa".



BRANCHES AND DISTRIBUTION NETWORK

ESTATE PRESENCE AND DISTRIBUTION NETWORK

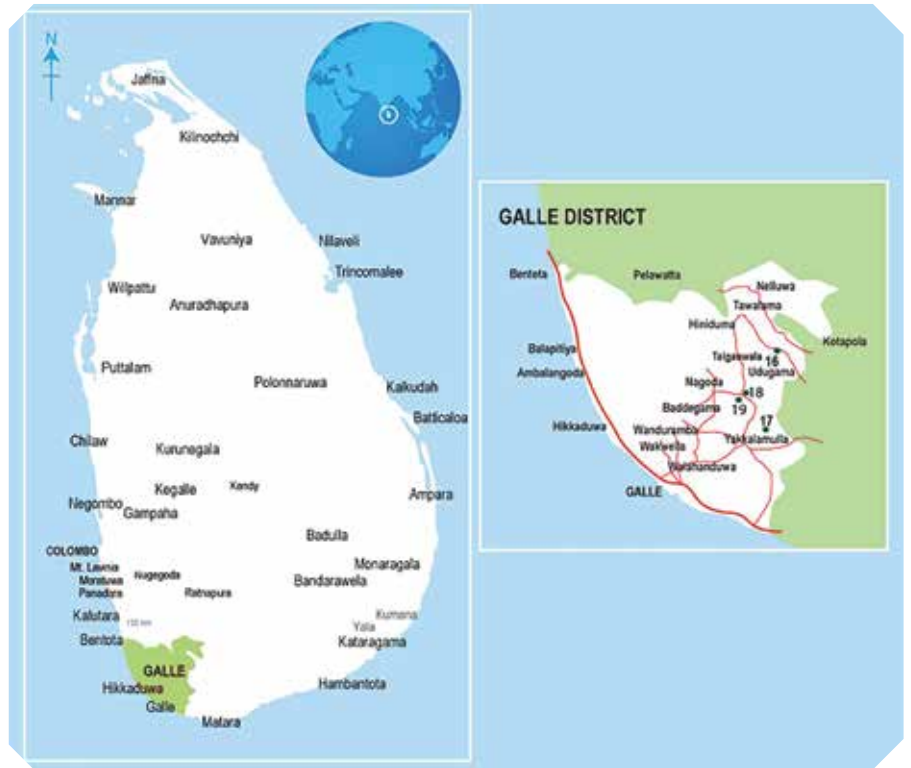
Highlights

- Palm oil plantations - 3,210 Ha
- Palm oil mill - 13,763 MT annual palm oil production
- Dairy Cattle - 1,811 Nos.
- Milk production – 5,137,710 Litres of Milk per year
- Rubber plantations – 131.27 Ha
- Rubber production – 70,812 Kg of Latex per year
- Tea plantations –
65.46 Ha (Udugama)
142 Ha (Ginigathhena)
- Tea production – 538,081 Kg of Green Leaf per year (Udugama)
494,593 Kg of Green Leaf per year (Ginigathhena)
- Cinnamon plantation – 45.79 Ha
- Cinnamon production – 5,446 Kg of cinnamon per year
- Coconut plantation – 10.25 Ha
- Coconut Nuts production – 34,366 coconuts per year
- Distribution Network – B2B in the plantation business. Mainly B2B in the dairy business with a small proportion of B2C sales in the pasteurized fresh milk business under the brand, Pride of Lonach (125 regular customers). Sale of compost is via a B2C business model.

Local Presence

Palm Oil

Our plantations are in Udugama, Galle in the Southern Province of Sri Lanka. Three estates namely Homadola, Nakiyadeniya and Talangaha which cover a total of 3,210 hectares of oil



palm plantation are located here. In addition, a palm oil mill with a capacity of approximately 20,000 MT of palm oil per annum is situated to support the estates crop. The mill produces both crude palm oil and palm kernel oil, and palm kernel cake which is a by-product of palm kernel oil extraction.

Tea

Watawala Plantations PLC has 65.46 hectares of tea plantation in the Homadola and Talangaha estates producing low country tea and 142 hectares in the Lonach estate Ginigathhena producing up country tea. The tea plantation produces more than one million kilograms of green leaf annually.

Rubber

Watawala Plantations PLC's rubber plantations are in the Homadola and Nakiyadeniya estates spanning an area of 131.27 hectares. Rubber production in 2022 was 70,812 kilograms.

Cinnamon

The cinnamon plantations are in all three estates in Udugama covering an area of 45.79 hectares. The plantation has an annual cinnamon production capacity of approximately 5,500 kilograms per year. A small quantity of cinnamon oil is produced from the cinnamon leaf.

Coconut

Watawala Plantations PLC has a 10.25-hectare coconut estate consisting of 1,157 coconut palms in Homadola yielding approximately 35,000 nuts per year.



OUR CORPORATE LEADERSHIP



SHAPING OUR CULTURE



CHAIRMAN'S MESSAGE

Group reported a revenue of Rs. 6,475 Mn, a 65% growth from last year's revenue of Rs. 3,934 Mn.



Dear Shareholders,

Your Company, Watawala Plantations PLC, performed exceptionally during the year under review with many challenges but with many triumphs at the same time. It is my pleasure to share with you that despite the 'costly' and turbulent circumstances we faced, the Group achieved record breaking results during the year ended 31st March, 2022.

The Watawala Plantations PLC Group reported revenue of Rs.6,475 Mn, a 65 % growth from last year's revenue of Rs. 3,934 Mn. The Group's bottom line also reflected the strong performance with Profit After Tax for the year increasing by 108% to Rs.3,458 Mn over last year. Your Company recorded its highest production output, These milestones have been achieved as a result of correct strategies, sheer determination, dedication and team work of the Watawala Team.

I am pleased to announce therefore, that the Directors have recommended a final dividend of Rs. 8/- per share for consideration at the Annual General

Meeting. This would be in addition to the Rs. 6/- per share as an interim dividend paid earlier. This would, accordingly be, the highest dividend your Company has paid in recent times.

Creating Sustainability Value

Watawala Plantations PLC has made a conscious effort throughout our operations to ensure the sustainability of all stakeholders. We are proud to be the only South Asian and first Sri Lanka palm oil company to be awarded the prestigious RSPO (Roundtable on Sustainable Palm Oil) certification that confirms our commitment to environmentally friendly and sustainable plantation management.

Watawala Plantations PLC was awarded the 'A Great Place to Work' recognition during the year, which stands testimony to our commitment to nurturing a healthy, engaged and a well balanced workforce.

The Company also ensured the sustainability and development of plantation communities. The average daily earning of palm oil estate workers are well above the daily wage of

tea or rubber estate workers. At our Udugama and Nakiyadeniya plantation communities, the prosperity is visible through the improvement in their living standards.

During the year, in accordance with our programme to uplift the surrounding community we successfully installed a well equipped ICU facility at the Udugama hospital which is only second to the Karapitiya hospital in the entire Galle District. This will greatly benefit the community in the area who would have had to otherwise travel to Galle for treatment.

All our strategies and activities are formulated keeping the interest of our team, the community and the environment in focus, while we generate good returns to our shareholders.

Domestic Palm Oil Industry

During a short period, Watawala Plantations PLC has managed to replace 5% of the domestic palm oil requirement, with oil manufactured at our own mill, thereby contributing to lower import costs of palm oil to Sri Lanka. Although relatively small in magnitude, this is a significant contribution in saving foreign exchange particularly in these circumstances. In 2018, Rs30 Bn worth of edible palm oil was imported to Sri Lanka. At the current exchange rates, this would be roughly Rs.70 Bn. In addition to the saving of foreign exchange the locally grown palm oil has benefitted estate workers, estate towns, community infrastructure and the national economy.

Policy Impacts

Policy uncertainty over the past few years have been of grave concern for the palm oil sector. While a previous government encouraged the cultivation of palm oil, the subsequent government discouraged cultivation by introducing restrictions on new plantations based on perceived health concerns. Later, a state directive was issued to even uproot a percentage

of existing palm oil. As a result, Watawala Plantations PLC had to destroy and write off nurseries that we had invested last year. These policy reversals and restrictions have limited our ability to uproot uneconomical palms and initiate a replanting programme. This would impact the profitability of the Plantation in the future.

The inorganic fertilizer import ban was another setback for the plantation sector which depended on chemical fertilizers for high crop yields. Swift decisions had to be taken to adapt to the new regulations. Having its own dairy farm, Watawala Plantations PLC managed to secure organic manure as fertilizer. While the absence of chemical fertilizer will not have an immediate impact on the Plantation, it most likely would in the long term.

However, by the end of the financial year, the government reversed its decision on chemical fertilizer imports. While we welcome this decision, the current high cost will increase the cost of production for the palm oil sector significantly. As a remedy, Watawala Plantations PLC intends to combine both organic and inorganic fertilizer to overcome the single type fertilizer dependency for higher yields.

Import restrictions on other goods have also affected the maintenance and upgrading of our mills as well as sourcing essential inputs for our dairy and plantation business. With the escalation of the US Dollar against the Sri Lanka Rupee and the acute shortage of foreign currency, it is likely that the import ban will remain in place in the short and medium term. While we have taken steps to mitigate this issue to some extent this year, it will continue to tax the energies of the Management in the coming years.

Operations and Agricultural Practices

Although incurring a high cost initially, the adoption of good agricultural practices throughout the plantation, we believe, will bring us many benefits including higher crop yields and sustain the environment.

While a previous government encouraged the cultivation of palm oil, the subsequent government discouraged cultivation by introducing restrictions on new plantations based on perceived health concerns.

To overcome challenges in expanding the plantation and increasing production, Watawala Plantations PLC partnered with large scale and small and medium scale estates to source raw material for its own mill, in order that its capacity utilization was improved.

Watawala Plantations PLC's strategy to multi crop reaped benefits during the year as the cinnamon plantations showing promise as a potential second crop for Watawala Plantations PLC. The diversification to coconut by the purchase of a land in Kurunegala was completed during the year under review. The results could be evaluated only in the following year.

Watawala Dairy operation

The dairy operation was a strategic diversification based on the need to reduce the dependency on imported milk powder. Watawala Dairy Ltd performed reasonably in the circumstances despite necessary inputs for the dairy production being unavailable. Having high yielding imported cows for increased milk production meant that many components of the dairy feed formula had to be imported. The restrictions on imports impacted the feed formula significantly. The local components such as maize was also in short supply and much higher priced, because farmers were unable to source fertilizer. The milk yields decreased and the profitability too was impacted. While the management is leaving no stone unturned to remedy the situation, this will continue to be a concern for the future the Dairy.

We believe that the Dairy operation has great potential in the future.

Outlook

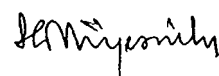
We are going through a volatile, complex and an uncertain period in Sri Lanka and the world. It will take the better part of the 2022/23 to understand to some extent what the direction is. The strong and competent management of Watawala Plantations PLC will do its best under the circumstances.

We do hope that the Government will seek the advice of competent industry experts and economic and multi-disciplinary think tanks when formulating policies in the future.

Acknowledgement

I wish to thank my fellow Directors for their constant support and strategic thinking in giving direction to the Company, and the management led by the CEO Mr. Binesh Pananwala for his tireless efforts in the face of incredible adversity. I wish to express my gratitude to the entire staff of the Watawala team for their determined and dedicated contribution and commitment during these challenging times.

Finally, I wish to place on record my appreciation for the support and trust placed in us by our stakeholders over the years, and acknowledge their immense contribution to our success. We pledge to uphold this trust and ensure value creation in the future as well.



Sunil G Wijesinha
Chairman

26 May 2022

CHIEF EXECUTIVE OFFICER'S REVIEW

Watawala Plantations PLC is the first South Asian company to be awarded the prestigious RSPO Certification (Round Table on Sustainable Palm Oil)



Dear Shareholders,

I am pleased to share the performance of your Company for the financial year 2021/22, which reiterates our strength, commitment and resilience under challenging circumstances. Our strategic foresight and sustainability approach, strengthened by our dedicated team have helped overcome every challenge that we encountered during the year. Watawala Plantations PLC is pleased to report a Rs. 3,458 Mn in profit after tax, a 108 % increase over last financial year.

Sustainability and Development

As a plantations company, environmental sustainability and contributing to the national development is our number one priority. Watawala Plantations PLC is the first South Asian company to be awarded the prestigious RSPO Certification (Round Table on Sustainable Palm Oil),

a recognition that confirms that our palm oil operation is economically, socially and environmentally sustainable.

We have supported the growth of the estate sector and the community economy through employment generation, community enhancement projects and fair remuneration policies. As Sri Lanka's leading palm oil exporter, our contribution to the national economy has been appreciated at the national export awards at many occasions.

Policies and Regulatory Frameworks

The year under review has been one with many policy challenges. The government discouraged palm oil citing health reasons and requested to uproot a certain percentage of cultivated palm oil. This meant having to destroy and write off nurseries that had been heavily invested last year.

Fertilizer is a key ingredient for successful plantations. The sudden ban on chemical fertilizer by the government placed plantation companies in a dilemma. Lack of inorganic fertilizer for crops impact future crop yields for the plantation sector.

Further, import restrictions to contain the spiraling exchange rate crisis within the country had a negative effect on maintenance and supply of essential machinery, sourcing of essential ingredients and items for agri based productions and maintaining large plantation and mill operations.

Innovation and Best Practices

Despite these challenges, Watawala Plantations PLC Plantation has performed exceptionally well during the year, mostly due to well thought of strategic decisions in the previous year contributing towards higher yields. The Company's integrated fertilizer management plan which had a component of organic and inorganic fertilizer helped the crops adjust easily during the inorganic fertilizer ban, lowering the dependency on chemical fertilizer for crops.

Watawala Plantations PLC also implemented a comprehensive irrigation and agriculture strategy to replace non-economical crops with new crops for higher yield generation. As a result, the plantations contain young plants which are cropping.

The Company's innovation policy that encouraged staff to identify innovative solutions to operational issues and problem solving has benefitted the company in bounds and leaps. We saw several innovations by staff being

launched during the year that have contributed immensely towards overcoming import and fertilizer challenges that faced the sector.

Ensuring best practices such as prevention of soil erosion, diversification of crops and sound agriculture practices have helped Watawala Plantations PLC gain better results against previous years.

Performance

Palm Oil

During the year, Watawala Plantations PLC produced 13,763 MT of palm oil compared to 10,925 MT last year. The increase in palm oil production was partly due to increased yields in the plantation. Total revenue from palm oil increased to Rs. 5,782 Mn, and a PAT of Rs.3,391 Mn which is a 114 % growth from Rs. 1,584 PAT last year.

Dairy Operation

Dairy production recorded 5.1 Mn Liters for the year, with the milk produced being utilized for milk as well as milk based products such as cheese, butter and ghee. The business line reported a revenue of Rs.694 Mn during the year, and a PAT of Rs 27.7 Mn which is 38% growth from PAT of Rs 20.1 Mn reported last year.

Unavailability of adequate specialized feed for our dairy cows due to import restrictions forced the Company to look at other domestic options to increase milk production. This had an impact on the profitability and the productivity of the dairy as a result of which yields dropped during the year.

Other products

Watawala Plantations PLC's other products include tea, cinnamon, rubber and compost. Together they account for less than 10 % of the company's topline. However, a growth in the other product segment was observed with 2021/22 FY

3,458 Mn

profit after tax a 108 % increase over last financial year

net other operating income of Rs. 59 Mn , which is a 35% lesser than 2020/21 FY.

We are expanding our cinnamon plantation with the addition of 48 hectares of land with new cinnamon plants.

Outlook

Watawala Plantations PLC have faced many challenges since the introduction of palm oil plantation to Sri Lanka. Similarly, we are certain more challenges await us in the year to come. However, we are optimistic and address them as prospects for innovation, increase efficiencies and open doors for new strategies and opportunities.

Therefore, we are hopeful that focusing on best agricultural practices to maintain production and productivity of our estates together with the culture of innovation and indomitable spirit of our teams will see Watawala Plantations PLC to success in the future.

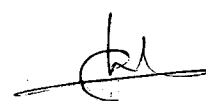
We believe that palm oil has a future opportunity in the market. We look forward to changes in state policy on palm oil, thereby encouraging the growth of the palm oil plantation sector. We would continue to multi crop to optimize our lands as well as a buffer against any single crop concerns.

However, increasing socio-economic-political uncertainties at the time of this annual report being compiled would be of concern for Watawala Plantations PLC and therefore, we would take caution in planning for the future.

Acknowledgement

The Watawala Plantations PLC team has been an immense strength in overcoming the year's challenges and I wish to extend my sincere appreciation for their efforts, innovations, and commitment. My gratitude extends to the Chairman and Board of Directors for their leadership through guidance and support at all times.

I would like to thank our stakeholders who have placed their confidence and trust in Watawala Plantations PLC for the past 30 years, and who have immensely contributed towards our success.



Binesh Pananwala
Chief Executive Officer

26 May 2022

BOARD OF DIRECTORS

Name	Mr. Sunil G. Wijesinha	Mr. G. Sathasivam	Mr. V. Govindasamy	
Position	Chairman	Director	Director	
Status	Non-Executive/Independent	Non-Executive/Non-Independent	Non-Executive/Non-Independent	
Age	73 years	75 years	58 years	
Qualifications/ Business Experience	<p>MBA from Postgraduate Institute of Management, University of Sri Jayawardenapura.</p> <p>Fellow Member of the Chartered Institute of Management Accountants (UK).</p> <p>Fellow Member of the Institute of Management Services (UK).</p> <p>Associate Member of the Institution of Engineers, Sri Lanka.</p>	<p>Fifty five years experience in pharmaceutical Industry and plantation.</p> <p>Initiated & spearheaded joint venture with Tata Group.</p>	<p>Holds MBA from University of Hartford,USA.</p> <p>Bachelor of Science in Electrical Engineering, University of Hartford,USA.</p> <p>Fellow Member of the Institute of Certified Professional Managers of Sri Lanka.</p>	
Other Key Positions	<p>Past President National Chamber of Commerce of Sri Lanka</p> <p>Past Chairman Employers' Federation of Ceylon</p> <p>Chairman Watawala Dairy Ltd RIL Property PLC SC Securities (Pvt) Ltd</p> <p>Director BizEx Consulting (Pvt) Ltd Sampath Centre Ltd</p>	<p>Chairman Sunshine Wilmar (Pvt) Ltd</p> <p>Director Sunshine Holdings PLC Sunshine Healthcare Lanka Ltd Lina Manufacturing (Pvt) Ltd Lina Spiro (Pvt) Ltd Akbar Pharmaceutical Holdings (Pvt) Ltd Lamurep Properties Ltd Lamurep Investments Ltd</p>	<p>Chairman Employers Federation of Ceylon The Ceylon Chamber of Commerce</p> <p>Group Managing Director Sunshine Holdings PLC</p> <p>Chairman / Director Sunshine Consumer Lanka Ltd Daintee Ltd TATA Communications Lanka Ltd</p> <p>Director Softlogic Life Insurance PLC Tal Lanka Hotels PLC Sunshine Wilmar (Pvt) Ltd Healthguard Pharmacy Ltd Watawala Dairy Ltd</p>	
Board meeting attendance	5/5	5/5	4/5	
Audit Committee attendance	5/5	-	-	
Related Party Transactions review Committee	4/4	-	-	

	Mr. M. S. Mawzoon	Mr. N. B. Weerasekera	Mr. H. D. Abeywickrama
	Director	Director	Director
	Non-Executive/non-independent	Non Executive/Independent	Non-Executive/Independent
	52 years	62 years	62 years
	Thirty one years experience in various business industries.	37 years in Business Management and Finance Fellow Member of the Chartered Institute of Management Accountants, UK. MA in Economics from University of Colombo. BSc (Hons) in Physics from the University of Peradeniya.	Graduate of the Air Command & Staff College at Air University, Maxwell Air Force Base, Alabama, USA. Graduate of the Royal College of Defense Studies, London UK. Master of Arts degree in International Studies from King's College, the University of London. Master of Science degree in Management from the Kotalawala Defense University, Sri Lanka.
	Managing Director Pyramid Wilmar (Pvt) Ltd Pyramid Wilmar Oils & Fats (Pvt) Ltd Pyramid Lanka (Pvt) Ltd Director Wressle Holdings (Pvt) Ltd Joyspree Lanka Holdings (Pvt) Ltd Shangri-La Hotels Lanka (Pvt) Ltd Shangri-La Investments Lanka (Pvt) Ltd Pyramid Wilmar Plantations (Pvt) Ltd Watawala Dairy Ltd Perennial Real Estate Lanka Sunshine Wilmar (Pvt) Ltd	Director Sunshine Consumer Lanka Ltd	Director Sunshine Holdings PLC Sunshine Healthcare Lanka Ltd Healthguard Pharmacy Ltd Lina Manufacturing (Pvt) Ltd Lina Spiro (Pvt) Ltd Akbar Pharmaceuticals (Pvt) Ltd Akbar Pharmaceutical Holdings (Pvt) Ltd Sunshine Energy (Private) Ltd Sunshine Healthcare Lanka Ltd Sunshine Wilmar (Pvt) Ltd
	5/5	5/5	5/5
	-	5/5	-
	-	4/4	-

BOARD OF DIRECTORS

Name	Mr. A. N. Fernando	Mr. A. R. Rasiah	Mr. M. R. Rao	
Position	Director (Retired w.e.f. 25 June 2021)	Director (Appointed w.e.f. 25 June 2021)	Director	
Status	Non-Executive/Independent	Non-Executive/Independent	Non-Executive/Non-Independent	
Age	75 years	76 years	71 years	
Qualifications/ Business Experience	<p>Holds a MBA in Finance, Industrial and Corporate Strategy from IMD Business School, Lausanne, Switzerland.</p> <p>Fellow Member of the Institute of Chartered Accountants of Sri Lanka</p> <p>Former Precedent Partner, KPMG Sri Lanka.</p>	<p>Fellow Member of the Institute of Chartered Accountants of Sri Lanka</p> <p>Finalist of the Institute of Chartered Management Accountants (UK)</p> <p>Forty year experience in Business Management and Finance</p>	<p>Fellow member of the Institute of Chartered Accountants of India.</p> <p>Commerce graduate from Mumbai University.</p>	
Other Key Positions		<p>Chairman Hela Group of Companies</p> <p>Director E.B. Creasy Group of Companies The Colombo Fort Land & Building Group Sunshine Tea (Pvt) Ltd Gestetner of Ceylon PLC Clindata Lanka (Pvt) Ltd Synteract Lanka (Pvt) Ltd Fintek Managed Solutions (Pvt) Ltd</p>	<p>Director Pyramid Lanka (Pvt) Ltd Pyramid Wilmar (Pvt) Ltd Perennial Real Estate Lanka PREH Properties Sunshine Wilmar (Pvt) Ltd</p>	
Board meeting attendance	1/1	4/4	3/5	
Audit Committee attendance	2/2	3/3	-	
Related Party Transactions review Committee	1/1	3/3	-	

	Mr. C. L. Loo	Mr. K. H. Kuok
	Director (Appointed w.e.f. 31 March 2022)	Director (Resigned w.e.f. 31 March 2022)
	Non Independent/Non-Executive	Non Independent/Non-Executive
	46 years	73 years
	Bachelor of Accountancy - Nanyang Technological University Chartered Accountant- Institute of Singapore Chartered Accountants.	Bachelor of Business Administration - University of Singapore
		Chairman and CEO Wilmar Group,Singapore Director Sunshine Wilmar (Pvt) Ltd
	-	5/5
	-	-
	-	-

CORPORATE MANAGEMENT TEAM

Binesh Pananwala (Chief Executive Officer)

Binesh has an experience of 25 years in the plantation sector. He started his career as a Trainee Assistant Superintendent under Janatha Estate Development Board and continued with Watawala Plantations PLC. He holds M.Sc. in Crop Science from the University of Peradeniya and MBA from Manipal (Sikkim) University.

An experienced Chief Executive Officer with a demonstrated history of working in the agri industry which includes Oil Palm and Export development crops such as Pepper, Arecanut, Cinnamon as well as experience in Dairy.

Dhanushka Daswatte (DGM – Business Development and Crop Diversification)

Dhanushka holds MBA from ICBT Campus and is a graduate with Professional Qualification in Human Resource Management (PQHRM) and National Diploma in Human Resource Management from the Institute of Personal Management with a merit pass. He counts 20 years of experience in the Plantation sector.

Prasanna Premachandra (DGM – Operations)

Prasanna has over 25 years of experience in Plantations Management. Exposure to Tea growing and manufacturing in Assam – India and Kenya.

He holds diploma in HRM by London Business School and qualified in 'Plantation Accountancy and Financial Management' and 'Language Proficiency' by National Institute of Plantation Management. Presently reading for B.Sc. in Business Management at Open University of Sri Lanka.

Eranda Kapukotuwa (Senior Manager – Finance)

Eranda is a member of the Institute of Chartered Accountants of Sri Lanka (ACA) and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He obtained B.Sc. (Hons) degree in Accounting from the University of Sri Jayawardenepura and LL.B degree from the Open University of Sri Lanka. He is also a member of CMA Sri Lanka.

He started his career with PwC Sri Lanka as a Trainee Accountant. He is an experienced Finance Manager with exposure in Manufacturing and Plantations for over 12 years & joined Watawala Plantations PLC in 2019. He is currently heading the finance department of the Company.

Dr. Hemantha K. Fedricks (Herd Manager)

Dr. Hemantha has a Master of Veterinary Science in Animal Reproduction and a Bachelor of Veterinary Science from University of Peradeniya. He has over 6 years experience in large scale Dairies including two years experience in Middle East as a Dairy Veterinary Surgeon. And also he has two years experience as Dairy Herd Manager in Watawala Dairy Ltd.

Gayan Dehideniya (HR Business Partner)

Gayan is an HR Generalist with over 10 years of experience in multiple industries. He gathered his experience in construction, apparel manufacturing and retail throughout his career. His Masters in Human Resource Management and Bachelors in Human Resource Development provides him with solid back ground for his career in the HR field. Exposure in multiple industries has given him the knowledge to understand and connect with people in all levels.

Thanushka Kaluwa Handi (Senior Manager – Mill Operations)

Thanushka has 17 years experience in the field of Process Engineering in manufacturing organizations. He holds B.Sc. (Eng) from the University of Moratuwa specialized in Chemical & Process Engineering. He started his career as a Management Trainee at Pelawatte Sugar Industries Ltd in 2005 and appointed as a Chemical Engineer.

He joined Watawala Plantations PLC in 2007 as the Assistant Mill Engineer. He holds a Diploma in Manufacturing Management from NIBM, and presently reading for an MBA from the University of Ruhuna.

OUR TEAMS



Head Office Team



Palm Oil Mill Team

OUR TEAMS



Talangaha Estate Team



Homadola Estate Team

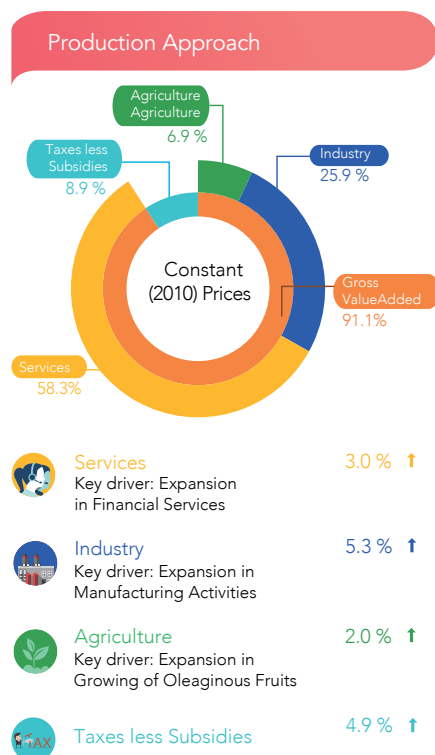


Nakiyadeniya Estate Team

OPERATING ENVIRONMENT

Sri Lanka's growth stunted in 2021 as the COVID-19 pandemic led lockdowns and lower economic activities impacted the overall growth forecast. Despite the macroeconomic weaknesses, import restrictions and dollar fluctuations, the economy recorded a growth of 3.7% in 2021, in comparison to the contraction of 3.6% recorded in the previous year. Prolonged economic challenges, including the high debt burden and weak external buffers impacted all industries during the last quarter of FY 2021/22.

Despite Central Bank's efforts to contain the rising inflationary pressures, and the widening balance of payment deficits through import restriction, exchange rate controls and policy implementations, all sectors of the economy reported a lower growth during the year: agriculture, forestry and fishing by 2.0%; industry by 5.3%; and services by 3.0%.



Source: CBSL Annual Report 2021

Agriculture activities recorded an expansion of 2.0% in 2021 in value-added terms, recovering from the contraction of 2.2% recorded in 2020, mainly on account of the expansion in coconut and animal production activities.

Industry value-added recovered by 5.3% in 2021, from the contraction of 6.9% registered in 2020, as a result of the pent-up demand and the continuation of the operations under the 'new normal'.

Rebuilding of economic interaction and pick-up in household consumption resulted to the increase of value-added of Services activities by 3.0% in 2021, from the 1.6% downturn in 2020.

Key-Economic Variables affecting the Plantation Industry Exchange Rate

The rupee showed some volatility especially in the first four months of 2021 because of the insufficiency of foreign currency liquidity in the local exchange market and it directly resulted in a depreciation. The lack of foreign cash inflows in the form of both debt and non-debt flows, continuous outflows to cover import costs and the government's debt payment obligations were the major causes for the above result.

Thus, the rupee's yearly depreciation against the US dollar was limited to 7.0% by the end of 2021, helping to offset the negative implications of excessive devaluation at a time when the economy was recuperating from the terrible shock of the pandemic.

During 2021, the Sri Lanka rupee appreciated against the Japanese yen (3.8%) and the euro (1.1%), but sank

against the pound sterling (6.0%) and the Indian rupee (5.5%), indicating cross currency exchange rate fluctuations.

Inflation

Headline inflation increased in 2021 as a result of global and domestic supply-side disruptions, a surge in global commodity prices, and upward revisions to administered prices, while core inflation accelerated due to substantial monetary accommodation.

Both food and non-food inflation contributed to the acceleration in headline inflation, as demonstrated by the year-on-year change in both the National Consumer Price Index (NCPI, 2013=100) and the Colombo Consumer Price Index (CCPI, 2013=100), while food inflation accounted for a larger share.

Unemployment Rate

The unemployment rate declined to 5.1% in 2021 from 5.5% in 2020, owing to the expansion of new work opportunities. As a result, the number of unemployed individuals decreased from 0.468 Mn in 2020 to 0.440 Mn in 2021. As a result, men's and women's unemployment rates declined to 3.7% and 7.9% in 2021, respectively, from 4.0% and 8.5% in 2020.

In comparison to 2020, the young unemployment rate (15-24 years) remained stable at 26.5% in 2021, indicating a continued scarcity of entry-level work opportunities. Furthermore, because the job opportunities created in 2021 were inadequate to counteract the massive number of layoffs that happened in 2020 and continued throughout 2021, the overall unemployment rate stays above pre-pandemic levels.

OPERATING ENVIRONMENT

Agricultural Sector Performance

Agriculture Production Index

The Agriculture Production Index (API), which measures the production of the agriculture and fisheries sectors, increased somewhat in 2021. The API climbed by 3.0% year over year, compared to 2.7% in 2020, owing to increases in major sub-indices, such as rice, tea, coconut, livestock, and fisheries, while the rubber sub-index contracted in comparison to the previous year.

Table 2.2

Agriculture Production Index (2007-2010 =100)

Item	2020 (a)	2021 (b)	Growth Rate (%)	
			2019/20 (a)	2020/21 (b)
Agriculture and Fisheries	129.4	133.3	2.7	3.0
1 Agriculture	129.6	133.8	7.3	3.2
1.1 Agriculture Crops	123.7	126.9	9.2	2.5
Paddy	136.9	137.7	11.5	0.6
Tea	89.5	96.1	-7.1	7.4
Rubber	58.3	57.3	4.6	-1.7
Coconut	98.6	110.1	-9.5	11.7
Other Crops	167.1	166.9	22.6	-0.1
o/w Vegetables	142.7	141.4	16.0	-0.9
Fruits	199.6	169.3	33.0	-15.2
OFC	141.1	165.5	18.6	17.3
1.2 Livestock	176.4	188.7	-2.3	7.0
2 Fisheries	128.5	130.7	-15.2	1.7

(a) Revised

(b) Provisional

Source: CBSL Annual Report

Paddy

In 2021, the paddy sector produced at a high level, with a bountiful harvest throughout the Yala season.

Tea

In 2021, tea production increased by 7.4% overall, owing mostly to a considerable increase in the first half of the year, owing to a lower base caused by the commencement of the COVID-19 pandemic in the same time of 2020.

Rubber

Rubber production fell again in 2021, owing to persistent rainfall in plantation areas, particularly during tapping days, as well as the incidence of fungal disease.

Coconut

With total nut production of 3,120 Mn nuts in 2021, coconut production achieved an all-time high.

Minor Export Crops

Despite global supply chain disruptions caused by COVID-19, the increasing momentum of minor export crops remained in 2021.

Other Field Crops

Despite import limitations on these products, production of Other Field Crops (OFCs) grew due to favorable weather conditions and rising demand for domestic produce.

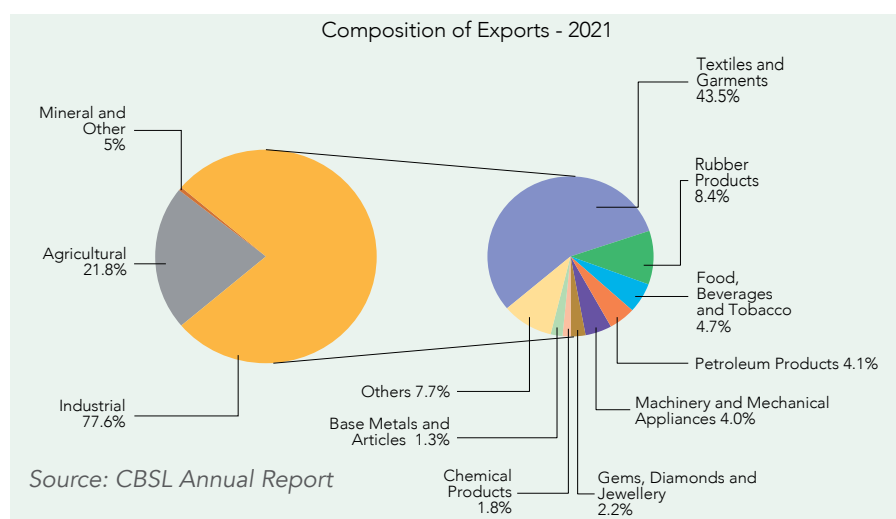
Livestock Sector Performance

During the year 2021, the cattle sector showed signs of improvement. According to the estimates of Department of Census and Statistics, overall national milk output will increase by 4.4% to 513 Mn litres in 2021. An increase in the average producer price of cow milk, increased milk collecting, and the addition of new dairy farms all contributed to the increase in milk production. Due to higher concentrate feed prices and high labor costs, the average cost of producing cow milk climbed to Rs. 69.30 per litre in 2021 from Rs. 49.28 per litre the previous year.

Export Sector Performance

In 2021, merchandise export revenues reached US\$ 12,499 Mn, the highest level of export earnings in a year, surpassing the previous high of US\$ 11,940 Mn set in 2019. As a result, export earnings increased by 24.4% from the US\$ 10,047 Mn achieved in 2020. Export earnings have continued to exceed US\$ 1.0 Bn every month since June 2021, indicating excellent export performance.

Agricultural exports have demonstrated a 21.8% contribution to the overall exports during the year 2021.



Domestic Factors Affecting the Industry

Regulatory Factors

- **Ban on fertilizer/ Compost fertilizer strategy**

Citing health concerns, the Sri Lankan government banned the importation of chemical agricultural inputs such as fertilizers on May 6, 2021 moving towards a compost based farming strategy. The industry believed that the state imposed ban on fertilizer was supported with sufficient inventory to supply chemical fertilizers for the following 12 months of harvesting. However, lack of sufficient compost based fertilizer to support agriculture and import restrictions led to the non-availability of urea, pesticides and chemical fertilizers, resulting in lower crop yields compared to previous years.

- **Prohibition on oil palm plantation**

On a recommendations of the Central Environmental Authority (CEA), the government announced its decision to restrict palm oil importation and palm oil plantations in April 5, 2021. Subsequently, the government agreed to uproot 10% of total cultivation year on year.

Macro-economic Factors

- **Inflation**

In the latter part of the 2021/22 FY, the country's severe economic crisis aggravated by a deficiency in foreign currency, led to an alarming increase in inflation and cost of production. High costs of goods in the domestic market escalated cost of production of goods across all sectors.

Environmental Factors

- **Weather Changes**

Unfavorable weather conditions during the year such as 7-8 months of heavy rainfall followed by severe drought affected crop yield. Irregular weather patterns disrupted the natural production cycle of agrarian produce.

Social Factors

- **COVID-19 pandemic**

The continued pandemic situation slowed business activities due to lockdown and mobility restrictions under COVID-19 safety guidelines issued by the health authorities. Adopting the health guidelines led to a multitude of unplanned costs such as for safety gear, supply of sanitizers, PPE and other necessary equipment. In addition, extensive investments were needed to provide relief to those infected with the virus.

GLOBAL CONTEXT

Global Palm Oil Industry

Globally, palm oil supplies 40% of the world's vegetable oil demand on just under 6% of the land used to produce all vegetable oils.

Higher yields from smaller crop space, versatility of palm oil usage in multiple products and growing awareness of it as a substitute for cooking has increased its demand globally over the years.

To get the same amount of alternative oils like soybean, coconut, or sunflower oil requires anything between 4 and 10 times more land. As a result, it is considered one of the highest yielding oil producing crops. The global palm oil industry accounts for \$50 billion annually with a volume of over 73 million MT production.

Palm oil prices more than doubled, over the past 18 months, to a record high of US\$1,213.85 a tonne in October 2021. In November and December, however, prices dipped and weighed on 2021's average pricing to US\$1,000 per tonne.



Comparison of global oil yields by crop plant Oil yields in tonnes per hectare (t/ha)



OPERATING ENVIRONMENT

Key Highlights	
Global Palm Oil Market Value	US\$ 50.6 Billion
Palm Oil Consumption Worldwide	73.87m MT
Leading Exporter	Indonesia
Leading Importer	India
Average Price for Palm Oil	752 nominal US\$ per MT
Primary Factors Driving the Global Palm Oil Market	Growing consumer awareness towards associated health benefits of palm oil, such as; enhances energy levels, improves eye vision, reduces the risk of cancer and heart diseases.
Applications	<ul style="list-style-type: none"> • Household Cooking (holds the majority of the market share) • Food and beverages • Oleo Chemicals • Personal Care • Animal Feed • Bio-fuel
Key Market Trends	<ul style="list-style-type: none"> • Due to a decrease in rapeseed and soybean oil supplies, China's palm oil consumption is predicted to rise in 2022. China appears to be purchasing more palm goods for animal feed. • The recovery in India's hotel, restaurant, and catering sector (HORECA) and the government's decision to decrease palm oil import levies are expected to boost palm oil purchases in 2022. • Experts in the palm oil business predict a tight stock situation and rising prices until the first half of 2022.

Global Pricing



Domestic Palm Oil Industry

In Sri Lanka's edible oil market, the demand for domestic edible oils comes from two segments:

- Households
- Industries

According to data from the Household Income and Expenditure Survey in 2016 of the Department of Census and Statistics, the annual consumer demand of fats and oils is approximately 96,249 MT per year. Industrial demand in 2020 is approximately 167,372 MT. The country's demand for edible oils is satisfied by both locally produced and imported oils.

Data issued by the Coconut Development Authority (CDA), the contribution of the coconut and palm oil production for the total edible oil production in the country in 2020 is as follows:



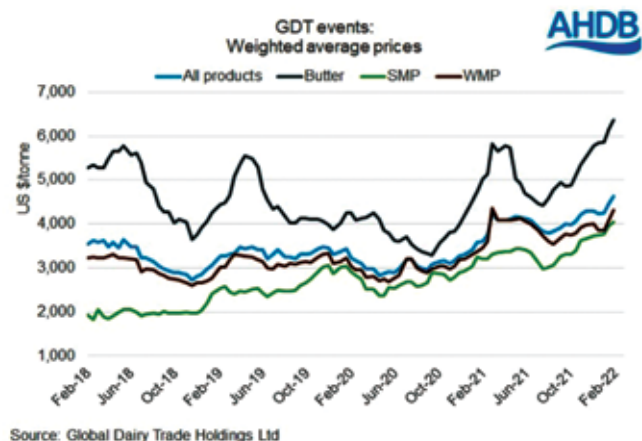
Total edible oil supply in 2020 was 263,621 MT, with 44,326 MT coming from domestic production and 219,295 MT of imports. Imports account for over 83 percent of total demand, with industrial demand accounting for nearly two-thirds of total demand.

Sri Lanka is unable to meet its edible oil demand since the coconut supply is insufficient, and expanding the production increases the demand for palm oil.

Global Dairy Industry

Key Highlights	
Dairy market volume worldwide (2021)	216 MT
Global dairy production (2021)	Over 544 Mn metric tons of cow milk Almost 22 Mn metric tons of cheese
Market share of liquid milk 2017	54%
Compound annual growth rate of the Asian dairy market 2017	3.7%
Dairy product with the largest production volume (2021)	Cow milk
Country with the most milk cows (2021)	India
Global cow milk production volume per year (2021)	544.07 Mn metric tons
Global export value of dairy products (2021)	63.59 Bn USD
Top importer of dairy products (2019)	Germany

Global Dairy Trade



Domestic Dairy Industry

The current state of the Sri Lankan dairy industry falls far short of expectations, with local milk production meeting barely 30% of demand.

Year	Annual Milk Production (Liters)		Total Annual Milk Production (Liters)
	Cow Milk	Buffalo Milk	
2015	311,341,320	71,122,680	382,464,000
2016	306,142,447	61,050,139	367,192,586
2017	329,011,951	68,903,569	397,915,520
2018	391,530,600	76,160,664	467,691,264
2019	374,015,943	73,566,360	447,582,303
2020	413,635,518	77,903,100	491,538,618
2021	425,369,628	87,935,850	513,305,478

According to Agriculture and Environmental Statistics Division of Department of Census and Statistics, the total annual milk production in Sri Lanka has increased gradually over the years.

OPERATING ENVIRONMENT

Key Highlights	
Global Cinnamon Market	US\$ 1.15 Bn
Leading Producers	<ul style="list-style-type: none"> Indonesia China Vietnam Sri Lanka Madagascar
Nature	<ul style="list-style-type: none"> Organic Conventional
Form	<ul style="list-style-type: none"> Whole Extract <ul style="list-style-type: none"> Powder Oil
Type	<ul style="list-style-type: none"> Ceylon Cinnamon Korintje Cinnamon Cassia Cinnamon Saigon Cinnamon
End Use	<ul style="list-style-type: none"> Food Industry Beverage Industry Food service Industry Personal Care and Cosmetics Household/Retail
Distribution Channel	<ul style="list-style-type: none"> Business to Business Business to Consumer

Global Cinnamon Market Share



Cinnamon production is decreasing globally, while demand is increasing year after year in both Asian and western countries.

Domestic Cinnamon Industry

The Sri Lanka Export Development Board (SLEDB) has established 'Pure Ceylon Cinnamon' as a globally sought after brand in the international market.

Sri Lanka is the world's largest producer and exporter of pure cinnamon, with Sri Lankan pure Ceylon Cinnamon suppliers accounting for 90% of the global market.

Cinnamon planted and produced in Sri Lanka has a long-standing international reputation for its exceptional quality, colour, flavor, and aroma.

Ceylon Cinnamon's main markets are the United States and Mexico. Other nations which consume a significant amount of Ceylon Cinnamon include Colombia, Ecuador, Peru, Spain, Guatemala, Chile, and Bolivia.

Price Ranges in Ceylon Cinnamon

Grade	Price Range (Rs.)	Description
Alba	2,800.00 – 2,600.00	Highest grade in all category
A3 – A1	2,400.00 – 2,200.00	Harder varieties
C5 – C4	2,400.00 – 2,000.00	C2, C3, and C4 are the most popular varieties
M5 – M4	1,900.00 – 1,700.00	
H1 – H2	1,500.00 – 1,200.00	Lowest Grade

Global Tea Industry

Key Highlights	
Leaders in Production	<ul style="list-style-type: none"> • China (No.1 in global tea exports - approximately 31.8% of the global export of tea) • India • Kenya • Sri Lanka • Indonesia
Leading Importers	<ul style="list-style-type: none"> • Pakistan • Turkey
Global Tea Market Value	US\$ 22 Bn (2021)
Global tea Market Drivers	<ul style="list-style-type: none"> • Strong consumer acceptance • Being an inexpensive beverage • Shift towards the consumption of organic tea
Market Breakup by product type	<ul style="list-style-type: none"> • Green Tea • Black Tea • Oolong Tea • Others
Key Market Trends	<ul style="list-style-type: none"> • Increasing Inclination towards Herbal and Green Tea • World green tea production is expected to grow at a faster rate than black tea, reflecting the growth in China. • Owing to the increased consumption across the world China's export of green tea has been recording steady growth. • Currently, Sri Lanka ranks as the fourth largest tea producer in the world. • When compared to 40.15 million kgs of January-February 2020, cumulative production of 2022 shows a marginal increase of 0.83 million kgs



Domestic Tea Industry

The cost of tea production has increased and Ceylon Tea is now the most expensive tea in the global market.

On the downside, tea plantation output has dropped over time. In 2000, Sri Lanka produced 305 million kilos of tea, which grew to 328 million in 2010. The highest production of 338 million kilos was reported in 2013, and since then tea production has been steadily declining, with a CAGR of 2.6 percent.

STRATEGY AND RESOURCE ALLOCATION

The strategic objective of Watawala Plantations PLC is to be a growth oriented diversified agribusiness. The diversified business activities of the Company over the past 26 years have elevated the Company from being a Regional Plantation Company (RPC).

Palm oil will continue to be Watawala Plantations PLC's core business in the coming years in view of its high profitability. The revenue and the profit generated from the palm oil business has become a vital source of funds for investments made in diversified business operations. Whilst maintaining the oil palm business, the Company plans to diversify its crops and increase exposure to other crops to reduce exposure to oil palm which is currently a monocrop.

Watawala Plantations PLC Strategy

Crops

Healthy crops in our plantations are a key resource of the Company.

Our key product, edible oil, derived from our healthy plantations, is used in the local food industry.

Soil

Fertile land, another key resource of the company, allows us to cultivate crops and reap benefits from the land.

Crops suitable for each type of land support to achieve the Company's objectives.

People

Our estate workforce is the driving force of our business.

A happy workforce is vital to achieve best in class performance and contribute towards making Watawala Plantations PLC a great place to work.

Strategy: Replanting

Our systematic replanting programmes greatly support to maintain successful plantations.

Strategy: Nurturing

Fertilizer programmes assist in rejuvenating the soil to maintain proper nutrition levels.

Strategy: Integration

Village integration is helpful in maintaining a strong relationship with our estate workforce.



Our Corporate Strategy

Strategic Drivers	Goals	Strategy	Key Performance Indicators (KPI)
Sustainable Growth in Earnings	Diversification	<p>Crop diversification</p> <ul style="list-style-type: none"> Commenced cinnamon plantations and currently has over 100 Ha. of cinnamon plantations in both mature and immature states. Opted for coconut cultivation as well. 	<ul style="list-style-type: none"> Increase cultivated land extent Increase in prime age yields < 6 years Increase in prime age yields > 6 years Increase milk production Increase daily milk yield
	Expansion	<p>Expansion of plantations</p> <ul style="list-style-type: none"> Expanded oil palm cultivation with immature fields becoming mature Consolidated the coconut cultivation and explored inorganic expansion into coconut plantations <p>Expansion of production</p> <ul style="list-style-type: none"> Produced processed cinnamon-based products which command a higher price and has demand overseas. Explored inorganic expansion into coconut value-added export business. Planned to expand the production of fresh milk. Pursued the production of premium value-added dairy products and mass market fresh milk. Commenced production of compost fertilizer, and liquid fertilizer using the cattle output from the farm. <p>Expansion of minor industries:</p> <ul style="list-style-type: none"> Recognized the potential for expansion of the domestic dairy industry by improving the operations in the subsidiary, Watawala Dairy Ltd. <p>Expansion into other industries</p> <ul style="list-style-type: none"> Besides the traditional businesses, expect to explore other business activities: expansion into the hospitality industry. 	
Productivity	<p>Utilizing available resources/ capitals efficiently and effectively.</p> <p>Cost control to eliminate inefficiencies</p>	<p>Increase harvester output.</p> <p>Site-specific fertilizer and soil mapping</p> <p>Agricultural operations mechanization</p> <p>Procurement of purchased crops</p> <p>Modernizing technology</p>	<ul style="list-style-type: none"> FFB Yield per Mature Hectare MT CPO Yield per Mature Hectare MT CPO Extraction Rate (%) Investment in PPE

STRATEGY AND RESOURCE ALLOCATION

Strategic Drivers	Goals	Strategy	Key Performance Indicators (KPI)
An Empowered Team	Motivated and satisfied workforce	Fair remuneration <ul style="list-style-type: none"> • Remunerate the employees based on their performance Management of performance <ul style="list-style-type: none"> • Give due recognition to our workforce Workforce development Improving livelihoods Health, safety, and wellness Equality <ul style="list-style-type: none"> • Be an equal opportunity provider for all employees. • Strive to achieve gender equality and encourage female representation. 	<ul style="list-style-type: none"> • Retention ratio • Training hours • Employee productivity • Employee injuries
Responsible Production	Responsible consumption and production	Improve product quality Improve resource efficiency Reduce waste Reduce carbon footprint Reduce water wastage and usage Fortunes shared Excellent work	<ul style="list-style-type: none"> • Water intensity • Energy intensity • Renewable energy % • Carbon footprint • Recycled bio waste
Social License	Be recognized as a responsible corporate citizen	Follow best farming practices External accreditation Raise awareness of excellent agriculture practices Integration of villages and estates	<ul style="list-style-type: none"> • Zero work stoppages • Zero hindrances • Certifications by RSPO/ISO • CSR spend

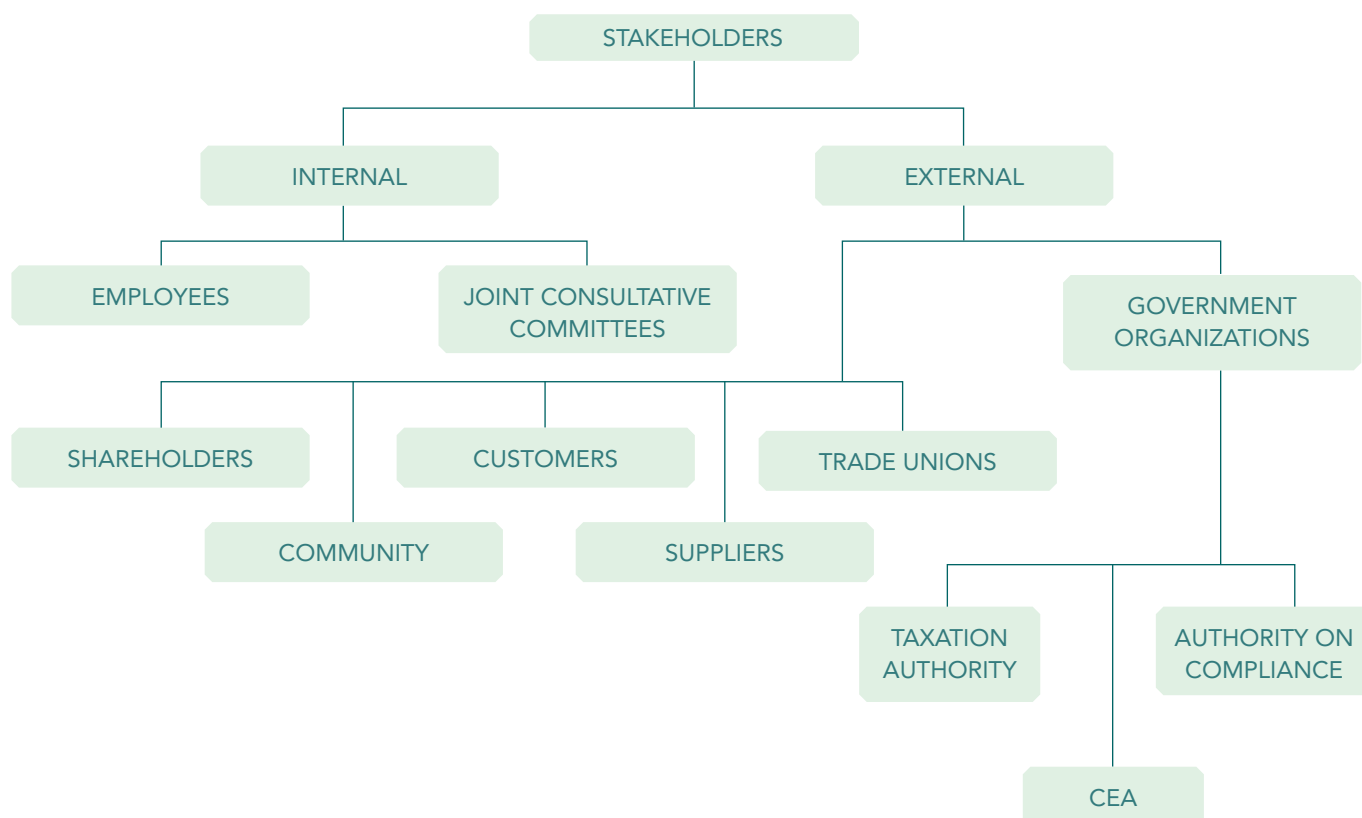
Strategic Outcome

The expected outcome of our strategy is to achieve the triple bottom line. We aim to achieve growth in our financial performance, whilst being a socially and environmentally responsible organization.

STAKEHOLDER REVIEW

Watawala Plantations PLC enjoys a cordial relationship with our multiple stakeholders. We believe that engaging with our stakeholders is a shared responsibility across all teams, thereby ensuring that stakeholder feedback is well addressed, and stakeholder value creation meets its purpose.

STAKEHOLDER CHART



	STAKEHOLDER	DESCRIPTION	TYPE OF ENGAGEMENT
External Stakeholders	SUPPLIERS	2 small scale plantations work as our suppliers 242 other suppliers such as material suppliers, service providers etc.	<ul style="list-style-type: none"> Open communication <ul style="list-style-type: none"> - policies and certifications - quality of the products Training <ul style="list-style-type: none"> - Personal safety protocols
	CUSTOMERS	We have 11 customers for palm oil business and 125 customers for dairy business including milk project.	<ul style="list-style-type: none"> Customer satisfaction level analysis Customer feedback/complaints/testimonials Awareness sessions <ul style="list-style-type: none"> - leaflets, brochures, banners, collaborative programs, social media awareness, newspaper publicity Product transparency <ul style="list-style-type: none"> - Offer right product details to the customer: product composition, net weight, gross weight, serial number of the package, company name

STAKEHOLDER REVIEW

	STAKEHOLDER	DESCRIPTION	TYPE OF ENGAGEMENT
External Stakeholders	SHAREHOLDERS	They are the backbone of the business by investing not only money but ideas and strategic guidance	<ul style="list-style-type: none"> • Regular communication - Annual meetings - Annual and quarterly reports - Press releases - Other reports • ROI - Dividend per share
	COMMUNITY	We maintain close contact with the community through multiple activities	<ul style="list-style-type: none"> • Donations - MOH, hospitals, villagers • Education development scholarships, child development centre • Infrastructure development • Child development activities • Wild life conservation • Environment conservation • Other CSR activities
	GOVERNMENT ORGANIZATIONS	We work with different government bodies to enhance different aspects of our business, planet, and people (CEA, PHDT, Universities, DAPH, MOH, RDHL, police stations, and many more organizations)	<ul style="list-style-type: none"> • Ensure zero impact of our process with collaborative engagement with the Central Environment Authority (CEA) • Providing sanitation and potable water for workers with the support of Plantation Human Development Trust (PHDT) • Collaboratively conduct research with the University of Peradeniya and University of Ruhuna into different industries to identify new opportunities to expand • We ensure that we follow standards set by the Department of Animal Production and Health (DAPH)
	TRADE UNIONS	03 unions operate with us	<ul style="list-style-type: none"> • Maintain a positive relationship with the Company and employees through Trade Unions

	STAKEHOLDER	DESCRIPTION	TYPE OF ENGAGEMENT
Internal stakeholders	EMPLOYEES	We work with 1,461 employees. Refer Human Capital report on page 52	<ul style="list-style-type: none"> • Compensation <ul style="list-style-type: none"> - Performance-based bonus and incentive system - The best worker of the month, in every division • Training & Development <ul style="list-style-type: none"> - improve employees' technical and soft skills - webinars on health and safety - CEO's knowledge transfer training • Health & Safety workplace <ul style="list-style-type: none"> - Health check-ups - Medical surveys • Celebrations <ul style="list-style-type: none"> - Employee engagement through mutually agreeable celebrations
	JOINT CONSULTATIVE COMMITTEE	We work with internally established JCCs which represent employee interest and maintain a healthy dialogue on operational as well as welfare matters with the management in a cordial relationship that is mutually beneficial	<ul style="list-style-type: none"> • Ensure that employees have a share of voice that allows for free airing of opinions and issues • Minimizes the advent of trade union action allowing for resolution of potential concerns at a primary level • Enable the sharing of best practices from across the employee base to enrich the operational capability of the organization



STRATEGIC
REVIEWS



COMMITMENT
TO THE
LONG-TERM



STRATEGIC REVIEWS

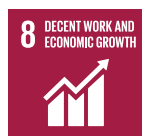
FINANCIAL CAPITAL



Group profit before tax grew 90% YoY to Rs. 3,332 Mn, with 97% of the profit before tax generated from the palm oil business.

The financial capital of Watawala Plantations PLC mainly comprises equity, with a small debt component. The highly profitable palm oil business enhanced the Company's financial capital, allowing dividend payments and reinvestments in business growth

Highlights for the section



REVENUE
GENERATED

Rs.6,475 Mn

PROFIT AFTER
TAX

Rs.3,458 Mn



Most profitable
company in the
plantation industry

Financial Highlights

	Group	Company
Revenue	Rs. 6,475 Mn	Rs. 5,782 Mn
GP Margin	55 %	61%
PAT	Rs. 3,458 Mn	Rs. 3,430 Mn
Total Assets	Rs. 8,892 Mn	Rs. 8,489 Mn
Debt/Equity Ratio (Times)	0.09	0.04

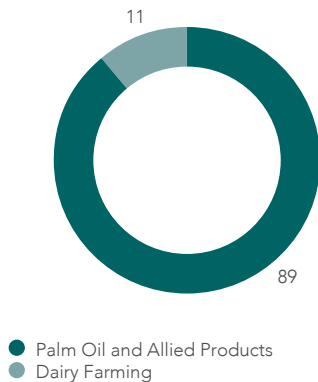
Key Changes

		Group		Company	
		2020/21	2021/22	2020/21	2021/22
Revenue	Rs. Mn	3,934	6,475	3,285	5,782
GP margin	%	49	55	57	61
Operating profit	Rs. Mn	1,818	3,347	1,729	3,286
PBT	Rs. Mn	1,752	3,332	1,699	3,297
PAT	Rs. Mn	1,663	3,458	1,657	3,430
EPS	Rs	8.18	17.01	8.15	16.87
ROE	%	33	49	30	48
Total assets	Rs. Mn	7,097	8,892	6,879	8,489
Debt/Equity ratio	Times	0.17	0.09	0.07	0.04
Current ratio	Times	1.76	3.43	2.96	4.00
Quick assets ratio	Times	1.58	3.10	2.80	3.68
Market price/Share	Rs.	57.1	93.3	57.1	93.30
Price Earnings Ratio	Times	6.98	5.49	7.01	5.53
Dividend per share	Rs.	6.00	9.00	6.00	9.00

FINANCIAL PERFORMANCE

Revenue

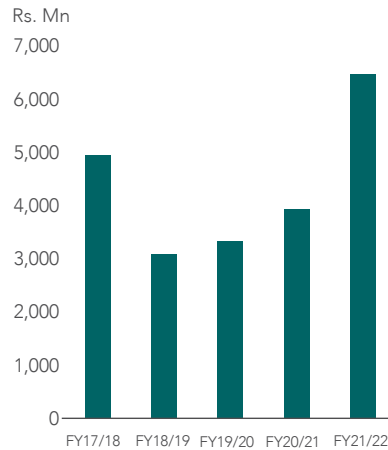
Revenue
%



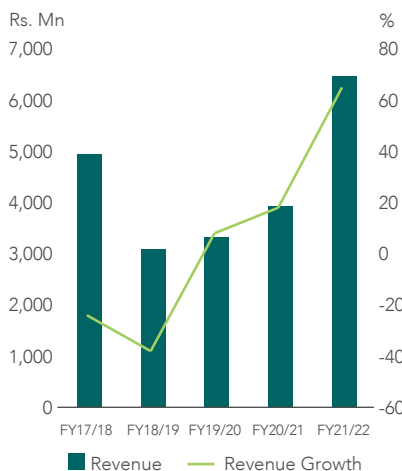
Watawala Plantations PLC achieved an impressive top line in the financial year ending 2021/22 despite the volatile environment. Group revenue grew 65% YoY, driven by a 76% YoY growth in palm oil and allied product revenue. Revenue growth in the palm oil business was due to both volume and price increase. Revenue growth from the dairy sector was 7% YoY, driven by a higher farmgate price.

The volume of palm oil produced during the year was 13,763 MT compared to 10,925 MT in the last year, a 26% growth YoY. The resilience of the management and operations is evident by the growth in production volume in the backdrop of lockdowns and many COVID-19 related challenges. The dairy business on the other hand witnessed a drop in milk production which resulted in a milk dispatch volume of 5.1 Mn litres compared to 5.5 Mn litres in the last year.

Revenue



Revenue Growth



GROSS PROFITS

GP Margins

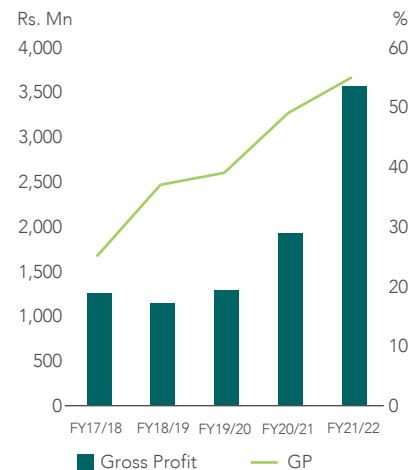
Gross profit margin at group level was 55% in the year compared to 49% in the last year. Growth in group margin was due to the growth in palm oil sector margin, which offset a negative margin in the dairy business. Gross profit margin in the palm oil sector was 61% compared to 57% in the last year. Higher NSA, effective management of cost of sales, and a higher proportion of fixed costs in the cost structure contributed to the palm oil sector margin growth.

In the dairy sector, the margin contracted to -4% from 7% in the last year despite a higher NSA due to the rise in cost of feed and drop in availability. With lockdowns and lack of synthetic fertilizer, the volume of cattle feed received by the farm dropped significantly, which resulted in a drop in yield due to use of alternative feed. Furthermore, cost of feed escalated during the year increasing cost of sales and resulting in a negative gross profit margin.

Gross Profit

In the financial year 2021/22, the Group's gross profit grew 85% YoY due to the 88% YoY growth in gross profit in the palm oil business. The loss at gross profit level in the dairy business, marginally depressed the group gross profit growth.

Gross Profit



Operating Profits

Group earnings before interest and taxes (EBIT) increased to Rs. 3,347 Mn from Rs. 1,818 Mn in the last year. Of the Group's EBIT, 96% was generated from the palm oil business with EBIT of Rs. 3,227 Mn. which was driven by revenue growth. Group EBIT grew 84% YoY due to the 97% YoY growth in palm oil sector EBIT, offset by a 41% YoY

STRATEGIC REVIEWS

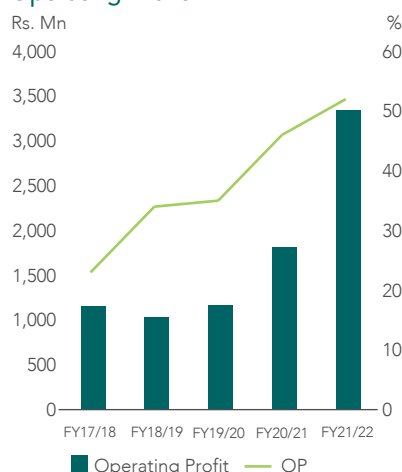
FINANCIAL CAPITAL

drop in dairy sector EBIT. A summary of other income and administration expenditure is given below.

- Other income dropped 34% to Rs. 86 Mn.
- Administration expenditure grew by 27% to Rs. 318 Mn.

Dairy sector other operating income grew 43% YoY which converted the loss at gross profit level to a profit at EBIT level.

Operating Profit



Pre-tax and post-tax Profit

Profit before tax:

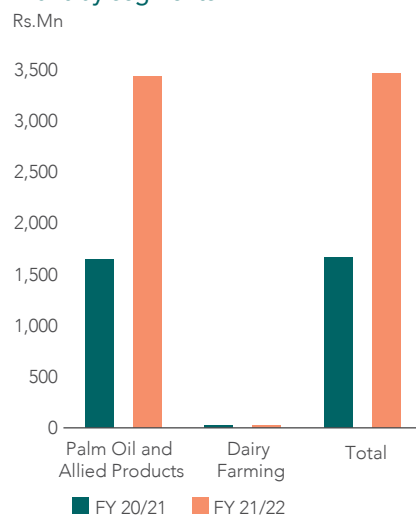
In the financial year 2021/22, group profit before tax grew 90% YoY to Rs. 3,332 Mn, with 97% of the profit before tax generated from the palm oil business. The dairy business contributed to 1% of the group profit before tax. Profit before tax margin was 51% compared to 45% in the previous year.

Profit after tax (Net Profit)

The group profit after tax was Rs. 3,458 Mn, with a YoY growth of 108% compared to the last year. The palm oil segment's net profit escalated 114% YoY to Rs. 3,391 Mn. The dairy farming segment reported a profit after tax of Rs. 28 Mn compared to profit of Rs. 20 Mn last year. The net profit margin was 53% compared to 42% in the last year,

which was mainly due to top line growth and a tax reversal in the palm oil sector.

Profit by segments

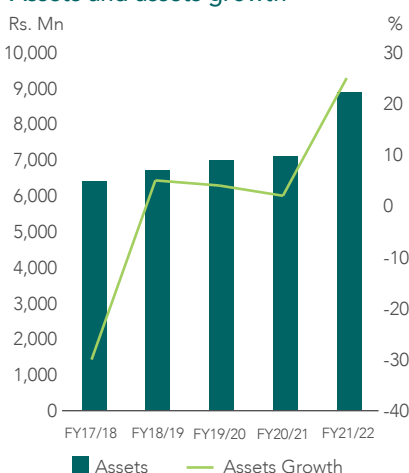


Financial Position

Assets

Field development expenses on bearer plants, investments in property, plant and equipment, and an increase in livestock, drove total assets up 25% YoY to Rs. 8,892 Mn. Asset turnover rose from 1.80 to 1.37 times, indicating higher asset use efficiency. Non-current assets, forming 71% of group assets marginally increased to Rs. 6,355 Mn. The net book value of property, plant and equipment amounted to Rs. 2,342 Mn.

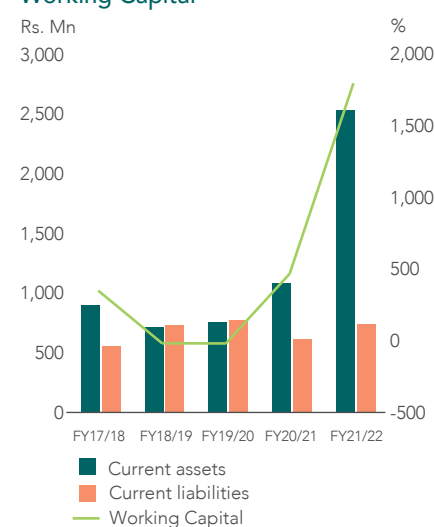
Assets and assets growth



Working Capital

Watawala Plantation PLC's current assets and current liabilities at the end of the year under review were at Rs. 2,537 Mn and Rs. 739 Mn respectively leaving a net working capital balance of Rs. 1,797 Mn. In comparison to the last year, this is a 284% increase in working capital.

Working Capital



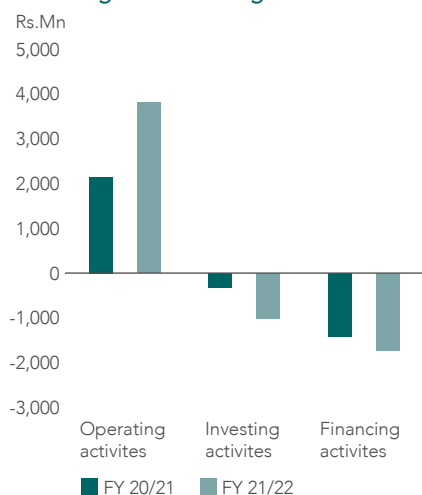
Cash Flow

Cash and cash equivalents of Watawala Plantation at 31 March 2022 amounted to Rs. 1,427 Mn. The cash and cash equivalent balance at year end had a sharp rise of 250% against the balance of Rs. 408 Mn at the beginning of the period.

Cash generated from operating activities was Rs. 3,810 Mn during the year under review as against Rs. 2,153 Mn in add FY 2020/21 due to higher profits which translated into cash inflows.

The Company's total cash outflow for investing activities was Rs. 1,026 Mn in 2021/2022 FY with investments in property, plant, and equipment, and increase in herd headcount accounting for 63% of the cash outflow. The Company duly settled all loan repayments and settled all lease liabilities. Accordingly, the net cash and cash equivalents inflow for the year amounted to Rs. 1,045 Mn as against Rs. 408 Mn reported last year.

Cash flows from operating, investing and financing activities

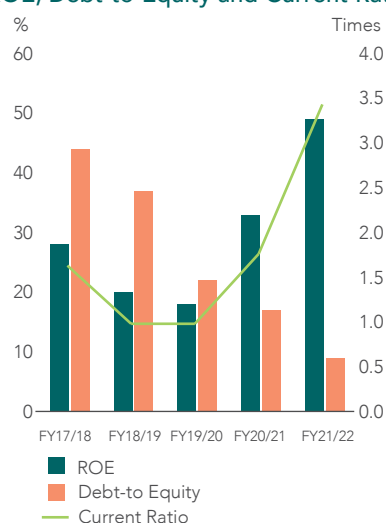


Liquidity and Capital Structure

With a current ratio of 3.43, a quick asset ratio of 3.10, and a debt-to-equity ratio of 0.09, the balance sheet suggests a healthy financial position. Due to the repayment of long-term borrowings and an increase in retained earnings resulting from the strong performance in the 2021/22 FY, the debt-to-equity ratio decreased.

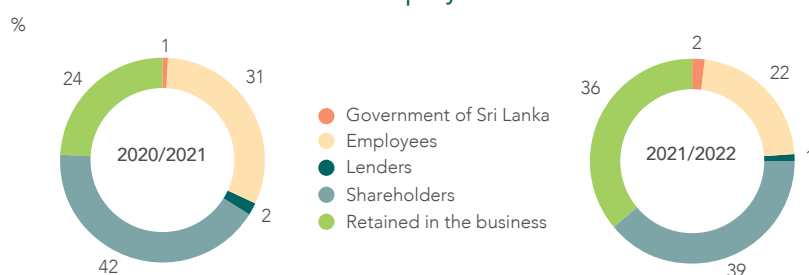
Financial Ratios

ROE, Debt-to-Equity and Current Ratio

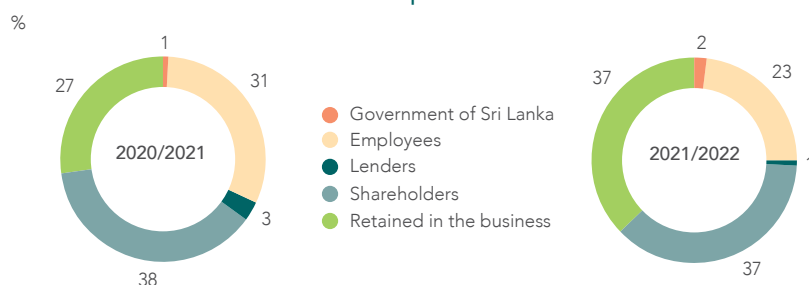


For the year ended 31 March 2022	Group				Company			
	2020/21		2021/22		2020/21		2021/22	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Revenue	3,934		6,475		3,285		5,782	
Other Income	131		86		80		39	
Finance Income	16		55		32		55	
Gain arising on changes in Actuarial assumptions	12		15		10		20	
Administration and Establishment Expenses	(902)		(1,726)		(508)		(1,220)	
Value Addition	3,191		4,905		2,899		4,676	
Distribution of Value Added								
To employees (Remuneration and Benefits)	997	31	1,112	23	890	31	1,041	22
To the Government (Taxes)	42	1	76	2	42	1	78	2
To Share Holders (Dividends)	1,220	38	1,830	37	1,220	42	1,830	39
To the providers of debt capital (Interest)	82	3	70	1	62	2	44	1
Retained within the business (Depreciation and retained profit)	850	27	1,817	37	685	24	1,683	36
	3,191	100	4,905	100	2,899	100	4,676	100

Distribution of Value Addition - Company



Distribution of Value Addition - Group



STRATEGIC REVIEWS

HUMAN CAPITAL



Provided employment opportunities to communities from estates that have helped uplift the social and economic standing of estate families and their community at large.

Watawala Plantations PLC is committed to nurture and care for a team of 1461 employees across all our agri based operations, out of which approximately 90 % of plantation based workers are from the local community. As a labour intensive industry, we have ensured that we empower and uplift the lives of both our employees and plantation workers and offer development prospects for their betterment.

In line with the United Nations Sustainable Development Goals, Watawala Plantations PLC has reiterated our commitment to socio economic growth, whilst ensuring our human capital relations are in conformity with international certifications and benchmarks.

The Company's human capital includes the Watawala Plantations PLC leadership team, executive team members, plantation workers, outsourced plantation staff and external suppliers.



- New job opportunities - 58
- Scholarships for achievers on estates - 45
- Fair wage policy for plantation workers



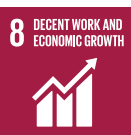
- Special Policy for Health & Safety
- Allocation for employee health improvement
- Setting up of health clinic facilities for plantation workers



- Employee Trainings - 2222 hrs
- Skill Development Workshops - 1170 hrs



- Employee Gender Balance 2:1
- Special Policy for Reproductive Rights and Sexual Rights



- Employee retention rate - 96.5 %
- Annual performance based recognition and promotions
- Special Policy for Code of Conduct



- Maintain Equal and Fair Policy HR and Recruitment policies across employment grades

Workforce Profile

	Gender Wise		Age Wise			Category Wise			Total
	Male	Female	<30	30<x<50	>50	Executives	Staff	Associates	
Employees	941	520	103	924	434	51	137	1,273	1,461
New Recruits	31	6	19	16	2	13	1	23	37
Attrition	34	24	7	13	38	6	4	48	58

		2020/21	2021/22
Employees	Nos	1462	1461
Resident employees	%	572	575
Employee productivity	Rs. Profit/Employee	1,133,702	2,347,558
Total staff cost	Rs. Mn	890	1,041
Investment in training	Rs. Mn	0.94	3.0
Training coverage	%	100%	93%
Average hours of training/employee	Hrs	7.8	40.4
Employee retention	%	89.8%	96.5%
Injuries and diseases	Nos	6	7
Investment in communities	Rs. Mn	1.9	2.8
Employees who are members of Trade unions	%	90%	9%



CREATING AN ENABLING WORKFORCE AND WORK ENVIRONMENT

Strong Governance and Policies

We are dedicated to providing inclusive and productive employment in an atmosphere that promotes dignity, mutual respect, welfare, and safety, guided by a strong governance and policy structure. A detailed policy framework specifies the Company's approach to managing Human Capital, and a Code of Ethics, which is conveyed to employees in all three languages, explains their rights and responsibilities. The estate managers head a team of 12 people that are responsible for employee welfare. The policies are based on regulatory requirements and best practices from around the world in relation to the plantation industry.

Human Capital and Social Policies

- Employment policy
 - No child labour
 - No forced labour
 - No harassment
 - No discrimination
- Human Resource and Social Policy
 - Dignity and respect
 - Training and empowerment
 - Equal opportunity
 - Freedom of association
 - Grievance handling
 - Local communities
- Wage Policy
- Health and Safety policy

Equal Recruitment Opportunities

As an equal employment provider, we ensure that our recruitment processes are transparent and fair. Any type of discrimination based on gender, race and religion are prohibited within our organisation which values the multicultural culture across our plantations and work places. We have set in place an objective criteria for recruitment which is applied in a consistent manner.

Watawala Plantations PLC has provided employment opportunities to communities from estates that have helped uplift the social and economic standing of estate families and their community at large.

The Company also follows a gender policy that prevents any discrimination on the basis of gender.

Fair Remuneration

We are committed to providing fair remuneration to all employees equivalent to their contribution. Wages of members of trade unions are determined by the Collective Agreements in place while remuneration of other employees is in keeping with industry rates and governed by the Shop and Office Act. A monthly cash incentive scheme recognizes employee contributions towards productivity while innovation is recognized separately by an independently assessed Employee Recognition Scheme (ERS). Outstanding contributions are escalated to a quarterly and annual rewards scheme thereafter.

STRATEGIC REVIEWS

HUMAN CAPITAL

Benefit Schemes

Employee Group	Benefits
Executives – Head Office	Insurance Medical Facility Mobile Allowance
Staff - Head Office	Insurance Medical Facility
Executives - Estates	Billet Allowance Medical Facility Mobile Allowance Fuel/Travelling/Vehicle Accommodation Water, Electricity, Gas
Staff - Estates	Medical Facility Tea Allowance Accommodation Water, Electricity
Associates	Housing Water Tea Allowance Free drugs Medical facility Free Clinic Child Care facilities for Children below 5 years Wheat Flour Death Donation Assistance to temples and religious festivals Health Education

Health and Safety

Watawala Plantations PLC is dedicated to provide a safe and clean workplace for all employees, with a high level of awareness and strict adherence to basic safety measures. A rigorous health and safety policy guides the company which has been enhanced since the COVID-19 pandemic to meet state COVID health and safety regulations.

In 2021/22 FY, a major focus was on improving health and safety of our workers and their families in the plantations and the mill during the height of the pandemic and subsequent lockdowns. Increased training on the use of Personal Protective Equipment (PPE), safe work practices, handling equipment, and first aid; drafting comprehensive Standard Operating Procedures (SOP) in accordance with RSPO requirements and thus enhancing worker awareness through training programs. The team worked tirelessly to ensure vaccination for the entire work force was achieved and a humanitarian program of providing those affected by the pandemic was put in place to alleviate the burden on these daily paid workers. Furthermore, no worker, be it Associate or staff category was denied their wage during the time in quarantine and a special leave category was created to ensure that this did not impact upon their leave balances.

Whilst we continue to emphasize workplace safety and increase awareness, the rate of injuries in the year under review increased. Acknowledging this increase, the management has drawn up plans to further increase awareness and safety measures within the plantations.

Year	Rate of Injury	Occupational Diseases	Lost Days	Work related Fatalities
2019/20	4.84%	-	82	-
2020/21	3.21%	-	20	-
2021/22	7.25%	-	103	1

Training and Development

We continuously invest in our staff career growth by providing essential competencies and skills required to improve their professionalism, efficiency, productivity and expertise. This has been a key contributor of Watawala Plantations PLC's innovation and productivity.

Type of Training	Hrs of Training
IT	404
Management	648
Soft Skills	1,170

Major Training Programmes Conducted in FY 2021/22:

- Management Development Training
- Professional Business Writing
- Professional Business Communication

Type of Training	2020/21	2021/22
Training Coverage (%)	100%	93%
Average hours of training/employee (Hrs)	7.8	40.5



- Provisions were also provided to employees who had to undergo quarantine at home, while employees also benefitted from health insurance to obtain medical attention at intermediary care centers and at select hospitals.

Outlook

- Enhance labour productivity by motivating the workforce.

The Company intends to introduce additional benefits broadening the existing beneficial schemes of all groups of employees with the objective of providing them a motivating them. This will be an encouragement which eventually contributes to uplifting the efficiency of the workforce.

- Further the contribution towards economic and social development initiatives of the estate community.

Watawala Plantations PLC will continue to extend the support given to the community, especially the estate community in need.



Rewards and Recognition

Through the performance management system, divisional KPIs are combined with individual KPIs to align with Company goals with those of our workers. All employees receive annual performance evaluations, which are conducted in a formal and transparent manner. Employees that perform well are rewarded and recognized through increments and promotions.

Challenges

- The COVID-19 pandemic posed challenges on the human capital area as plantation worker safety and implementing state imposed health guidelines were a challenge in the day to day plantation operation.

Overcoming Challenges

- Several support schemes were introduced to assist COVID-19 infected plantation workers and other employees during the lockdown.

STRATEGIC REVIEWS

MANUFACTURED CAPITAL



An investment of Rs. 178 Mn. was made during the financial year for the development of manufactured capital, to increase capacity as a strategy going forward.

2

ZERO HUNGER



- 12,597 MT of CPO produced
- 1,166 MT of KPO produced
- 5.1 Mn litres of milk produced
- Increased production of pasteurized milk and ghee
- Explored new dairy products - cheese

9

INDUSTRY, INNOVATION AND INFRASTRUCTURE



- Resource capacity expansion by 50 %
- Property, plant and equipment for production value Rs. 355 Mn
 - Investment for infrastructure development (CAPEX) by 10 % from PAT
 - Developments in existing facilities by 1 % from PAT (building renovations)
 - Investment for machinery installation by 5 %

12

RESPONSIBLE CONSUMPTION AND PRODUCTION



Mass scale milk production accounting nearly 1.5% of national production

Watawala Plantations PLC continuously invests in physical assets and logistics facilities to enhance production capacity and to ensure safe and reliable operations. Upgrading the company's technology, infrastructure and equipment is of paramount importance to deliver quality products to customers.



Manufactured Assets Profile

Watawala Plantations PLC primary manufactured assets can be categorized as follows:

• Biological Assets

Our biological assets relate to the various types of crops that the company cultivates and are the company's most valuable asset class, delivering both present and future revenue streams. In addition to our primary plantation oil palm, we have expanded to include cinnamon, coconut, tea, and rubber. Apart from plantations, we occupy a herd of dairy cattle.

Asset Type		Extent (Ha)	Net Carrying value Rs. '000
Crops	Oil Palm	3,210	2,274,775
	Cinnamon	45.79	135,835
	Tea	65.46	111,490
	Rubber	131	64,727
	Coconut	10.25	6,856
	Others	-	36,863
Dairy Cattle		1,811 Nos.	943,200

- **Inventory:** Palm oil, kernel oil, dairy, cinnamon are the stocks of our manufactured assets which boost the income of our Company.
- **Buildings:** Office buildings, factory buildings, mill, warehouses, estate bungalows, cow houses, and other structures in our estates such as worker rest spaces, worker cottages, and modern housing projects, as well as roads within our jurisdiction are included in this category.
- **Plant and Machinery:** Machinery used for the manufacturing of palm oil, cinnamon, compost and in the in the dairy farm, equipment such as, boiler, turbine, kernel plant, press, separation machineries, storage tanks and equipment, and treatment plants amongst others.
- **Agri-equipment and other equipment:** As a Company, we make sure that all our factories have the necessary machinery to ensure that our production meets the highest quality standards. In the fields, agro equipment is upgraded or new equipment is purchased. Similarly, the dairy farm also has a fully computerized, state of the art DAIRYMASTER milking parlour system.

Asset Type (NBV)	2020/21 Rs. '000	2021/22 Rs. '000	Change %
Biological Assets	2,619,454	2,631,545	0
Inventory	71,301	193,065	171
Building	269,962	292,750	8
Plant and Machinery	213,416	411,260	93
Other equipment	13,914	13,011	(6)
Furniture & Fittings	10,902	11,136	2
Other	193,180	214,552	11

Palm oil is our main crop, while we also process cinnamon oil and quill as an additional source of income. Currently, tea and rubber manufacturing are on hold although the Company possess plantations.

Palm oil

Machinery (Rs '000)	411,260
CPO Production Capacity	20,000 MT per annum
Factory Utilization	65%
CPO Produced	12,597 MT
CAPEX (capital expenditure)	543,802

Our palm oil mill is in Nakiyadeniya, Galle on a 1.62 Ha. land for which the Roundtable on Sustainable Palm Oil (RSPO) certification, ISO 45001 & ISO 50001 were received. We produce crude palm oil and palm kernel oil at the palm oil mill. Oil palm fresh fruit bunches are our primary source of raw material. Rather than growing oil palm, we are concentrating on improving quality and efficiency with innovative technology.



Vertical Sterilisers at Nakiyadeniya Palm Oil Mill



Technologically Advanced milking parlour at Watawala Dairy Farm

STRATEGIC REVIEWS

MANUFACTURED CAPITAL



Dairy business		2020/21	2021/22	Change %
Cost				
Buildings	Rs.'000	1,145,781	1,154,328	1
Plant & Machinery	Rs.'000	277,015	279,515	1
Computer-Hardware	Rs.'000	1,417	1,455	3
Equipment	Rs.'000	67,933	74,812	10
Furniture & Fittings	Rs.'000	11,966	12,206	2
Roads	Rs.'000	110,420	110,420	-
Motor Vehicles	Rs.'000	48,929	48,929	-
Water Supply Scheme	Rs.'000	458	458	-
Water Reservoir & Plumbing work	Rs.'000	44,784	44,784	-
Security Fencing	Rs.'000	7,336	7,336	-
Capital WIP	Rs.'000	2,846	54,960	100
Capacity utilization	%	68.10%	62.5%	(8.2)
Dairy Production	Litres	5.6 Mn. Litres	5.1 Mn Liters	100
Capacity utilization	%	68.10%	62.5%	(9)
Other dairy based	Bottles – 500 ML.	19,418	35,288	82
Production – Fresh Milk	Bottles – 01 Ltr.	-	19,589	100

Initiatives for Capital Improvement

An investment of Rs. 178 Mn. was made during the financial year for the development of manufactured capital, to increase capacity as a strategy going forward.

The investments done in 2021/22 FY 2021/22 can be classified as follows:

• Infrastructure Development

- In the dairy farm, new cattle sheds were constructed.
- New establishments were done to facilitate the compost projects at Nakiyadeniya and Ginigathhena.
- Manufacturing facilities were developed for the pasteurization of milk at Eldeniya.
- Investments were made in farming equipment such as machine harvesting in tea plantations.
- In the Nakiyadeniya palm oil mill, a new nut plant, vertical sterilization tank and a press were installed to increase the manufacturing capacity.
- The effluent treatment plant was improved continuously throughout the year.
- New vehicles including three tractors were purchased to facilitate the transportation of cinnamon produced.
- Modern computerized ERP technology was installed to obtain better operations insights in both agriculture and manufacturing.

• Machinery Installation

- A capital budget was set aside for the development of the nut plant. Existing machinery was replaced with technologically advanced machinery such as nut plant, sterilization and pressing in the Nakiyadeniya palm oil mill. Further development was made in the treatment plants.
- New machinery was also installed at the compost facility at Nakiyadeniya.

• Capacity Development

- The capacity in the palm oil mill was increased by over 40%.
- Invested in the importation of pregnant heifers from Australia to increase the production of milk and improve herd genetics.

Ongoing Projects

Project Name	Investments	Objectives
Effluent Plant Development Project	Rs. 21.5 Mn	- Improving the treatment process efficiency to meet the discharge standards
Nut Plant Development Project	Rs. 91 Mn	- 40 percent increase in milling capacity - Compulsory replacement of worn-out equipment, such as depericarpers, nut polishing drums, transfer systems, and silos. - Increased efficiency in kernel recovery
3rd Vertical sterilizer and P-15 Screw press	Rs. 68 Mn	- meet the 40 percent increase in milling capacity from nut plant development - improve the turbine generation

Overcoming Challenges

With the COVID-19 pandemic, many plans which were postponed in 2020 were implemented during the year.

Furthermore, the unanticipated state imposed policy measure limited our ability to expand the business as expected. Import restrictions held up expansion plans in both agriculture and dairy. Inability to import fertilizer impacted the crop/yield of tea, cinnamon and palm oil while restrictions on import of milk cows and cow food supplements slowed our dairy business expansion.

Expansion in the mills were delayed due to rise in cost of construction material due to rising inflation and surge in exchange rate.



Outlook

- Investment in efficiency and productivity improvement rather than capacity improvement

With 50% expansion of mill capacity, we don't have plans to expand the capacity of the palm oil mill further. We took this measure even in a situation where there is a ban on palm oil. Now we are processing nearly 55,000 MT of FFB and we have the potential to handle up to 77,000 MT. Hence, deviating our concern from capacity expansion we are looking for efficiency improvement. With the investment to increase capacity, we were able to increase our efficiency and productivity of daily FFB processing from 240 MT/day to 360 MT/day.

- Establishment of an effluent plant for zero liquid discharge

We have planned to install a zero liquid discharge system to the effluent treatment facility at the mill premises. With this installation, zero waste discharge to the environment will be promoted.

- Installation of roof top solar power generation system

Installation of a 200-kW roof top solar PV system on the Nakiyadeniya palm oil mill roof is planned, which will reduce dependence on grid power and diesel consumption for power generation during the current crisis.

INTELLECTUAL CAPITAL



The Company’s dairy products, cinnamon and other sub product categories have benefitted from the Watawala brand association which has helped them achieve market acceptance and market share



- Bio liquid fertilizer
- Organic fertilizer production (Compost)
- Pasteurized low fat milk
- Ghee
- Bio-char production
- Research with the Universities on water usage – using SAP flow meters
- Research with the Universities: production of bio-fertilizer from Palm Mill Effluent



- Ethical cultivation of palm oil
- South Asia’s only RSPO certified palm oil manufacturer
- Good manufacturing practices improve the resource efficiency
- Sustainable Energy Consumption through EnMS implementation certified under ISO 50001
- Enhancement of the unit production efficiency by capacity increase investments
- Efficient use of renewable energy and possible recycling of waste outputs

Intellectual capital is the foundation for the organization's long-term development and technological advancement. Our intellectual capital includes our brand, brand reputation along with our team expertise, knowledge base and strategic partnerships. In addition, numerous recognitions and targeted certifications that add value to our business are a key contributor towards the quantum of our intellectual capital.

Brand Equity

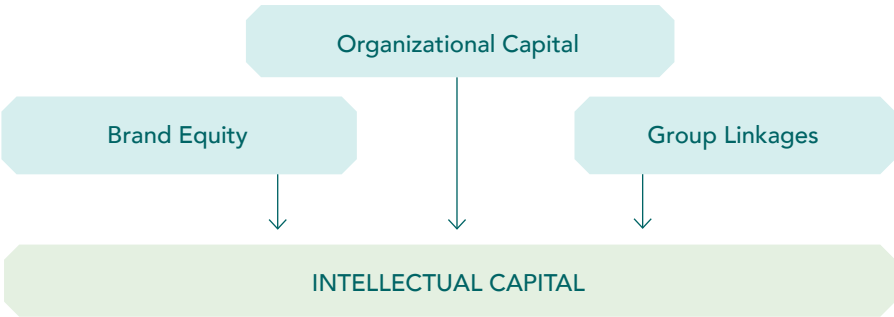
The Watawala brand is the Company’s strongest intellectual capital. It encompasses the brand trust, brand values and brand recognition built over years with the consumers and partners as a reliable and credible provider of agri-based produce.

Supported by continuous technical improvements in product quality, sustainable agriculture, and socio-economic development that focus on uplifting the local population, we have become the leading oil palm cultivator in the plantation business.

The Company’s dairy products, cinnamon and other sub product categories have benefitted from the Watawala brand association which has helped them achieve market acceptance and market share.

Group Linkages

Since 1992, we have been part of the Sunshine Holdings Group. With our robust corporate governance framework, home-grown management team and in-house expertise developed over a couple of decades, we have implemented best management practices, public consultation forums in a regional capacity both in Ginigathena and Udugama where our operations take place, and stakeholder consultation initiatives on a regular basis.



The Group's strength has always been a foundation and bedrock for Watawala Plantations PLC from a point of knowledge sharing when it comes to best practices as well as common policies and procedures. The added ability to call upon the wide and varied skill set of group resources across all shared services and leverage the combined business acumen available in the other business lines has enriched Watawala Plantations PLC overall with multiple partnership opportunities with both internal and external stakeholders.

Organizational capital

- Business process and system

We are proud of the efficient and effective business processes and systems we have introduced to Watawala Plantations PLC over the years. They have contributed to increasing our business productivity whilst ensuring that the operations function smoothly. The implementation of these processes is built against a backdrop of a stringent, focused and rational training curriculum which has helped upskill and reskill our existing talent pool to engineer change and provide the organization with a fresh outlook that is built upon the legacy of a 150-year-old industry, but forward thinking and innovative.

We have received multiple certifications for our operations in terms of productivity, cost efficiency, environmental, social, and product responsibility, international standardization, and long-term integration of these practices into our value creation process.

Certifications and Standards

- ISO 50001 Energy Management Certification
- ISO 45001 Occupational Health and Safety Certification

We are a regular recipient of the Social Dialogue Awards organized by the Ministry of Labour.

In addition, we have obtained the RSPO (Roundtable on Sustainable Palm Oil) certification for our value chain and the entire extent of Oil Palm.

RSPO CERTIFICATION: Global Standard for Sustainable Palm Oil

Watawala Plantations PLC (WATA) is the first South Asian company to receive RSPO Principles and Criteria (P&C) certification for its palm oil mill and concessions in the Galle District. The RSPO certification demonstrates our goal of establishing a fully sustainable and transparent palm oil supply chain in Sri Lanka.

Prior to receiving the P&C certification, the Company committed to sustainable, deforestation-free, and socially responsible palm oil and followed Good Agricultural Practices (GAPs). Our procedures for responsible palm oil production continued since purchasing the first plantation in 1992.

Commercially viable, environmentally appropriate, and socially beneficial management and operations are all part of sustainable palm oil production. The RSPO Principles and Criteria for Sustainable Palm Oil Production (including indicators and guidance, amended November 2013), the global rules for producing palm oil responsibly, are at the heart of RSPO certification.

Certification's Advantages

Growers who are RSPO-certified account for 19% of global palm oil production (2014).

RSPO members account for a significant portion of the world's palm oil produced and sold on the worldwide market.

For more transparency and credibility, key social and environmental NGOs lend their eyes to the proceedings.

The value of the status is quite universal because all members are required to accept RSPO certification on each other.

STRATEGIC REVIEWS

INTELLECTUAL CAPITAL

Innovation has been at the heart of Watawala Plantation PLC's success. We are proud of the in-house research and development as well as the culture of innovation which has enabled teams to innovate to overcome operational and functional challenges.

We encourage and value our employees' perspectives and reward their foresight. As a result, we've been able to incorporate a number of new practices within the Company, some of which are described below.

1. FFB crop evacuation ramps
2. FFB transport Conveyor systems
3. Mechanized harvesting and weeding
4. Low-cost in-house rebuilding of wear parts
5. In-house fabrication of process supporting machinery
6. Converting wastage from our process into compost (Watawala Dairy farm and Palm Oil Mill) using appropriate technology and introducing in-house developed micro-organisms
7. Digitalization of field-level data and exiting from the traditional "Kangany chits" and offered access to comprehensive, real-time data

- Leadership

Watawala Plantations PLC's leadership is a valuable source of intellectual capital for the Company. The leadership brings 55 years of combined experience, expertise, network, and professionalism which has helped the Company overcome many difficulties and challenges over time.

Outlook

- Incorporate the Watawala brand into the palm oil sector

We operate ambitiously in making "Watawala" a trustworthy brand in the local as well as international palm oil market.

- Boost the knowledge of employees leveraging on the tacit knowledge of the leadership team

We expect to further enhance the technical capacity of our employees.

NATURAL CAPITAL



*A new species of fish was found in Nakiyadeniya named **Schistura scripta**, also called Nakiyadeniya Ahirawa.*

2

ZERO HUNGER



SDG 02 Zero Hunger

- Maintain sustainable agri policies

6

CLEAN WATER AND SANITATION



SDG 06 Clean Water & Sanitation

- Periodic checks on water quality of drinking and portable water sources
- Conformity with CEA on waste disposal

7

AFFORDABLE AND CLEAN ENERGY



SDG 07 Affordable & Clean Energy

- 30 % of mill energy requirement generated from biomass using FFB waste
- Production of 1,004 MT of compost and 11,800 of MT liquid fertilizer from organic waste generated

13

CLIMATE ACTION



SDG 13 Climate Action

- Flaring trapped methane

14

LIFE BELOW WATER



SDG 14 Life below Water

- Discovery of the new fish species *Schistura scripta*

A new species of fish was found in Nakiyadeniya named *Schistura scripta*, also called Nakiyadeniya Ahirawa. This new point endemic freshwater species was found during a freshwater assessment conducted by Watawala Plantations PLC in 2018.



15

LIFE ON LAND



17

PARTNERSHIPS FOR THE GOALS



SDG 15 Life on Land

- Increased use of organic fertilizer by 3%, by application of compost, manure and liquid slurry produced at the dairy farm
- Watawala Sarupasa compost project
1,004 MT of compost was produced at production facilities based in Udugama and Ginigathhena using waste generated. By incorporating technology, high quality compost was produced.
- High Conservation Value (HCV) assessment

The primary purpose of the HCV assessment is to identify areas with High Conservation Value within the Company's management and provide guidance for its conservation management over the lifetime of Watawala Plantations PLC's management. The effort is set to address three broad areas of agricultural sustainability.

- Biological diversity, upon which sustainable agriculture depends;
- Environmental stability, the physical medium for agriculture; and
- The broad social, cultural and livelihood needs in the project area, and beyond.

The HCV assessment was conducted in 2018 by an accredited third-party expert organization which led to the following findings.

Flora:

IUCN Red List (Global) species: 0

Critically endangered: 8

Endangered: 11

Vulnerable: 25

CITES II: 13

Endemics: 68

STRATEGIC REVIEWS

NATURAL CAPITAL



As in any agriculture business, our core asset is natural capital. Watawala Plantations PLC, as an ethical agri-business, goes beyond its call of duty of responsibility towards the environment and its sustainability. We embrace the responsibility to utilize natural resources sustainably and take numerous measures to ensure the sustainability and protection of our natural capital.

During the fiscal year under review, Watawala Plantations PLC complied with all applicable environmental requirements and certifications. The Company received the coveted RSPO certification on 8th March 2022, becoming the first RSPO certified plantation company in South Asia.

Contributors of our natural capital

		2021	2022
Land	Ha.	4,806.91	4,806.91
Cultivated Land	Ha.	3,547.75	3,592.79
Palm Oil – Immature Plants	Rs.'000	141,400	73,712
Palm Oil – Mature Plants	Rs.'000	487,066	267,323
Age < 6 years	Ha.	633.04	688.62
Age > 6 years	Ha.	1,900.64	2,334.72
Fresh Fruit Bunches Processed	MT	42,770	55,477
Yield/Hectare	FFB/ha	13,843	15,468
Field Development Expenses	Rs.'000	355,875	507,050
Dairy Cows	No.	1,632	1,811
Dairy Herd Development	Rs.'000	20,991	70,318
Cinnamon Land	Ha.	43.94	45.79
Cinnamon Cultivation Development	Rs.'000	22,290	63,175
Tea Land	Ha.	65.46	65.46
Tea Estate Development	Rs.'000	37,587	48,037
Investment In Compost	Rs.'000	7,390	-

Agricultural Policy

Watawala Plantations PLC is dedicated to increasing land productivity through environmentally friendly farming practices. Our Agricultural Policy guides us in balancing stakeholder concerns, preventing environment misuse, and nourishing the land through environmentally friendly methods. Our achievement of the certification of the Roundtable on Sustainable Palm Oil (RSPO) reflects our commitment to ethical practices.

Good Agricultural Practices (GAP)

GAP adopted by Watawala Plantations PLC have been formulated with input from our joint venture partner Wilmar International holding company in Singapore and the Standard Operating Procedures in Malaysia and our own estate management who have specified practices appropriate for our plantations by visiting and reviewing successful plantations in other countries, all in accordance with RSPO standards. Some of them are as follows:

- Close monitoring of harvesting intervals and plucking fresh fruit bunches at optimum ripeness
- Processing harvested fruits within 24 hours to minimize build-up of fatty acids
- Maintaining soil fertility based on soil testing. Engagement in site specific fertilizer regime and timely application of fertilizer
- Minimization and control of soil erosion and degradation of soil
- Control of pests, diseases and weeds using appropriate and approved techniques
- Careful and appropriate use of chemicals without endangering health or the environment
- Obtaining the services of experts/consultants in agricultural practices and soil fertility

- Development of the internal road network to expedite transport of FFB to the factory

Environment Policy

Conserving the environment in which our Company operates and preserving the natural resources for the benefit of our people within the plantations and the surrounding communities is a key concern of Watawala Plantations PLC. Accordingly, we conduct all our agricultural operations, field practices and production processes in an environmentally friendly and responsible manner ensuring the sustainable management of all natural resources and ecosystems avoiding pollution.

• Soil Management

We firmly believe that healthy soil is the foundation for a profitable, productive, and environmentally sound agricultural system. Use of chemicals is critical in maintaining soil health. We are cognizant of the need for responsible consumption of our essential input materials, fertilizer and agro chemicals. Further, the scarcity of inorganic fertilizer, which was a direct result of the Government's ban on the importation of chemical fertilizer, encouraged us to utilize more organic fertilizer. We contribute to soil conservation with the use of organic fertilizer for our cultivation through our compost facility at Nakiyadeniya.

Initiatives

- Only fertilizers and agrochemicals that have been approved by regulators and are certified to meet international quality and safety requirements are purchased.
- Adoption of an Integrated Pest Management approach that includes the introduction of pheromone insects as well as a combination of natural and mechanical pest reduction tactics. Pesticides are not used.

- Use of empty fruit bunches as waste, as an organic mulch around older palm trees, deployment of a fibre carpet as a mulch around immature palm trees, and human weeding for half of the weeding cycles to reduce herbicide use.
- Mill waste such as empty fruit bunches and decanter cake are used as organic fertilizers.
- Mucana is used as a cover crop to reduce soil erosion, control weed development, and improve soil quality.

Watawala Sarupasa Organic Fertilizer Project

Watawala Sarupasa compost produced at the Nakiyadeniya compost facility, contains a variety of effective substances such as cow dung, legumes, and organic waste generated in palm oil milling, which is incorporated

with in-house produced plant growth promoting microbes. It's a multi-purpose organic fertilizer that may be used on a wide range of crops, adding organic matter to improve soil structure and providing macro and micronutrients essential for plant growth.

• Water Management

We recognize the importance of clean, accessible water for the health of communities, wildlife, and aquatic ecosystems, and we monitor our impact on local waterways, both potable and non-potable, on a regular basis to ensure that we are not affecting water availability or quality. The water used in our palm oil mill for processing of fresh fruit bunches and power generation, is from a nearby rainwater harvested water tank. Rainwater is used to irrigate plantations. The total amount of water consumed in 2021/22 was 52,393 M3.



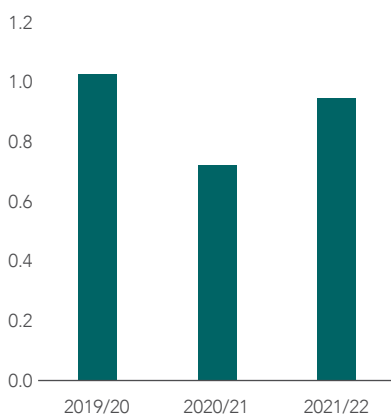
Constructed lake to supply harvested rain water for Milling

STRATEGIC REVIEWS

NATURAL CAPITAL

After being supplemented with nutrients, the mill's treated wastewater is applied to the field as an organic fertilizer. Before being released to the fields, effluent is passed through various anaerobic, aerobic, and advanced treatment processes, which is then stored and passes through field ponds before irrigation. The wastewater feeds the soil with moisture, nutrients, and organic matter, reducing the need for chemical fertilizers. To reduce the risk of groundwater pollution and disturbance to the aquatic environment, the water discharged is examined for conformity with Central Environment Authority (CEA) thresholds. The Watawala Plantations PLC sustainability team tests water samples taken from 24 permanent sites on the estates, which were identified using a hydrology map generated by the team, on a bi-annual basis to ensure the quality of groundwater. The CEA has determined that the water quality in wastewater discharged from the mill and in natural rivers meets the CEA's standards.

Water intensity m3/Ton FFB



Initiatives

- Mucana is used as a cover crop.
- Rainwater harvesting and deep drainage are used to store the maximum quantity of rainwater possible.
- In waterlogged locations, kumbuk and nadun plants are planted.

- A catchment area and chemical-free zone of 60 meters around the water body should be preserved.
- Land contour maps are reviewed prior to palm planting to ensure that water catchment areas are preserved.

• Energy Management

Over 90% of the mill's energy needs are met by biomass generated from FFB waste, with the remainder coming from electricity. Diesel is used in estate vehicles. In the factory and on the estates, we are devoted to increasing energy efficiency and conservation. Energy management system at Palm Oil Mill is ISO 50001 certified.

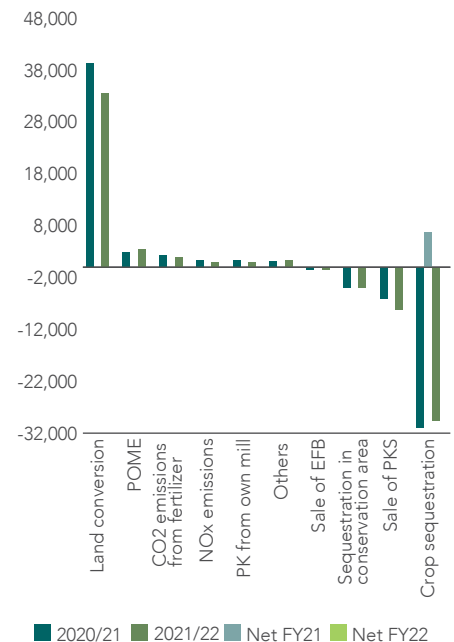
Initiatives

- Purchasing energy-efficient equipment when upgrading
- Using a self-designed conveyor ramp propelled by a bicycle for crop evacuation from field to tractor
- Waste heat recovery options in the mill
- Efficient tractor fleet management
- Energy conservation through insulation
- Regular maintenance of steam generation system

Carbon Footprint

Our commitment to reducing our carbon footprint and eliminating emissions to the degree possible is a major focus. We used the latest RSPO Palm GHG calculator and GHG Protocol accounting standard to map our Green House Gas emissions. Net Emissions were calculated to be -248 tCO₂e which is a sequestration. As a result of the 26.7% increase in palm oil production in 2021/22, carbon intensity has decreased from 0.46 to -0.02 tCO₂e/t CPO.

Emission & Sinks of Carbon (t-CO₂ e)



According to the calculations, land conversions, or more particularly, land cover change, palm oil mill effluent, emissions from fertilizer are the most significant source of emissions of Watawala Plantations PLC.

Initiatives to reduce emissions

- By flaring trapped methane, it can be converted to CO₂, which has a lower global warming potential.
- Increasing the use of organic fertilizer and implementing a focused fertilizer plan helps increase fertilizer application effectiveness and efficiency.

• Waste Management

Palm oil production generated polluting effluent known as Palm Oil Mill Effluent (POME), which requires proper treatment, without which it will pollute groundwater and soil. At Watawala, we use an Integrated Trash Management System that focuses on waste management and waste reduction measures to ensure environmental sustainability. Our programs take this



into account because the bulk of our employees live on the plantations are beneficiaries.

Initiatives

- Use of biodegradable waste created in the manufacturing process (POME, decanter cake) as a fertilizer for crops.
- Before being sent to fields, wastewater is treated in the series of biological and physical treatment processes and treated wastewater is applied for irrigation with supervision.
- Conducting regular wastewater analyses to ensure that the water discharged meets the permitted water quality requirements.
- All non-biodegradable waste is properly disposed of by the Central Environmental Authority-approved collectors.
- Conducting waste management training programs for employees, including modules on the importance of waste management in the office and at home.

• Bio-diversity Management

Given the different eco systems present within the estates' grasslands, streams, small-scale reservoirs, and residential gardens, our plantations are rich in

biodiversity. As a result, we're dedicated to preserving flora and fauna while minimizing the negative impact on these ecosystems.

Conservation of Endangered Flora and Fauna

We collaborated on a series of studies with Rainforest Rescue International in Sri Lanka and the University of Peradeniya Centre for Sustainability to determine the current state of habitats and to regularly monitor and nurture them. The discovery of a new species of fish, *Schistura scripta*, in the Nakiyadeniya Estate, which is endemic to Sri Lanka, is a major result. The combination of particular traits distinguishes it from all other congeners from Sri Lanka and the Indian peninsular. The total number of species of flora and wildlife found in Watawala Plantations PLC that are categorized as critically endangered, endangered, or vulnerable on the National Red List has climbed to 49.

Initiatives towards Protection of Natural Capital

- Zero deforestation
- No (open) burning
- Mucana shade management and crop cover planting
- Use of fertilizers and agrochemicals in a responsible manner

- Chemical-free buffer zone of 10 meters along water bodies and recognized terrestrial habitats
- Implementation of waste management system. There will be no direct or indirect waste emissions into any waterway.
- Conservation of known bird species' breeding and roosting places
- Planting native trees and propagating the undergrowth with natural indigenous species to give habitats on bare lands.
- Initiating a conservative project targeting the endemic species of fish found.
- Frequent awareness for the estate community, including schools and children, emphasizing the importance of biodiversity preservation and conservation.

HCV Assessment

For all prospective palm oil development, the business undertakes High Carbon Stock (HCS) assessments. HCS Assessment is a strategy for separating forest areas that should be preserved from degraded lands with poor carbon and biodiversity benefits that could be developed. Through its integration with upgraded FPIC procedures and respect for community land use and livelihoods, the technique supports local community rights. It necessitates participatory community-land-use planning and management, as well as the application of conservation planning tools to the identified HCS forest areas, as well as the combination of mapped community land use, HCV, and peatland areas to delineate areas for conservation, restoration, community land use, and/or plantation development.

STRATEGIC REVIEWS

NATURAL CAPITAL



The Six High Conservation Values

HCV 1 Species diversity

Concentrations of biological diversity including endemic species, and rare, threatened, or endangered species, that are significant at global, regional or national levels.

HCV 2 Landscape-level ecosystems and mosaics

Large landscape level ecosystems and ecosystem mosaics that are significant at global, regional, or national levels and that contain viable populations of the great majority of the naturally occurring species in natural patterns of distribution and abundance.

HCV 3 Ecosystems and habitats

Rare, threatened, or endangered ecosystems, habits or refugia

HCV 4 Ecosystem services

Basic ecosystem services in critical situations, including protection of water catchments and control of erosion of vulnerable soils and slopes.

HCV 5 Community needs

Sites and resources fundamental for satisfying the basic necessities of local communities or indigenous people (for livelihoods, health, nutrition, water, etc.) Identified through engagement with these communities or indigenous people

HCV 6 Cultural Values

Sites, resources, habits, and landscape of global or national cultural, archaeological or historical significance, and/or of critical cultural, ecological, economical or religious/scared importance for the traditional cultural of local communities or indigenous people identified through engagement with these local communities or indigenous people

Future Outlook

- Improve the land productivity by continuing use of good agricultural practices

Watawala Plantations PLC plans to continue the adoption of favourable agricultural practices to protect the environment and its living beings, especially increasing the use of organic fertilizer for the plantations while minimizing the use of chemical fertilizer. These practices will directly result in improving the fertility in soil leading to greater land productivity.

- Encourage ethical consumption and production

Our business operations are managed to ensure that natural resources are efficiently consumed with minimal pollution and destruction.

- Uplift the commitment to sustainability

Our company has achieved UN's sustainable development goals on the protection of the environment and natural resources, and we plan to steadily improve this commitment in the next year.

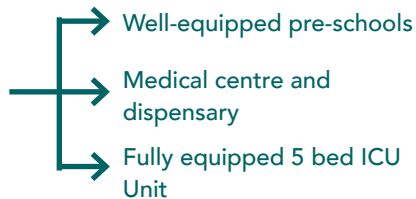
SOCIAL AND RELATIONSHIP CAPITAL



Shareholders have been the foundation of the business, investing in the growth and substance of the business amidst challenges.



Corporate Social Responsibility (CSR)



- Transparency – Product Labelling Standards
- Internal and external stakeholder trainings

Trainings conducted for External stakeholders – Financial year 2021/22

1. Training conducted to Oil customers – Pyramid Wilmar (Pvt) Ltd

- Date: 26/11/2021
- Venue: Online
- Resource Person: Mr. Thanushka KH, Senior Mill Manager
- Training content: RSPO certification & RSPO supply chain certification requirements



2. Training conducted to internal & external stakeholders – Suppliers, villagers, contractors, etc.

- Date: 17/11/2021
- Venue: Talangaha Training Centre
- Resource Person: Sustainability team, HR Team
- Training content: SIA management plan introduction and public consultation



3. Training conducted to contractors in Udegama region - FFB transporters, Effluent transporters, Constructors, etc.

- Date: 02/11/2021
- Venue: Talangaha Training Centre
- Resource Person: Sustainability team
- Training content: New contractor agreement introduction, Company policy awareness



STRATEGIC REVIEWS

SOCIAL AND RELATIONSHIP CAPITAL



- Fully compliant with government policies
- Freedom for collective bargaining and trade union activities
- Governance and accountability compliance

Watawala Plantations PLC's Social and Relationship Capital is built on the mutual trust and confidence between the Company and its multiple stakeholders. Our stakeholders are engaged in a practical manner to support our operations. Watawala Plantations PLC maintains a symbiotic and healthy relationship with its stakeholders. We work towards aligning the interests of our business with those of our stakeholders at all times.

Stakeholder Profile

Internal Stakeholders	
Employees	39 management
	16 executives
	160 others
	1,246 associates
Trade Unions	03 unions
Shareholders	74% - Group strategic partner, Sunshine Wilmar (Pvt) Ltd
	26% - Public shareholders
External Stakeholders	
Customers	We have 11 customers for palm oil business and 125 for dairy business including milk project
Suppliers	2 small scale plantations work as our suppliers 242 other suppliers such as material suppliers, service providers
Government and Non-governmental Organizations	CEA, PHDT, State and Private Universities, DAPH, MOH, RDHL, Local and Central Government Authorities, police stations, and several other organizations
Community	121,767 Regional community

Key Highlights

CSR Activities

No	Name of the CSR Project	Estate/ Mill	Name / Organization	Beneficiary Number	Total cost Rs.
1	Paint Sri Muttu Mari Amman Kovil	Thalangaha Estate	Muttu Mari Amman Kovil Committee	100	21,540.00
2	Buddhist Flags for Temples	Region	Nakiyadeniya Maha Viharaya	More Than 100	80,000.00
3	Funds for Kidney Society	Region	Karapitiya Kidney Society	More Than 100	145,940.00
4	Renovate roof of Muttu Mari Amman Kovil	Thalangaha Estate	Muttu Mari Amman Kovil Committee	100	100,000.00
5	Funds for Prepare Alms Giving Building	Region	Sri Sasanalankara Temple	More Than 100	2,400,000.00
7	Udugama ICU Construction	Region	Udugama Base Hospital	Regional community	36,657,675.00
8	Distribution of 100 dry ration	Thalangaha Estate	Low Income Community	100	100,000.00
9	Organized Cricket Tournament	Thalangaha Estate	Watawala Kalanamithuru Society	60	60,000.00



Watawala Plantations PLC ceremoniously opened its newly built fully equipped "Watawala Kalana Mithuru" Intensive Care Unit (ICU) at the Udugama Base Hospital in the Galle District recently, under the guidance of the Ministry of Health. The five-bed Intensive Care Unit project, led by Watawala Plantations PLC and supported by Tata Communications Lanka Ltd, will benefit communities in the Udugama, Neluwa, Thawalama, Nagoda, Yakkalamulla, Hiniduma and Nakiyadeniya areas of Galle District.

Key Highlights

Sponsorships and Events

No	Name of the CSR Project	Estate/ Mill	Name / Organization	Beneficiary Number	Total cost Rs.
1	100 Umbrellas for Blood Donation Program	Homadola Estate	Pibidena Udugama Foundation	100	78,000.00
2	100 Umbrellas for Blood Donation Program	Thalangaha Estate	Yakkalamulla Grama Niladhari Society	100	78,000.00
3	Organized Cricket Tournament	Thalangaha Estate	Watawala Kalanamithuru Society	60	60,000.00
4	Donation of Sports items to youth Sports Clubs	Region	Watawala Kalanamithuru Society	80	47,100.00
5	Organized New Year Festival	Homadola Estate	Sinha Shakthi Youth Society	More Than 100	120,000.00
6	Inter Athletic Sports day	Region	Nagoda AG Office	100	28,600.00



STRATEGIC REVIEWS

SOCIAL AND RELATIONSHIP CAPITAL

Employee Engagement

Quarterly town hall meetings are conducted to increase employee engagement. Prior to the town hall, a survey is conducted to gather employee insights, questions, recommendations, and suggestions regarding business operations. At the town hall, financial updates and business development plans for the upcoming quarter and year are shared.

Various activities and trainings were conducted at associate level to strengthen our capacity, raise awareness on adherence to Standard Operating Procedures (SOP) and meeting new challenges. Cultural and religious events are celebrated in the region and head office. Some of the celebrations during the year were Thai Pongal, Mattu Pongal, Sinhala Tamil New Year, Christmas, and New Year. We believe

it is important to promote cultural harmony and engage employees in celebrations. Some of the welfare activities conducted for employee engagement are listed below.

- Incentives/ bonuses/ rewards
- Trainings
- Health check-ups
- Celebrations

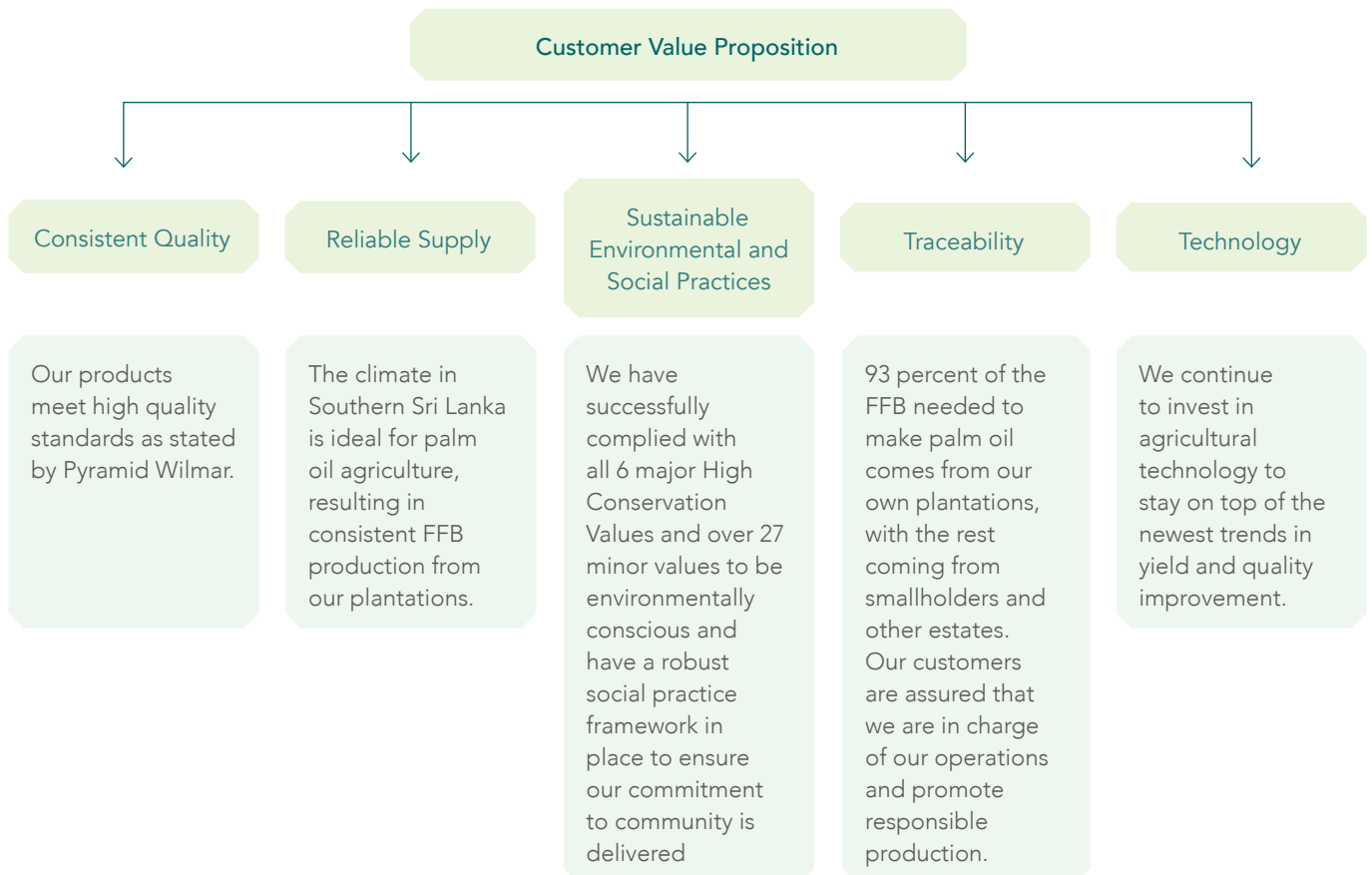
Engagements with Trade Unions

The Company maintains cordial relations with the internal employee trade unions. This relationship has enabled the Company to discuss and address concerns affecting the estate and farm communities. A mutually agreed formula for wages of trade unions have been set in place based on the Collective Bargaining Agreement for the staff

category. The Collective Bargaining Agreement has strengthened the trade unions negotiation power with the management while allowing the management to hold a meaningful dialogue with the employees through the trade union structure. In addition to the trade unions, there is a robust Joint Consultative Committee (JCC) network across the region to ensure that multiple channels exist for the purpose of giving a voice to employees.

Customer Engagement

Our promise to our customers continues to remain one of our key driving forces for strong market share. As a major beneficiary of our products, it is important for the Company to ensure that customers are well engaged and their confidence in the Company's products, operations and credibility is well looked after.



To develop trust in the Watawala brand, our engagement activities focus on strengthening links and fostering relationships via common understanding and shared experience. We have community days and idea sharing forums on a regular basis (minimum one per quarter) to ensure social dialogue is maintained. We further engage with appointed authorities of the regional government to ensure we fulfil the needs of the community in trying times, thereby reducing the burden on government to support the people in the region.

We reward our customers with quality, loyalty and always make sure we provide fair prices, ensuring customers are not overcharged for B2B products. Special attention is given to customer feedback and concerns. Also, the Company works to build awareness regarding its SOPs.

Compliance with Product Labelling

Transparency is an important aspect of engaging with customers. Keeping customers informed of the ingredients and elements that are contained in our products is the best form of transparency. To that effect, the Company complies with labelling standards set by the Sri Lanka Standards Institute (SLSI) and includes all relevant details on product labels. These include;

- Net weight
- Gross weight
- Serial number of the package
- Company name
- Place of manufacture
- Product composition
 - Ingredients
 - Colourings, flavourings, and other additives

Supplier Engagement

Suppliers play a critical role in manufacturing environmentally responsible products. Our supplier screening procedure guarantees that high-quality raw materials are obtained at competitive costs from sources that share our commitment to environmental stewardship. To help local communities, services and input materials are procured locally whenever possible. Our suppliers are carefully selected on the basis of their ethical business practices, and we have a shared ethos on our responsibility to the community and environment. The screening process is carried out jointly by our procurement and sustainability team to ensure we engage in fair trade and all unethical practices are barred.

Open communication is maintained

with our suppliers regarding our requirements, policies and certifications. Special attention is given to communicating our sustainability certifications and complying with them. Additionally, trainings on personal safety of workers were conducted in two partner plantations that function as suppliers.

Shareholder Engagements

Watawala Plantation PLC's shareholders have been the foundation of the business, investing in the growth and substance of the business amidst challenges. The Management of the Company has a responsibility and a duty towards our shareholders to protect their investment whilst ensuring sufficient return on their investment.

We maintain regular communication with our shareholders to keep them informed of strategic decisions, management changes and seek advice during challenging situations. The Company also ensures that they are kept well informed of accounting and auditing information with great transparency and accountability.

- Dividend payments during the current year and if possible previous 5 years
- Communication processes with shareholders

Engagement with the Government and Non-Governmental Organizations

	Organization	Type of engagement
Governmental Organizations	Central Environment Authority (CEA)	Adherence to environmental regulations to ensure our processes have zero impact on areas from Ginigathena to Udugama.
	Plantation Human Development Trust (PHDT)	Engaging in development such as providing sanitation and potable water for workers.
	University of Peradeniya, University of Ruhuna	Conduct research into different industries we are interested in expanding into.
	Department of Animal Production and Health (DAPH)	We are governed by and adhere to standards set by the DAPH. Regular consultations are held to ensure best practices are maintained for healthy livestock including their wellbeing and mobility.

STRATEGIC REVIEWS

SOCIAL AND RELATIONSHIP CAPITAL

	Organization	Type of engagement
Governmental Organizations	Ministry of Plantation	<ul style="list-style-type: none"> - Providing assistance for encroachment and eviction cases from competent authority. - Providing subsidiary when available for replanting, automation and factory development. - Providing information regards to government decisions, regulations, circulars on plantation related matters. - Coordinate with plantation companies and other government ministers and departments. - Providing advisory support on plantation management and good agriculture practices. - Making policies related to plantation industry.
	Regional Director of Health Services (RDHS) and MOH	Providing following duties and assistance <ul style="list-style-type: none"> - Child Health - Family Planning - Food care - Non communicable diseases - Conducting awareness program on health-related issues. - Conducting clinics to identify health issues proactively.
	Police stations	<ul style="list-style-type: none"> - Providing assistance to safe guard the company assets. - Conducting inquiries in issues related to encroachment, damages and losses to the estates. - Providing assistance and security when cash transported to estate for sundry payments. - Proactively engaged to minimize the corruption and unrest issues. - Conducting consultation and advisory services. - Conducting awareness program.
	Plantation Ministry and Secretary to the Ministry. Dairy industry. Top level managers and affiliated Ministries.	Changing mind sets and supporting leaders regarding sustainability practices and research.
Non-Governmental Organizations	Palm Oil Industry Association (POIA)	Facilitate a balanced approach to providing information to the general public including information from the Company's and the industry's perspective.
	National Cleaner Production Centre (NCPC)	System development and conducts energy audits regarding certification matters.
	Serendib Assets	Provision of CDM machines, planting Gliricidia and helped the Company form proposals to implement Carbon credit matters.
	Malaysian Consulting Company (MEC)	Compiles the biodiversity report, high conservation management report and social impact assessment reports for the Company.

Community Engagements

By nature of our business, we operate in a local setting associating with multiple local communities. This often raises a variety of problems and opportunities. In some of our remote locations, it is unavoidable that we connect with the local community which lacks modern facilities and conveniences. Watawala Plantations PLC, as a responsible corporate citizen, is keen to identify ways to make a positive and lasting contribution for the lives of the people who reside in these rural areas.

Our engagement with the local communities is on a day-to-day basis and in a transparent manner. We collaborate closely with villages located around our plantations, allowing us to develop mutually beneficial working relationships. We have implemented social efforts such as the delivery of activities agreed upon with local communities, such as enhancing access to education, healthcare, sanitation, fresh water, and infrastructure. Watawala Plantations PLC places high importance on the safety and well-being of our associates, partners and employees. We invest in training to help our plantation and palm businesses gain a variety of new capabilities.

Corporate Social Responsibility

As a socially responsible business, Watawala Plantations PLC employs self-regulation that reflects business accountability and commitment to contributing to the well-being of communities and society through various environmental and social initiatives.

Education

Fully equipped pre-school for village children

The organization was tasked with designing and building a preschool with advanced learning facilities and play area equipment that met international requirements. This preschool education program aims to fill a need or gap in the community when pre-school education is scarce.

In the latter half of March 2021, the “Watawala Kalana Mithuru” Montessori and Early Childhood Development Centre were formally commissioned and handed over to the general public.

Opening of this pre-school greatly supports the parents in this rurality who faced difficulties in sending their children to pre-schools due to reasons such as lack of transport facilities.

Healthcare

Dispensary for Villagers

Given that some regions of Udugama and Homadola stretch a great distance and the inconvenience to reach a medical facility in an emergency, the villagers and community of Udugama, Kothalawala had a desperate need for healthcare facilities with easy access.

In light of this, Watawala Plantations PLC decided to build a dispensary and medical centre under the “Watawala Kalana Mithuru” program. On the same day as the Montessori project, the aforementioned facility was set up and handed over to the public.

An ICU Unit for Udugama Base Hospital

Over the years, Udugama Base Hospital and Watawala Plantations PLC have maintained mutual ties with the goal of strengthening health care in the region.

With the aim of offering benefits for community residents in the Udugama, Neluwa, Thawalama, Nagoda, Yakkalamulla, Hiniduma and Nakiyadeniya areas belonging to Galle District, we were able to provide a fully equipped “Watawala Kalana Mithuru” Intensive Care Unit (ICU) at the Udugama Base Hospital.

This was declared open and handed over for operations when the residents of the region were severely affected by the lack of an intensive care unit at the hospital. The fully equipped, five-bed intensive care unit is presently the best in the district, second only to the Karapitiya Hospital ICU.

STRATEGIC REVIEWS

SOCIAL AND RELATIONSHIP CAPITAL

Sports and Fitness

- Development programs such as the Watawala Plantations PLC regional team's table tennis program, have been initiated.
- Floodlit volleyball courts have been built in Homadola, Nakiyadeniya, and Talangaha.
- Youngsters of the region use the "Watawala Kalana Mithuru" volleyball courts.
- The floor at the Palm Grove Badminton Court was also replaced by Watawala Plantations PLC.
- The addition of a few of table tennis tables to the same facility was a welcome contribution.
- A state-of-the-art gymnasium was also built and handed over to the community.
- The Palm Grove Gymnasium/"Watawala Kalana Mithuru" Fitness Centre continues to support the Company's commitment to health and fitness.

Agriculture

"Kalana Mithuru" / "Saru Pasa" Organic Project

Watawala Sarupasa compost is a versatile organic fertilizer that may be used for a variety of crops. This not only contributes organic matter to improve the structure of the soil, but it also provides macro and micronutrients that are essential for plant growth.

Brochure distribution, banner campaigns, collaboration programs with Department of Agriculture - Labuduwa, publicity in the newspaper and on social media and other media were used to promote the "Sarupasa" organic program throughout the region.

Religion and Culture

- Buddhist flags were given to Nakiyadeniya Maha Viharaya.
- Muttu Sri Mari Amman Kovil was painted and its roof was renovated.
- Funds were donated to Sri Sasanalankara Temple for erecting an Alms Giving Building in the temple premises.

Outlook

- Building deeper relationships with our strategic business partners is a priority.
We plan to make use of their knowledge to expand the Company's operations and we expect to initiate various new programmes and projects to strengthen and nurture these collaborations further.
- Maintain contact with suppliers while inspecting materials for compliance with international quality and safety requirements.

We continuously monitor the quality and suitability of material we get from suppliers to ensure that quality of our products.

TECHNOLOGY CAPITAL



One of Sri Lanka's most advanced milking parlours, with built-in equipment to separate all antibiotic, mastitis, and colostrum milk from bulk milk.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



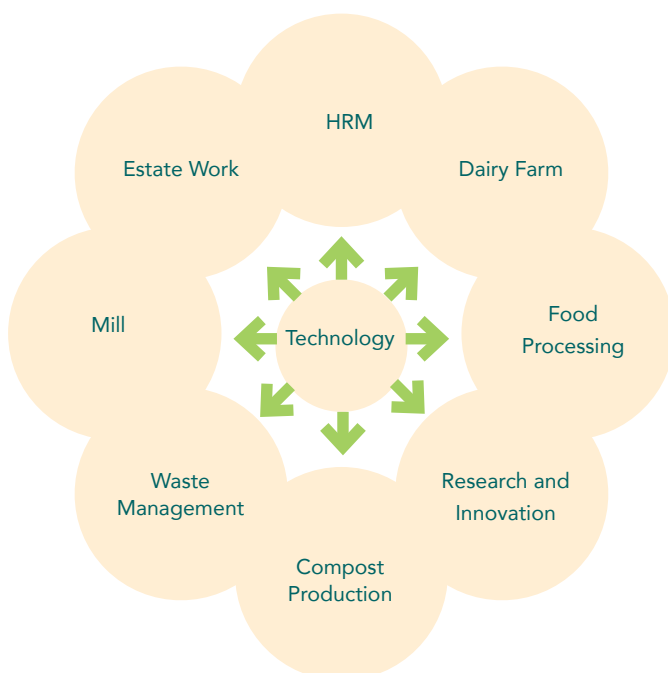
- Digitalization of field-level data and able to exit from the traditional "Kangany chits"
- Advanced Technology – DAIRYMASTER Milking Parlour System
- High-capacity milling machineries with updated technology – vertical sterilizer, nut plant with de-stoner and double LTDS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



- Food processing – Quality, Maintenance

Application of technology within our business



Despite being a plantation company, technology plays an enormous role in our business. While some of the technology used in our group focuses on improving the quality and yield of our products, we also employ several technology advancements in enhancing the efficiency and productivity of our systems and processes. Advanced agriculture techniques, food processing and preservation technology, equipment and machinery technology, fertilizer technology, and technologically advanced HR, ERP and CRM management systems are of immense value in the sustenance and growth of Watawala Plantations PLC.

The Group also nurtures a culture of technology and innovation across all employees to encourage in-house innovative solutions to internal and external challenges. These are often recognized and rewarded annually as an encouragement to all.

HR Management

Human Resources Automation (HR Automation) is in-built into our HR management by digitizing and computerizing time-consuming and repetitive operations, such as employee record management, leave management, timekeeping and performance management. This allows HR staff to focus on more strategic duties that are beneficial to the organisation. It also boosts productivity while lowering the risk of human error.

Estate Operations

When selecting land suitable for each crop cultivation, our sustainability team considers soil testing results, slope of land, and proximity to water catchment areas to ensure optimum yields while balancing stakeholder interests.

STRATEGIC REVIEWS

TECHNOLOGY CAPITAL

- Introduction Harvesting Tools
 - In order to maximize the crop & productivity and reduction of human intervention in the harvesting process.
- Estate management technology
 - Digitalization of field-level data and able to exit from the traditional “Kangany chits”
- Knowledge sharing workshops
 - Constant Improvement of knowledge / attitude and skills of the management skills
 - Creation a learning culture

Dairy Farm Operations

The dairy farm possesses a fully automated, state-of-the-art DAIRYMASTER milking parlour system, imported from Ireland, which can track the yield and quality of milk generated by each cow. This is a 40-cow milking parlour with a double raw quick exit milking system. This is currently one of Sri Lanka's most advanced milking parlours, with built-in equipment to separate all antibiotic, mastitis, and colostrum milk from bulk milk. Sensors are attached to each heifer's ear to monitor temperature, activity, resting time, rumination time, and feeding behaviour, allowing for better management of each cow's welfare. The dairy farm has a capacity to chill and store 23,000 litres of milk.



Palm Oil Mill Operations

The Nakiyadeniya palm oil mill uses the most up-to-date palm oil milling technology which increases the recovery and resource efficiency whilst minimizing operating costs. Mechanical and thermal processes are used to extract palm oil from fresh fruit bunches (FFB).

The mill has a capacity to process 17 MT of FFB per hour. It has the processing capacity of up to 77,000 MT of FFB per annum and currently processes about 55,000 MT of FFB whilst producing about 12,500 MT of Crude Palm Oil (CPO), 1,250 MT of Palm Kernel Oil (PKO), and 2,000 MT of Palm Kernel Cake per year.

The removed palm fruit fibre and kernel shell during milling are utilized as fuel for the generation of 10,000 kg/hr. steam from the biomass boiler. The generated steam is immediately utilized for electricity generation in the turbine and the back pressure is utilized for milling (sterilization, heating etc.)

According to the Company's mill expansion strategy, Watawala Plantations PLC increased the mill capacity by 40% in 2021 in a challenging environment and is now improving efficiency.

Further, MOSH free palm oil is produced by process technical modifications, to meet buyers' requirements for end user compliance.

Food Processing

Cinnamon is processed at the Homadola Estate in Udugama, Galle, where we have our own peeling and processing facility.

Waste Management

The palm oil mill effluent treatment plant is a gradually improved treatment process with capacity increases. It comprises anaerobic, aerobic biological treatment systems connected with physical separations (such as dissolved air floatation, filtration systems).

Treated effluent which is rich in nutrients is applied in the oil palm fields.

Furthermore, development and R and D are ongoing with the Universities to produce bio-fertilizer and valuable compounds by phytoremediation.

An in-house environmental laboratory had been developed to monitor and control the treatment process by testing BOD, COD of the treatment and discharge.

Compost Production

The Nakiyadeniya compost processing centre benefits from the use of latest technology in organic fertilizer

manufacturing. Solid waste such as cow manure from WDL, palm mill decanter cake, and fly ash which are generated in the mill are used due to their rich organic nutrients.

Further, the in-house microbiology lab facilitates the isolation and propagation of plant growth promoting and beneficial microbes in order to incorporate with the compost.

1,004 MT of this unique product had been produced in the FY22.

Research and Innovation

In our drive towards ensuring a zero impact on the ecosystems within our plantations, we collaborated on a series of studies with Rainforest Rescue International in Sri Lanka and the University of Peradeniya Centre for Sustainability to determine the current state of habitats of various animal species and to regularly monitor and nurture them. The discovery of the new fish species "Schistura" was a result of such research project carried out in the stream "Seethala Dola", Nakiyadeniya, in one of our estates.

Information and Communication Technology provided a great assistance to the HCV management process carried out by our Company.

Employee based Innovation Drive

Watawala maintains an innovative culture within the Group, encouraging and supporting internal innovative solutions to business challenges. These have been met with some creative and efficient innovations by staff. They include:

- Numbering of Oil Palm bunches for traceability
- Weedicide spraying in Cinnamon newly planted field by covering the plant
- Bagging of Decanter cake, Cow dung and Loose fruits
- Innovative Loose Fruit Collecting Tool

- New woody plants removal method
- Constructing low cost harvesting platforms
- Field diagnosis card for higher productivity and sustainability leading to potential FFB and oil yields
- Locally made clamp
- Double trailer hitch hook modification
- Innovative latex transporting cart
- Fabrication and fixing of a low cost efb fiber/liquid separation system for segregation of oil production
- Modification of an abandoned pump to replace the damaged kernel oil filter

These innovations are recognized and appreciated at the quarterly "Town Hall meetings" where staff members have received certificates and cash rewards.


Value Creation

	Benefits
Human Resource Management	Increased productivity because of faster processing and data sharing Employee turnover is reduced because of increased employee engagement. Reduce the costs of paper-based processing such as storage and printing. Improve organizational growth by making efficient hiring decisions at the lowest possible cost. With comprehensive reports, we can make informed business decisions.
Estate Operations	Land productivity is optimized with the use of technology to select the lands ideal for each crop. Successful cultivation leads to a good harvest increasing the Company's annual income.
Dairy Farm Operations	Tracking yields can be done efficiently. Quality of milk can be maintained with regular testing. It facilitates better management of each cow's wellbeing.
Palm Oil Mill Operations	State-of-the-art facilities in the mill increase the efficiency while reducing operational costs. Generating the power needed for mill operations by itself leads to energy conservation.
Food Processing	Food quality maintenance strengthens the customer's trust on brand.
Waste Management	Zero waste discharge preserves nature and its riches.
Compost Production	Operational cost is reduced by a considerable amount since a certain percentage of the fertilizer requirement is fulfilled within the Company itself. Organic fertilizer production is an additional source of income to the Company.
Research and Innovation	New findings and discoveries through research, leads to improvements in business operations. Innovations positively and directly impact for the Company's progress.


CORPORATE GOVERNANCE

HIGHLIGHTS


Power Balance

ED	-	
NED	5	
INED	4	

Age



3



6

Tenure

Above 9 years


4

Below 9 years


5

Skills


Accounting & Finance



Pharmaceutical Industries & Plantations



Other Expertise Areas



ED - Executive Director

NED - Non-Executive Director

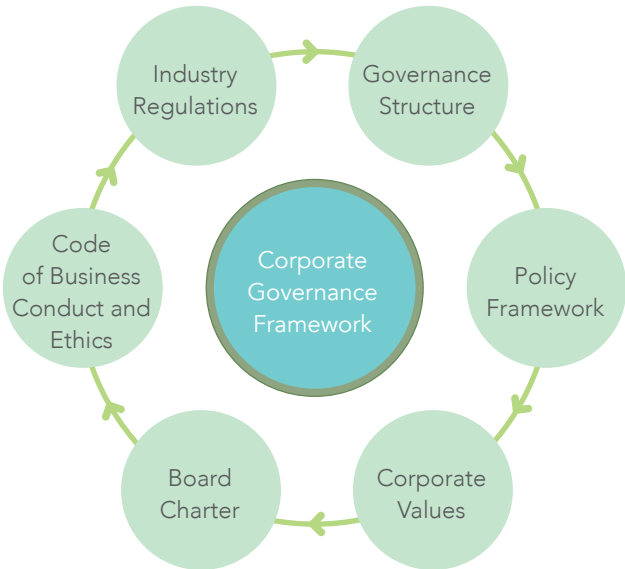
INED - Independent Non-Executive Directors

CORPORATE GOVERNANCE FRAMEWORK

The Board is responsible for setting in place a governance framework for driving sustainable growth. The governance framework, underpinned by regulatory requirements as listed in the adjacent column, and internal policies, is regularly reviewed to adapt to internal developments and reflect best practice.

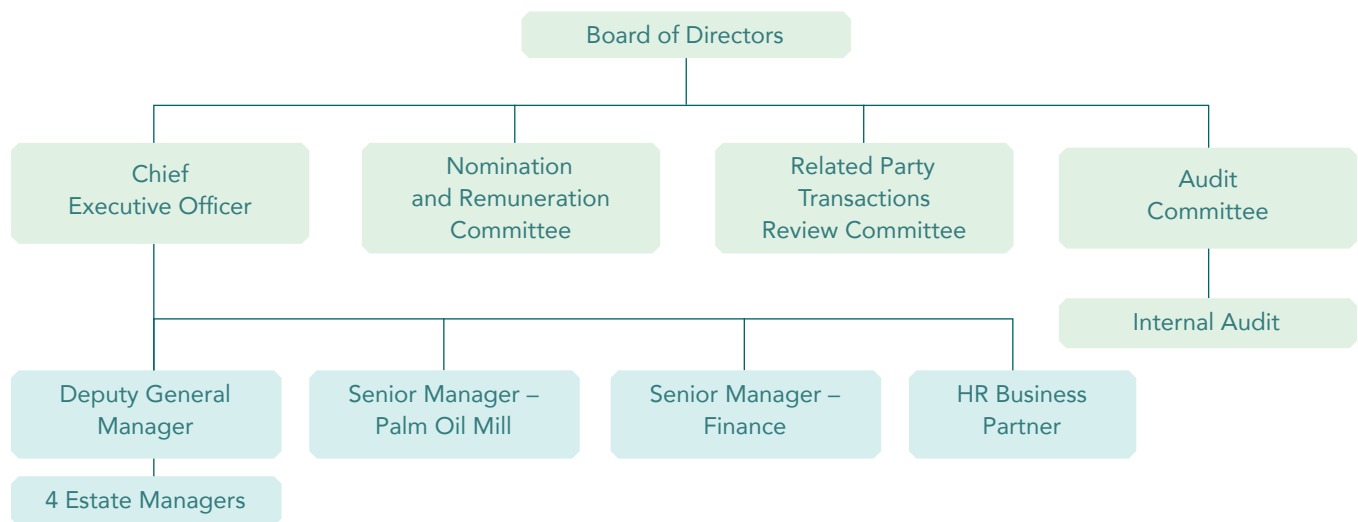
The Executive Committee (Ex-Com) assists in the decision-making process and is headed by the Chief Executive Officer. The second level of Ex-Com known as the Regional Ex-Com has been developed to cascade information to the Region and to provide insights to the Ex-Com, enhancing deliberations. The Board delegates functions warranting greater attention, to the Audit Committee, Nomination and Remuneration Committee and Related Party Transactions Review Committee with oversight responsibility for same, enabling the Board to allocate sufficient time to matters within its scope.

The Company has complied with the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, which forms the basis for this report.



THE BOARD OF DIRECTORS

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



Board Responsibilities and Rights

The Board has the following powers to execute its responsibilities.

Strategic Direction

The Board provides vision, strategic direction and stewardship to the institution whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

Business performance

Reviews business results on a regular basis and guides the management by giving appropriate direction in achieving its goals.

Management of risks

In consultation with the Audit Committee, a risk management system was developed which is periodically reviewed. Review of risk management is depicted on pages 98 to 100 of this report. Further, the Audit Committee report is also given on page 105.

Financial performance of the Company

The Board meets at a minimum, once in three months to review the financial performance of the Company. The Quarterly Financial Statements are reviewed by the Audit Committee before recommending them to the Board of Directors for adoption and release to the public. Final dividends and interim dividends are considered and recommended by the Board of Directors.

Investor rights and relations

The Company communicates periodically with its shareholders through the quarterly reports. The Annual Report provides a comprehensive assessment of the Company's performance during the year.

Audit

An independent statutory audit is carried out annually and the appointment of Auditors for the

ensuing year is recommended to the shareholders at the Annual General Meeting.

Budget

The Board is responsible for approval of annual budgets, capital budgets and new projects.

Corporate governance

Monitoring and reviewing corporate governance in accordance with the best practice framework issued by The Institute of Chartered Accountants of Sri Lanka.

Board balance

The Company maintains a Board balance of Executive, Non-Executive and Independent Directors as required under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse

CORPORATE GOVERNANCE

academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group.

Composition of the Board

The Board consists of nine (9) members, all of whom are Non-Executive Directors (including the Chairman). Four (4) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are:

S G Wijesinha

N B Weerasekera

H D Abeywickrama

A R Rasiah (Appointed to the Board w.e.f. 25 June 2021)

Composition and attendance at meetings

The Board met quarterly to discharge its duties effectively. In addition, special Board Meetings are also held whenever necessary. Five (5) Board meetings and the Annual General Meeting for the year ended 31 March 2021 were held in the financial year ended 31 March 2022.

The attendance of Directors at these meetings were as follows:

Name of Director	Number of Meetings	%
S G Wijesinha (Chairman)	5/5	100
G Sathasivam (Alternate: S G Sathasivam)	5/5	100
V Govindasamy	4/5	80
A N Fernando ¹	1/1	100
N B Weerasekera	5/5	100
M S Mawzoon	5/5	100
H D Abeywickrama	5/5	100
M R Rao	3/5	60
K H Kuok (Alternate : M T Siddique) ²	5/5	100
A R Rasiah ³	4/4	100
C L Loo (Alternate : M T Siddique) ⁴	-	-

¹Retired w.e.f. 25 June 2021

²Resigned w.e.f. 31 March 2022

³Appointed w.e.f. 25 June 2021

⁴Appointed to the Board w.e.f. 31 March 2022

Agenda and Board papers are sent seven (7) days before the meeting, allowing members sufficient time to review same. Chairman sets the Board agenda, assisted by the Chief Executive Officer. Care is taken to ensure that the Board spends sufficient time considering matters critical to the Company's success, as well as compliance and administrative matters.

The Chairman met informally with the Non-Executive Directors during the year and feedback was provided to the Chief Executive Officer by the Chairman.

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting, not by circulation, the Director shall put the resolution to be decided in a meeting.

All Board minutes are circulated to members, and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes. Directors have access to the past Board papers and minutes in case of need via electronic means at all times.

Executive Committee and Regional Executive Committee meet monthly to review performance against the strategic plan and budgets, identifying matters requiring intervention and escalation to Board.

Other Business Commitments and Conflicts of Interests

The Board is aware of other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities. Directors declare their outside business interests at appointment and quarterly thereafter. The Company Secretary maintains a register of Directors' interests, which is tabled to the Board annually. The Register is available for inspection in terms of the Companies Act. Key appointments of the directors are included in their profiles on pages 26 to 29. Related party transactions are given in Note 36 to the Financial Statements.

Roles of Chairman and Chief Executive Officer (CEO)

The role of Chairman is as detailed in the Board Charter, in line with best practices in Corporate Governance ensuring that no one Director has unfettered power and authority. The Chairman is an Independent Non-Executive Director.

The Chairman is an Independent Non-Executive Director who leads the Board ensuring that it works effectively and acts in the best interest of the Company.

CEO is accountable to the Board for the exercise of authorities delegated by the Board and for the performance of the Company.

Chairman's Responsibilities	CEO's Responsibilities
Setting the ethical tone for the Board and Company.	Appointing and ensuring proper succession planning of the executive team, and assessing their performance.
Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary, Directors and CEO.	Developing the Company's strategy for consideration and approval by the Board.
Building and maintaining stakeholder trust and confidence.	Developing and recommending to the Board budgets supporting the Company's long-term strategy.
Ensuring effective participation of all Board members during Board meetings. Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non- Executive Director	Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and corporate governance principles.
Monitoring the effectiveness of the Board and assessing individual performance of Directors.	Establishing an organisational structure for the Company which is appropriate for the execution of strategy. Ensuring a culture that is based on the Company's values. Ensuring that the Company operates within the approved risk appetite.

Board Access to Information and Resources

Directors have unrestricted access to management and organisation information, as well as the resources required to carry out their duties and responsibilities, independently and effectively. Members of the Corporate Management make regular presentations with regard to the business environment and in relation to Group operations. The Company has appointed F J & G De Saram and Nithya Partners as their legal consultants. Access to independent professional advice, co-ordinated through the Company Secretary, is available to Directors at the Company's expense.

Directors Independence

Directors exercise their independent judgement, promoting constructive Board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board based on annual declarations submitted by NEDs.

Induction and ongoing Training for Directors

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the estate, palm oil factory premises and dairy farm. The Board of Directors recognise the need to keep abreast of current developments affecting the sector both globally and locally with reference to regulatory changes and the country's economy. They undertake training and professional attending seminars/ workshops/conferences, participating as speakers at events, using web based learning resources and reading regulatory updates etc.

Appraisal of Chief Executive Officer (CEO)

Performance of Chief Executive Officer is evaluated annually at year end by the Board against predetermined criteria aligned to the short, medium, and long-term objectives of WATA and agreed with CEO at the beginning of the year. Remuneration is revised based on performance.

Appointment, Re-election and Resignation

Directors are appointed by the shareholders at the Annual General Meeting (AGM), following a formal and transparent process. Appointments are made based on recommendations made by the Board of Directors. The Nomination and Remuneration

CORPORATE GOVERNANCE

Committee makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Company's strategic plans and any gaps thereof. In compliance with the Articles of Association of the Company, 1/3 of the Non-Executive Directors will retire from office on a rotational basis at each AGM. The Nomination and Remuneration Committee recommends the Directors for re-election, and approval by the Board, having assessed the Board's skill and knowledge composition in meeting the strategic demands of the Company. A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for re-election at the next AGM. Appointments/resignations are communicated to the CSE. Appointment communications include a brief résumé of the Director.

Directors' Remuneration

The objectives of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to direct the Group successfully. In the case of the Executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set in the Company's annual budget and plans, and from returns provided to shareholders. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The Nomination and Remuneration Committee recommends to the Board the frameworks of the Executive Director's remuneration and the remuneration package for the Executive Director if any. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the Executive Director if any. The Director's remuneration is disclosed in Note 9 of the Financial Statements.

Delegation of Board Authority – Board Committees

The Board in discharging its duties, has established various Board Committees. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the Code of Best Practice on Corporate Governance. The Group has three Board Subcommittees:

- Audit Committee
- Nomination and Remuneration Committee
- Related Party Transactions Review Committee

However, the Board of Directors is collectively responsible for the decisions taken on the recommendations of Board Subcommittees.

Audit Committee

The Audit Committee provides an oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, review the work of the internal audit function and ensures that the external auditor carries out its statutory duties in an independent and objective manner, it also assists

the Board in ensuring a sound system of internal control. The Committee has full access to the Auditors both Internal and External who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the External Auditors without any executives present except for the Secretaries, at least once a year.

The Report on the Audit Committee is presented on page 105 and the duties of the Audit Committee are included therein.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee reviews the Board composition to ensure Board balance and adequacy of skills and experiences among the members of the Board. It recommends any new appointments to the Board.

The Nomination and Remuneration Committee also recommends to the Board, the remuneration policy and the remuneration to be paid to each Executive Director if any. The Remuneration Committee reviews the Group's remuneration policy and the remuneration packages of executive employees of the Group.

Related Party Transactions Review Committee

The Committee exercises oversight on behalf of the Board, that all Related Party Transactions (RPTs, other than those exempted by the Colombo Stock Exchange Listing Rules on the RPTs) are carried out and disclosed in a manner consistent with the Colombo Stock Exchange Listing Rules.

Membership of Board Subcommittees are listed below:

Name of Director	Nomination and Remuneration Committee	Audit Committee	Related Party Transactions Review Committee
Independent Non-Executive			
S G Wijesinha	✓	✓	✓
A N Fernando ¹	✓	✓	✓
N B Weerasekera	✓	✓	✓
H D Abeywickrama			
A R Rasiah ²		✓	✓
Non-Independent Non-Executive			
G Sathasivam (Alternate: S G Sathasivam)	✓		
V Govindasamy			
M S Mawzoon			
M R Rao			
K H Kuok (Alternate : M T Siddique) ³		✓	✓
C L Loo (Alternate : M T Siddique) ⁴			

¹Retired w.e.f. 25 June 2021

³Resigned w.e.f. 31 March 2022

²Appointed to the Board w.e.f. 25 June 2021

⁴Appointed to the Board w.e.f. 31 March 2022

Financial Acumen

The Board comprises a Senior Chartered Accountant of Sri Lanka, a fellow member of the Institute of Chartered Accountants of India and two Fellow Members of the Chartered Institute of Management Accountants (UK). Three of them serve as members of the Audit Committee and the Related Party Transactions Review Committee.

Supply of Information

Directors are provided with quarterly reports on performance, minutes of quarterly meetings and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

Company Secretaries

The services and advice of the Company Secretaries are made available to Directors as necessary. The Company Secretaries keep the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Corporate Services (Private) Limited having their registered office at No. 216, De Saram Place, Colombo 10 are the Company Secretaries since 1 December 2019.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

Internal Control

The Board is responsible for the Company's internal controls and for reviewing their effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision-making. It covers all controls, including financial,

operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

Code of Conduct and Ethics

The Company's Code of Conduct sets out the standard of conduct expected of all employees. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics/ Standard of Conduct by any Director or employee of the WATA.

Disclosure of Major Transactions

During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007.

CORPORATE GOVERNANCE

Relations with Shareholders

Engagement with shareholders and potential investors is a key element of good corporate governance. The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided, to avoid the creation of a false market.

Communication with Stakeholders

Shareholders are provided with quarterly Financial Statements and the Annual Report which the Group considers as its principal communication with them and other stakeholders. These reports are provided to the Colombo Stock Exchange. Shareholders may bring up concerns they have, either with the Chairman or any Director as appropriate. Watawala Plantations PLC's website www.watawalaplantations.lk serves to provide a wide range of information on the Group. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the Company has complied with the requirements of the Companies Act No. 07 of 2007 and in

accordance with the Sri Lanka Financial Reporting Standards.

Constructive use of Annual General Meeting (AGM)

The AGM is the main mechanism for the Board to interact with and account to shareholders and provides an opportunity for shareholders' views to be heard. Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to attend the AGM. A separate resolution is proposed for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. An effective mechanism to count all proxies lodged on each resolution is maintained. The Board is mindful of their accountability to shareholders. At the AGM, the Board provides an update to shareholders on the Company's performance and shareholders ask questions and vote

on resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, appointment of Directors and auditors and other matters requiring special resolutions. The Board Chairman and Board members particularly Chairmen of the sub-committees are present and available to answer questions. All Shareholders are encouraged to participate at the AGM and exercise their voting rights. Details of votes cast against a resolution are made available at the AGM and subsequently posted on the Company website, as soon as practicable.

Corporate Governance Disclosure

The Company has published quarterly Financial Statements with the necessary explanatory notes as required by the rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration is promptly disclosed to the public.

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Mandatory Provisions - Fully Compliant

Subject	Rule No.	Applicable requirement	Compliance status	Reference (within the WATA Annual report)	Page No.
Contents of Annual Report	7.6 (i)	Names of persons who were Directors of the Company	Complied	Board Profile	26
Contents of Annual Report	7.6 (ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	Note 1.2 to the Financial Statements	128
Contents of Annual Report	7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Investor Information	196

Subject	Rule No.	Applicable requirement	Compliance status	Reference (within the WATA Annual report)	Page No.
Contents of Annual Report	7.6 (iv) (a)	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.	Complied	Investor Information	196
Contents of Annual Report	7.6 (iv) (a)	The public holding percentage in respect of non-voting Shares (where applicable)	Not Applicable		
Contents of Annual Report	7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Complied	Investor Information	196
Contents of Annual Report	7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Risk Management	98
Contents of Annual Report	7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Complied	Human Capital	52
Contents of Annual Report	7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Number of permanent buildings available	190
Contents of Annual Report	7.6 (ix)	Number of shares representing the Entity's stated capital	Complied	Investor Information	196
Contents of Annual Report	7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	Investor Information	196
Contents of Annual Report	7.6 (xi)	Financial ratios and market price information	Complied	Investor Information	196
Contents of Annual Report	7.6 (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	Complied	Note 14 to the Financial Statements	150
Contents of Annual Report	7.6 (xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable		
Contents of Annual Report	7.6 (xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Not Applicable		
Contents of Annual Report	7.6 (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	Complied	Corporate Governance	80
Contents of Annual Report	7.6 (xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	Note 36 to the Financial Statements	177

CORPORATE GOVERNANCE

Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

Mandatory Provisions - Fully Compliant

Subject	Rule No.	Applicable requirement	Compliance status	Reference (within the WATA Annual report)	Page No.
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	All Directors are Non-Executive Directors	82
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	Four (4) out of Nine (9) Non-Executive Directors	82
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ Non-Independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations	83
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Board of Directors	26
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a director is independent, if criteria specified for independence is not met	Complied	Board balance	81
Disclosure relating to Directors	7.10.3 (c)	A brief resume of each director should be included in the Annual Report and should include the Director's areas of expertise (Profile of Directors)	Complied	Board of Directors	26
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the Colombo Stock Exchange	Complied	Brief resumes have been provided to the Colombo Stock Exchange	83
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises of -G Sathasivam -A N Fernando (Retired w.e.f. 25 June 2021) -S G Wijesinha -N B Weerasekera	104
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive Directors, a majority of whom will be independent	Complied	All members are Non-Executive and Three (3) out of four (4) are independent	104
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the CEO and the Executive Directors, if any.	Complied	As above	104
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee	Complied	Report of the Nomination and Remuneration Committee	104
		Statement of Remuneration Policy	Complied	As above	104
		Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Note 9 to the Financial Statements.	146
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Report of the Audit Committee	105

Subject	Rule No.	Applicable requirement	Compliance status	Reference (within the WATA Annual report)	Page No.
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be independent	Complied	Three (3) out of Four (4) Directors are Independent Non-Executive Directors.	105
		Non-Executive Director shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director.	105
		Chief Executive Officer and Senior Manager Finance should attend Audit Committee meetings	Complied	Chief Executive Officer and Senior Manager Finance attend meetings by invitation.	105
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied	Three (3) members are Qualified Accountants.	85
Audit Committee functions	7.10.6 (b)	Should be as outlined in the Section 7.10 of the Listing Rules.	Complied	The terms of reference of the Audit Committee have been ratified by the Board	105
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	Names of the Directors comprising the Audit Committee.	Complied	Audit Committee Report	105
		The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Audit Committee Report	105
		The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Audit Committee Report	105

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

Mandatory Provisions - Fully Compliant

Subject	Rule No.	Applicable requirement	Compliance status	Reference (within the WATA Annual report)	Page No.
Disclosures in the Annual report	9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Note 36 to the Financial Statements	177
Disclosures in the Annual report	9.3.2 (b)	Details pertaining to Recurrent Related Party Transactions	Complied	Note 36 to the Financial Statements	177
Disclosures in the Annual report	9.3.2 (c)	Report of the Related Party Transaction Review Committee	Complied	Refer Report of the Related Party Transaction Review Committee	107
Disclosures in the Annual report	9.3.2 (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	Complied	Annual Report of the Board of Directors	103

CORPORATE GOVERNANCE

Compliance with the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka in 2017

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the Company	Complied	Board of Directors	26
	A 1.1	Regular Board meetings	Complied	Composition and attendance	82
	A 1.2	Responsibilities	Complied	Board Responsibility	81
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors	101
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	86
	A 1.5	Bring Independent judgement on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of WATA Group has obtained professional advice for certain matters during the year and coordinated through the Company Secretaries.	83
The Board of Directors	A 1.6	Dedicate adequate time and effort to Board matters, sufficient time to review Board Pack	Complied	Other Business Commitments and conflicts of interest	82
	A 1.7	Calls for resolutions by at least 1/3rd of Directors	Complied	Composition and Attendance at Meetings	82
	A 1.8	Board induction and Training	Complied	Induction and on-going training for Directors	83
Chairman and Chief Executive Officer (CEO)	A 2	Chairman and CEO'S division of responsibilities to ensure a balance of power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the Group and acts as an independent Non-Executive Director. The CEO executes powers given by the Chairman and the Board to run the operation	83
	A 2.1	Combining roles of Chairman and CEO	Not Applicable		
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The Chairman is responsible for conducting meetings effectively and he preserves order and implements Board decisions taken	83
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both executive and Non-Executive Directors, their contribution for the benefit of the Group, balance of power between Executive and Non-Executive Directors and control of Group's affairs and communicate to stakeholders	83
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial Acumen	85

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
Board Balance	A 5	Board Balance	Complied	Board Composition	81
	A 5.1	Non-Executive Directors	Complied	All Directors are Non-Executive Directors	82
	A 5.2	Independent Non-Executive Directors	Complied	Four (4) out of Nine (9) Non-Executive Directors are independent.	82
	A 5.3	Independent Non-Executive Directors	Complied	All independent Non-Executive Directors are in fact free of any business with the Group and are not involved in any activity that would affect to their independence	83
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	83
	A 5.5	Determination of independence of the Directors	Complied	The independence of Directors is determined based on declarations submitted by the Non-Executive Directors	83
Supply of Information	A 6.1	Provide appropriate and timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the Board meeting	82
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the Board meeting are provided well before the meeting date	82
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Appointment, re-election and resignation	83
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Appointment, re-election and resignation	83
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Appointment, re-election and resignation	83
	A 7.3	Disclosure of New Board member profile and interests	Complied	Appointment, re-election and resignation.	83
Re-election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Appointment, re-election and resignation	83
Resignation	8.3	Resignation of Directors prior to completion of his appointed term	Complied	Appointment, re-election and resignation	83
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors, Directors' interests, Board meeting attendance, Board committee memberships	Complied	Board of Directors	26
Appraisal of CEO	A 11 – 11.2	Appraisal of the CEO against the set strategic targets	Complied	Appraisal of the CEO	83

CORPORATE GOVERNANCE

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
Disclosure of Remuneration	B 1	Establishment of the Remuneration Committee.	Complied	The Nomination and Remuneration Committee Report	104
	B 1 – 1.3	Membership of the remuneration committee to be disclosed and should only comprise Non-Executive Directors	Complied	The Nomination and Remuneration Committee Report	104
	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	The Nomination and Remuneration Committee Report	104
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings	Complied	Constructive use of Annual General Meeting (AGM)	86
	C 1.1	Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	86
	C 1.2	Separate resolution to be proposed for each item	Complied	The Company proposes a separate resolution at the AGM on each significant issue	201
	C 1.4	Heads of Board subcommittees to be available to answer queries	Complied	Subcommittee Chairmen are present at the AGM	86
Relations with Shareholders	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	201
Major Transactions	C 3 – 3.2	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange.	85
Accountability and Audit	D 1.1	Balanced Annual Report	Complied	Communication with shareholders	86
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Communication with shareholders	86
	D 1.3	CEO/SMF Declaration	Complied	Chief Executive officer's and Senior Manager Finance's Responsibility Statement	109
	D 1.4	Directors Report declaration	Complied	Annual Report of the Board of Directors on the Affairs of the Company	101
	D 1.5	Financial reporting statement on Board responsibilities	Complied	Statement of Directors' Responsibility	108

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section	Page No.
Accountability and Audit	D 1.7	Net Assets < 50%.	Complied	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds, the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken	-
	D 1.8	Related Party Transaction report	Complied	Other Business Commitments and conflicts of interest	82
Risk Management and Internal Control	D 2.1	Annual review of effectiveness of the system of internal control	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee	105
	D 2.2	Confirm assessment and risks identified and mitigated	Complied	Risk Management	98
	D 2.3	Internal Audit Function	Complied	Report of the Audit Committee	105
	D 2.4	Board responsibilities for disclosure	Complied	Directors' Statement on Internal Control	101
	D 2.5	Directors responsibility on internal control system	Complied	Directors' Statement on Internal Control	101
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	105
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	105
Related Party Transactions review Committee	D 4	Composition, Terms of reference, duties and responsibilities	Complied	Related Party Transactions Review Committee report	107
Code of Business Conduct and Ethics	D 5	Company must adopt code of conduct	Complied	Code of Conduct and Ethics	85
	D 5.1	Board declaration for compliance with Code	Complied	Code of Conduct and Ethics	85
	D 5.2	Price sensitive information	Complied	Relations with Shareholders	86
	D 5.3	Monitor Share purchase by Directors/KPI	Complied	Other Business Commitments and conflicts of interest	82
	D 5.4	Chairman's statement	Complied	Code of Conduct and Ethics	85
Corporate Governance Disclosures	D 6	Company adheres to established principles and practices of good Corporate governance	Complied	Corporate Governance Report	80
Institutional and other investors	E/F	Institutional and other investors	Complied	Relations with Shareholders	86
Cyber Security	G	Internet of things and Cyber security	Complied	Cyber Security	98
Sustainable Reporting	H	Environment, Society and Governance	Complied	Sustainable Reporting	48-77

STRATEGIC REVIEWS

COMPLIANCE REPORT – FINANCE

FROM 1 APRIL 2021 TO 31 MARCH 2022

Reporting Institute	Subject	Responsibility	
CSE/SEC	1. Quarterly Financial Report with Continuing listing requirement and disclosure.	Head of Finance	
Department of Inland Revenue	2. VAT Payment	Head of Finance	
	3. VAT return	Head of Finance	
	4. APIT Payments	Head of Finance	
	5. APIT return	Head of Finance	
	6. Stamp Duty payments and return	Head of Finance	
	7. Income tax payment & return	Head of Finance	
	8. Filing of income tax estimate	Head of Finance	
	9. Filing of income tax return - annual	Head of Finance	
	10. Assessment/ default notice	Head of Finance	
Department of Labour	11. EPF payments	Head of Finance	
ETF Board	12. ETF payments	Head of Finance	
Department of Labour	13. Gratuity payment	Head of Finance	

	Deadline	Complied (Yes/ No)	Remarks
	Q1- 15 Aug 2021 Q2- 15 Nov 2021 Q3- 15 Feb 2022 Q4- 31 May 2022	Yes	Q1- Published on 04 Aug 2021 Q2- Published on 10 Nov 2021 Q3- Published on 03 Feb 2022 Q4- Published on 26 May 2022
	20th of following month	Yes	Apr – 17 May 21 May – 16 Jun 21 Jun - 19 Jul 21 July – 17 Aug 21 Aug – 16 Sep 21 Sep – 14 Oct 21 Oct – 16 Nov 21 Nov – 16 Dec 21 Dec – 19 Jan 22 Jan – 18 Feb 22 Feb – 16 Mar 22 Mar – 18 Apr 22
	Q1- on or before 31 Jul 2021 Q2- on or before 31 Oct 2021 Q3- on or before 31 Jan 2022 Q4- on or before 30 Apr 2022	Yes	Q 1- 29 Jul 2021 Q 2- 28 Oct 2021 Q 3- 27 Jan 2022 Q 4- 27 Apr 2022
	15th of following month	Yes	Apr – 10 May 21 May – 10 Jun 21 Jun - 14 Jul 21 July – 11 Aug 21 Aug – 13 Sep 21 Sep – 12 Oct 21 Oct – 10 Nov 21 Nov – 03 Dec 21 Dec – 30 Dec 21 Jan – 31 Jan 22 Feb – 08 Mar 22 Mar – 01 Apr 22
	2020/2021 – 30 Apr 2021 2021/2022 – 30 Apr 2022		2020/2021 – 30 Apr 2021 2021/2022 – 27 Apr 2022
	15th of following month ending quarter	Yes	Q1- 15 Jul 2021 Q2- 14 Oct 2021 Q3- 13 Jan 2022 Q4- 11 Apr 2022
	Within 45 days from ending quarter	Yes	
	Within 45 days from ending quarter	Yes	Q1- 13 Aug 2021
	30th November of following financial year	Yes	2020/2021 – 26 Nov 2021
	On given dates	Yes	
	30th of the following month	Yes	Apr – 31 May 21 May – 29 Jun 21 Jun - 29 Jul 21 July – 20 Aug 21 Aug – 28 Sep 21 Sep – 28 Oct 21 Oct – 24 Nov 21 Nov – 23 Dec 21 Dec – 31 Jan 22 Jan – 25 Feb 22 Feb – 29 Mar 22 Mar – 28 Apr 22
	30th of the following month	Yes	Apr – 31 May 21 May – 29 Jun 21 Jun - 29 Jul 21 July – 20 Aug 21 Aug – 28 Sep 21 Sep – 28 Oct 21 Oct – 24 Nov 21 Nov – 23 Dec 21 Dec – 31 Jan 22 Jan – 25 Feb 22 Feb – 29 Mar 22 Mar – 28 Apr 22
	Within one month of retirement	Yes	

STRATEGIC REVIEWS

COMPLIANCE REPORT – FINANCE

FROM 1 APRIL 2021 TO 31 MARCH 2022

Reporting Institute	Subject	Responsibility	
SLAASMB	14. Annual audited accounts	Head of Finance	
Chairman & Board of Directors	15. Board approval taken for any new projects/ investments etc.	Head of Finance/ CEO	
	16. Directors' interest	Head of Finance / CEO	
Company and Subsidiaries	17. RPT compliance	Head of Finance	
Documents requirement	18. Annual report and other filling	Head of Finance / Secretary	
	19. Compliance with condition in bank facility agreements	Head of Finance/ Secretary	
	20. Labour regulations, OT, leave, safety and other relevant reports	Head of Finance/ Secretary	
	21. Corporate Governance and codes	Head of Finance/ Secretary	
	22. Compliance with Company's Articles of Associations	Head of Finance/ Secretary	
Central Environmental Authority - CEA	23. Environmental Protection License- Palm Oil Mill	Mill Manager/ CEO	

	Deadline	Complied (Yes/ No)	Remarks
	Within six (6) months -end of the financial year	Yes	Annual Report 2020/2021 - 02 June 2021
	Relevant papers to be delivered to Directors 7 days prior to the Board meeting	Board minutes Yes	
		Yes	
	Relevant papers to be delivered to committee members 7 days prior to the Board meeting	Yes	
	Relevant papers to be delivered to Directors 7 days prior to the Board meeting	Yes	
		Yes	
		Yes	
		Yes	
		Yes	
	License valid till 27 October 2022	Yes	

RISK MANAGEMENT

Watawala Plantations PLC and its Subsidiary have given due consideration to its risk management process in order to progress towards achievement of its goals and objectives. Risk management under the two forms of risks, namely Strategic and Operational, is regularly reviewed to ensure the related risks are minimised where the complete elimination is not possible. No business that does not face any risk can be found in the world. Irrespective of the nature and the size of the business, risk is inevitable in doing business. In broad, such risk factors can be two-fold, systematic risk and unsystematic risk. Systematic risk is the risk which cannot be diversified or avoided. On the other hand, the unsystematic risk represents the risk unique to the respective business operation which in turn could be mitigated or avoided with risk management activities.

The following are the highlights of the key risks and the associated risk mitigating activities of the WATA Group:

Category of risk	Related risk	Risks description	Implication/ consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
Strategic	Government policy on oil palm cultivation	Changes in government policy to stop the cultivation of oil palm trees and the existing oil palm cultivation is planned to be phased out at a rate of 10% at a time.	Inability to replace ageing palms on time resulting in lower yield and crop	<ul style="list-style-type: none"> - Representation on policy direction through the Planters' Association of Ceylon/ Palm Oil Industry Association. - Investment in other crops such as Cinnamon, Maize and infilling of coconut blocks.
	Climate change	Unfavourable weather patterns, especially droughts, impact harvests	Lower yields leading to lower productivity and value to shareholders	<ul style="list-style-type: none"> - Follow sustainable agricultural Practices - Effective implementation of RSPO recommendations - Conservation of environment and water resources
	Natural disasters	Loss resulting from extreme weather patterns or man-made disasters	<ul style="list-style-type: none"> - Impact on employees' safety, health and well-being - Damage to biological assets - Business disruption and consequential losses 	<ul style="list-style-type: none"> - Adequate insurance covers - Regular assessment of exposures by insurance agents - Rigorous health and safety measures in place through certification requirements - Regular fire drills and availability of fire extinguishers for all types of fires
	Volatility of palm oil prices	Price volatility arises mainly from global crude palm oil market forces and import duty on crude palm oil	Possible revenue shortfalls against the budgets	<ul style="list-style-type: none"> - Diversification of agribusiness - Continuous monitoring of global CPO prices - Monitor conditions which would affect government decisions to revise import duty - Forward contracts with buyers - Improve productivity
	Social pressure	Various groups oppose palm oil expansion and cultivation hindering the organic growth	Opportunity cost inhibits growth	<ul style="list-style-type: none"> - Public awareness campaigns - Village integration programs - RSPO certification - Engagement with pressure groups

Category of risk	Related risk	Risks description	Implication/ consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
Operational	Labour related risk	Risks arising from unionised labour, political motivations, need for change, dearth of skilled labour and low productivity	<ul style="list-style-type: none"> - Labour unrest - Industrial action - Lower productivity - Impact of biannual wage negotiations 	<ul style="list-style-type: none"> - Training and development - Incentive schemes to achieve targets - Grievance handling procedure - Engagement with unions - Consultative committee
	Environmental impact of operations	Environmental impact from factory/mill operations stemming from emissions, effluents and waste	<ul style="list-style-type: none"> - Loss of business reputation - Negative impact on social license - Potential litigation 	<ul style="list-style-type: none"> - Good manufacturing practices - Solid waste used as manure - Treatment of effluents - Maintaining facultative ponds - Follow RSPO guidelines
	Land conditions and availability	Ground conditions or soils not conducive for cultivation such as degraded land, increased acidity, steep terrain etc. for a higher yield of oil palm	<ul style="list-style-type: none"> - Lower yield per hectare - Negative impact on revenues and profit 	<ul style="list-style-type: none"> - Soil mapping - Site specific application of fertiliser - Implementation of international agri consultants recommendations
	Information Systems & Cyber Security (IT Risks)	Risk of losing operational and confidential data due to security breaches/ system breakdowns in the IT systems and disruption to operations due to breakdown in the IT systems	<ul style="list-style-type: none"> - The loss of operational information due to system breakdowns - Misappropriation of confidential information/data about customers, suppliers and key projects we undertake to competitors or to the public -Breach of system security - Loss of business opportunities - Discontinuity in financial reporting 	<ul style="list-style-type: none"> - Introduce sound IT policy, information security policy and close supervision thereon with a dedicated IT team - Disaster recovery plans and sound back-up system to gear for system failure and storing data backups in off-site locations - Vendor agreements for support service and maintenance - Continuous training for employees on information security

RISK MANAGEMENT

Category of risk	Related risk	Risks description	Implication/ consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
Operational	Risk of employee health and safety (Pandemic risk)	With the spread of COVID-19, the risk of our employees coming into contact with the virus is high, especially when using public transport and during field visits. Such contact can interrupt our business operations due to close borders, enforce lockdowns and ensure social distancing	<ul style="list-style-type: none"> - Reduce productivity, revenue, cash flow and profitability - Immobility of labour within/ between estates - High operations costs 	<ul style="list-style-type: none"> - A Group Health & Safety guideline was issued in adherence with government regulations, with all employees declaring their fullest commitment through a formal declaration - Employees who travel by public transport are encouraged to work from home - Provide Personal Protective Equipment - Establishment of daily health monitoring system to ensure the employees' health & safety
	Interest rate risk	Risk due to adverse interest rate fluctuations (AWPLR) due to changes in government fiscal and monetary policies	<ul style="list-style-type: none"> - Increases the cost of borrowing - Unfavourable interest rates on new investments - Reduce cash flow and profitability 	<ul style="list-style-type: none"> - Negotiate with financial institutions for fixed debt servicing arrangements - Establishment of effective treasury management procedures - Short term assets to be financed with the short term finance arrangements and long term assets to be financed with the long term arrangements
	Dairy business risks	Fluctuating fresh milk price, adaptability of foreign cows, unpredictability of calving patterns, availability of feed and water etc	<ul style="list-style-type: none"> - Lower yields - Revenue variations - High operations costs - Cash flow issues - Environmental issues 	<ul style="list-style-type: none"> - Securing genetically superior animals - Nutritious feed formula - Slurry management plan -Water reservoirs -Staff training

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

The Board of Directors of Watawala Plantations PLC takes pleasure in presenting its Annual Report to the shareholders for the financial year ended 31 March 2022, together with the audited financial statements of the Company, consolidated financial statements of the Group for the said year and the Auditor's Report on those financial statements, conforming to the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE). The Report is also guided by the recommended best practices on Corporate Governance.

Watawala Plantations PLC is a public limited liability company incorporated in Sri Lanka in 1992 under the previous Companies Act No. 17 of 1982 and re-registered as required under the provisions of the Companies Act No. 07 of 2007. The re-registration number of the Company is PQ 65.

The issued shares of the Company were listed on the Main Board of the Colombo Stock Exchange in Sri Lanka in 1997.

The Registered Office and Head Office of the Company is located at No. 60, Dharmapala Mawatha, Colombo 03, Sri Lanka.

The Financial Statements were reviewed and approved by the Board of Directors on 26 May 2022.

STATUTORY DISCLOSURES

Section 168 of the Companies Act No. 07 of 2007, requires the following information to be published in the Annual Report prepared for the year under review.

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
The nature of the business of the Company and the Group	Section 168 (1) (a) (i)	About Us	128
The classes of business in which the company has an interest, whether as a shareholder of another company or otherwise	Section 168 (1) (a) (ii)	Note 19 to the Financial Statements – Investments in subsidiary	163
Financial statements for the accounting period completed and signed in accordance with Section 151 & 152	Section 168 (1) (b)	The Financial Statements of the Company and the Group for the year ended 31 March 2022 duly signed by the Senior Manager Finance and two Directors	124
Auditor's report on the Financial Statements of the Company and the Group	Section 168 (1) (c)	Independent Auditors' Report	118-121
Any change in accounting policies made during the accounting period	Section 168 (1) (d)	Note 3 to the Financial Statements – Changes in Accounting Policies	129
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Note 36 to the Financial Statements – Related Party Transactions	177
Remuneration and other benefits of Directors during the accounting period	Section 168 (1) (f)	Note 9 to the Financial Statements	146
Total amount of donations made by the Company or the Group during the accounting period	Section 168 (1) (g)	The Group did not make any donations for the year under review	-
Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Section 168 (1) (h)	Board Profiles	26
Amounts payable by the Company to the person or firm holding office as Auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm;	Section 168 (1) (i)	Note 9 to the Financial Statements	146

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

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Section 168 (1) (j)	The Company's Auditors during the period under review were Messrs KPMG, Chartered Accountants. The auditors do not have any relationship or interest with the Company or Group other than that of an Auditor	105
Signed on behalf of the Board by two Directors and the Company Secretary	Section 168 (1) (k)		103

In addition to the above, the following information is disclosed. The details are provided within notes to the Annual Report, which form an integral part of the Annual Report of the Board of Directors.

Disclosure	Note Reference	Page
Principal activities and significant changes to the nature of business	About us Watawala Plantations PLC holds 89% direct stake in Watawala Dairy Ltd. The principal activities of the Group during the period continued to be cultivation, manufacture and sale of crude palm oil, Dairy farming and manufacturing value added products	128
Review of operations and future developments	Chairman's Message Audited Financial Statements	22
Financial Statements	The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange	118-189
Directors' Responsibility for Financial Reporting	The Statement of Directors' Responsibility for Financial Reporting	108
Significant accounting policies	Note 3 to the Financial Statements – Significant Accounting Policies	129
Going concern	Note 2.7 to the Financial Statements – Going concern	128
Income	Note 5 and 6 the Financial Statements – Revenue and other income	142
Financial results and appropriations	Statement of Profit or loss Statement of Comprehensive Income Statement of Financial Position Statement of Changes in Equity Statement of Cash Flows	122-127
Stated Capital and Reserves	Statement of Changes in Equity	125-126
Dividend on ordinary shares	Note 12 to the Financial Statements – Dividends per share	149
Taxation	Note 10 to the Financial Statements – Income tax expense Note 31 to the Financial Statements – Deferred tax liability	147-148 174-175

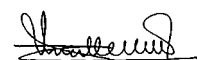
Disclosure	Note Reference	Page
Capital expenditure	The total capital expenditure on purchase and construction of property, plant and equipment and expenditure incurred on immature plantations by the Group and the Company as at 31 March 2022 amounted to Rs. 836 Mn. and Rs. 544 Mn. respectively (2020/21 Group: Rs. 375 Mn. and Company: Rs. 291 Mn.). Details are given in Notes 14, 15, 16 and 17 to the Financial Statements. The capital expenditure approved and contracted for and not contracted for as at reporting date are given in Note 34 to the Financial Statements on page 176 Capital Commitments	150-162
Property, plant and equipment	Note 14 to the Financial Statements – Property, plant and equipment	150
Statutory payments	The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date	94
Events after the reporting date	Notes 37 to the Financial Statements – Events after the reporting date	179
Register of Directors and Secretaries	As required under Section 223 (1) of the Companies Act No. 07 of 2007, the Company maintains a Register of Directors and Secretaries which contains the name, surname, former name (if any), residential address, business occupation, dates of appointment and dates of resignation (if applicable) of each Director and the Secretary. Particulars of entries in the interest register are set out in Note 36 to the Financial Statements	177
Historical information	Information relating to earnings, dividend, net assets and market capitalisation is given in the Historical Financial Information, investor Information	192-196
Shareholdings	Investors Information	196
Equitable treatment to shareholders	The Company has always ensured that all shareholders are treated equitably	86
Environmental protection	To the best of knowledge of the Board, the Group has complied with the relevant environmental laws and regulations. The Company has not engaged in any activity that is harmful or hazardous to the environment.	99
Directors' interests in transactions	Notes 36 to the Financial Statements – Related Party Transactions The Related Party Transactions have been complied with Rule 9.3.2 of the Listing Rules and the 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 of Sri Lanka Act No. 36 of 1987.	177
Directors' emoluments	Note 9 to Financial Statements	146
Corporate governance	Corporate Governance Report	80
Directors' meetings	Corporate Governance Report	80
Risk management and internal control	Risk management and internal control	98
Insurance and indemnity	Ultimate parent obtained an insurance policy to cover Directors' and Officers' liability	-

NOTICE OF ANNUAL GENERAL MEETING

The Twenty-Ninth (29th) Annual General Meeting (AGM) of the Watawala Plantations PLC (Company) will be held online via a virtual platform on Friday 24th June 2022 at 10.15AM.

ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

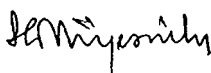
As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report.



V Govindasamy

Director

26 May 2022



Sunil G Wijesinha

Chairman



Corporate Services (Pvt) Ltd

Secretaries, Watawala Plantations PLC

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

TERMS OF REFERENCE

The Charter determines the terms of reference for the Nomination and Remuneration Committee. The Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Chief Executive Officer, members of the Executive Committee, and setting the broad parameters of remuneration for senior executives across the Group.

COMPOSITION

The Committee is made up of four Directors namely;

G Sathasivam – (Non-Executive, Non-Independent)

A N Fernando – (Non-Executive, Independent)
(Retired w.e.f. 25 June 2021)

S G Wijesinha – (Non-Executive, Independent)

N B Weerasekera – (Non-Executive, Independent)

Corporate Services (Pvt) Limited acts as the Secretary to the Nomination and Remuneration Committee. The minutes of the Nomination and Remuneration Committee approved by the said Committee is circulated and affirmed by the Board of Directors.

REMUNERATION POLICY

The Group's remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Group's objectives and create value for our shareholders.

A significant portion of Executives' total potential remuneration is performance related in order to drive the right behavior to optimise Group performance. Stretch targets are set for the plantation managers on a quarterly basis in the context of prevailing market conditions in which it operates.

The remuneration packages which are linked to individual performances are aligned with the Group's short-term and long-term strategy.

Remuneration levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, business unit and overall performance of the Group and market practices.

The Committee continues to provide analysis and advice to ensure key management personnel remuneration is competitive in the marketplaces. The Committee has the authority to seek external independent professional advice on matters within its purview.

NON-EXECUTIVE DIRECTORS' FEES

Non-Executive Directors receive fees for services on Board and Board Committees. Non-Executive Directors do not receive short-term incentives and do not participate in any long-term incentive schemes. The fees for the Non-Executive Directors are recommended by the Nomination and Remuneration Committee to the Board for their approval, after considering input from the Executive Directors.

The Directors emoluments are disclosed on Note 09 to the Financial Statements.

On behalf of the Nomination and Remuneration Committee;



G Sathasivam

Chairman – Nomination and Remuneration Committee

26 May 2022

REPORT OF THE AUDIT COMMITTEE

ROLE OF THE AUDIT COMMITTEE

The terms of reference "Charter" provides a clear understanding of the Committee's role, structure, processes, and membership requirements. This conveys the framework for the Committee's organisation and responsibilities that can be referred to by the Board, committee members, Management, and External and Internal Auditors. The Audit Committee reviews the Charter quarterly and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

COMPOSITION

The Audit Committee comprises four (4) members, three (3) of whom, including the Chairman, are Independent Non-Executive Directors.

A R Rasiah - Chairman [Independent, Non-Executive Director] (Appointed w.e.f. 25 June 2021)

A N Fernando - Chairman (Independent, Non-Executive Director) (Retired w.e.f. 25 June 2021)

S G Wijesinha - (Independent, Non-Executive Director)

N B Weerasekera - (Independent, Non-Executive Director)

K H Kuok - (Non-Independent, Non-Executive Director) (Alternate- M T Siddique) (Resigned w.e.f. 31 March 2022)

Profiles of the members are given on pages 26 to 29. Corporate Services (Pvt) Limited functions as the secretary to the Audit Committee.

MEETINGS AND MINUTES

The number of meetings the Committee holds is influenced by its objectives and scope of activities, and the size and nature of the business.

The Audit Committee met five times during the year (At least once a calendar quarter).

Members and attendance at meetings held during the year ended 31 March 2022 are given below:

A R Rasiah	3 of 3 meetings
A N Fernando	2 of 2 meetings
S G Wijesinha	5 of 5 meetings
N B Weerasekera	5 of 5 meetings
M T Siddique	4 of 5 meetings

The Chief Executive Officer and Senior Manager-Finance shall normally attend meetings of the Audit Committee. On the invitation of the Audit Committee, the Engagement Partner of

the Company's External Auditors, Messrs KPMG attended one committee meetings.

The Audit Committee shall report to the Board.

RESPONSIBILITIES

The Audit Committee undertakes, on behalf of the Board, responsibility for ensuring the integrity of the Company's financial reports by having oversight of internal control, the financial reporting process and compliance with regulatory matters as given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

TASKS OF THE AUDIT COMMITTEE

In fulfilling its responsibilities, following activities were carried out by the Audit Committee during the financial year ended 31 March 2022.

FINANCIAL REPORTING

Reviewed the quarterly and year-to-date financial results of the Group and the relevant announcements to Colombo Stock Exchange (CSE), focusing particularly on significant changes to accounting policies and practices and compliance with financial reporting and accounting standards prior to the consideration by the Board.

Reviewed the annual report and the annual audited Financial Statements of the Company and the Group prior to submission to the Board for approval. The review was to ensure that the financial reporting and disclosures are in compliance with the Sri Lanka Financial Reporting Standards, the provisions of Companies Act No. 7 of 2007, listing requirements of Colombo Stock Exchange and any other relevant legal and regulatory requirements.

In the review of the annual audited Financial Statements, the Committee discussed with the Chief Executive Officer, Senior Manager-Finance and External Auditor the significant accounting policies, estimates and judgements applied in preparing these reports, the accounting principles and reporting standards that were applied and the impact of the items to the Financial Statements.

INTERNAL CONTROL AND RISK MANAGEMENT AND INTERNAL AUDIT

The Committee reviewed the risk management process and discussed the inherent risks faced by the business as they affect financial reporting. The principal risks and uncertainties are outlined in the relevant section on pages 98 and 100.

The Committee has an ongoing process for reviewing the effectiveness of the system of internal controls and of the internal audit function. During the year, it reviewed and

REPORT OF THE AUDIT COMMITTEE

approved the annual internal audit plan prepared taking into consideration the required controls and risks attached to different areas of operation. It also reviewed the reports from the internal audit team summarising the audit findings and recommendations and describing actions taken by Management to address any shortfalls. It reviewed the level and nature of outstanding audit weaknesses and invited Management to the Committee to further understand progress where it felt it was necessary.

EXTERNAL AUDIT

Reviewed with the External Auditors their audit scope, audit strategy, and audit plan for the year and their proposed fees for the statutory audit.

Reviewed the external audit reports and areas of concern highlighted in the Management Letter including Management's responses to the findings of the External Auditors.

Discussed with External Auditors the significant accounting and auditing issues, impact of new or proposed changes in accounting standards and regulatory requirements applicable to the Group.

Assessed the independence and objectivity of the External Auditors during the year in carrying out statutory audit for the Group and prior to the appointment of the External Auditors for provision of any non-audit services. The Audit Committee also received report from the External Auditors confirming that there were no circumstances and relationship that create threats to their independence and that the ethical requirements have been complied with.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 20 May 2022 recommended that they be reappointed as Auditors. A resolution to reappoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

REGULATORY COMPLIANCE

Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Chief Executive Officer along with the Senior Manager – Finance submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Group was in compliance with mandatory statutory requirements.

AUDIT COMMITTEE EFFECTIVENESS

The Committee prepares and reviews with the Board an annual performance evaluation of the Committee. The findings of the review ensure that the Board is satisfied that the Committee is operating effectively, and meeting all applicable legal and regulatory requirements.

CONCLUSION

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Group's assets are safeguarded and the financial position of the Group is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate.

The Audit Committee recommends to the Board of Directors that the Financial Statements as submitted be approved.

On behalf of the Audit Committee;



A R Rasiah

Chairman – Audit Committee

26 May 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

COMPOSITION OF THE COMMITTEE

Related Party Transactions Review Committee was established in accordance with the Code of Best Practice on Related Party Transactions, issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange. Related Party Transactions Review Committee comprises four [4] members, three [3] of whom, including the chairman, are Independent Non-Executive Directors.

A R Rasiah - Chairman [Independent, Non-Executive Director] (Appointed w.e.f. 25 June 2021)

A N Fernando - Chairman [Independent, Non-Executive Director] (Retired w.e.f. 25 June 2021)

S G Wijesinha - [Independent, Non –Executive Director]

N B Weerasekera - [Independent, Non- Executive Director]

K H Kuok [Non -Independent, Non –Executive Director] [Alternate - M T Siddique] (Resigned w.e.f. 31 March 2022)

Policies and procedures adopted for reviewing the related party transactions:

The Committee reviewed all related party transactions except for the following transactions:

1. Recurrent, routine transactions which are of trading or revenue nature
2. Payment of dividend, issue of securities
3. Grant of options and the issue of securities pursuant to the exercise of options under an employee share option scheme
4. A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the Company at the time of the transaction
5. Directors fees and remuneration and employment remuneration

Either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

The Committee established guidelines for the Senior Management to follow, for recurrent related party transactions, in its ongoing dealings with the related parties. At the year end, the Committee carried out a review and assessed ongoing relationships with the related parties to determine whether they are in compliance with the

Committee's guidelines and that the related party transactions remain appropriate.

The Committee also determined whether to obtain the approval of the Board of Directors for a related party transaction considering the factors such as the impact of the proposed transaction on the independence of the Directors and whether related party transaction requires immediate market disclosure.

It was also ensured that Committee members did not have any conflict of interest with regard to the proposed related party transactions.

MEETINGS

The Committee met four times during the year (once a calendar quarter). Attendance of the Committee members at each of these meetings is as follows:

A R Rasiah	3 of 3 meetings
S G Wijesinha	4 of 4 meetings
N B Weerasekera	4 of 4 meetings
M T Siddique	4 of 4 meetings
A N Fernando	1 of 1 meetings

MEETING AND MINUTES

Corporate Services (Pvt) Limited acts as the Secretary to the Related Party Transaction Review Committee. The minutes of the Related Party Transactions Review Committee approved by the said Committee are circulated and agreed by the Board of Directors.

STATEMENT OF COMPLIANCE

The Committee has reviewed the related party transactions during the financial year and communicated the comments/ observations to the Board of Directors. Information complied as required under Section 9 of the Listing Rules are presented under Note 36 to the Financial Statements.

On behalf of the Related Party Transactions Review Committee,



A R Rasiah

Chairman – Related Party Transactions Review Committee

26 May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITY

The following statement, which should be read in conjunction with the Auditors' Statement of their responsibilities set out in their Report, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the Financial Statements.

The Directors are required by the Companies Act No. 07 of 2007, to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year. The Directors are required to prepare these Financial Statements on going concern basis, unless it is not appropriate.

Since the Directors are satisfied that the Company has resources to continue in business for the foreseeable future, the Financial Statements continue to be prepared on the said basis.

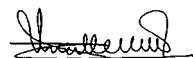
The Directors consider that in preparing the Financial Statements on pages 122 to 189 the Company used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimated that all accounting standards, which they consider to be applicable, are followed.

The Directors are responsible for ensuring that the Company keeps accounting records, which will disclose with reasonable accuracy the financial position of the Company and which will enable them to ensure that Financial Statements comply with the Companies Act No. 07 of 2007.

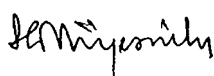
The Directors are generally responsible for taking such steps that are reasonably for them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are confident that they discharged their responsibility as set out in this statement. They also confirm that to the best of their knowledge all statutory payments payable by the Company as at the statement of financial position date, are paid or where relevant, provided for.

By Order of the Board.



V. Govindasamy
Director



Sunil G. Wijesinha
Chairman

26 May 2022

DIRECTORS' AND SENIOR MANAGER - FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of the Watawala Plantations PLC are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information is reclassified wherever necessary to comply with the current presentation.

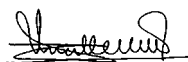
The significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Audit Committee.

The Board of Directors and Senior Manager – Finance of the Company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements give a true and fair view of the state of affairs, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated, and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

The Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their report is given on pages 118 to 121 of this Annual Report.

The Audit Committee of the Company meets periodically with the internal audit team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company.



V Govindasamy
Director



Eranda Kapukotuwa
Senior Manager – Finance

26 May 2022

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DELIVERING SUSTAINABLE VALUE



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FINANCIAL CALENDER

1. Interim Quarterly Reports

Listing rule: 7.4 (a) (i) (1) Submission of unaudited condensed interim financial statements to CSE as per listing rule

Period	Listing Rules	Date of released 2021/22	Date of released 2020/21
01st Quarter	Within 45 days of the end of quarter	04 August 2021	04 August 2020
2nd Quarter	Within 45 days of the end of quarter	10 November 2021	12 November 2020
3rd Quarter	Within 45 days of the end of quarter	03 February 2022	02 February 2021
4th Quarter	Within 60 days of the end of quarter	26 May 2022	24 May 2021

2. Audited Financial Statements

Listing rule: 7.5 (a) Submission of audited financial statements within five months from year ended

Meeting	Financial Year	Date of released	AGM
14th Annual General Meeting	2006/07	30 May 2007	22 June 2007
15th Annual General Meeting	2007/08	14 June 2008	07 July 2008
16th Annual General Meeting	2008/09	15 June 2009	14 July 2009
17th Annual General Meeting	2009/10	11 June 2010	07 July 2010
18th Annual General Meeting	2010/11	16 June 2011	08 July 2011
19th Annual General Meeting	2011/12	12 June 2012	06 July 2012
20th Annual General Meeting	2012/13	17 June 2013	09 July 2013
21st Annual General Meeting	2013/14	05 June 2014	30 June 2014
22nd Annual General Meeting	2014/15	08 June 2015	30 June 2015
23rd Annual General Meeting	2015/16	09 June 2016	30 June 2016
24th Annual General Meeting	2016/17	05 June 2017	29 June 2017
25th Annual General Meeting	2017/18	04 June 2018	28 June 2018
26th Annual General Meeting	2018/19	06 June 2019	27 June 2019
27th Annual General Meeting	2019/20	03 June 2020	26 June 2020
28th Annual General Meeting	2020/21	02 June 2021	25 June 2021
29th Annual General Meeting	2021/22	02 June 2022	24 June 2022

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WATAWALA PLANTATIONS PLC
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Watawala Plantations 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 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 122 to 189.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the

Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.5.10 and explanatory Notes 16 and 17 to the financial statements.

Risk Description

The Group has reported bearer biological assets amounting to Rs. 2,699 Mn and biological assets livestock carried at fair value amounting to Rs. 943 Mn as at 31st March 2022.

Bearer biological assets mainly include mature and immature palm oil, tea, rubber and other trees in identified plantation fields. Premature transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.

The biological assets livestock include cattles, which are measured at fair value less cost to sell. The management has used internally developed discounted cash flow method to calculate the fair value of the Group's biological assets as at the reporting date. The calculation of the fair value of biological assets involves significant degree of judgments, particularly in respect of expected production, market prices of raw milk, expected costs and discounting factor.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA
R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA
M.N.M. Shameel FCA	Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA
Ms. P.M.K. Sumanasekera FCA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekera CFA, ACMA, MRICS		



We considered measurement of biological assets as a key audit matter due to the magnitude of the value of bearer biological assets and significant management judgment involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of livestock biological assets involved significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.

Our audit procedures included for bearer biological assets;

- Obtaining and understanding of the process of immature to mature transfer and testing the design, implementation and operating effectiveness of management's key internal controls in relation to bearer biological assets.
- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Physical verification of fields on sample basis and cross checking with the classification of immature and mature plantations.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year were consistent with the company accounting policy and industry norms.

Our audit procedures included for livestock biological assets;

- Obtaining and understanding of the process of valuation and testing the design, implementation, and operating effectiveness of management's key controls relation to the valuation of livestock.
- Challenging the methodologies adopted in the valuation of livestock with reference to the requirements of the prevailing accounting standards.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average milk production, selling price of milk, average cost per cow, weight and selling price of the cattles in evaluating the appropriateness of the valuation methodology and discount rate used.

- Evaluating the accuracy, completeness and reasonableness of the data and inputs used for the valuation of livestock and evidence for physical verification of cows during the year.
- Comparing the discount rate, normal life cycle of a milking cow and milking yield per lactation with available industry data.
- Evaluating the adequacy of the Group's disclosures relating to Biological assets in the financial statements regarding the degree of judgment and estimation involved and the sensitivity of the assumptions and estimates.

2. Valuation of Retirement Benefit Obligation

Refer to the significant accounting policies in Note 3.12 and explanatory Note 29 of the financial statements.

Risk Description

The Group has recognized retirement benefit obligation of Rs. 213 Mn as at 31st March 2022. The retirement benefit obligation of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Group. Management engaged an independent actuary to assist them in the computation of Retirement benefit obligation.

We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent actuary engaged by the management.
- Testing a sample of the employees' details used in the computation to the human resource records and performed re-computation of sample of post-employment benefit liabilities with the assistance of our internal valuation specialist.

INDEPENDENT AUDITOR'S REPORT



- Challenging the key assumptions used in the valuation, in particular the discount rate, future salary increases and mortality rates.
- Evaluating the accuracy, completeness and reasonableness of the employee data used for the calculation of retirement benefit obligations.
- Comparing the discount rate, inflation rate, mortality rate and future salary increases to market available data.
- Assessing the adequacy of the disclosures made to the financial statements in accordance with the relevant accounting standards.

Other Information

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related

to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

Chartered Accountants
Colombo, Sri Lanka
26th May 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(all amounts in Sri Lankan Rupees thousands)

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Revenue	5	6,474,661	3,933,523	5,782,074	3,284,840
Cost of sales		(2,911,046)	(2,008,091)	(2,249,639)	(1,406,774)
Gross profit	5	3,563,615	1,925,432	3,532,435	1,878,066
Other income	6	86,190	131,495	39,175	80,089
Gain on changes in fair value of biological assets	7	15,033	12,061	19,718	10,242
Administrative expenses		(318,063)	(250,894)	(305,117)	(238,908)
Operating profit		3,346,775	1,818,094	3,286,211	1,729,489
Finance income	8	54,795	15,532	55,436	31,601
Finance costs	8	(69,768)	(81,970)	(44,264)	(62,333)
Net Finance Costs		(14,973)	(66,438)	11,172	(30,732)
Profit before income tax	9	3,331,802	1,751,656	3,297,383	1,698,757
Income tax expenses	10	125,997	(88,820)	132,399	(41,284)
Profit for the year		3,457,799	1,662,836	3,429,782	1,657,473
Profit is attributable to:					
Equity holders of the parent		3,455,658	1,662,836	3,429,782	1,657,473
Non-controlling interests		2,141	-	-	-
		3,457,799	1,662,836	3,429,782	1,657,473
Earnings per share (LKR)	11	17.01	8.18	16.87	8.15

Figures in brackets indicate deductions

These financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 122 to 189.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Profit for the year		3,457,799	1,662,836	3,429,782	1,657,473
Items that will not be reclassified to profit or loss					
Actuarial gain on retirement benefit obligations	29	60,043	25,164	55,431	19,198
Deferred Tax on actuarial gain	31	(6,742)	(3,881)	(5,820)	(2,688)
Total other comprehensive income for the year (net of tax)		53,301	21,283	49,611	16,510
Total comprehensive income for the year		3,511,100	1,684,119	3,479,393	1,673,983
Total comprehensive income attributable to :					
Equity holders of the parent		3,508,549	1,684,119	3,479,393	1,673,983
Non-controlling interest		2,551	-	-	-
		3,511,100	1,684,119	3,479,393	1,673,983

Figures in brackets indicate deductions

These financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 122 to 189.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

As at 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Assets					
Non-current assets					
Right of use assets	13	235,995	238,853	238,645	231,162
Property, plant and equipment	14	2,342,362	2,109,979	943,491	702,205
Intangible assets	15	28,276	19,230	25,307	15,091
Bearer biological assets	16	2,698,963	2,709,996	2,631,545	2,619,454
Biological assets - Consumable	17.1	33,783	32,857	-	-
Biological assets - Livestock	17.2	943,200	749,339	-	-
Investment fund	18	72,313	149,686	72,313	149,686
Investment in subsidiary	19	-	-	2,163,390	1,867,390
Total non-current assets		6,354,892	6,009,940	6,074,691	5,584,988
Current assets					
Inventories	20	245,923	111,270	193,065	71,301
Biological assets-Produce on bearer plants	17.4	71,671	52,688	71,671	51,953
Current tax assets		20,679	15,267	20,679	15,267
Trade and other receivables	21	256,348	292,304	229,617	258,687
Loan given to related Company	22	-	-	-	262,000
Amount due from related Companies	23	255	486	4,101	37,870
Short term investments	24	514,914	207,467	482,811	207,467
Cash and cash equivalents	25	1,427,013	407,955	1,412,534	389,394
Total current assets		2,536,803	1,087,437	2,414,478	1,293,939
Total assets		8,891,695	7,097,377	8,489,169	6,878,927
Equity and liabilities					
Capital and reserves					
Stated capital	26	511,848	511,848	511,848	511,848
Retained earnings		6,345,936	4,550,561	6,620,116	4,970,501
Equity attributable to equity holders of the company		6,857,784	5,062,409	7,131,964	5,482,349
Non controlling interest		241,887	-	-	-
Total equity		7,099,671	5,062,409	7,131,964	5,482,349
Non-current liabilities					
Interest bearing borrowings	27	227,505	372,561	-	45,500
Lease Liabilities	28	254,050	248,186	263,351	247,138
Retirement benefit obligations	29	212,629	271,507	186,682	240,086
Deferred income and capital grants	30	41,442	91,996	41,442	43,799
Deferred tax liability	31	316,938	431,554	261,658	382,825
Total non-current liabilities		1,052,564	1,415,804	753,133	959,348
Current liabilities					
Interest bearing borrowings	27	145,070	225,119	45,500	115,000
Lease Liabilities	28	2,363	2,108	1,399	1,102
Trade and other payables	32	559,994	366,266	520,112	321,128
Amount due to related Companies	33	31,259	-	37,061	-
Current tax liabilities		774	-	-	-
Bank overdrafts	25	-	25,671	-	-
Total current liabilities		739,460	619,164	604,072	437,230
Total liabilities		1,792,024	2,034,968	1,357,205	1,396,578
Total equity and liabilities		8,891,695	7,097,377	8,489,169	6,878,927

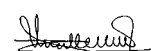
These financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 122 to 189.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.



Eranda Kapukotuwa
Senior Manager-Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of Directors of Watawala Plantations PLC.



V Govindasamy
Director



Sunil G Wijesinha
Chairman

26 May 2022
Colombo

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lankan Rupees thousands)

	Note	Stated capital	Retained earnings	Total	Non controlling interest	Total Equity
Balance as at 1 April 2020		511,848	4,086,294	4,598,142	-	4,598,142
Profit for the year		-	1,662,836	1,662,836	-	1,662,836
Actuarial gain on retirement benefit obligations		-	25,164	25,164	-	25,164
Deferred tax on actuarial gain on retirement benefit obligations		-	(3,881)	(3,881)	-	(3,881)
Total comprehensive income for the year		-	1,684,119	1,684,119	-	1,684,119
Transactions with owners of the Company, recognised directly in equity						
Dividends paid	12	-	(1,219,852)	(1,219,852)	-	(1,219,852)
Total transactions with owners		-	(1,219,852)	(1,219,852)	-	(1,219,852)
Balance as at 31 March 2021		511,848	4,550,561	5,062,409	-	5,062,409
Balance as at 1 April 2021		511,848	4,550,561	5,062,409	-	5,062,409
Profit for the year		-	3,455,658	3,455,658	2,141	3,457,799
Actuarial gain on retirement benefit obligations		-	59,530	59,530	513	60,043
Deferred Tax on actuarial gain on retirement benefit obligations		-	(6,639)	(6,639)	(103)	(6,742)
Total comprehensive income for the year		-	3,508,549	3,508,549	2,551	3,511,100
Transactions with owners of the Company, recognised directly in equity						
Transaction Costs of Issue of Shares to Non-Controlling Interest		-	(39,665)	(39,665)	-	(39,665)
Transactions with non-controlling interests without a change of control	19.3	-	156,269	156,269	239,336	395,605
Dividends paid	12	-	(1,829,778)	(1,829,778)	-	(1,829,778)
Total transactions with owners		-	(1,713,174)	(1,713,174)	239,336	(1,473,838)
Balance as at 31 March 2022		511,848	6,345,936	6,857,784	241,887	7,099,671

Figures in brackets indicate deductions

These financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 122 to 189.

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lankan Rupees thousands)

	Note	Stated capital	Retained earnings	Total Equity
Balance as at 1 April 2020		511,848	4,516,370	5,028,218
Profit for the year		-	1,657,473	1,657,473
Actuarial gain on retirement benefit obligations		-	19,198	19,198
Deferred tax on actuarial gain on retirement benefit obligations		-	(2,688)	(2,688)
Total comprehensive income for the year		-	1,673,983	1,673,983
Transactions with owners of the Company, recognised directly in equity				
Dividends paid	12	-	(1,219,852)	(1,219,852)
Total transactions with owners		-	(1,219,852)	(1,219,852)
Balance as at 31 March 2021		511,848	4,970,501	5,482,349
Balance as at 1 April 2021		511,848	4,970,501	5,482,349
Profit for the year		-	3,429,782	3,429,782
Actuarial gain on retirement benefit obligations		-	55,431	55,431
Deferred tax on actuarial gain on retirement benefit obligations		-	(5,820)	(5,820)
Total comprehensive income for the year		-	3,479,393	3,479,393
Transactions with owners of the Company, recognised directly in equity				
Dividends paid	12	-	(1,829,778)	(1,829,778)
Total transactions with owners		-	(1,829,778)	(1,829,778)
Balance as at 31 March 2022		511,848	6,620,116	7,131,964

Figures in brackets indicate deductions

These financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 122 to 189.

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in Sri Lankan Rupees thousands)

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Cash flows from operating activities					
Profit before taxation		3,331,802	1,751,656	3,297,383	1,698,757
Adjustments for:					
Depreciation and amortisation	9	391,590	358,908	290,623	246,714
Provision for retirement benefit obligations	9.1	30,494	45,949	26,429	39,938
Profit on disposal of property, plant and equipment	6	(4,018)	(11,950)	(4,018)	(11,030)
Profit on Liquidation of subsidiary		-	63	-	(417)
Written off of Oil palm nurseries		-	20,125	-	20,125
Gain on fair valuation of consumable biological assets	7	(1,328)	(1,200)	-	-
Gain on fair valuation of produce on bearer plants	7	(19,718)	(10,891)	(19,718)	(10,242)
Profit on disposal of consumable biological assets	17.1	(72)	-	-	-
Loss on fair valuation of livestock	7	6,013	30	-	-
Income from investment fund		(10,427)	(21,164)	(10,427)	(21,164)
Amortisation of capital grants	6	(50,554)	(50,554)	(2,357)	(2,358)
Write off of produce on bearer plants	17.4	735	-	-	-
Net finance costs	8	14,973	66,438	(11,172)	30,732
Profit before working capital changes		3,689,490	2,147,410	3,566,743	1,991,055
Changes in working capital					
- Inventories		(134,653)	40,044	(121,764)	34,550
- Trade and other receivables		35,956	8,026	29,070	952
- Amount due from related companies		231	73,416	(231)	62,355
- Amount due to related companies		31,259	(321)	37,061	(321)
- Trade and other payables		193,728	50,525	198,984	50,929
Cash generated from operations		3,816,011	2,319,100	3,709,863	2,139,520
Interest paid	8	(30,848)	(46,083)	(6,363)	(26,475)
Interest received	8	54,795	15,532	55,436	31,601
Income Tax paid		-	(108,308)	-	(108,308)
Retirement benefit obligations paid	29	(29,329)	(27,618)	(24,402)	(24,414)
		(5,382)	(166,477)	24,671	(127,596)
Net cash generated from operating activities		3,810,629	2,152,623	3,734,534	2,011,924
Cash flows from investing activities					
Additions to property, plant and equipment	14	(425,325)	(148,718)	(355,008)	(127,727)
Addition to Intangible assets	15	(15,545)	(1,900)	(15,545)	(1,900)
Additions to Bearer biological assets	16	(169,818)	(165,201)	(173,249)	(161,782)
Proceeds from disposal of biological assets (Livestock)	17	25,821	5,282	-	-
Proceeds from sale of property, plant and equipment		4,018	38,736	4,018	37,816
Proceeds from sale of consumable biological assets	17.1	474	-	-	-
Proceeds from liquidation of subsidiary		-	1,268	-	1,268
Addition to livestock	17	(225,695)	(59,113)	-	-
Investment made through short/ long term investments	18/24	(307,447)	(300,000)	(275,344)	(300,000)
Withdrawals made through short/ long term investments	18/24	87,800	307,736	87,800	307,736
Loan given to related parties		-	-	-	(61,805)
Net cash used in investing activities		(1,025,717)	(321,910)	(727,328)	(306,394)
Cash flows from financing activities					
Dividends paid		(1,829,778)	(1,219,852)	(1,829,778)	(1,219,852)
Proceeds from borrowings	27	-	247,887	-	218,000
Proceeds from issue of shares	19	395,605	-	-	-
Share issuing costs		(39,665)	-	-	-
Repayment of borrowings	27	(225,105)	(413,942)	(115,000)	(364,673)
Repayment of lease liabilities	28	(41,240)	(37,103)	(39,288)	(36,960)
Net cash used in financing activities		(1,740,183)	(1,423,010)	(1,984,066)	(1,403,485)
Increase in cash and cash equivalents		1,044,729	407,703	1,023,140	302,045
Cash and cash equivalents at the beginning of year		382,284	(25,419)	389,394	87,349
Cash and cash equivalents at the end of year	25	1,427,013	382,284	1,412,534	389,394

Figures in brackets indicate deductions

These financial statements are to be read in conjunction with the related notes, which form a part of the consolidated financial statements of the Group set out on pages 122 to 189.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

1. REPORTING ENTITY

1.1 Domicile and legal form

Watawala Plantations PLC (the Company) is a public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No 17 of 1982 in terms of the provisions of the Conversion of Public Corporations or Government Owned business undertaking into Public Companies Act No 23 of 1987 and re-registered under the Companies Act No 7 of 2007. The registered office of the Company is located at No 60, Dharmapala Mawatha, Colombo 03. The Plantations are situated in the Udugama, Galle District in the Southern Province.

The Consolidated Financial Statements of the Group as at and for the year ended 31st March 2022 comprise the Financial Statements of the Company and its subsidiary Watawala Dairy Ltd. (together referred to as the 'Group')

1.2 Principal activities and nature of operations

The Company is primarily engaged in cultivation, manufacture and sale of crude palm oil. Its subsidiary Watawala Dairy Ltd is engaged in dairy farming and manufacturing value added products.

1.3 Parent and ultimate parent enterprise

The Immediate parent of Watawala Plantations PLC is Sunshine Wilmar (Private) Limited and ultimate parent is Sunshine Holdings PLC.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, together with the notes to the Financial Statements and Significant Accounting Policies which have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/ LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No 15 of 1995. These Financial Statements, except information on Cash Flows, have been prepared following the accrual basis of accounting.

2.2 Approval of Financial Statements by Directors

The Consolidated Financial Statements were authorized for issue by the Board of Directors on 26th May 2022.

2.3 Basis of Measurement

The Consolidated Financial Statements have been prepared on historical cost basis except for the following material items in the Statement of Financial Position.

- Consumable Biological Assets are measured at fair value less costs to sell per LKAS 41: Agriculture.
- Liability for Retirement Benefit Obligation is recognized as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19: Employee Benefits.
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41: Agriculture.

2.4 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees which is the Group's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless stated otherwise.

2.5 Presentation of Financial Statements

The assets and liabilities of the Group presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.7 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

2.8 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRSs/LKASs) requires management to make judgements, estimates

and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about critical estimates and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

Note 14 -Property, plant and equipment
Note 17 - Consumable Biological Assets
Note 28 – Lease liabilities
Note 29 - Retirement Benefit Obligations
Note 31 – Deferred tax liability

2.9 Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 : inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 : inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

2.10 Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a nonfinancial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES

All the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Basis of consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its Subsidiary for the year ended 31st March 2022.

3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meet the definition of a business

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and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce the outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as which are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to precombination service.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity

and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

3.1.3 Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.5 Transactions eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The executive committee of the Company assesses the financial performance and position of the Company and its subsidiaries and makes strategic decisions.

3.3 Foreign currency translations

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Nonmonetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

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

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

3.4 Assets and Bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash, during the normal operating cycle of the Group's business, or within one year. Notes to the consolidated financial statements from the reporting date, whichever is shorter. Assets other than current assets are those which the Group intends to hold beyond a period of one year from the reporting date.

3.5 Property, Plant and Equipment

3.5.1. Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for Bare Land on Lease which is stated at revalued amount on 18th June 1992 less subsequent accumulated depreciation and accumulated Impairment losses.

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.

3.5.1.1 Owned Assets

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring at the site on which they are located and borrowing cost on qualifying assets.

3.5.2 Land Development Costs

Permanent land development costs are the costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalised and amortised over the remaining lease period. Permanent impairment to land development costs are charged to the profit or loss statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.5.3 Capital Work-in-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.5.4 Leases

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

- the contract involves the use of an identified asset which may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1st April 2019.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflator, the Group shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

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

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

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

- Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,

lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

3.5.5 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is 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 carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.5.6 Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and

charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.5.7 Depreciation and amortisation

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 or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Company	Freehold assets (Years)	Leasehold assets (Years)
Right to use of land	-	53
Improvements to land	-	30
Vested other assets	-	30
Buildings	40	24
Plant and machinery	13	13
Equipment	8	-
Computer equipment	4	-
Computer software	6	-
Furniture and fittings	10	-
Motor vehicles	5	5
Sanitation, water and electricity	20	20
Roads and bridges	40	24
Fences and security lights	3	-
Mini hydro plants	-	10

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Group

Watawala Dairy Limited

Freehold assets are depreciated using similar rates

as the parent entity. The right to use land and assets acquired from Watawala Plantations PLC are depreciated over the shorter of useful life or the remaining period of the lease.

Residual values of these assets and useful lives are reviewed and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.5.8 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or 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 in profit or loss and the revalued assets are disposed, the amount included in revaluation surplus reserve is transferred to retained earnings.

When revalued assets are disposed, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.5.9 Intangible Assets

An intangible asset is recognised if it is probable that economic benefits attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

3.5.9.1 Software

Purchased software is recognized as an intangible asset and is amortized on a straight-line basis over its useful life.

The estimated useful life is as follows:

Asset Category	Useful life
Enterprise Resource Planning System	6 years

3.5.10 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include palm oil, tea, cinnamon and rubber trees, those that are not intended to be sold or harvested, but are however used to grow for harvesting agricultural produce from such Biological assets.

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Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets) and livestock of Cattle.

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

3.5.11 Recognition and Measurement

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future Notes to the consolidated financial statements economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

The livestock are initially measured at cost and subsequently fair valued at each reporting date.

3.6 Bearer Biological Assets

The costs of land preparation, rehabilitation, new planting, replanting, crop diversification, interplanting, fertilising and so on incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads including interest attributable to long-term loans used for financing immature plantations. The expenditure incurred on Bearer Biological assets (Palm oil, Tea, Cinnamon, Rubber, Coconut, Maize, Turmeric, Grass and Avocado) which comes into bearing during the year, is transferred to mature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.6.1 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation.

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

3.6.2 Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads.

3.6.3 Depreciation

Mature Plantations (Replanting and New Planting) are depreciated on a straight line basis over the expected period of their commercial harvesting.

The expected periods of commercial harvesting for each category of crops are as follows:

Company	Freehold assets (Years)	Leasehold assets (Years)
- Tea	33	30
- Rubber	20	20
- Palm oil	20	20
- Cinnamon	30	-
- Caliandra	15	-
- Grass	5	-
- Coconut	33	-

No depreciation is provided for Immature Plantations.

3.7 Consumable Biological Assets

The fair value of timber trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber applied to expected timber content of a tree at maturity.

The main variables in DCF model are as follows:

Variable	Comment
Timber Content	Estimated based on physical verification of girth, height and considering the growth of each species, and factoring in all the prevailing statutory regulations enforced against harvesting of timber coupled with the forestry plan of the Group.
Economic Useful life	Estimated based on the normal life span of each species by factoring in the forestry plan of the Group.
Selling Price	Selling prices of managed timber have been taken based on market price & industry professional expert opinion.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in profit or loss for the period in which it arises.

3.8 Livestock

Livestock are measured at their fair value less estimated costs to dispose with any change therein recognised in Statement of profit or loss and other comprehensive income. Estimated costs to dispose includes all costs that would be necessary to dispose the asset such as transport cost, commission etc. Fair value of livestock is determined on yield basis valuation which considers the present value of net cash flows expected to be generated throughout the lactation lifecycle of the cattle. The expected net cash flows are discounted using a risk adjusted discounted rate.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services are expensed as incurred. The cost of purchase of cattle plus transportation charges are capitalised as part of livestock.

3.9 Non Harvested Produce Crop on Bearer Biological Assets

The Company recognises its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41-Agriculture and is measured at fair value less costs to sell. Changes in the fair value of such

agricultural produce is recognised in profit or loss at the end of each reporting period.

When deriving the estimated quantity, the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered.

For the valuation of the produce, the Company uses value of unharvested fresh fruit bunches (FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers and the value of the unharvested green leaves is measured using the bought-leaf rate (current month) less cost of harvesting and transport.

3.10 Financial Instruments

3.10.1 Recognition and Initial Measurement

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

Financial assets are not reclassified subsequently to their recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect

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to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

a) Business model assessment:

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

3.10.2 Financial Liabilities

Financial Liabilities - Classification, subsequent measurement and gains and losses

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

3.10.3 Derecognition

(a) Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which

substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(b) Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.10.4 Offsetting

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

3.10.5 Impairment - Financial Assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and debt investments measured at FVOCI
- The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and

analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

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

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be higher credit rating.

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Write-off

For individual customers, the Group has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Evidence of impairment included a significant or prolonged decline in its fair value below its cost.

3.10.6 Impairment of Non-Financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or

loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

3.11 Liabilities and Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Employee Benefits

3.12.1 Defined Contribution Plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Employees Provident Fund (EPF) / Estate Staff's Provident Society (ESPS) / Ceylon Planter's Provident Society (CPPS)

The Group and employee collectively contribute 12% and 10% respectively on the salary of each employee to the each of the contribution plans.

Employees Trust Fund (ETF)

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.12.2 Retirement Benefit Obligations

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible

employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standards No.19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messer's Actuarial and Management Consultants (Private) Limited as at 31st March 2022.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

When benefits of a plan are changed or when plan is curtailed the resulting change in benefit that relate to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gain or losses on the settlement of a defined benefit plan when a settlement occurs.

The liability is not externally funded.

3.13 Inventories

3.13.1 *Agricultural Produce harvested from Biological Assets*

Agricultural produce harvested from Biological Assets is measured at its fair value less cost to sell at the point of harvest. The finished and semifinished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

3.13.2 *Agricultural Produce after further processing*

Further processed output of Agricultural Produce is valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3.13.3 *Input Material, Consumables and Spares*

Valued at actual cost on weighted average basis.

3.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

3.15 Contingent Liabilities

Contingent Liabilities are possible 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.

3.16 Deferred Income

Government Grants and Subsidies

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related assets. When the grants are related to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Grants related to Property, Plant and Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment. Grants received for forestry are initially deferred and credited to Statement of Profit or Loss and Other Comprehensive Income immediately the related blocks of trees are harvested.

3.17 Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expenses method presents fairly the elements of the Group's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1 - Presentation of Financial Statements.

3.17.1 *Revenue Recognition*

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The following

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specific criteria are used for the purpose of recognition of revenue;

The Group revenue principally comprises sale of Palm Oil and Fresh Milk. Revenue is recognised point in time as the products are provided.

The Group considers sales and delivery of products as one performance obligation and recognises revenue when it transfers control to the customer.

Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

3.17.2 Sale of Goods

Revenue from the sale of goods is recognised when the identified performance obligations are satisfied i.e the Company transfers control over a good or services to a contract. Revenue is measured based on the consideration specified in a contract with a customer.

3.17.3 Interest Income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as FVTOCI, the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

3.17.4 Gain and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant and Equipment and which are recognised within other operating income in the Statement of Profit or Loss.

3.18 Operating Expenses

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Profit or Loss and Other

Comprehensive Income in arriving at the profit/(loss) for the year. Provision has also been made for impairment of non-financial assets, slow-moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

3.19 Finance Costs

Finance costs comprise interest expense on external borrowings and related party loans and payments made under operating leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received may be recognised as an integral part of the total lease expense, over the term of the lease.

3.20 Income Tax Expense

Income Tax expense comprising current and deferred tax. Income tax expense is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.20.1 Current Taxes

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 as amended by the Inland Revenue (amendment) Act, No.10 of 2021 enacted by the reporting date.

3.20.2 Deferred Taxation

Deferred taxation is recognised using the Balance Sheet liability method, in respect of 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 or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent Notes to the consolidated financial statements that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 realised. Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

3.21 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method'. Interest paid and interest received are classified as operating cash flows. Dividends received is classified as investing cash flows while dividend paid and Government grants received are classified as financing cash flows for the purpose of presentation of the Statement of Cash Flows.

3.22 Segmental Reporting

Segmental information is provided for the different business segments of the Group. Business segmentation has been determined based on the nature of goods provided by the Group after considering the risk and rewards of each type of product.

Revenue and Expenditure directly attributable to each segment are allocated to the respective segments. Revenue and Expenditure not directly attributable to a segment are allocated on the basis of their resource utilization, wherever possible. Unallocated items comprise mainly income accrued and expenses incurred at Head office level.

Assets and Liabilities directly attributable to each segment are allocated to the respective segments. Assets and Liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible. The activities of the segments are described in note 5 to the Financial Statements on pages 142 and 144.

3.23 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 or not a price is being charged. A detailed Related Party Transaction analysis is presented in note 36.

3.24 Earnings per Share

The Group presents Earnings per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

3.25 Events after the Reporting Date

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the Consolidated Financial Statements wherever necessary.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

A number of interpretations and amendments to standards are effective for annual period beginning on or after 1st April 2022 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37)
- COVID-19-Related Rent Concessions beyond 30th June 2021 (Amendment to SLFRS 16)
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).
- Reference to Conceptual Framework (Amendments to SLFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to LKAS 8).

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5 SEGMENTAL ANALYSIS BY PRINCIPAL ACTIVITIES

The analysis of the performance by the principal activities, is as follows:

5.1.1 Revenue streams

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Revenue from contracts with customers-sale of goods	5.1.2	6,474,661	3,933,523	5,782,074	3,284,840
Total Gross Revenue		6,474,661	3,933,523	5,782,074	3,284,840

5.1.2 Major products

	GROUP		COMPANY	
For the year ended 31 March	2022	2021	2022	2021
Revenue				
Palm oil & allied products	5,780,673	3,283,421	5,782,074	3,284,840
Dairy Farming	693,988	650,102	-	-
	6,474,661	3,933,523	5,782,074	3,284,840
Gross profit / (loss)				
Palm oil & allied products	3,590,043	1,880,437	3,532,435	1,878,066
Dairy Farm	(26,428)	44,995	-	-
	3,563,615	1,925,432	3,532,435	1,878,066

A Segment is a distinguishable component of the group that is engaged either in providing product or services (Business Segments), or in providing products or services within a particular economic environment (geographical segments), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's business. There are no distinguishable components to be identified as geographical segments for the group. The business segments are reported based on the Group management and reporting structure.

5.1.3 Performance Obligation

Information about the Group's performance obligations are summarized as follows;

Type of product/ services	Nature and timing of satisfaction of performance obligation	Revenue recognition under SLFRS 15
Plantation		
Sale of plantation produce	The Company is selling Green Leaf to customers after placing a sales order and revenue from tea is recognised at the time of dispatching the respective order.	Revenue from sale of other crops are recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.
Dairy farming		
Fresh Milk	Customer obtains the control of Fresh Milk after the customer acknowledgement at the dispatch point.	Revenue from fresh milk is recognised at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

5.2 Segmental analysis by principal activities - Group

	Palm Oil		Dairy		Other		Inter segment adjustments		Total	
For the year ended 31 March	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	5,782,074	3,284,840	693,988	650,102	-	-	(1,401)	(1,419)	6,474,661	3,933,523
Gross profit / (loss)	3,532,435	1,878,066	(26,428)	44,995	-	-	57,608	2,371	3,563,615	1,925,432
Other operating income	-	-	100,640	70,366	58,893	76,041	(58,310)	(2,851)	101,223	143,556
Administrative expenses	(305,117)	(238,908)	(12,946)	(11,986)	-	-	-	-	(318,063)	(250,894)
Operating profit/(loss)	3,227,318	1,639,158	61,266	103,375	58,893	76,041	(702)	(480)	3,346,775	1,818,094
Net finance income / (cost)	11,172	(30,732)	(27,167)	(35,706)	-	-	1,022	-	(14,973)	(66,438)
Profit/(loss) before tax	3,238,490	1,608,426	34,099	67,669	58,893	76,041	320	(480)	3,331,802	1,751,656
Tax expenses	152,098	(24,788)	(6,402)	(47,536)	(19,699)	(16,496)	-	-	125,997	(88,820)
Profit/(loss) for the year	3,390,588	1,583,638	27,697	20,133	39,194	59,545	320	(480)	3,457,799	1,662,836
Other Comprehensive Income										
Actuarial gain on retirement benefit obligation	55,431	19,198	4,612	5,966	-	-	-	-	60,043	25,164
Tax on actuarial gain on retirement benefit obligation	(5,820)	(2,688)	(922)	(1,193)	-	-	-	-	(6,742)	(3,881)
Total other comprehensive income	49,611	16,510	3,690	4,773	-	-	-	-	53,301	21,283
Total comprehensive income for the year	3,440,199	1,600,148	31,387	24,906	39,194	59,545	320	(480)	3,511,100	1,684,119
Segment assets										
Segment assets	5,903,727	4,394,397	2,631,198	2,431,544	356,770	271,436	-	-	8,891,695	7,097,377
Segment liabilities	1,300,557	1,026,264	454,006	937,679	37,461	71,025	-	-	1,792,024	2,034,968
Other segment items										
Capital expenditure	453,099	274,423	297,407	83,523	85,877	16,986	-	-	836,383	374,932
Depreciation	266,006	222,243	101,372	111,737	12,914	14,807	-	-	380,292	348,787
Amortisation	9,672	9,049	1,279	457	347	615	-	-	11,298	10,121

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5.3 Segmental analysis by principal activities - Company

For the year ended 31 March	Palm Oil		Other		Total	
	2022	2021	2022	2021	2022	2021
Revenue	5,782,074	3,284,840	-	-	5,782,074	3,284,840
Gross profit	3,532,435	1,878,066	-	-	3,532,435	1,878,066
Other income	-	-	58,893	90,331	58,893	90,331
Administrative expenses	(305,117)	(238,908)	-	-	(305,117)	(238,908)
Operating profit	3,227,318	1,639,158	58,893	90,331	3,286,211	1,729,489
Net finance income / (cost)	11,172	(30,732)	-	-	11,172	(30,732)
Profit before tax	3,238,490	1,608,426	58,893	90,331	3,297,383	1,698,757
Tax expenses	152,098	(24,788)	(19,699)	(16,496)	132,399	(41,284)
Profit for the year	3,390,588	1,583,638	39,194	73,835	3,429,782	1,657,473
Other Comprehensive Income						
Actuarial gain on retirement benefit obligation	55,431	19,198	-	-	55,431	19,198
Tax on actuarial gain on retirement benefit obligation	(5,820)	(2,688)	-	-	(5,820)	(2,688)
Total other comprehensive income	49,611	16,510	-	-	49,611	16,510
Total comprehensive income for the year	3,440,199	1,600,148	39,194	73,835	3,479,393	1,673,983
Segment assets	8,132,399	6,607,491	356,770	271,436	8,489,169	6,878,927
Segment liabilities	1,319,744	1,325,553	37,461	71,025	1,357,205	1,396,578
Other segment items						
Capital expenditure	453,099	274,423	90,703	16,986	543,802	291,409
Depreciation	266,006	222,243	14,203	14,807	280,209	237,050
Amortisation	9,672	9,049	742	615	10,414	9,664

6 OTHER INCOME

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Profit on disposal of property, plant and equipment		4,018	11,950	4,018	11,030
Amortisation of capital grants	30	50,554	50,554	2,357	2,357
Factory rental		9,000	9,000	9,000	9,000
Rent income		2,523	1,682	4,801	4,053
Income from increase in net assets value in the investment fund and short term investment		41,060	21,164	32,958	21,164
Profit/(Loss) on sale of green leaf	6.1	(10,269)	8,367	(11,369)	23,306
Profit/(loss) on liquidation of subsidiary		-	(63)	-	417
Income/loss from sundry operations		(10,696)	28,841	(2,590)	8,762
		86,190	131,495	39,175	80,089

6.1 Net profit/(loss) from green leaf operation

Income from green leaf sale		97,644	98,733	97,644	60,255
Cost incurred on green leaf operation		(107,913)	(90,366)	(109,013)	(36,949)
		(10,269)	8,367	(11,369)	23,306

7 GAIN/(LOSS) ON CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Fair value gain on produce on bear plants	17.4	19,718	10,891	19,718	10,242
Fair value gain on Consumable biological assets	17.1	1,328	1,200	-	-
Fair value loss on livestock	17.2	(6,013)	(30)	-	-
		15,033	12,061	19,718	10,242

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8 NET FINANCE COSTS

	GROUP		COMPANY	
For the year ended 31 March	2022	2021	2022	2021
(i) Finance costs				
- Interest on term loans tea board loan	-	4,389	-	4,389
- Interest on bank loan	30,478	36,323	6,284	21,761
- Interest on bank overdrafts	371	5,370	79	325
- Interest on lease liabilities	38,919	35,888	37,901	35,858
	69,768	81,970	44,264	62,333
(ii) Finance income				
- Interest income on related party loan	-	-	2,241	16,322
- Interest income on short-term bank deposits	54,795	15,532	53,195	15,279
	54,795	15,532	55,436	31,601
Net finance costs	14,973	66,438	(11,172)	30,732

9 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging all the expenses including following.

		GROUP		COMPANY	
For the year ended 31 March	Note	2022	2021	2022	2021
Auditors' remuneration					
- Audit		2,082	1,811	1,702	1,470
- Audit related		134	212	134	126
- Non audit		1,431	557	986	557
Amortization - Right of use assets		11,298	10,121	10,414	9,664
Depreciation		-	-	-	-
- Immovable leased assets	14.1	49	49	49	49
- Amortization intangible assets	15	6,499	6,203	5,329	5,033
- Property, plant and equipment	14.2	192,893	185,306	113,673	94,473
- Biological assets - bearer	16	180,851	157,229	161,158	137,495
Write off of oil palm nurseries		-	20,125	-	20,125
Directors' emoluments		11,830	6,207	10,420	6,207
Staff costs	9.1	1,111,478	996,680	1,041,277	890,188

9.1 Staff costs

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Wages and salaries		867,758	862,711	809,562	776,720
Defined contribution plan		128,484	65,020	120,544	50,530
Defined benefit plan	29	30,494	45,949	26,429	39,938
Workers' profit share bonus		84,742	23,000	84,742	23,000
		1,111,478	996,680	1,041,277	890,188

10 INCOME TAX EXPENSES

For the year ended 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Income Tax charge for the year	10.1	72,019	81,208	71,245	81,208
Under provision with respect of prior year		4,371	-	4,371	-
Over provision with respect of prior years		(81,028)	(40,726)	(81,028)	(40,726)
Deferred tax recognised in the income statement	31	(121,358)	48,338	(126,987)	802
Taxes included in statement of profit /loss		(125,997)	88,820	(132,399)	41,284
Deferred tax recognised in other comprehensive income		6,742	3,881	5,820	2,688
Taxes included in total comprehensive income		(119,255)	92,701	(126,579)	43,972

Tax is calculated using tax rates enacted for the year of assessment. The profits from agro farming are exempted. The profit from agro processing tax at 14% (2021 - 14%). The profit from other activities are taxed at 24% (2021 - 24%). The Company has been granted a 25% reduction on tax payable on agro processing as per Inland Revenue (Amendment) Act, No 10 of 2021.

Watawala Dairy Limited enjoys a tax exemption period of five years from the year in which the Company commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier, under section 17(2) of the Board of Investment of Sri Lanka, Law No: 4 of 1978 and in accordance with the provision of the Inland Revenue Act No. 24 of 2017.

After the expiration of the tax exemption period, the profit and income of the Company shall be charged at the rate of twenty percent (20%) for any year of assessment immediately succeeding the last date of the tax exemption period during which the profit and income of the entity is exempted from income tax.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

10.1 Reconciliation of accounting profit to income tax

For the year ended 31 March	GROUP		COMPANY	
	2022	2021	2022	2021
Profit before taxation	3,331,802	1,751,656	3,297,383	1,698,757
Less : Income from other sources	(155,356)	(87,744)	(143,138)	(68,732)
Add : Disallowable Expenses	172,429	472,641	33,519	367,072
Less : Allowable Expenses	(436,905)	(560,090)	(31,929)	(301,266)
Adjusted Profit for the year	2,911,970	1,576,463	3,155,835	1,695,831
Add : Income from other sources	155,356	88,224	143,138	68,732
Total Statutory/Taxable Income	3,067,326	1,664,687	3,298,973	1,764,563
Less: Statutory/Taxable income-Agro farming (exempted)	(2,560,299)	(1,133,722)	(2,804,484)	(1,233,598)
Total Statutory/Taxable Income-Agro processing	507,027	530,965	494,489	530,965
Income Tax Expense				
Tax at 14%	36,892	64,712	36,892	64,712
Tax at 24%	35,127	16,496	34,353	16,496
	72,019	81,208	71,245	81,208

10.2 Group Accumulated Tax Losses

	GROUP	
	2022	2021
Balance as at 1st April	1,421,158	1,420,091
Add : Tax Loss for the Year	2,534	1,067
Balance as at 31st March	1,423,692	1,421,158

11 EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

For the year ended 31 March	GROUP		COMPANY	
	2022	2021	2022	2021
Net profit attributable to shareholders	3,457,799	1,662,836	3,429,782	1,657,473
Weighted average number of ordinary shares in issue (thousands)	203,309	203,309	203,309	203,309
Basic earnings per share (Rs)	17.01	8.18	16.87	8.15

11.1 Diluted earnings per share

There were no potentially dilutive ordinary shares as at 31st March 2022 and there have been no transactions involving ordinary shares or potential ordinary shares as at the reporting date which would require restatement of earnings per share.

12 DIVIDENDS PER SHARE

Calculation of dividend per share

For the year ended 31 March	GROUP AND COMPANY	
	2022	2021
Final dividend		
Final dividend paid Rs.3.00 (2021 - Rs. 3.00)	609,926	609,926
Interim dividend		
Interim dividend paid Rs.6.00 (2021-Rs.3.00)	1,219,852	609,926
	1,829,778	1,219,852
Number of ordinary shares (thousand)	203,309	203,309
Dividend paid per share (Rs.)	9.00	6.00

13 RIGHT OF USE ASSETS

For the year ended 31 March	GROUP		COMPANY	
	2022	2021	2022	2021
Cost				
Capitalised value (18 June 1992)	338,367	330,833	323,612	318,245
Remeasurement of lease liabilities	8,440	5,367	8,440	5,367
Addition during the year	-	2,167	9,457	-
As at 31 March	346,807	338,367	341,509	323,612
Accumulated amortisation				
As at 1 April	99,514	89,393	92,450	82,786
Charge for the year	11,298	10,121	10,414	9,664
As at 31 March	110,812	99,514	102,864	92,450
Carrying value as at 31 March	235,995	238,853	238,645	231,162

The leases of JEDB/SLSPC estates handed over to the Company for a period of 53 years have all been executed. The leasehold rights to the land on all these estates have been taken into the books of the Company as at 18 June 1992 immediately after formation of the Company. The bare land has been recorded at the value established for each land by valuation specialist, D R Wickramasinghe, just prior to the formation of the Company.

The Group has applied SLFRS-16 for leasehold assets recorded in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

14 PROPERTY, PLANT AND EQUIPMENT

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Immovable estate assets on lease (other than land) (Note: 14.1.1 & 14.1.2)	818	867	782	831
Property, plant and equipment (Note: 14.2.1 & 14.2.2)	2,341,544	2,109,112	942,709	701,374
	2,342,362	2,109,979	943,491	702,205

14.1.1 Immovable estate assets on lease (other than land) - Group

	Improve ments to land	Other vested assets	Roads and bridges	Water supply	Buildings	Mini-hydro power plant	Machinery	Total
Cost								
As at 1 April 2020	1,135	1,201	5	89	35,894	1,042	23,208	62,574
As at 1 April 2021	1,135	1,201	5	89	35,894	1,042	23,208	62,574
As at 31 March 2022	1,135	1,201	5	89	35,894	1,042	23,208	62,574
Accumulated amortisation								
As at 1 April 2020	1,049	371	5	89	35,894	1,042	23,208	61,658
Charge for the year	38	11	-	-	-	-	-	49
As at 31 March 2021	1,087	382	5	89	35,894	1,042	23,208	61,707
As at 1 April 2021	1,087	382	5	89	35,894	1,042	23,208	61,707
Charge for the year	38	11	-	-	-	-	-	49
As at 31 March 2022	1,125	393	5	89	35,894	1,042	23,208	61,756
Net Carrying value								
As at 31 March 2022	10	808	-	-	-	-	-	818
As at 31 March 2021	48	819	-	-	-	-	-	867

- (a) Assets in estates that are held under leasehold right to use have been taken in to books of the Company retrospectively from 18 June 1992. For this purpose the Board of Directors of the Company decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB / SLSPC, on the day immediately preceding the date of formation of the Company.

14.1.2 Immovable estate assets on lease (other than land) - Company

As at 31 March	Improve- ments to land	Other vested assets	Water supply	Buildings	Machinery	Total
Cost						
As at 1 April 2020	1,135	1,088	89	33,192	23,163	58,667
As at 1 April 2021	1,135	1,088	89	33,192	23,163	58,667
As at 31 March 2022	1,135	1,088	89	33,192	23,163	58,667
Accumulated amortization						
As at 1 April 2020	1,049	294	89	33,192	23,163	57,787
Charge for the year	38	11	-	-	-	49
As at 31 March 2021	1,087	305	89	33,192	23,163	57,836
As at 1 April 2021	1,087	305	89	33,192	23,163	57,836
Charge for the year	38	11	-	-	-	49
As at 31 March 2022	1,125	316	89	33,192	23,163	57,885
Net Carrying value						
As at 31 March 2022	10	772	-	-	-	782
As at 31 March 2021	48	783	-	-	-	831

- (a) Assets in estates that are held under leasehold right to use have been taken in to books of the Company retrospectively from 18 June 1992. For this purpose the Board of Directors of the Company decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB / SLSPC, on the day immediately preceding the date of formation of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

14.2.1 Property, Plant and Equipment - Group

	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2020	1,387,847	5,341	336,173	967,315	104,455	11,164	21,976	243,863	3,078,134
Additions during the year	69,786	21,665	34,915	1,670	10,982	2,435	7,216	49	148,718
Transfer during the year	2,709	(2,709)	-	-	-	-	-	-	-
Disposals made during the year	-	-	(46,990)	-	-	(105)	-	-	(47,095)
As at 31 March 2021	1,460,342	24,297	324,098	968,985	115,437	13,494	29,192	243,912	3,179,757
As at 1 April 2021	1,460,342	24,297	324,098	968,985	115,437	13,494	29,192	243,912	3,179,757
Additions during the year	40,345	105,424	26,401	228,949	8,926	2,109	2,171	11,000	425,325
Transfer during the year	536	(18,793)	-	18,257	-	-	-	-	-
Disposals made during the year	-	-	(898)	(6,747)	-	-	-	-	(7,645)
As at 31 March 2022	1,501,223	110,928	349,601	1,209,444	124,363	15,603	31,363	254,912	3,597,437
Accumulated depreciation									
As at 1 April 2020	134,264	-	179,497	499,832	46,734	4,573	6,857	33,891	905,648
Charge for the year	59,654	-	42,459	53,381	8,733	1,778	2,057	17,244	185,306
Disposals made during the year	-	-	(20,248)	-	-	(61)	-	-	(20,309)
As at 31 March 2021	193,918	-	201,708	553,213	55,467	6,290	8,914	51,135	1,070,645
As at 1 April 2021	193,918	-	201,708	553,213	55,467	6,290	8,914	51,135	1,070,645
Charge for the year	42,419	-	53,406	68,235	11,944	4,116	4,524	8,249	192,893
Disposals made during the year	-	-	(898)	(6,747)	-	-	-	-	(7,645)
As at 31 March 2022	236,337	-	254,216	614,701	67,411	10,406	13,438	59,384	1,255,893
Net carrying value									
As at 31 March 2022	1,264,886	110,928	95,385	594,743	56,952	5,197	17,925	195,528	2,341,544
As at 31 March 2021	1,266,424	24,297	122,390	415,772	59,970	7,204	20,278	192,777	2,109,112

14.2.2 Property, Plant and Equipment - Company

	Buildings	Capital work in progress	Motor vehicles	Plant and machinery	Equipment	Computer	Furniture and fittings	Others	Total
Cost									
As at 1 April 2020	274,570	5,342	296,605	688,925	32,012	9,593	13,948	79,345	1,400,340
Additions during the year	69,786	18,819	27,870	1,670	4,100	2,302	3,180	-	127,727
Transfer during the year	2,709	(2,709)	-	-	-	-	-	-	-
Disposals made during the year	-	-	(46,990)	-	-	(105)	-	-	(47,095)
As at 31 March 2021	347,065	21,452	277,485	690,595	36,112	11,790	17,128	79,345	1,480,972
As at 1 April 2021	347,065	21,452	277,485	690,595	36,112	11,790	17,128	79,345	1,480,972
Additions during the year	34,284	50,825	26,401	226,449	2,047	2,071	1,931	11,000	355,008
Transfer during the year	536	(18,793)	-	18,257	-	-	-	-	-
Disposals made during the year	-	-	(898)	(6,747)	-	-	-	-	(7,645)
As at 31 March 2022	381,885	53,484	302,988	928,554	38,159	13,861	19,059	90,345	1,828,335
Accumulated depreciation									
As at 1 April 2020	60,165	-	150,423	445,107	21,365	3,720	5,130	19,524	705,434
Charge for the year	16,938	-	33,186	32,072	833	1,409	1,096	8,939	94,473
Disposals made during the year	-	-	(20,248)	-	-	(61)	-	-	(20,309)
As at 31 March 2021	77,103	-	163,361	477,179	22,198	5,068	6,226	28,463	779,598
As at 1 April 2021	77,103	-	163,361	477,179	22,198	5,068	6,226	28,463	779,598
Charge for the year	12,032	-	43,810	46,862	2,950	3,724	1,697	2,598	113,673
Disposals made during the year	-	-	(898)	(6,747)	-	-	-	-	(7,645)
As at 31 March 2022	89,135	-	206,273	517,294	25,148	8,792	7,923	31,061	885,626
Carrying value									
As at 31 March 2022	292,750	53,484	96,715	411,260	13,011	5,069	11,136	59,284	942,709
As at 31 March 2021	269,962	21,452	114,124	213,416	13,914	6,722	10,902	50,882	701,374

14.2.3 The gross carrying values of fully depreciated property plant and equipment as at 31 March 2022 are as follows;

	GROUP AND COMPANY	
As at 31 March	2022	2021
Motor vehicles	142,262	132,107
Plant and machinery	260,020	254,770
Equipment	28,164	26,009
Computer	5,060	4,810
Furniture and fittings	3,466	3,216
Others	8,365	8,365
	447,337	429,277

NOTES TO THE FINANCIAL STATEMENTS

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14.2.4 Capital Work in progress

The cost of incompleting projects as at 31 March 2022 are included in the capital work in progress.

15 INTANGIBLE ASSETS

As at 31 March	GROUP				COMPANY			
	Capital Work in progress	Software	Total	2021	Capital Work in progress	Software	Total	2021
Cost								
As at 1 April	-	44,029	44,029	42,129	-	36,741	36,741	34,841
Addition during the year	15,545	-	15,545	1,900	15,545	-	15,545	1,900
As at 31 March	15,545	44,029	59,574	44,029	15,545	36,741	52,286	36,741
Accumulated Amortization								
As at 1 April	-	24,799	24,799	18,596	-	21,650	21,650	16,617
Amortization during the year	-	6,499	6,499	6,203	-	5,329	5,329	5,033
As at 31 March	-	31,298	31,298	24,799	-	26,979	26,979	21,650
Net carrying value as at 31 March	15,545	12,731	28,276	19,230	15,545	9,762	25,307	15,091

16 BEARER BIOLOGICAL ASSETS

As at 31 March	2022					2021				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Group										
On lease (Note 16.1)	-	-	4,186	-	4,186	-	-	4,652	-	4,652
Investments after formation of the Company (Note 16.2)	2,274,775	64,727	145,475	209,800	2,694,777	2,348,018	70,572	140,518	146,236	2,705,344
	2,274,775	64,727	149,661	209,800	2,698,963	2,348,018	70,572	145,170	146,236	2,709,996
Company										
On lease (Note 16.1)	-	-	172	-	172	-	-	638	-	638
Investments after formation of the Company (Note 16.2)	2,274,775	64,727	111,318	180,553	2,631,373	2,348,018	70,572	104,559	95,667	2,618,816
	2,274,775	64,727	111,490	180,553	2,631,545	2,348,018	70,572	105,197	95,667	2,619,454

16.1 On lease

As at 31 March	2022				2021			
	Oil palm	Rubber	Tea	Total	Oil palm	Rubber	Tea	Total
Group								
As at 1 April	31,667	95,376	22,388	149,431	31,667	95,376	22,388	149,431
As at 31 March	31,667	95,376	22,388	149,431	31,667	95,376	22,388	149,431
Accumulated Amortization								
As at 1 April	(31,667)	(95,376)	(17,736)	(144,779)	(31,667)	(95,376)	(17,270)	(144,313)
Amortization for the year	-	-	(466)	(466)	-	-	(466)	(466)
As at 31 March	(31,667)	(95,376)	(18,202)	(145,245)	(31,667)	(95,376)	(17,736)	(144,779)
Net Carrying Amount	-	-	4,186	4,186	-	-	4,652	4,652
Company								
As at 1 April	31,667	95,376	10,185	137,228	31,667	95,376	10,185	137,228
As at 31 March	31,667	95,376	10,185	137,228	31,667	95,376	10,185	137,228
Accumulated Amortization								
As at 1 April	(31,667)	(95,376)	(9,547)	(136,590)	(31,667)	(95,376)	(9,081)	(136,124)
Amortization for the year	-	-	(466)	(466)	-	-	(466)	(466)
As at 31 March	(31,667)	(95,376)	(10,013)	(137,056)	(31,667)	(95,376)	(9,547)	(136,590)
Net Carrying Amount	-	-	172	172	-	-	638	638

16.2 Investments after Formation of the Company

As at 31 March	Note	GROUP		COMPANY	
		2022	2021	2022	2021
Immature plantations	16.2.1	204,490	310,829	205,421	308,329
Mature plantations	16.2.2	2,478,359	2,391,421	2,414,024	2,307,393
Growing Crop Nurseries	16.2.3	11,928	3,094	11,928	3,094
		2,694,777	2,705,344	2,631,373	2,618,816

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

16.2.1 Immature plantations

As at 31 March	2022					2021				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Group										
Cost										
As at 1 April	274,767	11,169	-	24,893	310,829	620,433	11,169	-	4,488	636,090
Additions during the year	73,712	-	11,900	75,372	160,984	141,400	-	-	20,405	161,805
Transfers to mature plantations during the year	(267,323)	-	-	-	(267,323)	(487,066)	-	-	-	(487,066)
As at 31 March	81,156	11,169	11,900	100,265	204,490	274,767	11,169	-	24,893	310,829

As at 31 March	2022					2021				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Company										
Cost										
As at 1 April	274,767	11,169	-	22,393	308,329	620,433	11,169	-	5,407	637,009
Additions during the year	73,712	-	11,900	78,803	164,415	141,400	-	-	16,986	158,386
Transfers to mature plantations during the year	(267,323)	-	-	-	(267,323)	(487,066)	-	-	-	(487,066)
As at 31 March	81,156	11,169	11,900	101,196	205,421	274,767	11,169	-	22,393	308,329

16.2.2 Mature plantations

As at 31 March	2022					2021				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Group										
Cost										
As at 1 April	2,987,965	116,902	249,861	164,692	3,519,420	2,500,899	116,902	249,861	164,692	3,032,354
Transfer during the year	267,323	-	-	-	267,323	487,066	-	-	-	487,066
As at 31 March	3,255,288	116,902	249,861	164,692	3,786,743	2,987,965	116,902	249,861	164,692	3,519,420
Accumulated Depreciation										
As at 1 April	(914,714)	(57,499)	(109,343)	(46,443)	(1,127,999)	(792,026)	(51,653)	(101,541)	(26,016)	(971,236)
Charge for the year	(146,955)	(5,845)	(6,943)	(20,642)	(180,385)	(122,688)	(5,846)	(7,802)	(20,427)	(156,763)
As at 31 March	(1,061,669)	(63,344)	(116,286)	(67,085)	(1,308,384)	(914,714)	(57,499)	(109,343)	(46,443)	(1,127,999)
Net Carrying Amount	2,193,619	53,558	133,575	97,607	2,478,359	2,073,251	59,403	140,518	118,249	2,391,421

As at 31 March	2022					2021				
	Oil palm	Rubber	Tea	Others	Total	Oil palm	Rubber	Tea	Others	Total
Company										
Cost										
As at 1 April	2,987,965	116,902	158,943	80,839	3,344,649	2,500,899	116,902	158,943	80,839	2,857,583
Transfer in during the year	267,323	-	-	-	267,323	487,066	-	-	-	487,066
As at 31 March	3,255,288	116,902	158,943	80,839	3,611,972	2,987,965	116,902	158,943	80,839	3,344,649
Accumulated depreciation										
As at 1 April	(914,714)	(57,499)	(54,384)	(10,659)	(1,037,256)	(792,026)	(51,653)	(48,424)	(8,124)	(900,227)
Charge for the year	(146,955)	(5,845)	(5,141)	(2,751)	(160,692)	(122,688)	(5,846)	(5,960)	(2,535)	(137,029)
As at 31 March	(1,061,669)	(63,344)	(59,525)	(13,410)	(1,197,948)	(914,714)	(57,499)	(54,384)	(10,659)	(1,037,256)
Net Carrying Amount	2,193,619	53,558	99,418	67,429	2,414,024	2,073,251	59,403	104,559	70,180	2,307,393

16.2.3 Growing Crop Nurseries

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
As at 1 April	3,094	19,823	3,094	19,823
Additions during the year	8,834	3,396	8,834	3,396
Write off during the year	-	(20,125)	-	(20,125)
As at 31 March	11,928	3,094	11,928	3,094

- (i) Investments in bearer plants since the formation of the Company have been classified as shown above and mainly includes tea, oil palm and cinnamon plantations. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with LKAS 16 Property, plant & equipment.
- (ii) The immature plants are classified as mature plants when they are ready for commercial harvesting.
- (iii) Balance as at 31 March 2022 represent nurseries related to cinnamon and tea.

17 BIOLOGICAL ASSETS

17.1 Consumable biological assets- Group

As at 31 March	Note	Mature plantations	Total
Cost/Fair value			
As at 1 April 2020		31,657	31,657
Gain on fair value less cost to sell		1,200	1,200
As at 31 March 2021		32,857	32,857
Decrease due to harvest/disposal	17.1.a	(402)	(402)
Profit arising from changes in fair value less cost to sell		1,328	1,328
As at 31 March 2022		33,783	33,783

17.1.a

As at 31 March	
Proceeds from disposal of biological assets	474
Profit on disposal of consumable biological assets	(72)
Decrease due to disposal of biological assets	402

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(all amounts in Sri Lankan Rupees thousands)

17.1.1 Measurement of Fair value

The valuation of consumable biological assets was carried by Mr. Weerasinghe Chandrasena, an independent Incorporated Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31st March 2022 has been prepared based on the physically verified timber statistics provided by the Group.

The future cash flows are determined by reference to current timber prices.

a) Fair Value hierarchy

The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

b) Level 3 fair Value

Breakdown of total gains and losses recognized in respect of Level 3 fair value of consumable biological assets.

As at 31 March	GROUP	
	2022	2021
Gain included in Profit or loss for the year	1,328	1,200
Total Gain	1,328	1,200

c) Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31st March 2022.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber	Discounted cash flows	Determination of Timber Content	The estimated fair value at the time of harvesting each specific species is sensitive to the following variables,
Standing timber older than 4 years.	<p>The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis.</p> <p>Expected cash flows are discounted using a risk-adjusted discount rate of 20.83% (2021: 14.0%).</p> <p>Following factors have been considered in determining the risk premium;</p> <ul style="list-style-type: none"> - The illiquid nature of the plantations prior to maturity 	<p>Timber trees in inter-crop areas and pure crop areas have been identified field-wise and species were identified and harvestable trees were separated, according to their average girth and estimated age.</p> <p>Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.</p> <p>Determination of Price of Timber</p> <p>Trees have been valued as per the current timber prices per cubic meter based on the industry average prices logs sawn timber at the popular timber traders in Sri Lanka.</p>	<ul style="list-style-type: none"> - the estimated timber content (The higher the volume, the higher the fair value) - the estimated timber prices per cubic meter (The higher the price per cu. ft., the higher the fair value)

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
	<ul style="list-style-type: none"> - A lack of market evidence as to the value of biological assets through their life cycle - Risk relations to diseases and fire affecting the biological assets - Adoption of conservative valuation approach 	<p>In this exercise, following factors have been taken into consideration.</p> <p>a) Cost of obtaining approval of felling.</p> <p>b) Cost of felling and cutting into logs.</p> <p>c) Cost of transportation.</p> <p>d) Sawing cost.</p> <p>e) Cost of sale</p> <p>f) Exclusion of trees located in restricted area specialized in the circular No. 2019/01 dated on 6 November 2019 issued by Ministry of Plantation Industries.</p> <p>Price range per cu.ft. is Rs. 150/- to Rs. 750/- (2021- Rs. 150/- to Rs. 650/-)</p> <p>Risk-adjusted discount rate.</p> <p>2022 - 20.83% (2021 - 14.0%).</p>	<ul style="list-style-type: none"> - the estimated selling related costs (Lower the selling related costs, the higher the fair value) - the estimated maturity age (Lower the rotation period, the higher the fair value) - the risk-adjusted discount rate. (The higher the discount rate, the lesser the fair value)

17.1.2 Sensitivity Analysis

Sensitivity variation on sales price

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

As at 31 March	-10%	2022	+10%
Timber	30,405	33,783	37,161
Total	30,405	33,783	37,161

Sensitivity variation on discount rate

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

As at 31 March	-1%	2022	+1%
Timber	34,911	33,783	32,752
Total	34,911	33,783	32,752

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(all amounts in Sri Lankan Rupees thousands)

17.2 Biological assets - Livestock

Livestock is measured on initial recognition at each reporting date at its fair values less point of sale costs. Fair value of livestock is determined at the best available estimates for livestock with similar attributes. Any gain or loss arising on initial recognition of livestock at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs is included in statement of income in the period in which it arises.

As at 31 March	GROUP	
	2022	2021
As at 1 April	749,339	695,538
Decrease due to disposal	(25,821)	(5,282)
Additions during the year	225,695	59,113
Change in fair value less cost to sell	(6,013)	(30)
As at 31 March	943,200	749,339

As at 31 March 2022 livestock comprised 1,811 cattle (2021: 1,632 cattle).

17.2.1 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of bearer biological assets livestock as well as the significant unobservable inputs used for the valuation as at 31st March 2022.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock	Discounted cash flows	Determination of selling price	The estimated fair value would increase/ (decrease)
Livestock comprises cattle	The valuation model considers present value of future net cash flows expected to be generated by the cattles based on lactation-wise annual milking averages and costs incurred.	Selling price has been determined based on the market prices.	- the estimated milking prices were higher / (lower)
	Expected cash flows are discounted using a risk-adjusted discount rate of 26.34% (2021: 16.41%).	Determination of cost per cow Cost per cow has been determined based on the adjusted cost during the year.	- the estimated yield per cow cow were higher / (lower)
		Determination of discount factor Risk adjusted discount rate of 26.34% (2021-16.41%) has been use for the valuation.	- the risk-adjusted discount rate were higher / (lower)
		Determination of yield Yield has been determined based on the actual milk production in each lactation.	

17.2.2 Sensitivity Analysis

The fair value measurements of Livestock have been categorised as Level 3 fair values based on assumptions.

Sensitivity Analysis

Sensitivity variation on sales price

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

As at 31 March	-10% Rs.	2,022 Rs.	+10% Rs.
Livestock	585,575	943,200	1,300,824
Total	585,575	943,200	1,300,824

Sensitivity variation on cost

Values as appearing in the statement of financial position are sensitive to cost changes with regard to the average cost applied. Simulations made for livestock show that an increase or decrease by 10% of the estimated future cost has the following effect on the fair value of biological assets:

As at 31 March	-10% Rs.	2,022 Rs.	+10% Rs.
Livestock	1,214,472	943,200	671,927
Total	1,214,472	943,200	671,927

Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for livestock show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the fair value of biological assets:

As at 31 March	-1% Rs.	2,022 Rs.	+1% Rs.
Livestock	960,131	943,200	926,784
Total	960,131	943,200	926,784

Sensitivity variation on yield

Values as appearing in the Statement of Financial Position are sensitive to changes of milk yield rate. Simulations made for livestock show that an increase or decrease by 1% of the estimated future yield rate has the following effect on the fair value of biological assets:

As at 31 March	-1% Rs.	2,022 Rs.	+1% Rs.
Livestock	891,874	943,200	994,847
Total	891,874	943,200	994,847

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(all amounts in Sri Lankan Rupees thousands)

17.3 The Group is exposed to the following risks relating to its agricultural activities.

Regulatory and environmental risks

The Group is subject to laws and regulations in Sri Lanka. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of milk. When possible the Group manages this risk by aligning its milk volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected milk volumes are consistent with the expected demand.

Climate change and other risks

The Group's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces and livestock are exposed to the risk of diseases. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections, regular visit by regional veterinary surgeon appointed by government, industry pest and disease surveys, in house herd manager and veterinary service.

17.4 Biological assets

Biological assets-Produce on bearer plants

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
As at 1 April	52,688	41,797	51,953	41,711
Write off during the year	(735)	-	-	-
Fair value of growing crops	19,718	10,891	19,718	10,242
As at 31 March	71,671	52,688	71,671	51,953

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows,

Tea - Three days crop (50% of 6 days cycle), Oil palm - five days crop (50% of 10 days cycle)

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea commissioner's formula for bought leaf and the value of unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers.

18 INVESTMENT FUND

	GROUP AND COMPANY	
As at 31 March	2022	2021
As at 1 April	149,686	343,725
Investments made during the year	-	300,000
Funds withdrawn during the year	(87,800)	(307,736)
Reclassified as short term investments	-	(207,467)
Fair value gain for the year	10,427	21,164
As at 31 March	72,313	149,686

The fund comprises investments made in Hatton National Bank Custody Trustee Services. The average yield for the year was 13.08% (HNB 2021 -12.80%).

The Net asset value of the Investment fund comprise of following financial instrument as at 31 March.

GROUP AND COMPANY		
As at 31 March	2022	2021
Instrument Type		
Corporate Bonds	50,235	100,461
Investment in Fixed Deposit	16,838	15,356
Cash at Bank	5,240	33,605
Debenture WHT Payable	-	264
	72,313	149,686

19 INVESTMENTS IN SUBSIDIARY

As at 31 March	2022		2021		COMPANY	
	% Holding	No of Shares	% Holding	No of Shares	2022	2021
Watawala Dairy Limited	89%	276,972,890	100%	251,062,502	2,163,390	1,867,390
					2,163,390	1,867,390

19.1 Movements of investment in the subsidiary

COMPANY		
As at 31 March	2022	2021
Balance as at 1 April	1,867,390	1,868,242
Addition during the year	296,000	-
Disposal during the year	-	(852)
Balance as at 31 March	2,163,390	1,867,390

19.2 Summarised financial information of material the subsidiary (Watawala Dairy Limited)

	2022	2021
Non current assets	2,498,968	2,338,655
Current assets	132,230	92,889
Total assets	2,631,198	2,431,544
Non current liabilities	308,732	456,457
Current liabilities	145,274	481,222
Total liabilities	454,006	937,679
Revenue	693,987	650,102
Profit or loss for the year	27,697	59,826
Total comprehensive income	31,387	64,598

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

19.3 Transaction with non controlling interest without a change of control

On 20th May 2021, Watawala Dairy Limited has issued shares to SBI Ven holdings (Pvt) Ltd which has resulted decreasing group's ownership in Watawala Dairy Limited from 100% to 88.89%. The carrying amount of Watawala Dairy Limited's net assets in the Group Consolidated Financial Statements on the date of the disposal was Rs 2,154,236,586/-.

Consideration received from non controlling interest	395,605
Carrying amount of NCI disposed (Rs. 2,154,237x11.11%)	239,336
Increase in equity attributable to ownership of the Group	156,269

20 INVENTORIES

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Produce stock	46,468	16,181	46,468	16,181
Raw materials, spares and consumables	199,455	95,089	146,597	55,120
	245,923	111,270	193,065	71,301

21 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Trade receivables	20,709	26,434	-	900
Employee advances	17,061	20,894	16,481	17,126
Prepayments and Advances	11,191	14,802	5,791	10,529
Taxes recoverable-net	118,050	121,754	118,008	121,713
Other receivables	89,337	108,420	89,337	108,419
	256,348	292,304	229,617	258,687

(i) Taxes receivable represents Value Added Tax claimable on export inputs and Withholding taxes paid at source on interest income.

(ii) Employee advances are recovered from payroll within 10 months.

22 LOAN GIVEN TO RELATED PARTY

	COMPANY	
As at 31 March	2022	2021
As at 1 April	262,000	200,195
Loan granted during the year	-	71,000
Loan paid/transfer to WDL Investment account	(262,000)	(9,195)
As at 31 March	-	262,000

The Company has granted short term loans which is repayable on demand from Watawala Dairy Limited at an interest rate of AWPLR + 0.5%. The company has converted this loan receivable to investment in the subsidiary during the year ended 31 March 2022.

23 AMOUNTS DUE FROM RELATED COMPANIES

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Trade receivables				
Pyramid Lanka (Private) Limited	-	476	-	476
Other receivables				
Watawala Dairy Limited	-	-	4,101	37,394
Watawala Tea Ceylon Limited	-	-	-	-
Healthguard Limited	255	10	-	-
	255	486	4,101	37,870

24 SHORT TERM INVESTMENT

	GROUP		COMPANY	
	2022	2021	2022	2021
Short term bank deposits	202,813	207,467	202,813	207,467
Investment in CAL fund	312,101	-	279,998	-
	514,914	207,467	482,811	207,467

24.1 Short term investment represents investments in short term fixed deposits and investments made in Capital Alliance Investments Limited. Average yield of investments in CAL was 7.4% (2021: 12.80%).

25 CASH AND CASH EQUIVALENTS

For the purposes of the cash flows statement, the year end cash and cash equivalents comprise of the following:

		GROUP		COMPANY	
As at 31 March	Note	2022	2021	2022	2021
Bank overdrafts		-	(25,671)	-	-
Cash and bank balances	25.1	1,427,013	407,955	1,412,534	389,394
		1,427,013	382,284	1,412,534	389,394

25.1.

		GROUP		COMPANY	
As at 31 March		2022	2021	2022	2021
Cash at bank		537,841	22,687	532,159	4,789
Cash in hand		1,822	476	1,693	303
Bank deposits		887,350	384,792	878,682	384,302
		1,427,013	407,955	1,412,534	389,394

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(all amounts in Sri Lankan Rupees thousands)

26 STATED CAPITAL

	GROUP AND COMPANY	
As at 31 March	2022	2021
203,308,634 ordinary shares including one (1) golden share (2021 : 203,308,634)	511,848	511,848
As at 31 March	511,848	511,848

The Golden Shareholder

The Golden Share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholder, the Golden Shareholder has the following rights:

- (i) The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased / to be leased to the Company by the Janatha Estate Development Board / Sri Lanka State Plantation Corporation. (JEDB/ SLSPC)
- (ii) The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.
- (iii) The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks written notice.
- (iv) The Company will be required to submit a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60 days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90 days of the end of the each fiscal year.
- (v) The Golden Shareholder can request the Board of Directors of the Company to meet with him / his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

27 INTEREST BEARING BORROWINGS

27.1 Movement of borrowings during the year:

Group

As at 31 March	Lease	Term loan	2022 Total	2021 Total
As at 1 April	8,569	589,111	597,680	763,735
Obtained during the year	-	-	-	247,887
Repaid during the year	(3,438)	(221,667)	(225,105)	(413,942)
	5,131	367,444	372,575	597,680

Company

As at 31 March	Term loan	2022 Total	2021 Total
As at 1 April	160,500	160,500	307,173
Obtained during the year	-	-	218,000
Repaid during the year	(115,000)	(115,000)	(364,673)
	45,500	45,500	160,500

27.2 Analysis of borrowings by year of repayment

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Repayable within one year				
Term loans	142,444	221,667	45,500	115,000
Lease	2,626	3,452	-	-
	145,070	225,119	45,500	115,000
Repayable after one year				
Term loans	225,000	367,444	-	45,500
Lease	2,505	5,117	-	-
	227,505	372,561	-	45,500
Total borrowings	372,575	597,680	45,500	160,500

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

27.3 Lender-wise Summary

Group

As at 31 March	Note	Outstanding liability			Outstanding liability		
		Repayable within one year	Repayable after one year	Balance as at 31 March 2022	Repayable within one year	Repayable after one year	Balance as at 31 March 2021
Nation Trust Bank PLC	27.3.1	45,500	-	45,500	115,000	45,500	160,500
Hatton National Bank PLC	27.3.2	6,944	-	6,944	16,667	6,944	23,611
Hatton National Bank PLC-Lease	27.3.3	3,301	1,830	5,131	3,452	5,117	8,569
State Bank of India	27.3.4	90,000	225,000	315,000	90,000	315,000	405,000
		145,745	226,830	372,575	225,119	372,561	597,680

Company

As at 31 March	Note	Outstanding liability			Outstanding liability		
		Repayable within one year	Repayable after one year	Balance as at 31 March 2022	Repayable within one year	Repayable after one year	Balance as at 31 March 2021
Nation Trust Bank PLC	27.3.1	45,500	-	45,500	115,000	45,500	160,500
		45,500	-	45,500	115,000	45,500	160,500

27.3. 1 Nation Trust Bank

Purpose

For replanting and working capital financing

Year	Original amount	Interest rate % p.a.	Outstanding liability 2021/ 2022			Outstanding liability 2020/ 2021			Repayment terms
			Repayable within one year	Repayable after one year	Balance as at 31 March 2022	Repayable within one year	Repayable after one year	Balance as at 31 March 2021	
2020/21	218,000	AWPLR - 0.25%	45,500	-	45,500	115,000	45,500	160,500	To be paid in 8 equal quarterly instalments of LKR 28.75Mn commencing from November 2020
Sub total			45,500	-	45,500	115,000	45,500	160,500	

Security : Unsecured

27.3.2 Hatton National Bank PLC

Purpose

For working capital financing

Year	Original amount	Interest rate % p.a.	Outstanding liability 2021/ 2022			Outstanding liability 2020/ 2021			Repayment terms
			Repayable within one year	Repayable after one year	Balance as at 31 March 2022	Repayable within one year	Repayable after one year	Balance as at 31 March 2021	
2020/21	25,000	4%	6,944	-	6,944	16,667	6,944	23,611	To be paid 18 equal monthly instalments commencing from March 2021 after grace period of 6 months.
Sub total			6,944	-	6,944	16,667	6,944	23,611	

Security : Corporate Guarantee (Rs.25Mn) from Watawala Plantations PLC.

27.3.3 Hatton National Bank PLC

Purpose

To purchase a lorry with chasis

Year	Original amount	Interest rate % p.a.	Outstanding liability 2021/ 2022			Outstanding liability 2020/ 2021			Repayment terms
			Repayable within one year	Repayable after one year	Balance as at 31 March 2022	Repayable within one year	Repayable after one year	Balance as at 31 March 2021	
2017/18	10,907	14%	3,301	1,830	5,131	3,452	5,117	8,569	60 equal monthly instalments commencing from October 2017
			3,301	1,830	5,131	3,452	5,117	8,569	

Security : Absolute ownership of the leased vehicles

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(all amounts in Sri Lankan Rupees thousands)

27.3.4 State Bank of India

Purpose

To finance the construction of the Dairy farm of Watawala Dairy Limited.

Year	Original amount	Interest rate % p.a.	Outstanding liability 2021/ 2022			Outstanding liability 2020/ 2021			Repayment terms
			Repayable within one year	Repayable after one year	Balance as at 31 March 2022	Repayable within one year	Repayable after one year	Balance as at 31 March 2021	
2017/18	540,000	AWPLR - 0.25%	90,000	225,000	315,000	90,000	315,000	405,000	To be paid in 12 equal bi-annual installments of LKR 45 Mn after a grace period of 24 months.
			90,000	225,000	315,000	90,000	315,000	405,000	

Security : Primary concurrent mortgage on Free hold building, immovable and movable plant at Lonach estate and machinery and primary concurrent mortgage over biological assets (Livestock) located at Lonach Estate, Watawala. Corporate guarantee from Watawala Plantations PLC for Watawala Dairy Limited on 68% of loan exposure.

28 LEASE LIABILITIES

As at 31 March	GROUP		COMPANY	
	2022	2021	2022	2021
Lease liability				
Balance as at 1 April	250,294	243,975	248,240	243,975
Remeasurement of lease liabilities	8,440	5,367	8,440	5,367
Addition during the year	-	2,167	9,457	-
	258,734	251,509	266,137	249,342
Interest charged for the year	38,919	35,888	37,901	35,858
Less: payments made during the year	(41,240)	(37,103)	(39,288)	(36,960)
	(2,321)	(1,215)	(1,387)	(1,102)
Net liability	256,413	250,294	264,750	248,240
Analysis of net lease liabilities -Group				
As at 31 March	2022		2021	
	Current	Non-current	Current	Non-current
Gross liability	2,363	254,050	2,108	248,186
Net liability to lessor	2,363	254,050	2,108	248,186

Analysis of net lease liabilities -Company

As at 31 March	2022		2021	
	Current	Non-current	Current	Non-current
Gross liability	1,399	263,351	1,102	247,138
Net liability to lessor	1,399	263,351	1,102	247,138

Leasehold rights can be analysed as follows:

Group

Analysis of Lease liability	Total	0- 1 years	2 - 5 years	More than 5 years
As at 31 March 2022	256,413	2,363	5,288	248,762
As at 31 March 2021	250,294	2,108	5,114	243,072

Company

Analysis of Lease liability	Total	0- 1 years	2 - 5 years	More than 5 years
As at 31 March 2022	264,750	1,399	5,288	258,063
As at 31 March 2021	248,240	1,102	5,114	242,024

Maturity analysis of contractual undiscounted cash flows	Total	0- 1 years	2 - 5 years	More than 5 years
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Group

As at 31 March 2022	679,140	39,044	148,440	491,656
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Company

As at 31 March 2022	678,092	37,996	148,440	491,656
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Group

As at 31 March 2021	923,454	37,966	148,888	736,600
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Company

As at 31 March 2021	921,400	36,960	147,840	736,600
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(all amounts in Sri Lankan Rupees thousands)

	2022	2021
Group		
Amount recognised in the statement of profit or loss and other comprehensive income		
Interest on lease liability	38,919	35,888
Amount recognised in statement of cash flows		
Total cash outflows for leases	41,240	37,103
Company		
Amount recognised in the statement of profit or loss and other comprehensive income		
Interest on lease liability	37,901	35,858
Amount recognised in statement of cash flows		
Total cash outflows for leases	39,288	36,960

29 RETIREMENT BENEFIT OBLIGATIONS

The movement in the retirement benefit obligation over the year is as follows:

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
As at 1 April	271,507	278,340	240,086	243,760
Current service cost for the year	12,126	16,724	10,334	14,344
Past service cost for the year	(3,353)	-	(3,112)	-
Interest cost for the year	21,721	29,225	19,207	25,594
Actuarial (gain)/loss for the year	(60,043)	(25,164)	(55,431)	(19,198)
Benefits paid	(29,329)	(27,618)	(24,402)	(24,414)
At 31 March	212,629	271,507	186,682	240,086

The charge to the statement of profit or loss and other comprehensive income is as follows:

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Current service cost	12,126	16,724	10,334	14,344
Past service cost for the year	(3,353)	-	(3,112)	-
Interest cost	21,721	29,225	19,207	25,594
Total included in the staff cost	30,494	45,949	26,429	39,938
Actuarial (gain) recognised in the statement of other comprehensive income	(60,043)	(25,164)	(55,431)	(19,198)

Retirement benefit obligation arrangement have been adjusted to reflect new legal requirement of Minimum Retirement Age of Workers Act, No. 28 of 2021. As a result of plan amendment, the Company and the Group's defined benefit obligation has decreased by Rs. 3,112,392 and Rs.3,353,155 as at 31st March 2022. A corresponding changes have been recognised in statement of profit or loss.

An actuarial valuation for defined benefit obligation was carried out as at 31 March 2022 by Mr.M.Poopalanathan, of Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the 'Projected Unit Credit Method', a method recommended by the Sri Lanka Accounting Standard LKAS - 19 on "Employee Benefits".

The following assumptions and data were used in valuing the defined benefit obligation by the actuarial valuer:

- (i) Rate of interest 15 % p.a. (2021 - 8%)
(5 year Government bond rate has been increased from 8% to 15% at the year end. Hence Group has taken 15% as a rate of interest.)
- (ii) Rate of salary increase
 - estate workers 5.68% per annum (2021 : 5.68%)
 - estate staff 25% every three years (2021 : 15%)
 - estate management and head office staff 10% every year (2021 : 7.5% every year)
- (iii) Retirement age 60 years
(2021 : Worker 60 years)
(2021 : HO Staff 55 years)
(2021 : Estate staff 58 years)
- (iv) The company will continue in business as a going concern.
- (v) No of employees
 - Company 1,374 (2021 - 1,487)
 - Group 1,653 (2021 - 1,770)

The following payments are expected from the Retirement Benefit Obligation in future years

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Within the next 12 months	28,987	30,962	23,557	25,799
Between 1-5 years	78,251	69,483	69,872	61,696
Between 5-10 years	65,904	82,867	60,122	76,912
Beyond 10 years	39,487	88,195	33,131	75,679
Total	212,629	271,507	186,682	240,086

Sensitivity analysis

In order to illustrate the significance of the salary / wage escalation rate and the discount rate assumed in this valuation as at 31 March 2022, a sensitivity analysis was carried out for all employees assuming the following salary/wage escalation rate and discount rate.

Sensitivity analysis

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
1% increase in discount rate	201,539	251,995	176,956	222,985
1% decrease in discount rate	224,936	293,816	197,455	259,594
1% increase in salary increment rate	223,553	292,163	196,046	258,099
1% decrease in salary increment rate	202,589	253,108	178,059	224,003

Note 35.1 to the financial statements discloses a contingent liability relating to the valuation of retirement benefit obligation as at 31st March 2022.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

30 DEFERRED INCOME AND CAPITAL GRANTS

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Cost				
As at 1 April	335,283	335,283	94,299	94,299
Balance at 31 March	335,283	335,283	94,299	94,299
Accumulated amortization				
As at 1 April	243,287	192,733	50,500	48,142
Amortization during the year	50,554	50,554	2,357	2,358
Balance as 31 March	293,841	243,287	52,857	50,500
Carrying value as at 31 March	41,442	91,996	41,442	43,799

Funds have been received from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. Grants received from the Ministry of Estate Infrastructure for construction of crèches, farm roads and community centers are also included above. The amounts spent have been capitalised under the relevant property, plant and equipment category. The capital grants are amortised on a straight-line basis over the useful life of the respective asset.

Watawala Dairy Limited received 800 cows from the Government of Sri Lanka at a concessionary price under an agreement to develop the local dairy industry. The grant represent the difference between the cost incurred by the government in importing cattle and the subsidised price paid by the Company to acquire the cattle.

31 DEFERRED TAX LIABILITY

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
As at 1 April	431,554	379,335	382,825	379,335
Reversal in statement of profit or loss	(121,358)	48,338	(126,987)	802
Reversal in other comprehensive income	6,742	3,881	5,820	2,688
As at 31 March	316,938	431,554	261,658	382,825

Deferred tax is calculated for the temporary differences between carrying value and tax written down value of non current assets and liabilities as analysed by each taxable activity.

31.1 The reconciliation of tax effect arising from the temporary differences related to carrying amounts of assets and liabilities of the statement of financial position is as follows:

As at 31 March	2022		2021	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
Group				
Property plant and equipment	(1,039,731)	(163,414)	(939,358)	(162,875)
Biological assets - bearer	(2,321,595)	(247,993)	(2,670,917)	(377,055)
Biological assets - consumable	(15,675)	(3,135)	(32,858)	(6,571)
Bearer Biological Assets - Livestock	(70,783)	(14,157)	-	-
Tax losses carried forward	399,418	79,884	332,533	66,507
Net lease liability	25,920	2,735	17,184	2,412
Retirement benefit obligations	212,629	24,791	271,507	39,896
Capital grants	41,442	4,351	43,799	6,132
	(2,768,375)	(316,938)	(2,978,110)	(431,554)
Company				
Property plant and equipment	(468,761)	(49,220)	(416,614)	(58,326)
Biological assets - bearer	(2,277,121)	(239,098)	(2,618,814)	(366,634)
Net lease liability	25,782	2,707	17,079	2,391
Retirement benefit obligations	186,682	19,602	240,086	33,612
Capital grants	41,442	4,351	43,799	6,132
	(2,491,976)	(261,658)	(2,734,464)	(382,825)

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. The Group has calculated deferred tax rate at the effective rate of 10.5% for Agri Sector and 20% for Dairy Farming as at 31 March 2022. (2021 - 14% only Agri and 20% Dairy farming)

31.2 The deferred tax asset on accumulated tax losses of the subsidiary have been recognized only up to the extent of forecasted future taxable profits.

Therefore, the group has not recognized deferred tax asset on following tax losses.

	GROUP	
As at 31 March	2022	2021
Unused tax losses for which no deferred tax assets has been recognised	1,024,274	1,088,625
Deferred tax impact @ 20%	204,855	217,725

31.3 Deferred tax change for the year due to change in tax rate and other temporary differences

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Due to change in effective tax rate	(87,219)	-	(87,219)	-
Due to change in temporary difference	(27,397)	52,219	(33,948)	3,490
	(114,616)	52,219	(121,167)	3,490

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

32 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Trade payables	179,045	128,696	154,036	101,159
Employee related dues	75,186	73,273	74,707	66,976
Provisions and accruals	174,924	89,587	163,719	81,568
Other payables	130,839	74,710	127,650	71,425
	559,994	366,266	520,112	321,128

33 AMOUNT DUE TO RELATED COMPANIES

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Trade Payables				
Pyramid Lanka (Private) Limited	23,981	-	23,981	-
Other payables				
Sunshine Holdings PLC	7,144	-	7,144	-
Sunshine Healthcare Limited	134	-	134	-
Watawala Dairy Limited	-	-	5,802	-
	31,259	-	37,061	-

34 COMMITMENTS

There are no material commitments as at the reporting date where require disclosures in the financial statements.

35 CONTINGENT LIABILITIES

	GROUP		COMPANY	
As at 31 March	2022	2021	2022	2021
Bank guarantees	10,000	16,394	-	6,394
Corporate guarantees	392,200	392,200	392,200	392,200
	402,200	408,594	392,200	398,594

Bank guarantees - Group.

Bank guarantee of LKR 10Mn. to Ceylon Grain Elevators PLC

Corporate guarantees have been issued in favour of several banks on behalf of Watawala Dairy Limited, for the loans obtained by Watawala Dairy Limited.

There are no litigations against the Group as at the reporting date which would have a material impact on the financial position of the Group.

35.1 Valuation of retirement Benefit Obligation

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

However, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board.

As this matter is under the purview of the Court of Appeal at the time of approval of these financial statements, the Board of Directors of the Company, having discussed with independent legal experts, decided to continue with the daily wage rate adjusted based on historically agreed salary increment rates for the estimation of the benefits to be paid as gratuity at retirement in the calculation of Retirement Benefit Obligations as at 31st March 2022

In the event Court of Appeal issues a judgement against RPCs, the retirement Benefit obligation of the group and the company as at 31st March 2022 may be increased by Rs.17 Mn and Rs.14 Mn resulting an additional charge of Rs. 978,000/- and Rs. 848,000/- to the profit or loss of the group and the company and an additional charge of Rs. 16 Mn and Rs.13 Mn to the other comprehensive income of the group and the company for the year ended 31st March 2022 respectively. No provisions have been made in the financial statements for the year ended 31 March 2022 in this regard.

36 RELATED PARTY TRANSACTIONS

36.1 Transactions with related parties

Name of the company	Nature of relationship	Name of Directors	Nature of Transaction	Transaction amount		Balance as at 31 March	
				2022	2021	2022	2021
Pyramid Lanka (Pvt) Ltd	Affiliate	Mr. M.S. Mawzoon	Sales	5,241,591	2,816,916	(23,981)	476
		Mr. K.H. Kuok	Settlements	(5,218,086)	(2,889,908)	-	-
		Mr. M.R. Rao					
Sunshine Consumer Lanka Limited	Affiliate	Mr. V. Govindasamy	Purchase of goods	(3,138)	(1,375)	-	-
		Mr. N.B.Weerasekera	Service Income	240	480	-	-
			Settlements	2,898	584	-	-
Sunshine Tea (Pvt) Ltd	Affiliate	Mr. G. Sathasivam	Purchases	-	(3,888)	-	-
			Settlements	-	3,765	-	-
Sunshine Holdings PLC	Parent	Mr. V. Govindasamy	Service Cost	(85,730)	(81,648)	(7,144)	-
		Mr. G. Sathasivam	Settlements	78,586	81,648	-	-
		Mr. H.D.Abeywickrama					

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(all amounts in Sri Lankan Rupees thousands)

Name of the company	Nature of relationship	Name of Directors	Nature of Transaction	Transaction amount		Balance as at 31 March	
				2022	2021	2022	2021
Watawala Diary Limited	Subsidiary	Mr S. G. Wijesinha	Loan	-	71,000	(1,701)	299,394
		Mr. V. Govindasamy	Interest	2,241	16,322	-	-
		Mr. M S Mawzoon	Purchases	(46,271)	(14,185)	-	-
			Loan transferred for purchase of shares in the subsidiary	(296,000)	-	-	-
			Sales & Rent	12,558	4,158	-	-
			Management fees	(1,100)	-	-	-
			Loan settlements	-	(9,195)	-	-
			Interest settlement	-	(1,124)	-	-
			Settlements	30,879	5,900	-	-
Sunshine Healthcare Lanka Limited	Affiliate	Mr. V. Govindasamy	Purchases	-	(30)	(134)	-
		Mr. G. Sathasivam	Settlements	134	351	-	-
Healthguard Pharmacy Limited	Affiliate	Mr. V. Govindasamy	Sales during the year	1,148	324	255	10
		Mr. S. G. Sathasivam	Cash receipts	(1,413)	(314)	-	-
		Mr. H. D. Abeywickrama					

The Company carries out transactions with related parties on an arms length basis.

The directors have disclosed the nature of their interests in contracts and proposed contracts with the Company at meetings of the directors.

36.2 Key management compensation

Key management personnel include the Board of Directors and the Executive Committee of the Group / Company. The compensation paid or payable to key management personnel are as follows:

Year ended 31 March	Group		Company	
	2022	2021	2022	2021
Salaries and other short term benefits	26,409	21,163	24,999	19,962

36.3 Major transactions with related parties

The following recurrent and non recurrent related party transactions were taken place during the year ended 31st March 2022 in the course of business where the aggregate value of series of recurrent transactions exceeds 10% of gross revenue and the non recurrent transactions exceeds 10% of equity or 5% of total assets as per the financial statements for the year ended 31st March 2022.

Name of the related party	Relationship	Nature of the Recurrent transactions	Aggregate value of related party recurrent transactions during the financial year	Aggregate value of related party recurrent transactions as % of group revenue
Pyramid Lanka (Pvt) Ltd	Affiliate	Sales	5,241,591	90.7%

The above transactions were reported to the board and the related party Review Committee of the company during the year.

37 EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date, which would require adjustments to or disclosure in the financial statements other than the following:

37.1 Final dividend declared

The Board of Directors of the Company has declared a final dividend of LKR 8.00 per share for the financial year ended 31 March 2022.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend.

In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2022

37.2 Acquisition of Moragoda Agro Service (Pvt) Ltd

The company has purchased 100% stake of Moragoda Agro Services (Pvt) Ltd for a total consideration of Rs. 88.5Mn on 18th April 2022.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

38 GAZETTE NO, 2222/13 – CULTIVATION OF OIL PALM.

The Government of Sri Lanka through its Gazette no, 2222/13 dated 5th April 2021 has directed to systematically remove the oil palm cultivation and nurseries already launched and utilize about 10% of the land under oil palm cultivation for rubber planting or any other cultivation conducive of water resources.

The Management is of the view that further direction and guidance are required from the respective authorities in order to comply with the requirement of the said gazette. Hence no adjustments have been incorporated to the financial statements for the year ended 31st March 2022 in this regard due to unavailability of further guidance issued by respective industry associations and authorities to comply with the instructions given by the gazette notification.

39 COMPARATIVE FIGURES

Following reclassifications have been made for comparative figures to facilitate comparison and better presentation and to be comparable with those of the current year. These reclassification adjustments do not result in changes to the net assets previously reported by the Group and the Company as at 31st March 2022. The following comparative information were reclassified as follows;

39.1 Reclassifications in the Statements of Financial Position

	Current Presentation				As previously reported	
	Group		Company		Group	Company
	2022	2021	2022	2021	2021	2021
39.1 (i) Investment fund	72,313	149,686	72,313	149,686	357,153	357,153
Short term investments	514,914	207,467	482,811	207,467	-	-
39.1 (ii) Cash and cash equivalents	1,427,013	407,955	1,412,534	389,394	417,297	398,736
Bank overdrafts	-	25,671	-	-	35,013	9,342

39.1 (i) Reclassification of investment made in short term investments from non current assets to current assets

39.1 (ii) Reclassification of overdraft balance as per the accounting records of the Company under cash and cash equivalents.

39.2 Reclassifications in the Statements of Cash Flows

	Current Presentation				As previously reported	
	Group		Company		Group	Company
	2022	2021	2022	2021	2021	2021
39.2 (i) Net cash flows used in investing activities	(1,025,717)	(321,910)	(727,328)	(306,394)	(329,646)	(314,130)
Net cash flows used in financing activities	(1,740,183)	(1,423,010)	(1,984,066)	(1,403,485)	(1,415,274)	(1,395,749)

39.2 (i) Reclassification of realization / investment in short and long term investments from cash flows from financing activities to cash flows from investing activities.

40. IMPACT FROM RAPID CHANGE IN MACRO ECONOMIC FACTOR

Sri Lanka has been facing foreign exchange crisis due to the economic impacts of the Covid-19 pandemic. These impacts have grown during the financial year ended 31st March 2022. Accordingly, the Government of Sri Lanka is taking various measures to control the outflow of foreign exchange reserves of the Country including restrictions on several imports and outward remittances. Despite the Government's measures to control foreign exchange outflows, continual weakening of foreign reserves is putting pressure on exchange rate to depreciate in the market. Due to the decrease in foreign reserves of Sri Lanka, Central bank of Sri Lanka decided to float the rupee from 10th March 2022. The Sri Lankan Rupee (LKR) has depreciated against USD, bringing the exchange rate to the highest ever, Rs. 299/- per USD as at 31st March 2022. A shortage of foreign currency has challenged Government of Sri Lanka to finance essential imports, including fuel, foods, gas, and medicine. At the same time, Sri Lanka's annual inflation increased to 18.7% in March 2022 from 3.9% in April 2021.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the company's ability to continue to operate as a going concern. The company's business recorded strong improvement in profitability compared to the previous year. However, the Management closely monitor the cost mitigation initiatives to strengthen the working capital of its subsidiary- dairy business which has a downturn impact due to scarcity of cattle feed.

41 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed to a variety of financial risks. These include market risk, credit risk, liquidity risk and operational risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance. Based on our economic outlook and the Group's exposure to these risks, the Board of directors approves various risk management strategies from time to time.

41.1 Market risk

(a) Interest rate risk

Interest rate is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from the borrowings. The fluctuation in the Average Weighted Prime Lending Rate (AWPLR) results in the effective interest rate of the borrowings usually without a corresponding change in the fair value. The Group analyses the interest rate exposure on a dynamic basis monitoring AWPLR.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group as follows

As at 31 March	Group		Company	
	2022	2021	2022	2021
Variable rate instruments				
Financial assets				
Investment fund	72,313	149,686	72,313	149,686
Loan given to related party	-	-	-	262,000
	72,313	149,686	72,313	411,686
Financial Liabilities				
Interest bearing borrowings	372,575	597,680	45,500	160,500
Bank overdrafts	-	25,671	-	-
	372,575	623,351	45,500	160,500

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates as at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

As at 31 March	Basis point	Group		Company	
		2022	2021	2022	2021
Increase	+100	(3,003)	(2,083)	268	4,587
Decrease	-100	3,003	2,083	(268)	(4,587)

Capital management

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

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

As at 31 March	Group		Company	
	2022	2021	2022	2021
Total Liabilities	1,792,024	2,034,968	1,357,205	1,396,578
Less: Cash and Cash Equivalents	(1,427,013)	(407,955)	(1,412,534)	(389,394)
Net Debt	365,011	1,627,013	(55,329)	1,007,184
Total Equity	7,099,671	5,062,409	7,131,964	5,482,349
Net Debt to Equity Ratio	5.1%	32.1%	-0.8%	18.4%

(b) Price risk

The Group is exposed to the commodity price risk of mainly tea and palm oil. The Group monitors commodity price and inventory levels to minimize the impact. Further, forward sales agreements are entered into to minimise the exposure.

	-10%	2,022	+10%	-10%	2021	+10%
Revenue	5,203,867	5,782,074	6,360,281	2,956,356	3,284,840	3,613,324
Total	5,203,867	5,782,074	6,360,281	2,956,356	3,284,840	3,613,324

41.2 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and outstanding balances from customers. For banks and financial institutions, only independently rated parties are accepted. No independent risk ratings are available for customers. Credit control assess the credit quality of the customers taking into account its financial position, past performance and other factors. Credit limits are set and the utilisation of credit limits is regularly monitored. The credit quality of financial assets are disclosed in Note 21.

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

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

As at 31 March	Group		Company	
	2022	2021	2022	2021
Trade receivables	20,709	26,434	-	900
Employee advances	17,061	20,894	16,481	17,126
Other receivables	89,337	108,420	89,337	108,419
Amounts due from related companies	255	486	4,101	37,870
Loan given to related party	-	-	-	262,000
Balances with banks	1,426,537	407,479	1,412,231	389,091
	1,553,899	563,713	1,522,150	815,406

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31st March 2022.

Group	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit Impaired
31st March 2022				
Past due (0-60 days)	-	20,709	-	No
Past due (61-120 days)	-	-	-	No
Past due (121-364 days)	-	-	-	No
More than 1 year	100	-	-	No
	100	20,709	-	-
31st March 2021				
Past due (0-60 days)	-	26,434	-	No
Past due (61-120 days)	-	-	-	No
Past due (121-364 days)	-	-	-	No
More than 1 year	100	-	-	No
	100	26,434	-	-
Company	Weighted average loss rate %	Gross carrying amount	Impairment loss allowance	Credit Impaired
31st March 2022				
Past due (0-60 days)	-	-	-	No
Past due (61-120 days)	-	-	-	No
Past due (121-364 days)	-	-	-	No
More than 1 year	-	-	-	No
	-	-	-	-
31st March 2021				
Past due (0-60 days)	-	900	-	No
Past due (61-120 days)	-	-	-	No
Past due (121-364 days)	-	-	-	No
More than 1 year	100	-	-	No
	100	900	-	-

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

41.3 Liquidity risk

Cash flow forecasting is performed in the Group which monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs at all times. Such forecasting takes into consideration, the Group's debt financing plans.

The table below analyses the Group's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following are the contractual maturities of financial liabilities.

Group	Carrying amount	Contractual cash flows	12 Months or less	2-3 Years	4-5 Years	More than 5 Years
31 March 2022						
Non-Derivative Financial Liabilities						
Interest bearing borrowings	372,575	372,575	145,070	167,180	60,325	-
Trade and other payables	559,994	559,994	559,994	-	-	-
Lease Liabilities	256,413	679,140	39,044	74,220	74,220	491,656
	1,188,982	1,611,709	744,108	241,400	134,545	491,656

31 March 2021

Non-Derivative Financial Liabilities

Interest bearing borrowings	597,680	597,680	135,500	282,180	180,000	-
Trade and other payables	366,266	366,266	366,266	-	-	-
Lease Liabilities	250,294	923,454	37,966	74,968	73,920	736,600
Bank overdraft	25,671	25,671	25,671	-	-	-
	1,239,911	1,913,071	565,403	357,148	253,920	736,600

Company	Carrying amount	Contractual cash flows	12 Months or less	2-3 Years	4-5 Years	More than 5 Years
31 March 2022						
Non-Derivative Financial Liabilities						
Interest bearing borrowings	45,500	45,500	45,500	-	-	-
Trade and other payables	520,112	520,112	520,112	-	-	-
Lease Liabilities	264,750	678,092	37,996	74,220	74,220	491,656
Amount due to related Companies	37,061	37,061	37,061	-	-	-
	867,423	1,280,765	640,669	74,220	74,220	491,656

31 March 2021

Non-Derivative Financial Liabilities

Interest bearing borrowings	160,500	160,500	45,500	115,000	-	-
Trade and other payables	321,128	321,128	321,128	-	-	-
Lease Liabilities	248,240	921,400	36,960	73,920	73,920	736,600
	729,868	1,403,028	403,588	188,920	73,920	736,600

41.4 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 behaviour. Operational risks arise from all of the Group's operations.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

42. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

- Level I: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Group As at 31 March 2022	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment fund	72,313	-	-	72,313	-	72,313	-	72,313
	72,313	-	-	72,313	-	72,313	-	72,313
Financial assets not measured at fair value								
Trade and Other receivables	-	256,348	-	256,348	-	-	256,348	256,348
Amounts due from related company	-	255	-	255	-	-	255	255
Short term investments	-	514,914	-	514,914	-	514,914	-	514,914
Cash at banks and in hand	-	1,427,013	-	1,427,013	-	1,427,013	-	1,427,013
	-	2,198,530	-	2,198,530	-	1,941,927	256,603	2,198,530
Total financial assets	72,313	2,198,530	-	2,270,843	-	2,014,240	256,603	2,270,843
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	372,575	-	372,575	-	372,575	-	372,575
Trade and other payables	-	559,994	-	559,994	-	-	559,994	559,994
Lease Liabilities	-	256,413	-	256,413	-	-	256,413	256,413
Amount due to related companies	-	31,259	-	31,259	-	-	31,259	31,259
	-	1,220,241	-	1,220,241	-	372,575	847,666	1,220,241
Total financial liabilities	-	1,220,241	-	1,220,241	-	372,575	847,666	1,220,241

Group	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
As at 31 March 2021								
Financial assets measured at fair value								
Investment fund	149,686	-	-	149,686	-	149,686	-	149,686
	149,686	-	-	149,686	-	149,686	-	149,686
Financial assets not measured at fair value								
Trade and Other receivables	-	292,304	-	292,304	-	-	292,304	292,304
Amounts due from related company	-	486	-	486	-	-	486	486
Short term investments	-	207,467	-	207,467	-	207,467	-	207,467
Cash at banks and in hand	-	407,955	-	407,955	-	407,955	-	407,955
		908,212	-	908,212	-	615,422	292,790	908,212
Total financial assets	149,686	908,212	-	1,057,898	-	765,108	292,790	1,057,898
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	597,680	-	597,680	-	597,680	-	597,680
Trade and other payables	-	366,266	-	366,266	-	-	366,266	366,266
Lease Liabilities	-	250,294	-	250,294	-	-	250,294	250,294
Bank overdrafts	-	25,671	-	25,671	-	25,671	-	25,671
Total financial liabilities	-	1,239,911	-	1,239,911	-	623,351	616,560	1,239,911

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in Sri Lankan Rupees thousands)

Company As at 31 March 2022	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment fund	72,313	-	-	72,313	-	72,313	-	72,313
	72,313	-	-	72,313	-	72,313	-	72,313
Financial assets not measured at fair value								
Trade and Other receivables	-	229,617	-	229,617	-	-	229,617	229,617
Amounts due from related company	-	4,101	-	4,101	-	-	4,101	4,101
Short term investments	-	482,811	-	482,811	-	482,811	-	482,811
Cash at banks and in hand	-	1,412,534	-	1,412,534	-	1,412,534	-	1,412,534
	-	2,129,063	-	2,129,063	-	1,895,345	233,718	2,129,063
Total financial assets	72,313	2,129,063	-	2,201,376	-	1,967,658	233,718	2,201,376
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	45,500	-	45,500	-	45,500	-	45,500
Lease Liabilities	-	264,750	-	264,750	-	-	264,750	264,750
Trade and other payables	-	520,112	-	520,112	-	-	520,112	520,112
Amount due to related Companies	-	37,061	-	37,061	-	-	37,061	37,061
	-	867,423	-	867,423	-	45,500	821,923	867,423
Total financial liabilities	-	867,423	-	867,423	-	45,500	821,923	867,423

Group	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
As at 31 March 2021								
Financial assets measured at fair value								
Investment fund	149,686	-	-	149,686	-	149,686	-	149,686
	149,686	-	-	149,686	-	149,686	-	149,686
Financial assets not measured at fair value								
Trade and Other receivables	-	258,687	-	258,687	-	-	258,687	258,687
Loans given to related company	-	262,000	-	262,000	-	-	262,000	262,000
Amounts due from related company	-	37,870	-	37,870	-	-	37,870	37,870
Short term investments	-	207,467	-	207,467	-	207,467	-	207,467
Cash at banks and in hand	-	389,394	-	389,394	-	389,394	-	389,394
	-	1,155,418	-	1,155,418	-	596,861	558,557	1,155,418
Total financial assets	149,686	1,155,418	-	1,305,104	-	746,547	558,557	1,305,104
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	160,500	-	160,500	-	160,500	-	160,500
Lease Liabilities	-	248,240	-	248,240	-	-	248,240	248,240
Trade and other payables	-	321,128	-	321,128	-	-	321,128	321,128
	-	729,868	-	729,868	-	160,500	569,368	729,868
Total financial liabilities	-	729,868	-	729,868	-	160,500	569,368	729,868

NUMBER OF PERMANENT BUILDINGS AVAILABLE - AS AT 31.03.2022

Buildings	No. of Buildings				TOTAL
	HMD	TLG/OP	NKD	OPM	
No of Factories	2	1*	1	1	5
No of Bungalows	7	8	5	2	22
No of Senior Staff Bungalows	10	11	10	3	34
No of Junior Staff Bungalows	18	16	15	1	50
No of Double Barrack Lines	9	147	110	-	266
No of Single Barrack Lines	31	190	64	-	285
No of Twin Cottages	51	196	100	-	347
No of Single Cottages	0	27	122	-	149
No of Creches	5	7	1	-	13
No of Dispensary	1	1	2	-	4
No of Maternity Ward	-	-	-	-	0
No of Minor Buildings	19	20	17	-	56
No of Training Centers	-	1	-	-	1
No of Self Help Housing	244	64	-	-	308
Any Other Buildings (Ple. Specify) - EWHC Building/ Badminton Court/ Central Garage/ Community center/ Main Office / GYM)	1	-	6	-	7

*TLG Tea Factory Leased Out

ESTATE HECTARAGE STATEMENT

Area (Ha.)	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
Tea Mature	65.46	65.46	65.46	63.71	105.26	4,223.50	4,363.98	4,369.24	4,373.35	4,356.79	4,346.78
Tea Immature	-	-	-	3.75	4.75	61.04	101.44	100.40	77.30	115.61	113.87
TEA	65.46	65.46	65.46	67.46	110.01	4,284.54	4,465.42	4,469.64	4,450.65	4,472.40	4,460.65
Rubber Mature	131.27	121.03	172.74	172.74	221.30	370.95	426.16	520.73	651.62	687.33	860.52
Rubber Immature	-	-	-	-	-	24.00	24.00	38.50	49.86	34.74	66.47
RUBBER	131.27	121.03	172.74	172.74	221.30	394.95	450.16	559.23	701.48	722.07	926.99
OP Mature	3,209.80	2,947.47	2,890.28	2,692.14	2,655.53	2,547.46	2,401.34	2,152.63	1,935.69	1,909.51	1,871.41
OP Immature	186.26	413.79	490.15	609.62	940.21	723.70	755.67	904.04	985.59	1,161.60	975.20
OIL PALM	3,396.06	3,361.26	3,380.43	3,301.76	3,595.74	3,271.16	3,157.01	3,056.67	2,921.28	3,071.11	2,846.61
Fuelwood	-	-	-	-	-	1,058.14	1,067.49	1,388.41	1,495.31	1,392.00	1,332.00
Nursery	11.17	11.17	11.17	11.17	11.17	23.25	25.90	28.40	28.40	42.40	33.69
Minor Crop	56.04	60.70	59.22	76.96	76.96	173.59	174.32	186.08	177.49	174.12	211.37
Other Area	1,146.91	1,187.29	1,117.89	1,196.88	811.79	2,812.80	3,098.11	2,751.58	2,665.40	2,565.91	2,628.70
OTHERS	1,214.12	1,259.16	1,188.28	1,285.01	899.92	4,067.78	4,365.82	4,354.47	4,366.60	4,174.43	4,205.76
COMPANY	4,806.91	4,806.91	4,806.91	4,826.97	4,826.97	12,018.43	12,438.41	12,440.01	12,440.01	12,440.01	12,440.01

CROP & YIELDS

PRODUCTION - KILOS - '000

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
TEA											
Watawala	114	-	-	-	-	1,893	2,489	2,754	2,563	2,778	2,245
Hatton	-	-	-	-	-	3,459	4,297	4,402	4,388	4,066	3,875
Lindula	-	-	-	-	-	1,835	2,323	2,881	2,682	2,759	2,388
Udugama	116	122	101	125	187	235	303	274	294	285	886
TEA - TOTAL	230	122	101	125	187	7,422	9,412	10,311	9,927	9,888	9,394
Rubber	-	-	-	-	-	-	268	325	490	535	648
Palm Oil	13,763	10,925	11,490	11,870	10,775	10,662	9,008	8,854	8,127	7,455	6,584

YIELD PER HECTARAGE (KILOS)

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
TEA											
Watawala	-	-	-	-	-	1,269	1,373	1,533	1,420	1,533	1,262
Hatton	-	-	-	-	-	1,224	1,441	1,624	1,570	1,532	1,365
Lindula	-	-	-	-	-	1,152	1,444	1,523	1,415	1,472	1,343
Udugama	1,767	1,871	1,543	1,535	1,428	1,475	1,871	1,761	1,745	1,762	1,799
TEA - TOTAL	1,767	1,871	1,543	1,535	1,428	1,213	1,439	1,569	1,480	1,517	1,345
Rubber	539	623	486	-	-	-	629	625	752	778	753
Palm Oil	3,468	3,202	3,455	3,768	3,678	3,786	3,294	3,757	3,765	3,537	3,156

HISTORICAL FINANCIAL INFORMATION

	Group 2012/13 Rs.'000	Company 2012/13 Rs.'000	Group 2013/14 Rs.'000	Company 2013/14 Rs.'000	Group 2014/15 Rs.'000	Company 2014/15 Rs.'000	Group 2015/16 Rs.'000	Company 2015/16 Rs.'000
INCOME STATEMENT								
Revenue	5,434,779	5,340,962	6,246,271	6,142,624	6,848,491	6,773,635	6,298,769	6,228,002
Cost of sales	(4,383,731)	(4,292,729)	(5,300,696)	(5,200,158)	(6,048,447)	(5,975,837)	(5,445,408)	(5,376,764)
Gross profit	1,051,048	1,048,233	945,575	942,466	800,044	797,798	853,361	851,238
Other income	139,585	140,575	89,656	89,555	119,151	119,151	134,192	134,192
Administrative expenses	(246,238)	(242,464)	(264,586)	(261,270)	(369,572)	(367,487)	(318,502)	(315,960)
Management fees	(137,510)	(137,510)	(92,264)	(92,264)	-	-	-	-
Operating profit	806,885	808,834	678,381	678,487	549,623	549,462	669,051	669,470
Net finance income/(cost)	(77,530)	(77,919)	(97,600)	(97,600)	(85,874)	(85,919)	(78,815)	(78,834)
Profit before Tax	729,355	730,915	580,781	580,887	463,749	463,543	590,236	590,636
Income tax expenses	(49,111)	(49,041)	(83,587)	(83,435)	(73,002)	(72,978)	(72,486)	(72,415)
Profit for the year	680,244	681,874	497,194	497,452	390,747	390,565	517,750	518,221
Other Comprehensive Income								
Available for sale investment	-	-	-	-	-	-	10,763	10,763
Actuarial gain/(loss) on retirement benefit obligations	80,430	80,430	(89,302)	(89,302)	19,854	19,854	102,714	102,714
Deferred Tax on actuarial gain/(loss)	(35,462)	(35,462)	26,155	26,155	(3,022)	(3,022)	(15,585)	(15,585)
Total other comprehensive income for the year (net of tax)	44,968	44,968	(63,147)	(63,147)	16,832	16,832	97,892	97,892
Total comprehensive income for the year	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113
Attributable to:								
Equity holders of the Company	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113
Minority interests	-	-	-	-	-	-	-	-
Total Comprehensive income for the year	725,212	726,842	434,047	434,305	407,579	407,397	615,642	616,113
BALANCE SHEET								
Non-current assets								
Rights to use assets	226,613	226,613	219,578	219,578	212,543	212,543	205,508	205,508
Immovable estate assets on finance lease	176,827	176,827	159,492	159,492	142,033	142,033	124,574	124,574
Property, Plant and equipment	1,697,655	1,697,655	1,840,625	1,840,625	1,921,745	1,921,745	1,835,454	1,835,454
Intangible Assets	-	-	-	-	-	-	-	-
Bearer biological assets	2,316,658	2,316,658	2,518,564	2,518,564	2,743,030	2,743,030	2,794,625	2,794,625
Biological assets-consumables	531,190	531,190	575,944	575,944	566,967	566,967	608,995	608,995
Biological assets-Live stock	32,231	32,231	45,061	45,061	40,256	40,256	27,535	27,535
Investment fund	127,267	127,267	200,000	200,000	220,262	220,262	234,369	234,369
Investment in subsidiaries	-	852	-	852	-	852	-	852
Investment in debenture	-	-	-	-	-	-	-	-
Available for sale financial Assets	-	-	-	-	10,882	10,882	21,645	21,645
Total non-current assets	5,108,441	5,109,293	5,559,264	5,560,116	5,857,718	5,858,570	5,852,705	5,853,557
Current assets								
Inventories	635,951	635,951	939,982	939,982	693,086	693,086	637,773	637,773
Biological assets-Produce on bearer plants	-	-	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-	-	-
Trade and other receivables	444,289	435,631	447,044	440,506	491,241	488,148	560,954	560,866
Loan given to related company	-	-	-	-	-	-	-	-
Amounts due from related companies	-	-	-	-	-	-	-	-
Investments in unit trusts	-	-	-	-	-	-	564,597	564,597
Short term investment	-	-	-	-	-	-	-	-
Cash and cash equivalents	443,333	431,799	114,660	111,851	72,031	67,832	130,178	113,730
Total current assets	1,523,573	1,503,381	1,501,686	1,492,339	1,256,358	1,249,066	1,893,502	1,876,966
Total assets	6,632,014	6,612,674	7,060,950	7,052,455	7,114,076	7,107,636	7,746,207	7,730,523
Capital and reserves								
Stated capital	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Retained earnings	3,383,448	3,383,260	3,758,328	3,758,398	3,822,741	3,822,629	4,320,050	4,320,409
Total equity	3,843,448	3,843,260	4,218,328	4,218,398	4,282,741	4,282,629	4,780,050	4,780,409
Minority interests	-	-	-	-	-	-	-	-
Total equity	-	-	-	-	-	-	-	-

Group 2016/17 Rs.'000	Company 2016/17 Rs.'000	Group 2017/18 Rs.'000	Company 2017/18 Rs.'000	Group 2018/19 Rs.'000	Company 2018/19 Rs.'000	Group 2019/20 Rs.'000	Company 2019/20 Rs.'000	Group 2020/21 Rs.'000	Company 2020/21 Rs.'000	Group 2021/22 Rs.'000	Company 2021/22 Rs.'000
6,501,765 (4,828,579)	6,392,956 (4,689,441)	4,948,755 (3,695,137)	4,764,455 (3,360,797)	3,081,760 (1,941,278)	2,588,459 (1,279,111)	3,326,800 (2,041,076)	2,743,634 (1,383,852)	3,933,523 (2,008,091)	3,284,840 (1,406,774)	6,474,661 (2,911,046)	5,782,074 (2,249,639)
1,673,186	1,703,515	1,253,618	1,403,658	1,140,482	1,309,348	1,285,724	1,359,782	1,925,432	1,878,066	3,563,615	3,532,435
146,851 (326,336)	142,808 (324,227)	231,185 (335,132)	149,223 (327,309)	96,337 (200,355)	58,742 (191,698)	118,546 (238,185)	71,954 (216,765)	143,556 (250,894)	90,331 (238,908)	101,223 (318,063)	58,893 (305,117)
-	-	-	-	-	-	-	-	-	-	-	-
1,493,701 (47,620)	1,522,096 (76,279)	1,149,671 13,567	1,225,572 50,510	1,036,464 (114,468)	1,176,392 4,166	1,166,085 (173,986)	1,214,971 (54,204)	1,818,094 (66,438)	1,729,489 (30,732)	3,346,775 (14,973)	3,286,211 11,172
1,446,081 (220,422)	1,445,817 (216,156)	1,163,238 (224,570)	1,276,082 (225,546)	921,996 (158,985)	1,180,558 (159,009)	992,099 (175,599)	1,160,767 (175,686)	1,751,656 (88,820)	1,698,757 (41,284)	3,331,802 125,997	3,297,383 132,399
1,225,659	1,229,661	938,668	1,050,536	763,011	1,021,549	816,500	985,081	1,662,836	1,657,473	3,457,799	3,429,782
-	-	-	-	-	-	-	-	-	-	-	-
92,604 (8,845)	88,451 (8,845)	35,656 (3,380)	33,803 (3,380)	(26,124) 3,034	(21,674) 3,034	(11,976) 1,649	(11,782) 1,649	25,164 (3,881)	19,198 (2,688)	60,043 (6,742)	55,431 (5,820)
83,759	79,606	32,276	30,423	(23,090)	(18,640)	(10,327)	(10,133)	21,283	16,510	53,301	49,611
1,309,418	1,309,267	970,944	1,080,959	739,921	1,002,909	806,173	974,948	1,684,119	1,673,983	3,511,100	3,479,393
1,310,218 (800)	1,309,267 -	999,173 (28,229)	1,080,959 -	815,818 (75,897)	1,002,909 -	821,232 (15,059)	974,948 -	1,684,119 -	1,673,983 -	3,508,549 2,551	3,479,393 -
1,309,418	1,309,267	970,944	1,080,959	739,921	1,002,909	806,173	974,948	1,684,119	1,673,983	3,511,100	3,479,393
198,473 107,474	191,774 102,984	80,079 -	73,619 -	77,120 -	70,898 -	241,440 -	235,459 -	238,853 -	231,162 -	235,995 -	238,645 -
2,423,768	1,770,618	2,048,247	611,642	2,200,469	667,751	2,173,402	695,786	2,109,979	702,205	2,342,362	943,491
-	-	24,844	23,367	24,925	18,839	23,533	18,224	19,230	15,091	28,276	25,307
2,955,251	2,850,482	2,489,314	2,358,929	2,673,393	2,546,832	2,722,149	2,615,292	2,709,996	2,619,454	2,698,963	2,631,545
648,831	607,707	37,966	-	38,356	-	31,657	-	32,857	-	33,783	-
24,944	-	539,602	-	662,620	-	695,538	-	749,339	-	943,200	-
258,319	258,319	288,595	288,595	312,051	312,051	343,725	343,725	149,686	149,686	72,313	72,313
-	627,352	-	627,352	-	627,352	-	1,868,242	-	1,867,390	-	2,163,390
-	-	-	-	-	174,088	-	-	-	-	-	-
21,645	21,645	-	-	-	-	-	-	-	-	-	-
6,638,705	6,430,881	5,508,647	3,983,504	5,988,934	4,417,811	6,231,444	5,776,728	6,009,940	5,584,988	6,354,892	6,074,691
732,988 35,757	686,138 35,452	291,830 29,143	191,788 28,730	143,089 31,271	100,790 30,831	151,314 41,797	105,851 41,711	111,270 52,688	71,301 51,953	245,923 71,671	193,065 71,671
-	-	-	-	-	-	-	-	15,267	15,267	20,679	20,679
537,199	438,380	391,205	327,396	313,198	258,619	302,533	259,639	292,304	258,687	256,348	229,617
-	-	-	10,000	-	222,259	-	200,195	-	262,000	-	-
279,735	279,735	10,311	10,311	21,918	21,918	73,902	100,225	486	37,870	255	4,101
-	-	-	-	-	-	-	-	-	-	-	-
888,143	861,945	180,264	147,834	204,001	199,064	186,553	185,147	207,467	207,467	514,914	482,811
2,473,822	2,301,650	902,753	716,059	713,477	833,481	756,099	892,768	1,087,437	1,293,939	1,427,013	1,412,534
9,112,527	8,732,531	6,411,400	4,699,563	6,702,411	5,251,292	6,987,543	6,669,496	7,097,377	6,878,927	8,891,695	8,489,169
460,000	460,000	460,000	460,000	460,000	460,000	511,848	511,848	511,848	511,848	511,848	511,848
5,298,935	5,298,343	2,911,785	2,992,979	3,275,437	3,543,722	4,086,294	4,516,370	4,550,561	4,970,501	6,345,936	6,620,116
5,758,935	5,758,343	3,371,785	3,452,979	3,735,437	4,003,722	4,598,142	5,028,218	5,062,409	5,482,349	6,857,784	7,131,964
291,200	-	262,971	-	187,074	-	-	-	-	-	241,887	-
6,050,135	5,758,343	3,634,756	3,452,979	3,922,511	4,003,722	4,598,142	5,028,218	5,062,409	5,482,349	7,099,671	7,131,964

HISTORICAL FINANCIAL INFORMATION

	Group 2012/13 Rs.'000	Company 2012/13 Rs.'000	Group 2013/14 Rs.'000	Company 2013/14 Rs.'000	Group 2014/15 Rs.'000	Company 2014/15 Rs.'000	Group 2015/16 Rs.'000	Company 2015/16 Rs.'000
Non-current liabilities								
Interest bearing borrowings	100,568	100,568	270,242	270,242	187,500	187,500	388,741	388,741
Lease liabilities	354,293	354,293	348,506	348,506	342,526	342,526	336,296	336,296
Retirement benefit obligations	801,767	801,767	949,697	949,697	1,005,185	1,005,185	976,639	976,639
Deferred income and capital grants	234,585	234,585	223,803	223,803	213,610	213,610	203,569	203,569
Deferred tax liability	118,462	118,751	144,930	145,040	206,954	207,040	267,005	267,040
Total non-current liabilities	1,609,675	1,609,964	1,937,178	1,937,288	1,955,775	1,955,861	2,172,250	2,172,285
Current liabilities								
Interest bearing borrowings	470,152	470,152	304,574	304,574	183,809	183,809	148,751	148,751
Lease liabilities	5,750	5,750	5,980	5,980	6,210	6,210	6,460	6,460
Trade and other payables	654,087	634,858	540,940	532,265	671,541	665,127	610,617	594,618
Amount due to related parties	-	-	-	-	-	-	-	-
Current tax payable	48,902	48,690	53,950	53,950	14,000	14,000	28,079	28,000
Bank overdraft	-	-	-	-	-	-	-	-
Total current liabilities	1,178,891	1,159,450	905,444	896,769	875,560	869,146	793,907	777,829
Total liabilities	2,788,566	2,769,414	2,842,622	2,834,057	2,831,335	2,825,007	2,966,157	2,950,114
Total equity & liabilities	6,632,014	6,612,674	7,060,950	7,052,455	7,114,076	7,107,636	7,746,207	7,730,523
CASH FLOW								
Cash generated/(used in) from/to operations	1,049,724	1,059,071	636,767	645,308	1,352,709	1,351,364	1,012,402	1,000,231
Net cash inflow/(outflow) from operating activities	883,607	893,598	414,214	422,940	1,118,598	1,117,208	835,038	822,789
Net cash inflow/(outflow) from investing activities	(517,667)	(516,677)	(682,262)	(682,262)	(608,804)	(608,804)	(254,164)	(254,164)
Net cash inflow/(outflow) from financing activities	(395,581)	(395,581)	251,230	251,230	(592,568)	(592,568)	138,815	138,815
Increase/(decrease) in cash and cash equivalents	(29,641)	(18,660)	(16,818)	(8,092)	(82,774)	(84,164)	719,689	707,440
OPERATING RATIOS								
Annual turnover growth %	30	28	15	15	10	10	(8)	(8)
Profit Growth %	114	62	(40)	(40)	(6)	(6)	51	51
Turnover per employee (Rs.'000)	445	438	541	532	628	621	590	583
FINANCIAL RATIOS								
Return on equity %	18.87	18.91	10.29	10.30	9.52	9.51	12.88	12.89
Current ratio (Times)	1.29	1.30	1.66	1.66	1.43	1.44	2.39	2.41
Debt equity ratio (Times)	0.24	0.24	0.22	0.22	0.17	0.17	0.18	0.18
Interest cover (Times)	10.41	10.38	6.95	6.95	6.40	6.40	8.49	8.49
Total assets to current liabilities %	18%	18%	13%	13%	12%	12%	10%	10%
Dividend payout ratio	8%	8%	27%	27%	29%	29%	29%	29%
INVESTOR RATIOS								
Annualised earning per share (Rs.)	3.06	3.07	1.83	1.84	1.72	1.72	2.60	2.60
Price earning share (Times)	3.90	3.89	4.66	4.66	12.11	12.12	8.82	8.81
Dividend paid per share (Rs.)	0.25	0.25	0.50	0.50	0.50	0.50	0.75	0.75
Dividend cover (Times)	12.26	12.28	3.67	3.67	3.44	3.44	3.47	3.47
Market Capitalization (Rs.'000)	2,650,670	2,650,670	2,319,337	2,319,337	4,733,340	4,733,340	4,567,673	4,567,673
Net assets value per share (Rs.)	16.24	16.24	17.82	17.82	18.10	18.10	20.20	20.20

Group 2016/17 Rs.'000	Company 2016/17 Rs.'000	Group 2017/18 Rs.'000	Company 2017/18 Rs.'000	Group 2018/19 Rs.'000	Company 2018/19 Rs.'000	Group 2019/20 Rs.'000	Company 2019/20 Rs.'000	Group 2020/21 Rs.'000	Company 2020/21 Rs.'000	Group 2021/22 Rs.'000	Company 2021/22 Rs.'000
325,006	325,006	1,305,797	97,936	1,111,324	63,382	572,748	208,450	372,561	45,500	227,505	-
328,412	328,412	125,790	125,790	125,976	125,976	242,897	242,897	248,186	247,138	254,050	263,351
908,192	882,705	193,981	171,130	242,717	211,653	278,340	243,760	271,507	240,086	212,629	186,682
193,528	193,528	243,659	50,872	193,105	48,515	142,550	46,157	91,996	43,799	41,442	41,442
331,182	331,217	354,763	354,798	376,417	376,417	379,335	379,335	431,554	382,825	316,938	261,658
2,086,320	2,060,868	2,223,990	800,526	2,049,539	825,943	1,615,870	1,120,599	1,415,804	959,348	1,052,564	753,133
118,318	118,318	33,623	33,230	144,483	33,890	190,987	98,723	225,119	115,000	145,070	45,500
6,720	6,720	2,799	2,799	2,911	2,911	1,078	1,078	2,108	1,102	2,363	1,399
688,426	630,019	439,008	369,911	411,150	351,463	316,613	270,199	366,266	321,128	559,994	520,112
-	-	-	-	27,614	-	321	321	-	-	31,259	37,061
162,608	158,263	40,636	40,118	33,450	33,363	52,560	52,560	-	-	774	-
-	-	36,588	-	110,753	-	211,972	97,798	25,671	-	-	-
976,072	913,320	552,654	446,058	730,361	421,627	773,531	520,679	619,164	437,230	739,460	604,072
3,062,392	2,974,188	2,776,644	1,246,584	2,779,900	1,247,570	2,389,401	1,641,278	2,034,968	1,396,578	1,792,024	1,357,205
9,112,527	8,732,531	6,411,400	4,699,563	6,702,411	5,251,292	6,987,543	6,669,496	7,097,377	6,878,927	8,891,695	8,489,169
1,594,718	1,720,938	1,665,205	1,773,844	1,465,716	1,253,139	1,255,698	1,259,938	2,319,100	2,139,520	3,816,011	3,709,863
1,376,538	1,475,399	1,271,659	1,424,133	1,199,004	1,107,730	934,269	1,045,705	2,152,623	2,011,924	3,810,629	3,734,534
(185,448)	(294,059)	(1,682,928)	(596,037)	(705,517)	(562,304)	(524,721)	(721,178)	(321,910)	(306,394)	(1,025,717)	(727,328)
(396,019)	(396,019)	(296,610)	(1,541,207)	(543,915)	(494,196)	(528,215)	(436,242)	(1,423,010)	(1,403,485)	(1,740,183)	(1,984,066)
795,071	785,321	(707,879)	(714,111)	(50,428)	51,230	(118,667)	(111,715)	407,703	302,045	1,044,729	1,023,140
3	3	(24)	(25)	(38)	(46)	8	6	18	20	65	76
113	113	(26)	(17)	(19)	(3)	9	(3)	109	72	108	108
646	655	850	3,124	1,625	1,615	2,170	1,790	2,692	2,248	4,432	3,958
21.64	22.74	28.69	31.31	18.86	25.05	17.53	19.39	33.27	30.53	51.20	48.79
2.53	2.52	1.63	1.61	0.98	1.98	0.98	1.71	1.76	2.96	3.43	4.00
0.13	0.14	0.40	0.08	0.35	0.06	0.22	0.11	0.17	0.07	0.09	0.04
31.37	19.95	11.02	14.48	9.05	282.38	6.70	22.41	27.37	56.28	223.52	294.15
11%	10%	9%	9%	11%	8%	11%	8%	9%	6%	8%	7%
27%	27%	38%	35%	59%	44%	7%	6%	73%	74%	53%	53%
5.18	5.20	4.16	4.52	3.80	5.08	4.10	4.86	8.18	8.15	17.01	16.87
4.71	4.70	7.15	6.39	4.17	5.08	4.98	4.13	6.98	7.00	5.49	5.53
1.50	1.50	1.60	1.60	2.25	2.25	0.30	0.30	6.00	6.00	9.00	9.00
3.45	3.46	2.60	2.83	1.69	2.26	13.67	16.20	1.36	1.36	1.89	1.87
5,774,675	5,774,675	5,807,802	5,807,802	3,717,807	3,717,807	4,066,173	4,066,172	11,608,923	11,608,923	18,968,696	18,968,696
25.56	24.33	18.09	17.18	18.59	19.92	22.62	24.73	24.90	26.97	34.92	35.08

INVESTOR INFORMATION

1. STOCK EXCHANGE LISTING

The issued shares of Watawala Plantations PLC are listed with the Colombo Stock Exchange (CSE) in Sri Lanka.

As at 31 March	2022	2021
Total numbers of shareholders	17,711	15,466
Total numbers of shares	203,308,634	203,308,634

2.1 Distribution of shareholding as at 31 March 2022

Number of Shareholders	Holdings	Total Holdings %
9,183	1 - 1,000 shares	51.85%
8,186	1,001 - 10,000 shares	46.22%
292	10,001 - 100,000 shares	1.65%
45	100,001 - 1,000,000 shares	0.25%
5	Over 1,000,000	0.03%
17,711	Total	100.00%

2.2 Analysis of shareholders

Categorise of Shareholders	As at 31 March 2022				As at 31 March 2021			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Residents	17,624	99.51%	201,320,834	99.02%	15,381	99.45%	201,121,191	98.92%
Non-Residents	87	0.49%	1,987,800	0.98%	85	0.55%	2,187,443	1.08%
Total	17,711	100.00%	203,308,634	100.00%	15,466	100.00%	203,308,634	100.00%
Individuals	17,379	98.13%	32,493,091	15.98%	15,336	99.16%	26,824,463	13.19%
Institutions	332	1.87%	170,815,543	84.02%	130	0.84%	176,484,171	86.81%
Total	17,711	100.00%	203,308,634	100.00%	15,466	100.00%	203,308,634	100.00%

2.3 Directors' shareholding

The number of shares held by the Board of Directors are as follows ;

As at 31 March	2022	2021
S G Wijesinha (Chairman)	1	1
G Sathasivam (Alternate: S. G. Sathasivam)	Nil	Nil
V Govindasamy	Nil	Nil
A N Fernando (Retired w.e.f. 25 June 2021)	n/a	1
N B Weerasekera	Nil	Nil
S Mawzoon	Nil	Nil
H D Abeywickrama	Nil	Nil
M R Rao	Nil	Nil
K H Kuok (Resigned w.e.f. 31 March 2022) (Alternate: M T Siddique-Resigned w.e.f. 31 March 2022)	Nil	Nil
A R Rasiah (Appointed w.e.f. 25 June 2021)	Nil	n/a
C L Loo (Appointed w.e.f. 31 March 2022, Alternate: M T Siddique)	Nil	n/a

2.4 Chief Executive Officers' shareholding

As at 31 March	2022	2021
B N Pananwala	Nil	Nil

3. PUBLIC SHAREHOLDINGS

	Requirement by CSE	As at 31 March 2022	Comply with CSE Rule 7.13.1 (a)	Requirement by CSE	As at 31 March 2021	Comply with CSE Rule 7.13.1 (a)
Option	4	4	Yes	4	4	Yes
Float adjusted market capitalisation	Above LKR 2.5Bn	LKR 4.88Bn	Yes	Above LKR 2.5Bn	LKR 2.99Bn	Yes
The percentage of shares held by the public	10%	25.76%	Yes	10%	25.76%	Yes
Number of shareholders representing public holding	500	17,709	Yes	500	15,463	Yes

4. SHARE TRADING INFORMATION FOR LAST FIVE YEARS (FROM 1 APRIL TO 31 MARCH)

	2022	2021	2020	2019	2018
Highest price (LKR)	196.00	65.60	28.00	30.60	36.10
Lowest price (LKR)	49.40	16.10	17.40	18.00	24.00
As at 31 March (LKR) (Last trade-31.03.2022)	93.30	57.10	20.00	18.50	28.90
Number of transactions	51,618	14,826	2,048	1,565	3,727
Number of shares traded	62,123,552	172,666,233	13,068,014	1,772,579	12,910,765
Value of shares traded (LKR)	6,559,493,300	3,992,444,857	249,968,553	46,989,188	405,774,447

INVESTOR INFORMATION

5. INVESTOR RATIOS AND OTHER INFORMATION AS AT 31 MARCH

	2022	2021	2020	2019	2018
Earnings per share (LKR)	16.87	8.15	4.86	5.08	4.52
Dividend per share (LKR)	9.00	6.00	0.30	2.25	1.60
Dividend pay out (%)	53%	74%	6%	44%	35%
Net asset per share (LKR)	35.08	26.97	24.73	19.92	17.18
Number of Shares as at 31 March	203,308,634	203,308,634	203,308,634	200,962,556	200,962,556
Market Capitalisation (LKR)	18,968,695,552	11,608,923,001	4,066,172,680	3,717,807,286	5,807,817,868

6. DIVIDEND PAYMENTS

2021/22 - Interim dividend - LKR 6.00 per share was paid on 08 December 2021

2020/21 - Final dividend - LKR 3.00 per share was paid on 15 July 2021

7. TWENTY (20) LARGEST SHAREHOLDERS AS AT 31 MARCH (VOTING SHARES)

Name	2022		2021	
	Number of shares held	%	Number of shares held	%
Sunshine Wilmar (Private) Limited	150,937,043	74.24	150,937,043	74.24
Seylan Bank PLC/Senthilvel Holdings (Pvt) Ltd	6,308,391	3.10	9,930,000	4.88
Seylan Bank PLC/ DR.T.Senthilvel	4,643,610	2.28	9,592,412	4.72
K.C. Vignarajah	2,486,084	1.22	2,415,529	1.19
Vyjayanthi & Company Limited	1,011,674	0.50	1,011,674	0.50
Deutsche Bank AG Singapore A/C 02	713,480	0.35	948,480	0.47
T.T.T.AL-Nakib (Deceased)	700,000	0.34	700,000	0.34
M.Z.H.Hashim	650,000	0.32	490,250	0.24
N. Muljie	559,354	0.28	559,354	0.28
Seylan Bank PLC/ Capital Trust Holdings Limited	459,339	0.23	-	-
M.I. Abdul Hameed	354,085	0.17	354,085	0.17
Seylan Bank PLC/Goluhewage Bindu Rasitha Poojitha Gunawardana	244,063	0.12	-	-
W.W.D.D.S.Perera	223,723	0.11	-	-
Union Investments Private LTD	220,881	0.11	220,881	0.11
S. Weeraratne	215,676	0.11	-	-
S. Vignarajah	214,675	0.11	262,000	0.13
C.S.J.Perera	211,949	0.10	-	-
Hatton National Bank PLC/Palaniyandy Muralitharan	200,000	0.10	-	-
Cocoshell Activated Carbon Company (Private) Limited	187,000	0.09	282,694	0.14
M.M.Hashim	185,000	0.09	-	-
Sub Total	170,726,027	83.97	177,704,402	87.41
Other Shareholders	32,582,607	16.03	25,604,232	12.59
Grand Total	203,308,634	100.00	203,308,634	100.00

GLOSSARY

ACCOUNTING POLICIES

The specific principles, bases, conventions, rules, and practices adopted by an enterprise in preparing and presenting financial statements.

WATA

CSE identification code for the Company.

ACCRUAL BASIS

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

GSA

The Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

NSA

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

COP

The Cost of Productions. This generally refers to the cost of producing per kilo of produce (Tea /Rubber /Palm Oil)

CPO

Crude Palm Oil

AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

EBITDA

Earning before interest, tax, depreciation and amortisation.

VALUE ADDITIONS

The quantum of wealth generated by the activities of the Company and its application.

EARNING PER SHARE – EPS

Profit attributable to ordinary shareholders divided by the number of ordinary shares in ranking for dividend.

ENTERPRISE VALUE – EV

Market capitalisation plus debt, minority interest & preferred shares minus total cash and cash equivalents.

ENTERPRISE MULTIPLE – EM

Enterprise Value (EV) divided by Earnings before Interest Tax Depreciation and Amortisation (EBITDA)

MARKET VALUE ADDED – MVA

Shareholders' funds divided by the market value of shares

PRICE EARNINGS RATIO - PE

Market price of a share divided by earnings per share.

MARKET CAPITALISATION

Number of Shares issued multiplied by the market value of each share at the year end.

NET ASSETS

Sum of fixed assets and current assets less total liabilities.

NET ASSETS PER SHARE

Net assets at the end of the period divided by the number of ordinary shares in issues.

RETURN ON EQUITY

Attributable profits divided by average shareholders' funds.

INTEREST COVER

Profit before tax plus interest charges divided by interest charges.

DIVIDEND COVER

Profit attributable to shareholders divided by gross dividend.

DIVIDEND PAYOUT

Profit paid out to shareholders as dividends as a percentage of profits made during the year.

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the Company.

CONTINGENT LIABILITIES

Conditions or situations at the balance sheet date, the financial effects of which are to be determined by future events, which may or may not occur.

IUCN

International Union for Conservation of Nature

PHDT

Plantation Human Development Trust

WORKING CAPITAL

Current assets exclusive of liquid funds and interest-bearing financial receivables less operating liabilities and non-interest-bearing provisions.

GLOSSARY

TOTAL BORROWINGS

Total borrowings consist of interest-bearing liabilities, fair-value derivatives, accrued interest expenses and prepaid interest income, and trade receivables with recourse.

NET BORROWINGS

Total borrowings less liquid funds.

CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

CURRENT RATIO

Current assets divided by current liabilities

DEBT TO EQUITY RATIO

Borrowing divided by equity

GEARING RATIO

Interest bearing capital divided by total capital (interest bearing and non-interest bearing)

TURNOVER PER EMPLOYEE

Consolidated turnover of the Company for the year divided by the number of employees employed at the year end.

EXTENT IN BEARING

The extent of land. From which crop is being harvested. Also see "Immature Plantation"

CROP

The total produce harvested during a financial year

IMMATURE PLANTATIONS

The extent of plantation that is under- development and is not being harvested.

MATURE PLANTATIONS

The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

IN FILLING

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

REPLANTING

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

YIELD (YPH)

The average crop per unit extent of land over a given period of time (usually kgs per hectare per year)

ISO

International Standards Organisation

HACCP

Hazard Analysis Critical Control Point System. Internationally accepted food safety standard.

5S

A Japanese management technique on the organisation of the workplace. 5s stands for Seiri (Sorting), Seiton (Organising), Seiso (Cleaning), Seiketsu (Standardisation), Shitsuke (Sustenance).

YoY : Year on Year

FFB : Fresh Fruit Bunches (Palm oil)

ROCE : Return on Capital Employed

CAPEX : Capital Expenditure

NED : Non-Executive Director

RPTRC : Related Party Transactions and Review Committee

NRC : Nominations and Remuneration Committee.

AC : Audit Committee

RSPO : Roundtable on Sustainable Palm Oil

KMP : Key Management Personnel

NOTICE OF MEETING

Notice is hereby given that the Twenty-Ninth (29th) Annual General Meeting ("AGM") of Watawala Plantations PLC ("Company") will be held online via a virtual platform on Friday, 24th June 2022 at 10.15am and the business to be brought before the meeting will be as follows:

1. To receive and consider the Annual Report of the Board of directors and the Statement of Audited Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.
2. To declare a final dividend of LKR 8.00 per share as recommended by the Board of directors.
3. To propose the following resolution as an ordinary resolution for the re-appointment of Mr G. Sathasivam as a director, who has reached the age of 75 years:

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies' Act No. 07 of 2007 shall not apply to Mr G. Sathasivam, director of the Company, who has reached the age of 75 years prior to this AGM and that he be reappointed accordingly."

4. To propose the following resolution as an ordinary resolution for the re-appointment of Mr S. G. Wijesinha, director of the Company, who has reached the age of 73 years:

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies' Act No. 07 of 2007 shall not apply to Mr S. G. Wijesinha, director of the Company, who has reached the age of 73 years prior to this AGM and that he be reappointed accordingly."

5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr A.R. Rasiah, director of the Company, who has reached the age of 76 years:

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies' Act No. 07 of 2007 shall not apply to Mr A.R. Rasiah, director of the Company, who has reached the age of 76 years prior to this AGM and that he be reappointed accordingly."

6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr M. R. Rao, director of the Company, who has reached the age of 71 years:

ORDINARY RESOLUTION

"IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies' Act No. 07 of 2007 shall not apply to Mr M. R. Rao, director of the Company, who has reached the age of 71 years prior to this AGM and that he be reappointed accordingly."

7. To re-appoint Mr C. L. Loo as per Article 28 (2) of the Articles of Association who has been appointed by the Board since the last AGM, as a Director.
8. To re-elect Mr N. B. Weerasekera, who retires by rotation as a director at the AGM, as per article 30 of the articles of association.
9. To re-appoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorise the directors to determine their remuneration.
10. To authorise the Directors to determine contributions to Charities.

By order of the Board



Corporate Services (Private) Limited
Secretaries

26th May, 2022
Colombo

NOTICE OF MEETING

NOTE:

Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote / speak in his / her stead and a form of proxy is sent herewith for this purpose.

MEETING GUIDELINES

- (A) The meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws:
- (B) In the interest of protecting public health and facilitating social distancing in line with the guidelines issued by the Ministry of Health, Nutrition and Indigenous Medicine, the Annual General Meeting will be held in the manner set out below:
- (i) The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio and visual means via Zoom. These measures have been adopted to observe social distancing regulations/requirements to mitigate the danger of spread of the virus.
 - (ii) In order for us to forward the access information necessary for participation at the meeting, which shall include the meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your e-mail address and contact telephone number to the registered address of the Company not less than 48 hours before the time appointed for the holding of the meeting so that the login information could be forwarded to the e-mail addresses so provided.
 - (iii) If the Company is unable to post this Notice due to any situation beyond its control, then, this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil and English languages and if the circumstances permit, in one issue of the Gazette. The Annual Report, Notice of Meeting, Form of Proxy and Registration Form will also be published on the website of the Colombo Stock Exchange (<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=WATA.N0000>) and the website of the Company (<https://watawalaplantations.lk/>)
 - (iv) Proxy forms are forwarded to the shareholders together with the Notice of Meeting and Registration form. Proxy forms have been uploaded to the Company's website (<https://watawalaplantations.lk/>) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or e-mailed to eranda.kapukotuwa@sunshineholdings.lk or corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
 - (v) The shareholders who are unable to participate at the Annual General Meeting via Zoom could send their queries, if any, to email address eranda.kapukotuwa@sunshineholdings.lk or corporateservices@corporateservices.lk at any time before the meeting time and the responses to the same will be included in the minutes of the meeting.
 - (vi) Voting in respect of the items in specified in the agenda to be passed will be registered by using the audio or audio and visual means (Zoom) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.
 - (vii) For any questions please contact Mr. Eranda Kapukotuwa (Senior Manager Finance) on 0114772505 during office hours.

FORM OF PROXY

I/We.....of.....
being a member/members of Watawala Plantations PLC, hereby appoint
 or failing him, Mr S. G. Wijesinha (Chairman of the Company) of Colombo, or failing him, one of the
 Directors of the Company, as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the twenty-ninth
 (29th) Annual General Meeting of the Company to be held on Friday, 24th June 2022 at 10.15am and at every poll which may be
 taken in consequence of the aforesaid meeting and any adjournment thereof:

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.		
2.	To declare a final dividend of LKR 8.00 per share as recommended by the Board of Directors.		
3.	To pass an ordinary resolution to re-appoint Mr G. Sathasivam as a Director who has reached the age of 75 years.		
4.	To pass an ordinary resolution to re-appoint Mr S. G. Wijesinha as a Director who has reached the age of 73 years.		
5.	To pass an ordinary resolution to re-appoint Mr A.R. Rasiah as a Director who has reached the age of 76 years.		
6.	To pass an ordinary resolution to re-appoint Mr M. R. Rao as a Director who has reached the age of 71 years.		
7.	To re-appoint Mr C.L. Loo who was appointed by the Board during the year, as a Director.		
8.	To re-elect Mr. N. B. Weerasekera as a Director who retires by rotation at the Annual General Meeting.		
9.	To re-appoint Messrs KPMG, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.		
10.	To authorise the Directors to determine contributions to Charities.		

Dated thisday of.....2022.

.....

Signature of Shareholder

.....

Shareholder's NIC

.....

Proxy holder's NIC

(a) A proxy need not be a member of the Company.

(b) Instructions regarding completion appear on the overleaf.

INSTRUCTION ON COMPLETION OF THE FORM OF PROXY

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company, No 60, Dharmapala Mawatha, Colombo 03 or emailed to eranda.kapukotuwa@sunshineholdings.lk or corporateservices@corporateservices.lk no later than 48 hours before the time of the meeting.
2. In perfecting the form of proxy, please ensure that all details are legible.
3. Please indicate with an 'X' in the space provided, how your proxy is to vote on each resolution. If no indication is given, the proxy, at his discretion, may vote as he thinks fit.
4. In the case of a company/corporation, the proxy must be signed by placing the common seal of the company/corporation and attested in the manner prescribed by its articles of association.
5. In the case of a proxy signed by the attorney, the Power of Attorney document must be deposited at the Registered Office, No. 60, Dharmapala Mawatha, Colombo 03, for registration or emailed to eranda.kapukotuwa@sunshineholdings.lk or corporateservices@corporateservices.lk.

CORPORATE INFORMATION

Name of the Company

Watawala Plantations PLC

Legal form

A public company with limited liability registered under Companies Act No 17 of 1982 and re-registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange.

Date of Incorporation

18 June 1992

Registration No

PQ 65

Accounting Year

31 March

Directors

S G Wijesinha (Chairman)
G Sathasivam (Alternate: S G Sathasivam)
V Govindasamy
A N Fernando (Retired w.e.f. 25 June 2021)
N B Weerasekera
M S Mawzoon
H D Abeywickrama
M R Rao
K H Kuok (Alternate : M T Siddique) (Resigned w.e.f. 31 March 2022)
A R Rasiah (Appointed w.e.f. 25 June 2021)
C L Loo (Alternate : M T Siddique) (Appointed w.e.f. 31 March 2022)

Chief Executive Officer

Binesh N. Pananwala

Secretaries & Registrars

Corporate Services (Private) Limited
No 216, De Saram Place, Colombo 10
Tel: +94 114 605 100

Auditors

KPMG (Chartered Accountants)
No 32A, Sir Mohomad Macan Markar Mawatha,
Colombo 03.

Bankers

Standard Chartered Bank Ltd
Hatton National Bank PLC
Commercial Bank of Ceylon PLC
State Bank of India
DFCC Bank PLC
Seylan Bank PLC
National Development Bank PLC

Lawyers

FJ & G De Saram (Attorneys-at-Law)
No 216, De Saram Place, Colombo 10

Nithya Partners (Attorneys-at-Law)
97/A, Galle Road, Colombo 03

Registered Office

No.60, Dharmapala Mawatha,
Colombo 03,
Sri Lanka
Tel: +94 114 702 400
E-mail: watawala@sunshineholdings.lk
Web: www.watawalaplantations.lk

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Sri Lanka

<http://www.watawalaplantations.lk/>