

Heladiv[®]

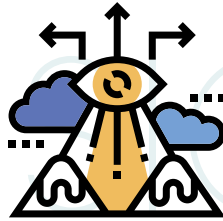
TEA FROM PARADISE

ANNUAL REPORT | 20²³₂₄



HVA FOODS PLC





VISION

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





MISSION

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

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A brand with a Global Recognition

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





We Who
are

Heladiv
Tea has played a pivotal role
in bringing immense pride to the Sri Lankan
tea industry and has been a significant contributor to the
country's economy for several decades since its inception.

With a rich history deeply rooted in Sri Lanka's tea heritage, Heladiv Tea has consistently upheld the highest standards of quality and craftsmanship, showcasing the exceptional flavours and unique characteristics of Ceylon tea to the world.

Since its establishment, Heladiv Tea has been committed to nurturing and sustaining the tea plantations in Sri Lanka, fostering a sustainable and ethical approach to tea cultivation.

By implementing environmentally friendly practices and supporting local communities, the brand has not only contributed to the economic growth of Sri Lanka but has also promoted social welfare and environmental conservation.

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

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

As an ambassador of Sri Lankan tea, Heladiv Tea has played a vital role in promoting the country's rich tea culture and heritage on the global stage.

Its relentless pursuit of quality and commitment to sustainable practices has not only elevated the reputation of Ceylon tea but has also contributed significantly to the overall growth and success of the Sri Lankan tea industry.

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

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

OUR PRODUCT MIX

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

BEVERAGES COLLECTION

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



PREMIUM COLLECTION

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



HERBAL COLLECTION

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



TEA BAG COLLECTION

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



TEA FROM PARADISE

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



HORECA COLLECTION

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



GIFT COLLECTION

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



MIXOLOGY COLLECTION

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



OTHER BRANDS



OUR REACH

HELADIV is today registered in over 40 countries around the world



NORTH/SOUTH AMERICA

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



CIS/EUROPE

- » Russia
- » Ukraine
- » Kazakhstan
- » Latvia
- » Lithuania
- » Turkey
- » United Kingdom

RECENT AWARDS

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



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

SYMBOLISING PRODUCT EXCELLENCE AND CUSTOMER CONFIDENCE

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

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

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

Tea is a fine liquid that helps maintain a balanced life-style. New analysis has emerged on the therapeutic and curative properties of tea, which is considered to be rich in antioxidants.

Our analysis and development department continuously analyses our teas to balance taste, observe chemical residue and guarantee purity. Our products are pure and aids in healthy living.

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

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

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

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

Organic JAS is the Japanese national standard established by the Minister of Agriculture that Applied to the agricultural products and processed foods which conform to the Organic JAS. Products without the Organic JAS logo can't be labelled as "organic". "Halal" is an Arabic word which suggests lawful or permissible. Any food or drink that carries this logo is permissible for Muslims' consumption. It additionally implies that product is produced in accordance with the Sharia law. Therefore, products of the H V A cluster are safe and suitable for the consumption by Muslim consumers anywhere as we do not use any non-permitted ingredients.

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

CHAIRMAN'S MESSAGE



SRI LANKAN ECONOMY

This year marked the first steps to recovery for the Sri Lankan economy, after the disastrous events of 2022/23. While uncertainties still remain, especially for our industry, it is a year that sparked a sense of overall cautious optimism.

From a macroeconomic perspective, the contraction of the economy slowed, with the GDP decline reducing from -7.8% to -2.3% in 2023, with strong performances in the latter part of the year. This improvement is largely attributed to the initial implementation of the IMF guidelines, which emphasized strong fiscal controls and a focused approach to revenue collection. These measures are critical to strengthening the economy.

From a sectoral point of view, the agriculture sector recorded a 2.6% growth compared to a contraction of 4.2% in the previous year. This was attributed mainly to the improved availability of agri-inputs such as fertilizer, chemicals and fuel, which were previously restricted in supply. The industry sector contracted by 9.2% while the services sector experienced a marginal decline of 0.2%. Trade balance improved by USD 200 million year on year, with a slew of import restrictions continuing to be in place.

TEA INDUSTRY

The Tea Industry had a slow recovery, with production volumes gaining 1.7% year on year to 250 million kilograms; however, the impact of the restricted operating conditions the previous year were still evident. The increased production was recorded mainly in the high- and mid-grown categories of teas, whereas low-grown teas which cater to the main export markets reflected a degrowth.

Tea exports were down 8.2mln kgs to 241.91 million kilograms in 2023, compared to the previous year; however, the value of exports grew to 1.31 billion US dollars in 2023 from 1.26 billion US dollars in 2022. It must be noted however that prices of Ceylon tea reflected a distinct fall during the latter part of 2023. The ongoing war in Russia/Ukraine continues to impact tea exports while unrest in the Middle Eastern region is also of concern.

FINANCIAL PERFORMANCE

2023/24 can be termed an extremely challenging one for your company, as we experienced a Rs. 511 million decline in turnover to Rs 1.84 billion. This was mainly due to the main buyers cutting back severely on

their orders on the back of their own domestic and reexport markets slowing down. Instability in Russia continued to have an impact on our company with East European buyers also reducing their orders.

The gross profit margin increased by 3% due to the prudent purchase of bulk teas as well as marketing initiatives undertaken to seek more lucrative, new market segments. The distribution cost as a percentage of revenue also increased during the year, mainly due to the prevailing high freight rates.

Our administrative costs increased significantly due to prudent provisions taken on stocks and debtors, with the intention of reducing financial burdens in this turnaround year. A stock revaluation was also undertaken to make selling prices more realistic under current market conditions. We are confident that these one-off provisions and revaluations will strengthen the company in the long term and make us more resilient to future challenges.

STRATEGIC INITIATIVES

The reduction in orders from our major customers has prompted us to critically examine our product range, margins, and customer mix. Numerous new initiatives have been undertaken to introduce products that can be positioned as beverages in the healthcare segment. We are also focusing on new superfood products such as moringa and cinnamon, which have been added to our portfolio. It is encouraging to see that new customers have been acquired in these segments at higher margins than our traditional customers. We

believe that developing these new customer segments will help us maintain a healthy product portfolio, which is essential for our future journey.

The relatively high exchange rate continues to be a challenge, as the increased input prices and stronger currency have put pressure on our margins. Additionally, the higher exchange rate has led some of our key buyers consider alternative suppliers, that offer them cost benefits.

The cost of finance remained significantly high during the year, with only a marginal reduction compared to the previous year. Looking ahead, and to support the business, your Board is now considering a rights issue to settle some of our debt and reduce the impact of finance expenses.

FUTURE OUTLOOK

The setbacks experienced with our bulk tea customer base have strengthened our resolve to explore opportunities that offer higher margins. In addition, we are actively working on enhancing the value of our herbal teas, as well as expanding into other beverage products and spices. Importantly, while pursuing new customer segments, we remain committed to safeguarding the strong relationships we've built with our existing customers over the years.

To support the envisaged product diversification, we have implemented prudent operational processes that ensure these new initiatives do not disrupt our current production.

CHAIRMAN'S MESSAGE

Additionally, we are exploring a new B2B tea value addition product segment, which we believe will make a significant and positive impact on our results in the coming year.

APPRECIATIONS

Mr. Sardha de Silva who presided over the Board as Chairman retired at the beginning of the new financial year 2024/25. On behalf of the Board and the company, I wish to thank him for his untiring efforts to guide the company during some very difficult years. His wealth of experience in the export trade, as one of Sri Lanka's foremost spice exporters, held the company in good stead. We wish him well in his retirement.

In April 2024, your company welcomed me as Chairman and also welcome Graham Stork as Director/Chief Executive Officer. Graham has three decades of experience in tea, not just as a tea taster but also specialized in blending herbs and flavours that greatly contribute to the value addition of teas. The vast and interesting combination of tea

industry exposure he holds will no doubt be a driving force for H V A Foods PLC in the coming years.

I take this opportunity to thank our employees, who have remained committed and loyal to us despite many challenges in the past few years.

I wish to thank you, our shareholders, for your patience as the company weathers these storms.

The Board and I look forward to an improved performance in the coming year.



S.P.S.Ranatunga
Chairman

30th August 2024

BOARD OF DIRECTORS

S.P.S.Ranatunga
Independent Non-Executive
Director / Chairman
(Appointment with effect
from 17th April 2024)

Mr. S.P.S. Ranatunga was the Managing Director of CIC Holdings PLC from 2010 to 2019. He joined the Company as an Executive in 1988 and held various senior positions and was Director of main subsidiaries of CIC Holdings PLC namely Chemanex PLC and Link Naturals Pvt Ltd.

Mr. Ranatunga served on the Board of Directors of Seylan Bank PLC from 2010 – 2019. During this tenure, he chaired the Risk, Human Resources, Nomination, Marketing and Strategic Planning Committees of the Bank and served as a member of the Audit Committee. He was also the Chairman of Ceylon Chamber of Commerce from 2015 – 2017. Since 2019, he headed the pioneering Clinical Research Company, RemediumOne (Pvt) Ltd in Sri Lanka which is a public-private partnership with the University of Kelaniya.

In late 2023, he was appointed as the Chairman of Agricultural Modernization taskforce of the Presidential Secretariat.

He holds directorships in five other companies : Chairman of Agroworld (Pvt) Ltd and Spectrify AI Agro Technology (Pvt) Ltd and Director of Remediumone (Pvt) Ltd and V S Information Systems Group (Pvt) Ltd

MS. V.S.A. FERNANDO
Non-Executive Director

Ms. V.S.A. Fernando is the co-founder of Triad, the largest and most awarded Sri Lankan communication powerhouse extensively diversified to offer integrated communication solutions.

Ms. Fernando also serves as a Director in many companies including Powerhouse (Pvt) Ltd., the holding company of Sri Lanka's premium entertainment offering, TV Derana and FM Derana. She is also a Director of George Steuart Group, which is the oldest corporate house and one of the largest conglomerates in Sri Lanka, diversified into almost every industry. Her stamp on corporate Sri Lanka is accentuated by her belief that 'Sri Lanka Can', which has been the driving principle behind the Group's ventures.

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

She also holds directorships in following other companies: Joint Managing Director of Triad (Pvt) Ltd, Non-Executive Director of Citrus Leisure PLC and Waskaduwa Beach Resort PLC and Director of Adpack

Productions (Private) Limited, Asia Commerce Exports (Pvt) Ltd, Asia Commerce Holdings Ltd, Citrus Aqua Limited, Citrus Silver Ltd, Citrus Vacations Limited, Derana Macroentertainment (Pvt) Ltd, Divasa Equity (Pvt) Ltd, Divasa Holdings (Pvt) Ltd, Divasa Pharma (Pvt) Ltd, Emagewise (Pvt) Ltd, Hammer BTL (Pvt) Ltd, Hammer Engineering Ltd, Hardtalk (Pvt) Ltd, HVA Beverages (Pvt) Ltd, HVA Farms (Pvt) Ltd, HVA Fine Teas (Pvt) Ltd, HVA Holdings (Pvt) Ltd, HVA Lanka Exports (Pvt) Ltd, Imageline (Pvt) Ltd, Kites Global (Pvt) Ltd, Lake Drive Holdings (Pvt) Ltd, Liberty Publishers (Pvt) Ltd, Mantram (Pvt) Ltd, Power House Ltd, Printage (Pvt) Ltd, Sarva Integrated (Pvt) Ltd, SPAACS (Pvt) Ltd, Taprobane Street (Pvt) Ltd, Third World Operations (Pvt) Ltd, Thirty five K M (Private) Limited, Triadhot.com (Pvt) Ltd, George Steuart Ethicals (Pvt) Ltd, George Steuart and Company Limited, Manthram (Private) Limited and Hammer Digital (Private) Limited.

S.U. DASSANAYAKE
Chief Operating Officer /
Executive Director

Mr. S.U. Dassanayake counts over 13 years of corporate experience mainly in the FMCG industry. He has held roles in Sales, Trade Marketing and Brand Management in both local and multi national companies such as Ceylon Tobacco Company

BOARD OF DIRECTORS

(BAT), Unilever and Hemas FMCG. During Mr. Dassanayake's career, he has been a part of crafting brand activities, campaigns, and Route To Market (RTM) strategies for local and international brands. He is also exposed to export market development through value added Spices & Herbal Tea. He holds a MBA from the University of Bedfordshire (UK) and a Degree in Business Administration from the University of Staffordshire (UK).

He holds directorships in four other companies : Executive Director of Biogen Organic (Pvt) Ltd, Exseth International (Pvt) Ltd, Magnum Consultancy (Pvt) Ltd and Tres Links (Pvt) Ltd.

M.P.D. COORAY
Independent Non-Executive
Director

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

Mr. Cooray is the Independent Non-Executive Chairman of United Motors PLC, U M L Property Developments Ltd, U M L Heavy Equipment Ltd, Unimo Enterprises Ltd, Dutch Lanka Trailer Manufacturers Ltd and Dutch Lanka Engineering (Pvt) Ltd.

He is also the Managing Director of Management Systems (Pvt) Ltd. He serves as Senior Independent Non-Executive Director of Hatton National Bank PLC, Independent Non-Executive Director of JAT Holdings PLC, Jetwing Symphony PLC, The Lighthouse Hotel PLC and George Steuart and Company, Director of Colombo Medical & General Company Ltd, Secretarial Services (Pvt) Ltd and The Children Heart Project of Sri Lanka.

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

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

S.A. AMERESEKERE
Non-Executive Director

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

Mr. Ameresekere also served as the Director / CEO of Triad (Pvt) Ltd, one of Sri Lanka's leading integrated communication entities up to early 2024, where he now remains as an Executive Director. The Triad Group integrates a cluster of specialized communications companies that offer its clients an unmatched holistic and synchronized communication solution.

Qualified in both business and engineering, Mr. Ameresekere has extensive local and foreign exposure in diverse areas of business. He holds a Master's Degree in Engineering

Management from the University of Southern California, Los Angeles, and a Bachelor's Degree in Industrial and Operations Engineering from the University of Michigan, Ann Arbor.

He holds directorships in forty one other companies : Chairman/ Executive Director of

George Steuart and Company Limited, Executive Director of Colombo Land and Development Company PLC and Triad (Pvt) Ltd, Non-Executive Director of Citrus Leisure PLC, Hikkaduwa Beach Resort PLC and Waskaduwa Beach Resorts PLC and Director of Adpack Productions (Pvt) Ltd, Agrispice (Private) Limited, Anantya Global Solutions Company Limited, Asia Commerce Holdings Ltd, Ceylon Grid Services (Pvt) Ltd, Citrus LT (Pvt) Ltd, Divasa Equity (Pvt) Ltd, Divasa Real Estate (Pvt) Ltd, Emagewise (Pvt) Ltd, George Steuart Ethicals (Pvt) Ltd, George Steuart Aviation (Pvt) Ltd, George Steuart Capital (Pvt) Ltd, George Steuart Consumer (Pvt) Ltd, George Steuart Education Pvt Ltd, George Steuart Holidays (Pvt) Ltd, George Steuart Industries (Pvt) Ltd, George Steuart Insurance Brokers (Pvt) Ltd, George Steuart Investment (Pvt) Ltd, George Steuart Recruitments (Pvt) Ltd, George Steuart Solutions (Pvt) Ltd, George Steuart Telecom (Pvt) Ltd, George Steuart Travels Limited, George Steuart Optimize (Pvt) Ltd, Gree Lanka (Pvt) Ltd, H V A Holdings (Pvt) Ltd, Hardtalk (Pvt) Ltd, James Steuart Pvt Limited, Kites Global (Pvt) Ltd, Liberty Developers (Pvt) Ltd, Liberty Holdings Limited, Three Fifty at Union (Pvt) Ltd, Traidhot.com (Pvt) Ltd, George Steuart Health (Pvt) Ltd, George Steuart Exports Limited and George Steuart Teas (Private) Limited.



Mr. Stork has over 30 years of experience in the tea trade including at Expoteas Ceylon (Pvt) Ltd., Hemas Commodities (Pvt) Ltd and 17 years at our very own George Steuart Teas. Apart from his multifaceted experience in tea, Graham is also specialized in herbs and flavours. Over the years, Graham had established The Herbal Storage (Pvt) Ltd., which imported herbal infusions for the tea industry and he was a founder partner of Marah Trading (Pvt) Ltd., which provided tea bagging services and was the first tea packing factory to obtain FSSC certification in Sri Lanka.

Establishing a Tea School, Australian Tea Masters Ceylon (Pvt) Ltd., under the guidance of Australian Tea Masters (Melbourne).

He holds directorship in one other company : Executive Director of The Herbal Storage (Pvt) Ltd.

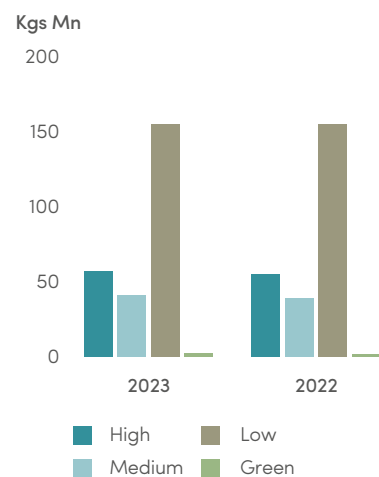
TEA INDUSTRY OVERVIEW



In the Year 2023, Sri Lankan tea production increased by 4.6 Mn Kgs kilograms with compression to year 2022. While tea production for 2023 was 256.1 Mn Kgs against the 251.5 Mn kilograms recorded in the year 2022. Incremental tea production recorded 1.8% growth.

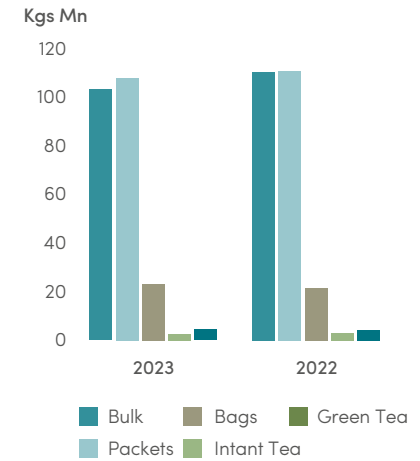
Notable growth of 26.17% recorded for green tea production while medium and high elevations growth at 5.03% and 3.67% respectively. Low elevation showed a marginal increase of 0.07% to 155.1 Mn Kgs in 2023, whereas 2022 production was 155 Mn Kgs.

Sri Lanka Tea Production Volume (Kgs) -Elevation



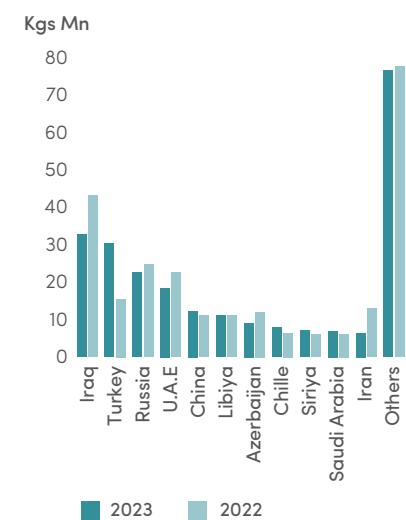
Tea export volumes were down by 8.3 Mn Kgs in the year 2023, which is a 3.3% decrease compared to year 2022. Other than tea exports in the form of bags and green tea which were improved by 7.18% and 6.95% respectively in 2023, tea exports in packets and bulk tea exports were down by 2.46% and 6.45% respectively. In 2023 Approximate FOB price per Kg in USD terms was 5.42, which is 6.27% positive variance with 2022 ending in USD 5.10.

Sri Lanka Tea Exports (Kgs)



Iraq continued to be a major tea export destination in the year 2023, registering a 32.75 Mn Kgs in 2023, though the volume decreased by 10.5 Mn Kgs in comparison to 2022 and recorded a massive decline of 24.27%. Turkey has picked up tremendously in 2023, Volume growth was 95% and sales volume reached 30.4 Mn Kgs from 15.6 Mn Kgs year before. Noticeable decline recorded in destinations like Iran, Azerbaijan & U.A.E.

Major Tea Exports Destination - Kgs



MANAGEMENT DISCUSSION & ANALYSIS

OPERATIONAL ENVIRONMENT

The Sri Lankan economy has experienced a significant improvement in 2023. Despite a 2.3% degrowth in Gross Domestic Production (GDP), the economy has made a strong recovery in Q3 and Q4 at the growth rate of 1.6% & 4.5% respectively. As per ADB (Asian Development Bank) forecasts economy will grow up by 1.9% in the year 2024. The measures were taken by the Government and Central Bank of Sri Lanka (CBSL) to restore the macroeconomic stability by introducing additional taxes, increasing of tax rates and increase in fuel and energy prices.

Sri Lankan foreign currency inflows made a significant recovery with comparison to 2022, foreign currency inflows from tourism have surged with increased tourist arrival as well as worker remittances. Further reduced import demand, led to a surplus in the external current account for the year 2023. With the new developments the government has taken measures for the gradual phasing out of import restrictions to support the tourism industry and other industries.

Strengthening of Sri Lankan Rupee against USD and improvement in global and local supply has positively impacted in the decrease in inflation. The National Consumer Price Index (NCPI) based inflation has made strong recovery from 34% in April 2023 to 2.5% in March 2024. With the eased inflation rates, the CBSL has brought down the policy rates. With this move, market interest rates have declined significantly. This was facilitated by successful finalization of the domestic debt restructuring program, reducing risk premiums on Government Securities. Ongoing negotiations with international commercial borrowers are anticipated to boost the economy in all aspects.

In 2023, Sri Lanka experienced a significant decline in its tea exports, as evident by the statistical data. The Country known for its high-quality tea production, faced numerous challenges that affected its export industry, statistics according to the data Sri Lanka's total tea exports dropped by 3.3%, compared with the year 2022, reaching the lowest point in recent years. Factors such as unfavorable weather conditions, including droughts and excessive rainfall, greatly impacted tea production and subsequently led to a decrease in exports. Additionally, ongoing unrest in middle east and associated restrictions on international trade further hindered the country's tea export performance. The statistical figures clearly indicate a sharp decline in Sri Lanka's tea exports, highlighting the urgent need for strategic measures to revitalize the industry and regain a competitive edge in the global market.

The economic crisis resulted in a decline in global demand for Sri Lankan tea, which directly affected Sri Lankan tea export companies. Reduced purchasing power and uncertainty among international buyers lead to decreased orders and contracts. Disruptions in global supply chains were the major challenge faced by us, shipping delays and logistic challenges hindered the smooth flow of goods, mainly owing to the turbulence in Red Sea. This has heavily impacted shipping costs and recovery days dragged due to delays in shipment arrival to customers. Further, strengthening of Sri Lankan rupee against a major currency led to lower revenue in presentation currency.

SRI LANKA TEA EXPORTS (MT)

	2017	2018	2019	2020	2021	2022	2023
Bulk	125,629	122,428	122,844	118,251	125,388	110,453	103,328
Tea in packets	134,509	131,256	139,080	118,176	128,344	110,765	108,036
Tea bags	21,701	21,578	22,913	22,173	24,665	21,673	23,230
Instant Tea	2,122	2,481	3,071	2,843	3,032	3,076	2,802
Green Tea	5,023	4,620	4,749	4,126	4,587	4,222	4,516
Total	288,984	282,363	292,657	265,569	286,016	250,189	241,913

Source Tea Exporters Association of Sri Lanka

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE

Revenue & Gross Profit

Revenue decreased from Rs 2,354 Mn to Rs 1,842 Mn, year-on-year decline is 22%. Decline in revenue, mainly due to some of the confirmed orders rolling over to next financial year.

This was due to global economic volatilities. Especially, tense situation in the region of the Red Sea affected our customers to postpone several high value shipments towards the end of the financial year. In addition, strengthening of Sri Lankan rupee has led to the reduction of topline as well.

However, the company has managed to increase its Gross Profit margin to 14% for the financial year, in comparison to the recorded 11% Gross Profit margin in the previous year.

Main contributing factors for this were, the ability of the company to maintain healthy margins with new customers and the development of new herbal tea sector.

Overhead Cost

Overhead Cost (administration & distribution) significantly increased by 83% in comparison with the previous year, mainly due to the fact that company has made proactive prudent measures to make provisioning for slow moving inventories, adjustments to current market price of carrying value of inventories, write off inventories and provisioning for bad debts. Finance Cost remains high in comparison with revenue, as market rates decline slowly up to the end of 2023. However, company financing costs were reduced during the last quarter significantly and momentum will be carried into next financial year.

Current Assets

Group Current Assets decreased by Rs. 90 Mn compared to year 2022/23. Mainly, due to the lower level of inventories and divestment

of financial assets. Group inventory values were reduced due to written off damaged and aged stocks, Prudent provisioning made for slow moving inventories and adjustments to current market prices of carrying value of stocks.

Non -Current Liabilities

Non -Current Liabilities of the Company reduced significantly by Rs 118 Mn (24%) compared to the previous year owing to the fact that the loan instalments of long-term loans obtained from National Development Bank (NDB) and Peoples' Bank were settled by the Company.

Current Liabilities

Current liabilities of the Company increased by 39% in the year 23/24 in comparison to 22/23. Reasons for the increase was the fact that company obtained additional short-term working capital loans from its parent company George Steuart and Company Limited were able to secure foreign currency advances from its major customers amounting to USD 0.64 Mn.

CORPORATE SOCIAL RESPONSIBILITY

- Colour washing of school walls and laying pipelines in the Sri Sangaraja Central College -Colombo 10.

This generous initiation contributed by the H V A Foods Sport Club during the year and identifying the hardship faced by students to access into water for their daily requirements.

HUMAN CAPITAL

In today's fast-paced corporate world, employee well-being has become an essential aspect of creating a positive and productive work environment. H V A Foods PLC, a leading player in the food

industry, understands the significance of employee well-being and has implemented various initiatives to ensure the holistic development and happiness of its workforce.

Work-Life Balance:

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

Employee Assistance Programs:

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

Health and Wellness Initiatives:

The well-being of employees extends beyond their mental health; physical well-being is equally crucial. H V A Foods PLC acknowledges this and invests in health and wellness initiatives. The company offers corporate Insurance packages, fitness programmes, facilitating to sports events, and recreational activities to encourage employees to prioritize their physical health. Regular health

check-ups, on-site vaccination drives, and wellness workshops further promote a healthy lifestyle and foster a positive and vibrant workplace culture.

Professional Development Opportunities:

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

Recognition and Rewards:

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

H V A Foods PLC's commitment to employee well-being sets a shining example for other organisations. By prioritising work-life balance, offering employee assistance programmes, promoting health and wellness initiatives, providing professional development opportunities, and recognizing employee contributions, H V A Foods PLC has created an environment where employees feel

supported, valued, and motivated. Such efforts not only enhance the well-being of employees but also contribute to their productivity, loyalty, and overall organisational success.

Motivation of Human Capital

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

Bonuses:

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

Subsidized Mid-Day Meals:

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

Annual Vouchers:

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

Free Tea to Staff:

In a fast-paced work environment, small perks can go a long way in boosting employee morale. H V A Foods PLC offers free tea to its staff, for home consumption. Consuming the company's fresh produce at home with family and friends, creates a pleasant connection between home and work.

PLANNING AND STRATEGIES FOR FOREIGN EXCHANGE FLUCTUATIONS

Market Research and Diversification:

Conduct thorough market research to identify countries or regions with stable currencies. Diversify our export destinations to minimize the impact of currency fluctuations in any single market.

Currency Hedging

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

MANAGEMENT DISCUSSION & ANALYSIS

Pricing Strategy

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

Long-Term Contracts

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

Invoice Currency Selection

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

Supply Chain Optimization

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

Cash Flow Management

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

Government Support:

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

Continuous Monitoring and Review

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

By implementing these measures, H V A Foods PLC can minimize the negative effects of frequent exchange rate fluctuations and maintain a more stable financial position in the international market. The Sri Lankan economy has experienced various challenges in recent years, as it grapples with exchange rate fluctuations, interest rate volatility, inflationary pressures, and the need to bolster export income. Understanding and effectively managing these factors are crucial for the country's economic stability and sustainable growth. In the current situation, we delve into the current state of the Sri Lankan economy, examining the risks associated with exchange rates and interest rates, the impact of inflation, and the importance of export income.

RISK MANAGEMENT

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

MARKET RISK

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

SUPPLY RISK

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

CREDIT RISK

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

LIQUIDITY RISK

H V A Foods PLC manages liquidity by endeavoring to invariably have adequate liquidity to satisfy its liabilities

when they fall due. It maintains cash and money equivalents at a level surpassing expected cash outflows (other than on trade payables) in the immediate future, and closely monitors the quantity of expected assets and trade liabilities. In addition, it maintains unutilized lines of credit to meet any unforeseen circumstance.

EXCHANGE RATE RISK

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

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

OPERATIONAL RISK

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

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

HUMAN RESOURCES

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

IT SYSTEMS

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

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

REPUTATION RISK

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

LEGAL AND REGULATION RISK

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

STRATEGIC FOCUS & FUTURE ORIENTATION

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

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

ENHANCE PACKAGING AND BRANDING

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

IMPROVE QUALITY CONTROL

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

FOCUS ON SUSTAINABLE PRACTICES

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

ESTABLISH DIRECT TRADE RELATIONSHIPS

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

ATTEND TRADE FAIRS AND EXHIBITIONS

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

DEVELOP AN ONLINE PRESENCE

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

EXPLORE NEW MARKETS

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

COLLABORATE WITH INFLUENCERS AND TEA EXPERTS

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

CORPORATE GOVERNANCE

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

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

In 2023, the Colombo Stock Exchange issued the Listing Rule 9 on Corporate Governance which all listed entities need to comply with in stages and to be fully complied by 1st October 2024. Additionally, the Institute of Chartered Accountants issued a revised Code of Best Practice on Corporate Governance in December 2023. The Board reviewed the Listing Rule 9 and is adopting a phased approach to compliance in line with the transition provisions. Compliance with the revised Code will be reviewed in 2024.

BOARD OF DIRECTORS

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

COMPOSITION OF THE BOARD

The composition of the Board is governed by the Company's Articles of Association as well as the listing

rules of the Colombo Stock Exchange. The Board comprises of six Directors who possess a broad range of skills and experience across a range of industries and functional areas. A detailed profile of each member of the Board appear on pages 15 to 17 of this Annual Report.

As at the reporting date, the Board comprised of two (02) Executive and four (04) Non-Executive Directors.

NON-EXECUTIVE DIRECTORS/ EXECUTIVE DIRECTORS

The Chairman – S. P. S. Ranatunga (Mr. Ranatunga appointed on 17th April 24) and Directors – S. A. Ameresekere, Ms. V. S. A. Fernando and M. P. D. Cooray are Non-Executive Directors. S. A. Ameresekere who served as an Executive Director was re-designated as a Non-Executive Director w.e.f. 1st April 2024.

Messrs S. U. Dassanayake and C. G. Stork are Executive Directors and Mr. Stork was appointed as an Executive Director w.e.f. 1st April 2024.

INDEPENDENCE OF DIRECTORS

Independence of the Directors have been determined in accordance with the Continuing Listing Rules of the CSE and the two (02) Independent Non-Executive Directors have submitted signed declarations of their independence.

Based on declarations submitted by the Independent Non-Executive Directors, the Board has determined that, namely, Mr. S. P. S. Ranatunga and Mr. M. P. D. Cooray are "Independent Directors" in terms of Rule 9.8.5.

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

APPOINTMENT/RE-ELECTION/ RESIGNATION/RETIREMENT OF DIRECTORS

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

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

All Directors who are appointed as additional Directors or to fill causal vacancies retire at the next Annual General Meeting following their appointment and offer themselves for re-election by the Shareholders.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER/ CHIEF OPERATING OFFICER

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

Mr. S. P. S. Ranatunga who is an Independent Non-Executive Director is the Chairman of the Board of Directors, Mr. C. G. Stork functions as the Chief Executive Officer/Executive Director and Mr. S. U. Dassanayake functions as the Chief Operating Officer/Executive Director.

BOARD MEETINGS

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

The Board reviews strategic and operational issues, approves interim and annual financial statements and

CORPORATE GOVERNANCE

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

The Board met 7 times during the period under review and the attendance is given below:

Directors' Attendance at the Board Meeting from 01.04.2023 to 31.03.2024:

Name of the Director	2023						2024
	06.04.2023	30.05.2023	05.06.2023	09.08.2023	23.08.2023	02.11.2023	08.02.2024
B. S. M. De Silva (Former Chairman)	✓	✓	✓	✓	✓	✓	✓
S. U. Dassanayake	appointed w.e.f. 28.07.2023			✓	✓	✓	✓
S. A. Ameresekere	✓	✓	✓	✓	✓	✓	✓
Ms. V. S. A. Fernando	✓	✓	✓	✓	✓	✓	✓
M. P. D. Cooray	✓	✓	✓	✓	✓	✓	Ex
C. Hettiarachchi							resigned w.e.f. 31.07.2023

* Ex – Excused

BOARD SUB COMMITTEES

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

Current composition of Board Sub Committees is set out in the Annual Report of the Board of Directors appearing on pages 47 to 51. As required by the Listing Rules, the Report of the Audit Committee, the Report of the Remuneration Committee and the Related Party Transactions Review Committee Report appear on pages 47 to 51 respectively.

MEETINGS OF BOARD SUB COMMITTEES

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

Audit Committee

The Board has established an Audit Committee comprising of three (03) Non-Executive Directors, two (02) of whom are Independent. The Terms of Reference of the Audit Committee complies with the recommendations of the Code of Best Practice on Board Audit Committees issued by ICASL and the relevant regulations of the Colombo Stock Exchange.

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

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

S. P. S. Ranatunga –
Independent Non-Executive Director
– Member

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

The attendance of the Audit Committee Meetings held during the year was as follows:

Name of the Director	Attendance
M. P. D. Cooray (Chairman)	6/6
B. S. M. De Silva (Member)	6/6
S. A. Ameresekere (Member)	1/1
Ms V. S. A. Fernando	5/5

Messrs BDO Partners, Independent Auditors serve as the External Auditors of the Company. The External Auditors have provided the Income tax computation, Verification on NCE award and Stock verification services of non-audited related services to the Company during the year. The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report. The Report of the Audit Committee is appearing on page 47 to 48.

Remuneration Committee

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

S. P. S. Ranatunga -
Independent Non-Executive Director-
Chairman of the Committee

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

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

The attendance of the Remuneration
Committee Meetings held during the
year was as follows:

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

The Report of the Remuneration
Committee is appearing on Page 49.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

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

S. P. S. Ranatunga -
Independent Non-Executive Director -
Member

S. A. Ameresekere -
Non-Executive Director - Member

The attendance of the Related Party
Transactions Review Committee
Meetings held during the year was as
follows:

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

The Report of the Related Party
Transactions Review Committee is
appearing on pages 50 to 51.

CORPORATE GOVERNANCE DISCLOSURES

The Board of Directors has taken all
reasonable steps to ensure that all
financial statements are prepared
in accordance with the Sri Lanka
Accounting Standards (SLFRS/
LKAS) issued by the ICASL and other
relevant requirements. The Company
and its subsidiary are fully compliant
with all the mandatory rules and
regulations stipulated by the
Corporate Governance Listing Rules
published by the CSE (revised in 2023)
and also by the Companies Act No.
07 of 2007. The Group has also given
due consideration to the Best Practice
on Corporate Governance Reporting
guidelines jointly set out by the ICASL
and the SEC and has voluntarily
adopted the relevant provisions as far
as is practicable.

DIRECTORS' REMUNERATION

Remuneration for Non-Executive
Directors reflect the time commitment
and responsibilities of their role,
taking into consideration market
practice. The Board approves
remuneration for the Directors.
Directors' remuneration is set out in
Note 08 to the Financial Statements
on pages 80 to 81

COMPANY SECRETARY

P W Corporate Secretarial
(Pvt) Ltd acts as the Company
Secretary. The Company Secretary
maintains the minutes of all Board,
Audit Committee, Related Party
Transactions Review Committee,
Remuneration Committee, meetings
and attends to Shareholder related
matters. The Company Secretary
assists in ensuring the Board
procedures are followed.

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

ADVICE AND GUIDANCE TO SENIOR MANAGEMENT

Advice and Guidance is provided
to the Senior Management team
at monthly performance review
meetings which provide an
opportunity to evaluate progress and
ensure accountability of the Senior
Management team. Performance
targets for the Senior Management
team are set at the beginning of the
financial year by the Board which is
in line with the short term, medium
term and long-term objectives of
the Company. This is an ongoing
process and is reviewed periodically.
A strong focus on training and
career development has created
a committed and empowered
workforce which continues to
generate value and drive the
Company towards high standards of
achievement.

CORPORATE GOVERNANCE

INTERNAL CONTROL

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

GOING CONCERN

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

FINANCIAL REPORTING

The Board aims to provide and present a balanced assessment of the Company's position and prospects in compliance with the Sri Lanka Accounting Standards (LKAS / SLFRS)

and the relevant Statutes and has established formal and transparent processes for financial reporting and internal controls. The Statement of Directors' Responsibilities for Financial Reporting is given on page 114 of this Report.

CORPORATE DISCLOSURES AND SHAREHOLDER RELATIONSHIP

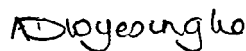
The Company is committed to providing timely and accurate disclosure of all price sensitive information, financial results and significant developments to all shareholders, the Colombo Stock Exchange and where necessary, to the general public.

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

COMPLIANCE

The Company has complied with Rule 9 of the Listing Rules of the Colombo Stock Exchange on 'Corporate Governance'.

By Order of the Board of
H V A Foods PLC



PW Corporate Secretary (Pvt) Ltd
Directors / Secretaries

30th August 2024
Colombo

STATEMENTS OF COMPLIANCE

The Board of Directors declares that the Company, including the Board of Directors, the Management and employees, are confident of their compliance with the principles of good governance as set out by the regulatory frameworks applicable to the Company, i.e., the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange and all other applicable regulations.

Appendix I: Statement of Compliance under the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2023.

Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
A. DIRECTORS			
A. 1 The Board			
A. 1.1	Board Meetings	<p>Board Meetings are held quarterly, or more often when required, to ensure the effective discharge of its duties and any other matter directed to the Board which can be resolved by circular resolution, is decided by Resolutions in writing.</p> <p>The Board met 7 times during the period under review.</p> <p>The attendance at Board Meeting held is set out on page 26 of the Annual Report.</p>	Complied
A. 1.2	Role of the Board	<ul style="list-style-type: none"> Focus in on developing strategies for business development and to provide guidance to the management. Sets the budget for the financial year and reviews progress at the monthly meetings. Approving of major capital expenditure. Ensures that effective internal control and risk management framework is in place. 	Complied
A. 1.3	Compliance with laws and access to independent professional advice	The Board collectively and individually recognizes their duty to comply with laws of the country which are applicable to the company. Further the Board is always mindful of the new laws/regulations which are implemented and ensures compliance with the same.	Complied
A. 1.4	<p>Access to advice from the Company Secretary</p> <p>Indemnifying the Board, Directors and key management personnel</p>	All directors have access to the advice of the Company Secretary.	Complied
A. 1.5	Independent judgment of the Directors	Board comprises of independent professionals who in turn exercise independent judgement in discharging their duties.	Complied

STATEMENTS OF COMPLIANCE

Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
A. 1.6	Dedicating adequate time and effort	All directors dedicate adequate time and effort to fulfil their duties as directors of the company, in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged.	Complied
A. 1.7	Calls for resolutions	Any director can call for a resolution to be presented to the board where they feel it is in the best interest of the company.	Complied
A. 1.8	Training of Directors	The Board regularly reviews and agrees on the training and development needs of the Board members, to ensure Directors are capable to make appropriate decisions with regard to the current and future performance of the business.	Complied
A. 2	Division of Responsibilities of the Chairman & the CEO	The positions and the functions of the Chairman and the CEO, have been separated. The role of the Managing Director is to manage the day-to-day running of the company.	Complied
A. 3	Role of the Chairman	The Chairman provides leadership to the Board, controls and preserves order at Board meetings and provides the Board with strategic direction and guidance in maintaining the affairs of the company.	Complied
A. 4	Financial Acumen	The Board includes one senior Chartered Accountant and he serves as the Chairman of the Audit Committee.	Complied
A. 5 Board Balance			
A. 5.1/A. 5.2/ A. 5.3 & A. 5.5	Presence of Non-Executive Directors Independence of Non-Executive Directors	The Board consist of 06 directors comprising of 02 Executive Directors and 04 Non-Executive Directors, 02 of whom are Independent Directors.	Complied
A. 5.4	Annual Declaration of Independence by the Non-Executive Directors	An annual declaration of independency made by all directors.	Complied
A. 5.6	Alternate Director to a Non-Executive Director	No alternate directors appointed by any of the directors.	Not applicable
A. 5.7 /5.8	Senior Independent Director	There is no requirement to have a Senior Independent Director.	Not applicable
A. 5.9	Chairman meeting with the Non-Executive Directors	The chairman holds meetings with Non-Executive directors without the presence of Executive directors as necessary and at least once a year.	Complied
A. 5.10	Recording concerns	Concerns of directors are recorded in minutes even in the case of disagreement.	Complied

Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
A.6 Supply of Information			
A. 6.1	Obligation of the Management to provide appropriate and timely information	The Board is provided with timely and appropriate information by the management; at least one week in advance for the meetings, by way of Board papers and proposals. The Board sought additional information as and when necessary. The Chairman also ensured all directors were properly briefed on issues arising at Board meetings.	Complied
A. 6.2	Board papers to be provided 7 days prior to Board Meeting	Board papers are provided one week prior to the Board meeting.	Complied
A.7 Appointments to the Board			
A. 7.1 / A. 7.2	Nomination Committee and the assessment of composition of the Board	At the moment, the Company does not have a Nominations & Governance Committee.	Company will comply to this before 1st October 2024.
A. 7.3 / A. 7.10.3 (d)	Disclosure of Appointment of a New Director	A brief resume of the director, nature of his / her experience and names of the companies he/she holds the directorship and the independence is informed to the CSE and disclosed in the Annual Report on pages 15 to 17.	Complied
A.8 Re-election			
A. 8.1 / A. 8.2	Re-election	At each AGM one Non-Executive director presents himself/ herself for re-election. Newly appointed directors are re-elected at the 1st AGM following their appointment.	Complied
A. 8.3	Resignation	Directors who resigned prior to his / her appointed term, provided a written communication to the Board of his / her reasons for resignation.	Complied
A.9 Appraisal of Board Performance			
A. 9.1/ A. 9.2/ A. 9.3/ A. 9.4	Appraisals of the Board and the sub committees	The Board undertakes an annual self-evaluation of it's own performance and of it's committees.	Complied

STATEMENTS OF COMPLIANCE

Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
A.10 Disclosure of Information in Respect of Directors			
A. 10.1	Profiles of the Board of Directors and other related information	<p>The following details pertaining to each director are disclosed as follows.</p> <p>(a) Brief profile with expertise and experience – pages 15 to 17</p> <p>(b) Directors' interests in contracts – page 115</p> <p>(c) Attendance at Board Meetings and Committee Meetings held during the year – pages 26 to 27</p>	Complied
A.11 Appraisal of Chief Executive Officer			
A. 11.1 / A. 11.2	Setting of the annual targets and the appraisal of the CEO	<p>Prior to the commencement of each financial year, the Board sets reasonable financial and non-financial targets which are in line with short, medium and long term objectives of the Company, achievement of which should be ensured by the Managing Director.</p> <p>The performance of the Managing Director is evaluated by the Board each quarter and at the end of each fiscal year in order to ascertain whether the targets set by the Board have been achieved and if not, whether the failure to meet such targets was reasonable in the circumstance.</p>	Complied
B. DIRECTORS' REMUNERATION			
B. 1 Remuneration Procedure			
B. 1.1	Set up a Remuneration Committee with agreed terms of reference	Refer Report of the Remuneration Committee on page 49	Complied
B. 1.2	Remuneration Committee to consist of Non-Executive Directors only	The Remuneration Committee comprise of Non-executive directors only.	Complied.
B. 1.3	List names of Remuneration Committee in Annual Report	Composition of the Remuneration Committee has been given under the Remuneration Committee. Refer page 49 of the Annual Report.	Complied
B. 1.4 7.10.5(b)	Determination of the remuneration of the Non-Executive Directors	Remuneration for Non-Executive directors reflects the time commitment and responsibilities of their role, taking in to consideration market practices.	Complied
B. 1.5	Consultation with the Chairman and the CEO	The Chairman and the CEO are consulted when determining the remuneration to be paid to the Executive Directors and Management, respectively.	Complied

Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
B. 2 The Level & Makeup of Remuneration			
B. 2.1/ B. 2.2/ B. 2.3/ B. 2.4	The level and makeup of the remuneration of Directors and comparison of remuneration with other companies	Remuneration levels have been designed to attract, retain and motivate Directors while remaining within the industry standards and annual performance approved.	Complied
B. 2.5	Performance based remuneration	Part of the remuneration package of the Executive Directors is linked to achievement of targets and individual performance.	Complied
B. 2.6	Executive share options		Not applicable
B. 2.7	Designing schemes of performance-based remuneration	Refer the Report of the Remuneration Committee on page 49	Complied
B. 2.8/ B. 2.9	Early Termination of Directors	There is no compensation for early termination of non-executive directors.	Complied
B. 3 Disclosure of Remuneration			
B. 3.1	Disclosure of Remuneration	Please refer pages 80 to 81 For total Directors' remuneration. A Report of the Remuneration Committee is included in page 49 Of the Annual Report.	Complied
C. RELATIONS WITH SHAREHOLDERS			
C.1 Constructive use of AGM and Conduct of Meetings			
C. 1.1	Dispatch of Notice of AGM and related papers to shareholders	Notice of Meeting, the Agenda for the Annual General Meeting and the Annual Report are circulated to shareholders 15 working days prior to the meeting as required by the Companies Act No: 07 of 2007 and the Articles of Association of the Company.	Complied
C. 1.2	Separate resolution for substantially separate issues	The Company [propose a separate resolution at the AGM on each substantially separate issues.	Complied
C. 1.3	Accurate recording and counting valid proxy appointments received for general meeting	The Company has in place an effective mechanism to count all proxies lodged on each resolution, and the balance for and against the resolution, after it had been dealt with a show of hands, except where a poll is called.	Complied
C.1.4	Availability of Chairman of Board Committees at the Annual General Meeting	The Chairmen of the Board Committees are present to answer any queries of the shareholders directed to them by the Chairman of the Company.	Complied
C. 1.5	Summary of Notice of General Meetings and procedures governing voting at General Meetings	A summary of the procedure on voting is given in the Notice of Meeting.	Complied

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Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
C.2 Communications with shareholders			
C. 2.1 to C. 2.7	Communications with Shareholders	The AGM and EGM (if any) are used as the method for communicating with the shareholders. Further, financials and other announcements are promptly submitted to CSE to publish on the CSE website.	Complied
C.3 Major & Material Transactions			
C. 3.1 & C. 3.2	Disclosure of Major Transactions	The Company disclosed details of the major and material transactions of the Company to its shareholders through financial and other announcements submitted to the CSE.	Complied
D. Accountability & Audit			
D. 1.1	Annual Report	Refer Accountability & Audit on page 52 to 56 on Annual Report of the Board of Directors on Affairs on the Company.	Complied
D. 1.2	Interim and price sensitive reports to public and regulators	In preparing annual and quarterly Financial Statements, the Company complies with the requirements of the; <ul style="list-style-type: none"> • Companies Act No. 07 of 2007 • Sri Lanka Accounting Standards and • Listing Rules of the Colombo Stock Exchange. The annual and interim Financial Statements were published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange. 	
D. 1.3	CEO/CFO Declaration	The Statement of Financials contains a declaration by the Chairman & Managing Director and the Finance Manager.	
D. 1.4	Directors' Report declarations	The Directors have made all required declarations in the "Annual Report of the Board of Directors", that appears on the pages 52 to 56 of the Annual Report.	
D. 1.5	Statements on responsibilities for preparation of financial statements and internal control	The Statement of Directors Responsibilities is given on page 114 and the Auditor's Report is given on pages 58 to 62	
D. 1.6	Management discussion & analysis	The Management Discussion and Analysis is given on pages 19 to 22	
D. 1.7	Serious loss of capital	The Company has had an EGM in 2019 in the event the net assets of the company are falls below 50% of the company's shareholders' funds.	
D. 1.8	Related Party transactions	Refer the Related Party Transactions Review Committee on page 50 to 51	

Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
D.2 Risk Management & Internal Control			
D. 2.1	Monitor, review and report on financial, operational and compliance risk and internal control systems	The following reports provide details on compliance with these requirements: <ul style="list-style-type: none"> Risk Report on page 23 Risk & Internal Control on page 55 Directors' Statement on Internal Controls on page 55 Audit Committee Report on pages 47 to 48. 	Complied
D. 2.2	Confirm assessment of the principal risks of the company	Refer Risk Management on declarations on page 23.	Complied
D. 2.3	Internal Audit	Refer page 48 on Audit Committee Report.	Complied
D. 2.4	Require Audit Committee to carry out reviews of & Board responsibility for disclosures	Refer pages 47 to 48 on Audit Committee Report.	Complied
D. 2.5	Compliance with Directors' responsibilities as set out by the Code	Refer page 114 on Statement of Directors' Responsibilities.	Complied
D. 3.1	Establish an Audit Committee comprising three directors of which at least 2 must be independent	The Audit Committee comprise of 03 directors and out of which 02 directors are independent. Refer Report on Audit Committee on pages 47 to 48.	Complied
D. 3.2	Written Terms of Reference for Audit Committee	The Audit Committee has a written Terms of Reference summarized in the Audit Committee Report on pages 47 to 48.	Complied
D. 3.3	Disclosures	The Audit Committee Report with required disclosures are given on pages 47 to 48.	Complied
D.4 Related Party Transactions Review Committee			
D.4.1/D.4.2/ D.4.3/9.3.2	Related Party Transactions Review Committee	The Related Party Transactions Review Committee is comprised of 03 Non-Executive Directors out of which 02 are Independent Directors. Refer pages 50 to 51 For Report on Related Party Transactions Review Committee.	Complied
D.5 Code of Business Conduct & Ethics			
D. 5.1	Board declaration for compliance with Code	Refer page 114 on Statement of Directors' Responsibilities.	Complied
D. 5.2	Price sensitive information	Material and price sensitive information is promptly disclosed to the CSE by the Company Secretaries.	Complied
D. 5.3	Monitor Share purchase by Directors/ KMPs	Refer the Related Party Transactions Committee Report on pages 50 to 51.	Complied
D. 5.4	Chairman's statement	Refer pages 12 to 14 on Chairman's Message.	Complied

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Reference to ICASL Code & CSE Rules	Corporate Governance Principle	The Company's extent of compliance	Compliance Status
D. 6	Corporate Governance disclosures	The Corporate Governance Report on pages 25 and 28 together with its Annexes comply with this requirement.	Complied
E. Institutional Investors			
E. 1.1	Institutional investors	The proxies of the major institutional investors, such as the major shareholder are obtained.	Complied
E. 2	Evaluation of Governance Disclosures	Information required for evaluation of governance structures is provided in the Annual Report.	Complied
F. Other Investors			
F. 1	Investing and divesting decision	We seek to provide sufficient information to investors through the annual report, quarterly financial statements and announcements to the CSE to assist investors with their investment and divestment decision.	Complied
F. 2	Encouraging shareholder participation	Refer Investor Information on pages 115 and 116	Complied
G. Internet of Things and Cyber Security			
		The group implemented a comprehensive IT policy which covers the security of IT assets and the information assets.	Complied
H. Sustainability : ESG Risk and opportunity			
I. Establishment and maintenance of policy		In-progress	The policies will be established before 1st October 2024

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference (within the Report)	Page
168 (1) (a)	The nature of the business together with any change thereof	Yes	Who we are	04 to 05
168 (1) (b)	Signed Financial Statements of the Group and the Company	Yes	Financial Statements	63 to 66
168(1) (c)	Auditors' Report on Financial Statements	Yes	Independent Auditor's Report	58 to 62
168 (1) (d)	Accounting policies and any changes therein	Yes	Note 1 to 4 the Financial Statements	67 to 79
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors on the Affairs of the Company	52 to 56
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Note 8 to the Financial Statements & Key management personnel note 36.2.1	108
168 (1) (g)	Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the Affairs of the Company	52 to 56
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Annual Report of the Board of Directors on the Affairs of the Company	80 to 81
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Note 8 the Financial Statements	80
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Audit Committee Report	47 to 48
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors on the Affairs of the Company	52 to 56

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

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Requirement	Complied	Reference (within the Report)	Page
(i)	Names of persons who were Directors of the entity.	Yes	Annual Report of Directors on the Affairs of the Company	52 to 56
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein.	Yes	Annual Report of Directors on the Affairs of the Company	52 to 56
(iii)	The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held.	Yes	Investor Information	115 to 116

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Rule	Requirement	Complied	Reference (within the Report)	Page
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement.	Yes	Investor Information	115 to 116
(v)	A statement of each Director's holding in shares of the entity at the beginning and end of each financial year.	Yes	Investor Information	115 to 116
(vi)	Information pertaining to material foreseeable risk factors of the entity.	Yes	Risk Management	23
(vii)	Details of material issues pertaining to employees and industrial relations of the entity.	Yes	Human Capital	20
(viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Yes	Note 12.9 to the Financial Statements	85
(ix)	Number of shares representing the entity's stated capital.	Yes	Note 23 to the Financial Statements	92
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Yes	Investor Information	115 to 116
(xi)	Financial ratios and market price information.	Yes	Five year summary & Investor Information	117
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year.	Yes	Note 12.9 - Property, plant and Equipment to the Financial Statements	85
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year.	Yes	Annual Report of Directors on the Affairs of the Company	52 to 56
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes.	Not Applicable		-
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules.	Yes	Corporate Governance Report	25 to 28
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower.	Not Applicable	Related Party Transactions Review Committee Report	50 to 51

Appendix IV: Statement of Compliance under Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance

COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES OF COLOMBO STOCK EXCHANGE

The Colombo Stock Exchange introduced a new set of Corporate Governance Rules in October 2023 with certain transitional provisions. The Company's adherence to and compliance with these regulations to be effective from 1st October 2024 are detailed below.

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.1	Company shall publish a statement confirming the extent of compliance with the Corporate Governance Rules set out herein, in the Annual Report of the Entity.	Commitment to corporate governance rules of the CSE is detailed herein.	1st October 2023	Complied
9.2.1	Company shall establish and maintain the 12 new policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company on its website.	Company is currently reviewing the existing policies to be aligned with the new corporate governance requirement whilst some of the policies are being formulated.	1st October 2024	Company would be compliant on or before 1st October 2024
9.3.1 and 9.3.2	Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum shall include; (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee.	The Board appointed, Remuneration Committee, Audit Committee and Related Party Transactions Review Committees are functioning effectively.	1st October 2024	Company would establish the Nominations and Governance Committee and be compliant on or before 1st October 2024
9.3.3	The Chairperson of the Board of Directors of the Company shall not be the Chairperson of the Board Committees referred to in Rule 9.3.1 above.	Chairperson of the Company, serves as the chairperson of the Remuneration Committee at the moment. Chairperson of the Remuneration Committee will be replaced in the near future.	1st October 2024	Company would be compliant on or before 1st October 2024
9.4.1	Company shall maintain records of all resolutions and the following information upon a resolution being considered at any General Meeting of the Company. The Company shall provide copies of the same at the request of the CSE and/or the SEC.	Records of all shareholder meetings are maintained manually / electronically by the Company Secretary. Copies of these records would be made available to CSE/SEC upon request.	1st October 2023	Complied

STATEMENTS OF COMPLIANCE

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.4.2	Communication and relations with shareholders and investors.	<p>Company has an on-going process to communicate with shareholders and investors. Shareholders are encouraged to raise their concerns at shareholders meetings.</p> <p>Annual Report provides pertinent information of the company and future outlook of the company. The Accountant and the Company Registrars are entrusted to communicate with shareholders on matters concerning them. Details of contact persons are found in the Company's website.</p>	1st October 2023	In terms of Rule 9.2.1, a policy on Relations with shareholders and investors would be in place by 1st October 2024.
9.5.1	Company shall establish and maintain a formal policy governing matters relating to the Board of Directors.	<p>The Board of Directors comprise of a balance of Executive and Non- Executive Directors. Roles of the Chairman, and the Chief Executive Officer are held by two different persons.</p> <p>The CEO is an Executive Director and is a Member of the Board.</p> <p>The Board conducts self- assessment of board performance annually whilst performance of the CEO is reviewed by the Board through the Remuneration Committee.</p>	1st October 2024	A policy on matters relating to the Board of Directors would be in place on or before 1st October 2024.
9.6	The Chairperson of the Company shall be a Non-Executive Director and the positions of the Chairperson and CEO shall not be held by the same individual.	Chairman of the Company is a Non-Executive Director. Roles of the Chairman and the Chief Executive Officer are held by two different persons.	1st October 2023	Complied

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.6.3	<p>The Company shall appoint an Independent Director as the SID in the following instances:</p> <p>i. The positions of the Chairperson and CEO are held by the same individual.</p> <p>ii. The Chairperson is an Executive Director.</p> <p>iii. The Chairperson and CEO are Close Family Members or Related Parties.</p>	As the company is compliant with Rule 9.6, the appointment of Senior Independent Director is not necessary.	1st October 2023	Not applicable
9.7	Fitness of Directors and CEOs as per the criteria set out in the regulations.	All the Directors and the CEO have submitted written declarations confirming that they are complied with the fit and proper criteria set out in the regulations to hold their respective positions in the Company.	1st April 2024	Complied
9.8	<p>Board Composition</p> <p>-Minimum of 5 Directors</p> <p>-minimum 2 or 1/3 of the directors whichever is high shall be independent directors.</p>	<p>As of 31st March 2024, there are 5 directors, two of whom are independent non-executive directors.</p> <p>All independent non executive directors have submitted their annual declaration confirming their independence.</p>	<p>1st October 2024</p> <p>1st October 2023</p>	Complied
9.9	Alternate directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.	There are no Alternate Directors on the Board as of 31st March 2024.	1st January 2024	Complied
9.10.1	Company shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold.	The determination of maximum number of directorships allowed for each board member will be made at the time of formulation of policy on matters relating to the Board of Directors.	1st October 2024	Will be compliant effective from 1st October 2024

STATEMENTS OF COMPLIANCE

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.10.2	The Company shall, upon the appointment of a new Director to its Board, or changes to the composition of Board Sub Committees, make an immediate Market Announcement in a manner set out in the regulation.	As and when there is a new appointment to the Board an immediate market announcement is made in compliance with Rule 9.10.2.	1st October 2023	Complied
9.11	The Company shall have a Nominations and Governance Committee to maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board and have a written Terms of Reference.	Currently company does not have a Nominations and Governance Committee.	1st October 2024	Company would establish a Nominations and Governance Committee on or before 1st October 2024
9.12	The Company shall have a Remuneration Committee that conforms to the requirements of these regulations and shall have a written Terms of Reference.	There is a Remuneration Committee in place with a written Terms of Reference.	1st October 2023	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors.	There is a Remuneration Policy for the remuneration of Executive Directors'. Directors' fees paid to the Non-Executive Directors are recommended to the Board by the Remuneration Committee. In determining the Board fees paid to Non-Executive Directors, the Remuneration Committee considers current market rates and the extent of contribution by each board member at board level.	1st October 2023	Complied
9.12.6	Functions and Composition of the Remuneration Committee –Comprise a minimum of 3 Directors out of which a minimum of 2 shall be independent <ul style="list-style-type: none"> - not consist of Executive Directors - Chairperson to be an Independent Director. 	Of the 3 members of the Remuneration Committee, two are independent non executive directors. Remuneration Committee Report provides required disclosures to this Annual Report.	1st October 2024	Complied

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.13.1 and 9.13.2	Where the Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee shall additionally perform the Risk Functions set out in the regulations. The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties.	Currently there is no separate risk committee formed. The Board has decided to entrust the scope of the Risk Committee to the Audit Committee. There is a written Terms of Reference for the Audit Committee.	1st October 2023	Complied
9.13.3	The members of the Audit Committee shall; (a) comprise of a minimum of three (03) directors of the Company, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors. (b) not comprise of Executive Directors	Out of 03 Non Executive Directors, 02 of them are independent Directors. No Executive Directors are on the Audit Committee.	1st October 2024	Complied
	The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.	Audit Committee meet at least once a quarter. There were 06 Audit Committee meetings held during the financial year ended 31st March 2024. The attendance at the Audit Committee are given on page 47 to 48 of the Annual report.	1st October 2024	Complied
	An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.	Chairman of the Audit Committee is an independent Non Executive Director of the Board.	1st October 2024	Complied
	Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.	CEO, COO and the Finance Manager attend the Audit Committee meetings by invitation.	1st October 2024	Complied
	Where the parent and subsidiary are both listed the AC of the parent may be permitted to function as the AC of the subsidiary	Not applicable		
	The Chairperson of the AC shall be a Member of a recognised professional accounting body. Provided, however this Rule shall not be applicable in respect of Risk Committees where there is a separate Risk Committee and Audit Committee.	The Chairperson of the Audit Committee is a Member of the Institute of Chartered Accountants of Sri Lanka.	1st October 2024	Complied

STATEMENTS OF COMPLIANCE

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.13.4	Functions and Annual Report Disclosures of the Audit Committee.	Functions of the Audit Committee during the financial year and the Annual Report Disclosures are given in the Report of the Audit Committee on pages 47 to 48.	Until 1st October 2024, the Company shall at a minimum comply with previous Rules 7.10.6 (b) and (c) relating to the functions and disclosures in the Annual Report relating to the Audit Committee.	Complied
9.14.1	Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in the regulation.	Related Party Transactions Review Committee is in place.	1st October 2023	Complied
9.14.2	The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of the Listed Entity, out of which two (02) members shall be Independent Directors of the Company. It may also include executive directors, at the option of the Company. An Independent Director shall be appointed as the Chairperson of the Committee.	There are three (03) members of the Related Party Transactions Review Committee, out of which two (02) are independent non executive directors. An independent non executive director (as at the date of this report) is the Chairman of the Related Party Transactions Review Committee	1st April 2024	Complied
9.14.3	If a parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary.	Not applicable	1st October 2023	Complied

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
9.14.4	The Related Party Transactions Review Committee shall meet at least once a calendar quarter.	The related party transactions review committee meets at least once a quarter. There were 4 RPT meetings held during the financial year ended 31st March 2024.	1st October 2023	Complied
	Minutes of meetings are properly documented and communicated to the Board of Directors. The minutes of the RPTRC are tabled at the meetings of the Board of Directors on a periodic basis.	Minutes of the Related Party Transactions Review Committee are circulated to the Board every quarter. The function of the RPT are disclosed on pages 50 to 51.	1st October 2023	Complied
	Members of the RPTRC to ensure they have or have access to adequate knowledge expertise and advice.	Committee seeks expertise and professional knowledge on matters need technical assistance.	1st October 2023	Complied
	Where necessary, the RPTRC shall request the Board of Directors to approve the Related Party Transactions which are under review by the RPTRC. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.	Such instances did not occur during the financial year 2023/24.	1st October 2023	Complied
	Interested Directors shall not vote on or shall not be present during the deliberations on the specific matter.	Directors of the RPTRC are aware of their obligations.	1st October 2023	Complied
9.14.5	The Related Party Transactions Review Committee shall review in advance all proposed Related Party Transactions.	The Committee reviews all RPT for each quarter.	1st October 2023	Complied
	In the event of any material changes to a previously reviewed Related Party Transaction in terms of Rule 9.14.5 (1) such proposed material changes shall also be reviewed by the RPTRC prior to the completion of the transaction.	No such situations trigger during the financial year / Refer Related Party Transactions Review Committee Report on pages 50 to 51.	1st October 2023	
	The RPTRC shall be provided with all the facts and circumstances of the proposed RPT by the senior management to facilitate the review of a RPT.	Management is conversant with their responsibility to furnish required facts and information necessary to review a RPT.	1st October 2023	

STATEMENTS OF COMPLIANCE

Listing Rule No.	Corporate Governance Requirement	Level of compliance	Effective date of compliance	Status of compliance
	Directors shall not participate in discussions where there is conflict except for the express purpose of providing information. Where necessary, a special committee to be created to review a proposed RPT.	Directors are fully aware of their obligations in respect of conflict of interest.		
	If a Related Party Transaction will be ongoing (a Recurrent Related Party Transaction), the Related Party Transactions Review Committee may establish guidelines for the senior management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the Related Party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.	RPTR committee may set out guidelines deemed necessary for ongoing RPT (if any) after assessing the nature of such transactions.		
9.14.6	The Company shall obtain shareholders' approval by way of a Special Resolution for the Related Party Transactions as soon as the value of the transaction exceeds threshold limits as set out in the regulations.	During the year , there were no recurrent or non-recurrent RPTs that required shareholders' approval by way of a special resolution.	1st October 2023	Not applicable.

Additional disclosures by the Board of Directors in terms of Rule 9.16 of the Listing Rules

- (i) We have declared all material interests in contracts involving in the Company and we have refrained from voting on matters in which we were materially interested;
- (ii) We have conducted a review of the internal controls covering financial, operational and compliance controls and risk management and have obtained reasonable assurance of our effectiveness and successful adherence therewith
- (iii) We made arrangements to make ourselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions;
- (iv) There were no material non-compliance with law or regulation or any fines, which are material, imposed by any Government or regulatory authority in any jurisdiction where the Company has operations.

AUDIT COMMITTEE REPORT

ROLE OF THE AUDIT COMMITTEE

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

COMPOSITION OF THE AUDIT COMMITTEE

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

The composition of the Committee since 17th April 2024 is as follows:

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

S. P. S. Ranatunga -
Independent Non-Executive Director
- Member (appointed w.e.f. 17th April 2024)

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

S. A. Ameresekere -
Non- Executive Director - (ceased to be a Member w.e.f. 5th June 2023)

B. S. M. De Silva -
Independent Non- Executive Director
(ceased to be a Member w.e.f. 16th April 2024)

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

The Chief Executive Officer, Chief Operating Officer and the Finance Manager also attended the meetings by invitation. The Company Secretary functions as the Secretary to the Committee.

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

MEETINGS

The Committee met six times during the year.

The attendance of the Member's at the Meetings is as follows:

Name of the Director	2023				2024	
	30.05.2023	09.08.2023	23.08.2023	02.11.2023	08.02.2024	09.02.2024
M. P. D. Cooray (Chairman)	✓	✓	✓	✓	✓	✓
B. S. M. De Silva (Member)	✓	✓	✓	✓	✓	✓
S. A. Ameresekere (Member)	✓	ceased to be w.e.f. 05.06.2023				
Ms. V. S. A. Fernando	appointed w.e.f 08.08.2023	✓	✓	✓	✓	✓

FUNCTIONS PERFORMED BY THE AUDIT COMMITTEE

- Monitoring the financial reporting process.
- Monitoring the statutory audit of the Group's Financial Statements.
- The Company's compliance with legal and regulatory requirements.
- Reviewing the Group's Financial Statements and the material financial reporting judgments contained therein.
- The Committee evaluates the internal control reports and compliance reports furnished by the management and are satisfied that an effective internal control system is in place.
- Ensure the independence of the External Auditors and recommend the appointment of Independent Auditors and their fees
- Identification of risks that would impact on the Company's business.

AUDIT COMMITTEE REPORT

- Based on the proceedings of the Audit Committee meetings, recommendations and observations were reported to the Board for appropriate action.
- Advising the Board on the appointment and removal of the External Auditors and the remuneration and terms of engagement of the External Auditors.

FINANCIAL REPORTING

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

OPERATIONS OF THE AUDIT COMMITTEE

The Statutory Auditors, the Internal Auditors, Chief Executive Officer, Finance Manager attended these meetings of the Audit Committee at the invitation of the Chairman of the Audit Committee. Outsourced Internal Auditors, Messrs KPMG are required to attend meetings as and when required.

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

The members of the Audit Committee can, where they judge it necessary to discharge their responsibilities, obtain independent professional advice at the Company's expense. The Committee met six times during the financial year ended 31st March 2024.

EXTERNAL AUDITORS

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

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

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

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

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

INDEPENDENCE OF AUDITORS

The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. To the extent that the Audit Committee is aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company and the Group, which in the opinion of the

Audit Committee, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

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

RE-APPOINTMENT OF AUDITORS

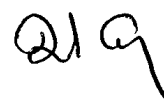
The Audit Committee, having considered the External Auditors' performance during their period in office, recommends their re-appointment for the financial year ending 31st March 2025, subject to the approval of the shareholders at the next Annual General Meeting.

CONCLUSION

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

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

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



M. P. D. Cooray
Chairman - Audit Committee

30th August 2024
Colombo

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

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

The composition of the Committee since 17th April 2024 is as follows:

S. P. S. Ranatunga -
Independent Non-Executive Director
- Chairman of the Committee
(appointed w.e.f. 17th April 2024)

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

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

B. S. M. De Silva -
Independent Non-Executive Director
(ceased to be the Chairman w.e.f.
16th April 2024)

MEETINGS

The Committee met two times during the year.

The attendance of the Member's at the Meetings is as follows:

Name of the Director	2023	
	06.04.2023	02.11.2023
B. S. M. De Silva (Chairman)	✓	✓
Ms. V. S. A. Fernando (Member)	✓	✓
M. P. D. Cooray (Member)	✓	✓

The Chief Executive Officer, Chief Operating Officer and the Finance Manager also attended to meetings by invitation. The Company Secretary functions as the Secretary to the Committee.

SUCCESSION PLANNING AND TALENT MANAGEMENT

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

REMUNERATION POLICY

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

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

- Annual Increments are given to all confirmed employees (prorated less than one year) unless there is an issue of impropriety or misconduct that is being investigated.

- The overall cost of the increments is treated as a guideline taking into the account the profitability of the Company.
- Increments are granted based on the performance of staff and their contribution for which the views of the supervising staff are noted.
- Annual bonuses are granted in line with industry norms and realised profits.
- The remuneration paid to the executive and non-executive Directors.

SCOPE

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



S. P. S. Ranatunga
Chairman - Remuneration Committee

30th August 2024
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

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

PURPOSE/OBJECTIVES OF THE COMMITTEE

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

COMPOSITION OF THE COMMITTEE

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

The composition of the Committee since 17th April 2024 is as follows:

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

S. P. S. Ranatunga -
Independent Non-Executive Director -
Member (appointed w.e.f. 17th April 2024)

S. A. Ameresekere -
Non-Executive Director - Member
(re-designated as a Non-Executive
Director from Executive Director w.e.f.
1st April 2024)

B. S. M. De Silva -
Independent Non- Executive Director
(ceased to be w.e.f. 16th April 2024)

The Chief Executive Officer, Chief Operating Officer and the Finance Manager attend meetings by invitations and Company Secretary functions as the Secretary to the Committee.

MEETINGS

The Committee met four times during the year.

The attendance of the Member's at the Meetings is as follows:

Name of the Director	2023			2024
	30.05.2023	09.08.2023	02.11.2023	08.02.2024
M. P. D. Cooray (Chairman)	✓	✓	✓	✓
B. S. M. De Silva (Member)	✓	✓	✓	✓
S. A. Ameresekere (Member)	✓	✓	✓	✓

RELATED PARTY TRANSACTIONS DURING THE YEAR UNDER REVIEW

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

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

All recurrent Related Party Transactions of the Company during the financial year 2023/24 were reviewed and approved by the Committee. The aggregate value of the recurrent related party transactions that exceeded 10% of the gross revenue/ income, as per the latest Audited Financial Statements as at 31st March 2023, which requires additional disclosures in the Annual Report 2023/24 in terms of Rule 9.14.8(2) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act of the Listing Rules of the Colombo Stock Exchange. Please refer note 36.3.1 Transactions with group companies on page 109 .

The comments and Observations of the Related Party Transactions Review Committee have been communicated to the Board.

There were no non-recurrent Related Party Transactions of which the aggregate value exceeds 10% of equity or 5% of total assets in the latest Audited Financial Statements as at 31st March 2023, which requires additional disclosures in the Annual Report 2023/24 in terms of Rule 9.14.8(1) and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act of the Listing Rules of the Colombo Stock Exchange.

The Directors declare that they have complied with the provisions of the Code relating to full disclosure of Related Party transactions entered during the Financial Year ended 31st March 2024.

RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

- Ensure that all transactions with related parties are in the best interest of the Company and for all shareholders and adequate transparency is maintained.
- Establish guidelines and policies for the management and reporting of related party transactions

KEY MANAGEMENT PERSONNEL

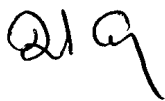
Key management personnel include all the members of the Board of Directors of the Company having authority and responsibilities for planning, directing and controlling the activities of the Company.

COMMITTEE EVALUATION

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

DECLARATION

In terms of Rule 9.14.8 (4) of the Listing Rules of the Colombo Stock Exchange, a declaration by the Board of Directors as an affirmative statement of the compliance with the Listing Rules pertaining to Related Party Transactions is given on pages 109 to 110 of the Annual Report.



M.P.D. Cooray

Chairman - Related Party Transactions Review Committee

30th August 2024

Colombo

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

The Board of Directors of H V A Foods PLC has pleasure in presenting to the shareholders their Annual Report on the affairs of the Company together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiary for the financial year ended 31st March 2024, conforming to all relevant statutory requirements.

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

GENERAL

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

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

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

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

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

The Company recorded a revenue of Rs. 1.84 Bn as against the Rs. 2.35 Bn achieved in the previous year. The Company's gross profit margin increased to 14% compared to the level of 11% in the previous year.

Administration expenses have increased by 94% in comparison to the previous year. Reported loss before tax was Rs. 328.30 Mn and the effect of relevant tax benefit for the period amounted to Rs. 2.18 Mn.

After all the aforementioned expenses and charges, the Company recorded an after-tax loss of Rs. 326.12 Mn and a negative comprehensive income of Rs. 327.75 Mn during the year. Statement of Comprehensive Income of the Company are set out on page 63 of the Annual Report.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and the Sri Lanka Accounting Standards

(LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes to Financial Statements appearing on pages 63 to 113. have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No.07 of 2007, Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Director Responsibility for Financial Reporting is given on page 114.

AUDITORS' REPORT

The Report of the Auditors on the Financial Statements is given on pages 58 to 62 as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

ACCOUNTING POLICIES

The accounting policies adopted by the Company in the preparation of Financial Statements are given on pages 67 to 79 and re-consistent with those of the previous period.

DIRECTORS

As at end of the financial year under review, the Board consisted of five (05) Directors namely, two (02) Executive Directors and three (03) Non-Executive Directors, two (02) of whom are Independent.

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 15 to 17

Executive Director

S. U. Dassanayake

S. A. Ameresekere (re-designated as a Non-Executive Director w.e.f. 1st April 2024)

Non-Executive Director

Ms. V. S. A. Fernando

Independent Non-Executive Directors

B. S. M. De Silva
(resigned w.e.f. 16th April 2024)

M. P. D. Cooray

CHANGES IN THE DIRECTORATE OF THE COMPANY AFTER THE REPORTING PERIOD

S. A. Ameresekere was re-designated as a Non-Executive Director with effect from 1st April 2024.

C. G. Stork was appointed as an Executive Director/Chief Executive Officer with effect from 1st April 2024.

B. S. M. De Silva, Chairman/ Independent Non-Executive Director has tendered his resignation w.e.f. 16th April 2024.

S. P. S. Ranatunga was appointed the Chairman / Independent Non-Executive Director with effect from 17th April 2024.

Recommendation for re-election of Directors who retire by rotation

M. P. D. Cooray retires by rotation in terms of Article 88(i) of the Articles of Association of the Company and being eligible is recommended by the Directors for re-election.

Retirement of Directors

In terms of Article 95 of the Articles of Association of the Company, Messrs S. P. S. Ranatunga and C. G. Stork will retire and being eligible offer themselves for re-election.

FIT AND PROPER ASSESSMENT OF DIRECTORS

In terms of Rule 9.7.4 of the Listing Rules of the Colombo Stock Exchange, Declarations were obtained from the Directors who confirmed that they have continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year under review and as at the date of such Declarations.

DIRECTORS' SHAREHOLDING IN THE COMPANY

Name of the Director	No. of shares as at 31.03.2024	No. of shares as at 31.03.2023
B. S. M. De Silva	1,600	Nil
Acuity Partners (Pvt) Ltd / B. S. M. De Silva	Nil	1,600
S. U. Dassanayake	Nil	Nil
S. A. Ameresekere	Nil	Nil
Ms. V. S. A. Fernando	Nil	Nil
M. P. D. Cooray	Nil	Nil

INDEPENDENCE OF DIRECTORS

Based on the declarations submitted by the Independent Non-Executive Directors, the Board has determined that Messrs S. P. S. Ranatunga and M. P. D. Cooray are 'Independent' in terms of Rule 9.8.5 of the Listing Rules.

Additional disclosures pertaining to Directors

(i) Material Business relationships

None of the Directors or close family members have any material business relationships with other Directors of the Company

(ii) Other directorships held by the Directors

Other directorships held by Directors are disclosed on pages 15 to 17

DIRECTORS OF THE SUBSIDIARY

The directors of the subsidiary, H V A Holdings (Private) Limited as at 31st March 2024 consisted of the following:

Ms. V. S. A. Fernando

S. A. Ameresekere

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

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

DIRECTORS INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS AND INTEREST REGISTER

All related entries were made in the Interests Register during the year. The share ownership of Directors is disclosed on page 115.

The Company maintains an Interest Register in terms of the Companies Act No. 07 of 2007.

The Interests Register is available for inspection by the Shareholders or their authorized representatives as required by Section 119 (1) (d) of the Companies Act No. 07 of 2007.

REMUNERATION AND OTHER BENEFITS PAID TO THE DIRECTORS DURING THE ACCOUNTING PERIOD

Directors' remuneration and other benefits, in respect of the Company and its subsidiary for the financial year ended 31st March 2024, are given in Note 08 to the Financial Statements on pages 80 to 81.

DONATIONS

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

CORPORATE GOVERNANCE

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

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

The Corporate Governance Report is given on pages 25 to 28 of the Annual Report.

BOARD SUB-COMMITTEES

The Board Sub Committees in keeping with the rules of the Listing Rules of the Colombo Stock Exchange, Audit Committee, Remuneration Committee and Related Party Transactions Review Committee are active and fully functional with the composition of these Sub-Committees and its functions presented under Corporate Governance Report.

The Report of the Audit Committee is given on pages 47 to 48.

The Report of the Remuneration Committee is given on Page 49.

The Report of the Related Party Transactions Review Committee is given on pages 50 to 51

DIRECTORS' DECLARATION ON RELATED PARTY TRANSACTIONS

The Directors declare that the Company is in compliance with section 9 of the listing rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st March 2024. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on pages 50 to 51 in the Annual Report.

RE-APPOINTMENT OF AUDITORS

Messrs BDO Partners, Chartered Accountants served as the Auditors of the Company during the year under review. A total amount of Rs.1,699,104/- is payable by the Company to the Auditors for the year under review. Rs.1,250,000/- as audit fees and Rs.449,104/- as non-audit fees respectively.

Messrs S & C Associates, Chartered Accountants served as the Auditors of the subsidiary Company during the year under review. A total amount of Rs.37,000/- is payable by the subsidiary to the Auditors for the year under review. Rs.27,000/- as audit fees and Rs.10,000/- as non-audit fees respectively.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 8th August 2024 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2024 was Rs.582,965,063/- represented by 116,250,155 shares. There were no changes in the Stated Capital of the Company during the year.

INVESTOR INFORMATION

Information on the distribution of shareholding, analysis of shareholders, market value per share, earnings per share, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 115 to 116 under Shareholders' Information.

PUBLIC SHAREHOLDING PERCENTAGE

The percentage of public shareholding as at 31st March 2024 is 21.39%.

RISK MANAGEMENT AND INTERNAL CONTROL

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

EMPLOYMENT POLICY

The Company's employment policy is totally nondiscriminatory, which respects individuals and provides career opportunities irrespective of gender, race or religion. As at 31st March 2024, 66 persons were in employment (68 persons as at 31st March 2023). There were no material issues pertaining to employees and industrial relations during the financial year.

STATUTORY PAYMENTS

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

RESERVES

The reserves of the Company with the movements during the year are given on page 92 in the Financial Statements.

PROPERTY, PLANT & EQUIPMENT

Details and movements of property, plant and equipment are given in Note 12 to the Financial Statements on pages 83 to 84.

INVESTMENTS AND FINANCIAL INSTRUMENTS

Details of investments and financial instruments held by the Company are disclosed in Note 14 & 35 to the Financial Statements on pages 86 & 106.

CAPITAL COMMITMENTS

There were no material capital or other commitments as at reporting date as set out in Note 37 to the Financial Statements on page 111.

CONTINGENT LIABILITIES

There were no Contingent Liabilities as at reporting date as set out in Note 37 to the Financial Statements on page 111.

DIVIDENDS

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

DIRECTORS' DECLARATION ON RELATED PARTY TRANSACTIONS

The Directors declare that they are in compliance with section 9 of the Listing Rules of the CSE pertaining to Related Party Transactions during the financial year ended 31st December 2024. The Directors of the Company declare that there were no related party transactions required to be disclosed under the listing rules of the CSE other than disclosed in the financial statements. The report of the Related Party Transactions Review Committee is given on pages 50 to 51 in the Annual Report.

EVENTS OCCURRING AFTER THE REPORTING DATE

The objective of the rights issue- 2024 was to infuse fresh capital for the purpose of reducing part of the debt, thereby improving the negative equity position of the company to strengthen the Balance Sheet and the funds so arised to be utilised for the part settlement of short term loans obtained from National Development Bank PLC & Hatton National Bank PLC and the parent company, George

Steuart and Company Limited morefully setout in the circular to shareholders dated 26th July 2024.

Details of events after the reporting date are set out in Note 38 on page 111.

GOING CONCERN

After making adequate enquiries from the management and from based on the Annual Budget approved by the Directors, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future as disclosed in Note 39 on pages 111 to 112.

FURTHER REPORT ON THE SERIOUS LOSS OF CAPITAL POSITION OF THE COMPANY

Complying with Section 220 of the Company's act No 07 of 2007, the board of Directors of the Company held an EGM on 07th December 2019 and outlined steps to improve the serious loss of capital position of the Company.

Accordingly, the Company has made the following progress :

- Reduction in Overhead Cost

The Company has successfully migrated to a third-party outsourcing model for its storage, production and manufacturing of Tea based products with the exception of its Ice Tea extraction plant. The company has restructured its organization to optimize productivity and reduce overheads. Furthermore, through the synergies that have been brought about with the change of ownership of the Company in early 2021 the Company has been able to further improve efficiencies by taking advantage of shared services available within the group.

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

- Driving New Business – Globally

The Company has moved away from its heavy reliance on the Russian market and diversified its market mix to include markets such as Europe, the Far East and middle east through the acquisition of new markets and customers at better margins. Accordingly, the Company continues to participate in selected strategically important Global Trade fairs.

- Development of New Product Segments for Profitable Growth

The Company has embarked introducing successful new product developments such as a Wellness Range, Moringa Range, Tea Extracts, and Tea Syrups etc. In addition, the Company is focused on increasing its sales of value-added tea and Tea extracts whilst also pursuing opportunities in the herbal tea sector.

- Restructuring of short-term debt position

The Company has successfully restructured its high interest short-term debt position. Further the company has restructured the credit facilities to both USD/LKR to minimize the currency risk. And the Company continues to actively engage with financial institutions in order to reap the benefits of the improving macro-economic benefits of the country.

- Capital Infusion through Equity Partnership

The majority ownership of the Company changed in early 2021 and successfully concluded the right issue of shares of Rs 249,107,475 during the financial period 2022/23. Furthermore, in pursuance of an

announcement made on 27th August 2024, announcing a right issue of 128,276,033 new ordinary voting shares, provisional letters of allotment have been dispatched on 27th August 2024. Company has announced another Rights Issue of Rs. 372,000,496/- on 27th June 2024. This improves the net assets/cash flow position of the Company and help the Company towards an improved financial performance.

- Optimal Usage of Fixed Assets

In early 2021, the Company disposed of its warehouse and factory premises as part of its restructuring initiative. The proceeds from the sale of the said assets were utilized to reduce the debts of the Company.

ENVIRONMENTAL PROTECTION

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the company will be held physically on Monday, 30th September 2024 at 9.30 a.m. at the Sri Lanka Foundation, Lecture Hall No. 03, No. 100, Padanama Mawatha, Independence Square, Colombo 07.

ACKNOWLEDGEMENT OF THE CONTENT OF THE REPORT

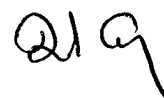
As required by the section 168(1) (k) of the Companies Act No. 07 of 2007, the Board of Directors do hereby acknowledge the content of this Annual Report.

The Notice of the Annual General Meeting appears on Page 120.

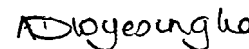
This Annual Report is signed for and on behalf of the Board of Directors by



S. P. S. Ranatunga
Chairman



M. P. D. Cooray
Director



P W Corporate Secretarial (Pvt) Ltd
Secretaries

30th August 2024
Colombo

FINANCIAL STATEMENTS

Independent Auditors' Report	Statement of Comprehensive Income	Statement of Financial Position	Statement of Changes in Equity	Statement of Cash Flow	Notes to the Financial Statements	Statement of Directors' Responsibilities
58	63	64	65	66	67	114
Investor Information	Five Year Summary	Notes	Notice of Meeting	Form of Proxy		
115	117	118	120	121		

INDEPENDENT AUDITORS' REPORT



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

TO THE SHAREHOLDERS OF H V A FOODS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of H V A Foods PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31st March 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policy information and other explanatory information as set out on pages 67 to 79.

In our opinion, the accompanying Financial Statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31st March 2024, 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 for Professional Accountants 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 the most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Carrying Value of Inventories

Refer to Note 3.8 for the accounting policies and Note 16 for notes to the Financial Statements on Inventories.

Risk Description	Our Responses
<p>As shown in Note 16, the Group holds an inventory of Rs. 400,758,997/- and management judgment is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labor costs incurred, manufacturing overheads to be absorbed and other relevant production costs.</p> <p>A risk surrounding the carrying value of inventory when compared to the net realisable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete, and damaged inventory involves estimates and judgments, considering forecast sales and historical usage of information.</p>	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> » Evaluating the design and implementation of the Group's key controls relating to the existence of inventory quantities and assessment of inventory valuation and inventory provisioning » Attending to the inventory physical count conducted by the management and performing the following procedures: <ul style="list-style-type: none"> - Observing management's inventory count procedures to assess compliance with Group's policy and proper conduct of the count - Making inquiries regarding obsolete inventory items and inspecting the condition of items counted

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

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

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

b) Impairment Assessment on Goodwill

Refer to Note 3.5 for the accounting policies and Note 13 for notes to the Financial Statements on Goodwill.

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

INDEPENDENT AUDITORS' REPORT



c) Impairment Assessment on the Intangible Assets of Trademarks

Refer to Note 3.5 for the accounting policies and Note 15 for notes to the Financial Statements on Intangible assets.

Risk Description	Our Responses
<p>The Financial Statements include intangible assets of Trademarks of HELADIV and INFINI-T amounting to Rs.47,833,599/- on acquisition of H V A Holdings (Pvt) Ltd and acquisition of business operations and certain assets of H V A Lanka Exports (Pvt) Ltd. Those Trademarks have an indefinite useful life.</p> <p>Trademarks are subject to an annual impairment test using significant estimates as disclosed in Note 15 to the Financial Statements.</p> <p>We identified the assessment of potential impairment of Trademarks as a key audit matter because such assessment involves certain judgment assumptions which could be subject to management bias.</p>	<ul style="list-style-type: none">» Challenging management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the related operations to compare them with historical forecasts and performance and industry benchmarks which included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when break-even or independently derived discount rates were applied» Testing the mathematical accuracy of the underlying calculations in the Group's discounted cash flow valuation models» Assessing whether the impact of current macro-economic conditions have been considered when preparing impairment assessment and evaluating the reasonableness of assumptions and judgments made in this regard» Assessing the adequacy of the disclosures in the Financial Statements

Other Information

Other information consists of the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. Management is responsible for the other information.

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

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

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

Management is responsible for the preparation of the Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as 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 and 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.

- » Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and Group's internal control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » Conclude on the appropriateness of management'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 material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Consolidated 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 and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of the 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.

INDEPENDENT AUDITORS' REPORT



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 it 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 4639.

BDO Partners

CHARTERED ACCOUNTANTS

Colombo

30th August 2024

NV/cc

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st March	Note	Group		Company	
		2024	2023	2024	2023
		Rs.	Rs.	Rs.	Rs.
Revenue	5	1,842,864,051	2,353,909,140	1,842,864,051	2,353,909,140
Cost of sales		(1,593,102,961)	(2,102,798,498)	(1,593,102,961)	(2,102,798,498)
Gross profit		249,761,090	251,110,642	249,761,090	251,110,642
Other operating income	7	11,309,229	20,058,758	11,309,229	20,058,758
Distribution expenses		(23,912,533)	(23,772,688)	(23,912,533)	(23,772,688)
Administration expenses		(324,739,311)	(167,218,384)	(324,630,449)	(167,178,184)
Results from operating activities	8	(87,581,525)	80,178,328	(87,472,663)	80,218,528
Net finance expenses	9	(240,829,057)	(251,863,518)	(240,827,942)	(251,858,818)
Loss before Income Tax		(328,410,582)	(171,685,190)	(328,300,605)	(171,640,290)
Income tax expense	10	2,180,618	126,068,134	2,180,618	126,068,134
Loss for the year		(326,229,964)	(45,617,056)	(326,119,987)	(45,572,156)
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Actuarial gain on retirement benefit obligation	26	(2,330,019)	10,960	(2,330,019)	10,960
Deferred tax on actuarial gain on retirement benefit obligation	25	702,294	(3,288)	702,294	(3,288)
Revaluation gain of property, plant and equipment	24	-	1,406,885	-	1,406,885
Deferred tax on revaluation of property, plant and equipment	24	-	(3,094,238)	-	(3,094,238)
Total other comprehensive income		(1,627,725)	(1,679,681)	(1,627,725)	(1,679,681)
Total comprehensive income for the year		(327,857,689)	(47,296,737)	(327,747,712)	(47,251,837)
Loss attributable to;					
Owners of the Company		(326,229,964)	(45,617,056)	(326,119,987)	(45,572,156)
Loss for the year		(326,229,964)	(45,617,056)	(326,119,987)	(45,572,156)
Total comprehensive income attributable to:					
Owners of the Company		(327,857,689)	(47,296,737)	(327,747,712)	(47,251,837)
Total comprehensive income for the year		(327,857,689)	(47,296,737)	(327,747,712)	(47,251,837)
Basic earnings per share	11	(2.81)	(0.41)	(2.81)	(0.41)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 67 to 113 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	50,875,260	51,803,306	50,875,260	51,803,306
Goodwill	13	263,849,498	263,849,498	263,849,498	263,849,498
Investment in a subsidiary	14	-	-	45,000,001	45,000,001
Other intangible assets	15	51,056,149	52,869,688	6,117,152	7,930,691
Deferred tax assets	29	197,243,520	194,360,608	197,243,520	194,360,608
Total non-current assets		563,024,427	562,883,100	563,085,431	562,944,104
Current assets					
Inventories	16	400,758,997	460,443,483	400,758,997	460,443,483
Financial assets	17	1,824,821	31,521,554	1,824,821	31,521,554
Trade receivables	18	301,532,933	296,689,218	301,532,933	296,689,218
Amounts due from related parties	19	1,935,125	2,690,953	2,294,627	2,956,593
Pre-payments and other receivables	20	15,628,829	16,380,846	15,628,829	16,380,846
Deposits and advances	21	41,918,344	37,888,757	41,918,344	37,888,757
Cash and cash equivalents	22	28,916,457	37,225,916	28,916,457	37,224,801
Total current assets		792,515,506	882,840,727	792,875,008	883,105,252
Total assets		1,355,539,933	1,445,723,827	1,355,960,439	1,446,049,356
EQUITY AND LIABILITIES					
Stated capital	23	582,965,063	582,965,063	582,965,063	582,965,063
Revaluation reserve	24	15,013,718	15,013,718	15,013,718	15,013,718
Accumulated losses	25	(900,904,011)	(573,046,322)	(900,446,505)	(572,698,793)
Total equity attributable to the equity holders of the Company		(302,925,230)	24,932,459	(302,467,724)	25,279,988
Total equity		(302,925,230)	24,932,459	(302,467,724)	25,279,988
Non-current liabilities					
Retirement benefits obligation	26	9,881,844	8,582,785	9,881,844	8,582,785
Interest-bearing loans and borrowings - non-current	27	365,856,723	483,920,779	365,856,723	483,920,779
Government grant - non-current	28	6,656,326	7,765,726	6,656,326	7,765,726
Total non-current liabilities		382,394,893	500,269,290	382,394,893	500,269,290
Current liabilities					
Trade payables	30	61,478,729	50,737,350	61,478,729	50,737,350
Interest-bearing loans and borrowings - current	27	487,914,358	486,119,259	487,914,358	486,119,259
Government grant - current	28	1,109,400	1,109,400	1,109,400	1,109,400
Deposits and advances	31	204,629,178	1,790,056	204,629,178	1,790,056
Accrued expenses and other payables	32	79,887,563	89,411,438	79,850,563	89,389,438
Amount due to related parties	33	311,107,912	30,000,000	311,107,912	30,000,000
Bank overdrafts	22	129,943,130	261,354,575	129,943,130	261,354,575
Total current liabilities		1,276,070,270	920,522,078	1,276,033,270	920,500,078
Total liabilities		1,658,465,163	1,420,791,368	1,658,428,163	1,420,769,368
Total equity and liabilities		1,355,539,933	1,445,723,827	1,355,960,439	1,446,049,356

I certify, that these Financial Statements are in accordance with the requirements of the Companies Act No. 07 of 2007.

Ms. I.A.J.P. Rupasinghe
Head of Finance

The Board of Directors is responsible for these Financial Statements. Approved and Signed for and on behalf of the Board by,

S.P.S. Ranatunga
Director

M.P.D. Cooray
Director

Figures in brackets indicate deductions.

The accounting policies and notes on pages 67 to 113 form an integral part of these Financial Statements.

30th August 2024

Colombo

STATEMENT OF CHANGES IN EQUITY

Group

For the year ended 31 st March	Note	Attributable to equity holders of the			Total Rs.
		Stated capital Rs.	Revaluation reserves Rs.	Accumulated losses Rs.	
Balance as at 01st April 2022		333,857,588	16,701,071	(527,436,938)	(176,878,279)
Comprehensive income					
Loss for the year		-	-	(45,617,056)	(45,617,056)
Other comprehensive income					
Defined benefit plan actuarial gain	26	-	-	10,960	10,960
Deferred tax on actuarial gain on retirement benefit obligation	25	-	-	(3,288)	(3,288)
Revaluation surplus on property, plant and equipment		-	1,406,885	-	1,406,885
Deferred tax on revaluation of property, plant and equipment	29	-	(3,094,238)	-	(3,094,238)
Total comprehensive income		-	(1,687,353)	(45,609,384)	(47,296,737)
Transactions with owners of the Company					
Issue of shares	23	249,107,475	-	-	249,107,475
Balance as at 31st March 2023		582,965,063	15,013,718	(573,046,322)	24,932,459
Comprehensive income					
Loss for the year		-	-	(326,229,964)	(326,229,964)
Other comprehensive income					
Defined benefit plan actuarial gain	26	-	-	(2,330,019)	(2,330,019)
Deferred tax on actuarial gain on retirement benefit obligation	25	-	-	702,294	702,294
Revaluation surplus on property, plant and equipment	24	-	-	-	-
Deferred tax on revaluation of property, plant and equipment	29	-	-	-	-
Total comprehensive income		-	-	(327,857,689)	(327,857,689)
Transactions with owners of the Group					
Issue of shares	23	-	-	-	-
Balance as at 31st March 2024		582,965,063	15,013,718	(900,904,011)	(302,925,230)

Company

For the year ended 31 st March	Note	Stated capital Rs.	Revaluation reserves Rs.	Accumulated losses Rs.	Total Rs.
Balance as at 01st April 2022		333,857,588	16,701,071	(527,134,309)	(176,575,650)
Comprehensive income					
Loss for the year		-	-	(45,572,156)	(45,572,156)
Other comprehensive income					
Defined benefit plan actuarial gain	26	-	-	10,960	10,960
Deferred tax on actuarial gain on retirement benefit obligation	25	-	-	(3,288)	(3,288)
Revaluation surplus on property, plant and equipment	24	-	1,406,885	-	1,406,885
Deferred tax on revaluation of property, plant and equipment	29	-	(3,094,238)	-	(3,094,238)
Total comprehensive income		-	(1,687,353)	(45,564,484)	(47,251,837)
Issue of shares	23	249,107,475	-	-	249,107,475
Balance as at 31st March 2023		582,965,063	15,013,718	(572,698,793)	25,279,988
Comprehensive income					
Loss for the year		-	-	(326,119,987)	(326,119,987)
Other comprehensive income					
Defined benefit plan actuarial gain	26	-	-	(2,330,019)	(2,330,019)
Deferred tax on actuarial gain on retirement benefit obligation	25	-	-	702,294	702,294
Revaluation surplus on property, plant and equipment	24	-	-	-	-
Deferred tax on revaluation of property, plant and equipment	29	-	-	-	-
Total comprehensive income		-	-	(327,747,712)	(327,747,712)
Issue of shares	23	-	-	-	-
Balance as at 31st March 2024		582,965,063	15,013,718	(900,446,505)	(302,467,724)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 67 to 113 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 31 st March	Notes	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cash flow from operating activities					
Loss before tax		(328,410,582)	(171,685,190)	(328,300,605)	(171,640,290)
Adjustments for:					
Depreciation on property, plant and equipment	12	11,473,406	8,644,674	11,473,406	8,644,674
Amortisation of intangible assets	15	1,813,539	1,252,938	1,813,539	1,252,938
Provision for defined benefit obligations – gratuity	26	2,690,457	2,576,265	2,690,457	2,576,265
Interest income on deposits and savings	9	(1,742,020)	(3,176,993)	(1,742,020)	(3,176,993)
Reversal of provision for inventories	16	-	(18,500,000)	-	(18,500,000)
Write off – inventories		26,178,424	29,734,171	26,178,424	29,734,171
Provision on trade receivable	18	28,825,575	12,657	28,825,575	12,657
Trademark impairment loss	15	-	1,555,398	-	1,555,398
Dividend income	7	-	(60,976)	-	(60,976)
Amortisation of government grant	28	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Loss on fair valuation of financial investments	7	(73,537)	10,884	(73,537)	10,884
Gain on disposal of financial instruments		-	(35,076)	-	(35,076)
Unrealised exchange loss on borrowings	27	2,224,206	(3,878,128)	2,224,206	(3,878,128)
Interest on lease	9	1,793,891	595,110	1,793,891	595,110
Interest expenses	9	209,818,182	215,212,299	209,818,182	215,212,299
Write back of other payable	7	-	(1,860)	-	(1,860)
Write back of trade payable		-	(11,563,576)	-	(11,563,576)
Write off – other receivables		-	3,390,728	-	3,390,728
Write off – advance of trade creditors		515,276	508,019	515,276	508,019
Write off – trade receivable		-	(326,514)	-	(326,514)
Profit/(loss) on sale of property, plant and equipment	7 / 8	5,677,142	(1,810,208)	5,677,142	(1,810,208)
		288,085,141	223,030,412	288,085,142	223,030,412
Operating profit/(loss) before working capital changes		(40,325,441)	51,345,222	(40,215,464)	51,390,122
(Increase) / decrease in inventories		33,506,062	(305,173,593)	33,506,062	(305,173,593)
Increase in trade receivable		(33,669,290)	(8,998,690)	(33,669,290)	(8,998,690)
Decrease in pre-payments and other receivables		752,017	20,862,795	752,017	20,862,795
Increase / (decrease) in amounts due from related parties		755,828	(1,984,428)	661,966	(2,020,668)
(Increase) / decrease in deposits and advance receivables		(4,029,587)	126,839,691	(4,029,587)	126,839,691
Increase in trade payable		10,226,103	21,435,781	10,226,103	21,435,781
Increase / (decrease) in amount due to related party		281,107,912	(62,290,527)	281,107,912	(62,290,527)
Increase / (decrease) in deposits and advance payable		202,839,122	(306,316,148)	202,839,122	(306,316,148)
Increase / (decrease) in accrued expenses and other creditors		(9,523,875)	18,904,710	(9,538,875)	18,900,750
Cash used in operations		441,638,851	(445,375,187)	441,639,966	(445,370,487)
Interest paid	9	(209,818,182)	(215,212,299)	(209,818,182)	(215,212,299)
Lease interest paid	9	(1,793,891)	(595,110)	(1,793,891)	(595,110)
Gratuity paid	26	(3,721,417)	(1,096,388)	(3,721,417)	(1,096,388)
Net cash generated from / (used) in operating activities		226,305,361	(662,278,984)	226,306,476	(662,274,284)
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(16,222,501)	(15,006,357)	(16,222,501)	(15,006,357)
Acquisition of intangible assets	15	-	(2,426,140)	-	(2,426,140)
Investments in fixed deposit		(229,730)	(30,000,000)	(229,730)	(30,000,000)
Interest received	9	1,742,020	3,176,993	1,742,020	3,176,993
Dividend received	7	-	60,976	-	60,976
Proceeds from sale of property, plant and equipment		-	1,930,000	-	1,930,000
Proceeds from sale of financial assets		30,000,000	390,576	30,000,000	390,576
Net cash generated from / (used) in investing activities		15,289,789	(41,873,952)	15,289,789	(41,873,952)
Cash flows from financing activities					
Repayments of lease creditors		(531,709)	(106,709)	(531,709)	(106,709)
Initial lease recognition		-	5,460,000	-	5,460,000
Issue of shares		-	249,107,475	-	249,107,475
Proceeds from interest bearing loans and borrowings		1,930,052,169	1,525,863,013	1,930,052,169	1,525,863,013
Repayment of interest bearing loans and borrowings		(2,048,013,626)	(1,364,340,895)	(2,048,013,626)	(1,364,340,895)
Net cash (used) in / generated from financing activities		(118,493,166)	415,982,884	(118,493,166)	415,982,884
Net increase / decrease in cash and cash equivalents		123,101,986	(288,170,053)	123,103,101	(288,165,353)
Cash and cash equivalents at the beginning of the year (Note A)	22	(224,128,659)	64,041,394	(224,129,774)	64,035,579
Cash and cash equivalents at the end of the year (Note B)	22	(101,026,673)	(224,128,659)	(101,026,673)	(224,129,774)
At the beginning					(Note A)
Cash in hand and balance at bank		37,225,916	125,562,484	37,224,801	125,556,669
Bank overdraft		(261,354,575)	(61,521,090)	(261,354,575)	(61,521,090)
		(224,128,659)	64,041,394	(224,129,774)	64,035,579
At the end					(Note B)
Cash in hand and balance at bank		28,916,457	37,225,916	28,916,457	37,224,801
Bank overdraft		(129,943,130)	(261,354,575)	(129,943,130)	(261,354,575)
		(101,026,673)	(224,128,659)	(101,026,673)	(224,129,774)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 67 to 113 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

H V A Foods PLC (the "Company") is a public quoted company domiciled in Sri Lanka. The Company was incorporated on 22nd August 1997 and the registered office of the Company is located at No. 118, Braybrooke Place, Colombo 02.

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

1.2 Principal activities and nature of operations

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

1.3 The parent entity

George Steuart and Company Limited is the parent entity which owns 67.1% of ordinary shares of the Company.

1.4 Consolidated Financial Statements

The Consolidated Financial Statements of H V A Foods PLC, as at and for the year ended 31st March 2024 comprise the Company and its subsidiary company (together referred to as the "Group" and individually as "Group entities").

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The Financial Statements were authorised for issue by the Board of Directors on 30th August 2024.

2.2 Responsibility for the Consolidated Financial Statements

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

2.3 Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following account balances:

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

2.4 Going concern

The Group has prepared the Consolidated Financial Statements for the year ended 31st March 2024 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the Consolidated Financial Statements for the year ended 31st March 2024, based on available information, the management has assessed the prevailing macroeconomic conditions and their effect on the Group and the appropriateness of using of the going concern basis.

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

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

The going concern of the Group is discussed in detail under Note 39 to the Consolidated Financial Statements.

2.5 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.6 Use of estimates and judgments

In preparing these Financial Statements, management has made judgments, estimates and assumptions that affect the application of accounting policies of the Group and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Consolidated Financial Statements are described in the following notes:

Critical accounting estimate/judgment	Disclosure note
Property, plant and equipment	12
Inventories	16
Trade receivables	18
Retirement benefits obligation	26
Deferred taxation	29
Commitments and contingencies	37

2.7 Materiality and aggregation

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

2.8 Comparative information

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

2.9 Changes in Accounting Standards

- (a) New standards, interpretations and amendments adopted from 1st January 2023
- (i) Disclosure of Accounting Policies (Amendments to LKAS 01 Presentation of Financial Statements and SLFRS Practice Statement 2 Making Materiality Judgments)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

These amendments have no effect on the measurement or presentation of any items in the Consolidated Financial Statements of the Group but affect the disclosure of accounting policies of the Group.

- (ii) Definition of Accounting Estimates (Amendments to LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to LKAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimates, changes in accounting policy and prior period errors. These amendments had no effect on the Consolidated Financial Statements of the Group.

- (iii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. These amendments had no effect on the annual Consolidated Financial Statements of the Group.

- (b) New standards and amendments issued but not yet effective or early adopted in 2024

The following amendments and improvements are not expected to have a significant impact on the Group's Consolidated Financial Statements.

- » Lease Liability in a Sale and Leaseback (Amendments to SLFRS 16 Leases) – Mandatorily effective for periods beginning on or after 1st January 2024

- » Classification of Liabilities as Current or Non-Current (Amendments to LKAS 1 Presentation of Financial Statements) – Mandatorily effective for periods beginning on or after 1st January 2024)
 - » Non-current Liabilities with Covenants (Amendments to LKAS 1 Presentation of Financial Statements) – Mandatorily effective for periods beginning on or after 1st January 2024
 - » Supplier Finance Arrangements (Amendments to LKAS 7 Statement of Cash Flows and SLFRS 7 Financial Instruments: Disclosures) – Mandatorily effective for periods beginning on or after 1st January 2024
- (c) The following amendments are effective for the period beginning 01st January 2025
- » Lack of Exchangeability (Amendments to LKAS 21 The Effects of Changes in Foreign Exchange Rates) – Mandatorily effective for periods beginning on or after 1st January 2025
 - » As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka (ICASL) has decided to adopt SLFRS 17 – Insurance Contracts with effect from periods beginning on or after 1st January 2025
 - » SLFRS S1 General Requirements for Disclosure of Sustainability related Financial Information is to require the Group to disclose information about its sustainability-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the Group with effect from periods beginning on or after 1st January 2025
 - » SLFRS S2 Climate-related Disclosures is to require the Group to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity with effect from periods beginning on or after 1st January 2025

- (d) The following amendments are effective for the period beginning 01st January 2027

The Group intends to adopt the new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's Financial Statements, if applicable, when they become effective.

- » IFRS 18 Presentation and Disclosure in Financial Statements – The objective of this standard is to give investors more transparent and comparable information about companies' financial performance, thereby enabling better investment decisions. IFRS 18 introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analysing and comparing companies;

1. Improved comparability in the statement of profit or loss (income statement)
 2. Enhanced transparency of management-defined performance measures
 3. More useful grouping of information in the Financial Statements
- » IFRS 19 Subsidiaries without Public Accountability: Disclosures – The objective of this standard is to specify the disclosure requirements the Group is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. An eligible subsidiary that applies IFRS 19 is required to apply the requirements in other IFRS Accounting Standards for recognition, measurement and presentation requirements. For disclosure requirements, it applies IFRS 19 instead of the disclosure requirements in other IFRS Accounting Standards, except in specified circumstances. In accordance with IFRS 18 Presentation and Disclosure in Financial Statements, an entity applying IFRS 19 is not required to provide a specific disclosure required by IFRS 19 if the information resulting from that disclosure would not be material.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

3.1 Basis of consolidation

The Consolidated Financial Statements (referred to as that of the "Group") comprise the Financial Statements of the Company and its subsidiary Company.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

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

NOTES TO THE FINANCIAL STATEMENTS

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

3.1.2 Acquisition of non-controlling interests

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

3.1.3 Goodwill on consolidation

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

3.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

3.2 Foreign currency

3.2.1 Foreign currency transactions

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

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

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

3.3 Financial instruments – initial recognition and subsequent measurement

3.3.1 Financial assets

3.3.1.1 Initial recognition and subsequent measurement

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

a) Amortised cost

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

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

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a generally expected credit loss model. The methodology used to determine the amount of

the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve months' expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

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

b) Fair value through other comprehensive income

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

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

c) Financial assets at fair value through profit or loss

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

A financial asset measured at fair value through profit or loss is recognised initially at fair value and its transaction cost is recognised in profit or loss when incurred. A gain or loss on a financial asset measured

at fair value through profit or loss is recognised in profit or loss, and presented in "finance income" or "finance cost" in the statement of income for the reporting period in which it arises.

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

3.3.1.2 Derecognition

The Group derecognises a financial asset when, and only when:

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

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

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

- a) if the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognises the financial asset and recognises separately as assets or liability any rights and obligations created or retained in the transfer.
- b) if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset.
- c) if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset.

3.3.1.3 Impairment of financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

3.3.2 Cash and cash equivalents

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

3.3.3 Financial liabilities

3.3.3.1 *Initial recognition and measurement*

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

3.3.3.2 *Classification of financial liabilities*

a) Financial liabilities measured at amortised cost

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

b) Financial liabilities measured at fair value through profit or loss

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

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

3.3.3.3 *Derecognition*

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

3.3.4 Offsetting of financial instruments

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

3.3.5 Fair value of financial instruments

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

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

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

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

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

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

3.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment 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 cost of day-to-day servicing of property, plant and equipment are expensed as incurred.

3.4.3 Depreciation

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

Depreciation is recognised in profit and loss on a straightline basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Lease assets are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Land is not depreciated.

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

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

3.4.4 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 it. The gain or loss arising on derecognition of an item of property, plant and equipment are included in the statement of comprehensive income when the item is derecognised.

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

3.4.5 Gain and losses on disposal

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

3.4.6 Revaluation of property, plant and equipment

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

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

3.4.6.1 Revaluation of plant and machinery

Accounting judgments estimate and assumption

Fair value of the plant and machinery are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar category. Plant and machinery are appraised of similar category. Plant and machinery are appraised in accordance with LKAS 16, SLFRS 13 and the Valuations Standards published by the institute of Valuers of Sri Lanka and by the RICS, UK. In determining the fair value, the current condition of the assets, future usability and associated re-development requirements have been considered.

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Further valuers have made reference to market evidence of transaction prices for similar assets, with appropriate adjustments for size and category. The most recent revaluation was carried out on 31st March 2024.

3.4.7 Leases

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

3.4.7.1 Finance leases

Finance leases – Group as a lessee:

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

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

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

a) Basis of recognition

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

b) Basis of measurement

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

c) Depreciation

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

3.4.7.3 Lease liability

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

Details of “Right-of-use asset” and “Lease liability” are given in Note 12.3 and 27.1.2 to the Consolidated Financial Statements.

3.5 Intangible assets

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

The intangible assets of the Group include the following:

a) Goodwill

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

b) Trademarks

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

c) Computer software

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

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

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

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

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

3.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded subsidiaries or other available fair value indicators.

3.7 Government grants

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

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

3.8 Inventories

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

The cost of inventory is determined on the basis of the Weighted Average Cost (WAC) and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

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In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and selling expenses.

3.9 Liabilities and provisions

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

All known liabilities have been accounted for in preparing the Consolidated Financial Statements.

3.9.1 Employee benefits

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

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

3.9.1.2 *Defined benefit plan*

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

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

3.9.1.3 *Short-term benefits*

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

3.9.1.4 *Provisions*

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

3.10 Revenue recognition

3.10.1.1 *Revenue*

Sale of goods

a) Revenue recognition

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

b) Performance obligations and timing of revenue recognition

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

c) Determining the transaction price

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

d) Allocating amounts to performance obligations

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

3.10.1.2 Interest income

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

3.10.1.3 Dividend income

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

3.10.1.4 Other income

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

3.10.2 Expenditure

3.10.2.1 Expenses recognition

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

3.10.2.2 Finance expenses

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

3.11 Taxation

a) Income tax

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

b) Current taxation

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

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

c) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future, and differences measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.12 Events occurring after the reporting date

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

3.13 Comparative information

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

3.14 Segmental information

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

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

3.15 Related party transactions

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

3.16 Statement of cash flows

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

3.17 Commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain

future events, which are beyond the Group's control. Contingent liabilities and commitments are disclosed in Note 37 to the Consolidated Financial Statements.

4. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework

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

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

4.1 Credit risk

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

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

4.1.1 Trade and other receivables

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

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

4.2 Liquidity risk

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

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

4.3 Market risk

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

4.3.1 Currency risk

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

The uncertainty caused by the current economic crisis could lead to increased pressure on the local currency

resulting in higher foreign exchange risk. However, the management has implemented various policies and strategies over foreign activities to minimise anticipated currency risk, if any.

4.4 Operational risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
5 REVENUE				
Export Sales	1,794,543,766	2,288,836,489	1,794,543,766	2,288,836,489
Local Sales	48,320,285	65,072,651	48,320,285	65,072,651
	1,842,864,051	2,353,909,140	1,842,864,051	2,353,909,140

6 SEGMENTAL INFORMATION

6.1 Geographical segment analysis (by location of customers)

Russia and the CIS States	164,766,388	153,342,107	164,766,388	153,342,107
Far East/Asia	387,991,948	478,806,030	387,991,948	478,806,030
Europe	635,203,604	816,355,412	635,203,604	816,355,412
USA /Canada / UK / Barbados	124,456,855	77,356,128	124,456,855	77,356,128
Middle East and Africa	482,124,971	762,976,812	482,124,971	762,976,812
Domestic	48,320,285	65,072,651	48,320,285	65,072,651
	1,842,864,051	2,353,909,140	1,842,864,051	2,353,909,140

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

7 OTHER OPERATING INCOME

Profit on disposal of Property, Plant and Equipment	-	1,810,208	-	1,810,208
Amortisation of Government Grant (Note 28)	1,109,400	1,109,400	1,109,400	1,109,400
Dividend Income - Quoted Investments	-	60,976	-	60,976
Write-back of other payable balances	-	1,860	-	1,860
Reimbursement Income	6,453,102	4,632,600	6,453,102	4,632,600
Fair value gain/(loss) on investments	73,537	(10,884)	73,537	(10,884)
Disposal of investment	-	35,076	-	35,076
Other Income	3,443,460	526,773	3,443,460	526,773
Investment Income	229,730	-	229,730	-
Write-back of Debtors	-	329,173	-	329,173
Write-back of Creditors	-	11,563,576	-	11,563,576
	11,309,229	20,058,758	11,309,229	20,058,758

8 RESULTS FROM OPERATING ACTIVITIES

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

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Auditor's remuneration - External Audit	1,277,000	1,072,000	1,250,000	1,050,000
Auditor's remuneration - Other Services	459,104	849,028	449,104	849,028
Internal Audit fee	544,087	400,000	544,087	400,000
Directors' emoluments including non-executive directors' fees	11,277,500	12,557,000	11,277,500	12,557,000
Loss on sale of Property Plant and Equipment	5,677,142	-	5,677,142	-

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Depreciation of property, plant and equipment	9,768,410	8,076,342	9,768,410	8,076,342
Amortisation of intangible assets	1,813,539	1,252,938	1,813,539	1,252,938
Legal and secretarial expenses	920,716	2,847,180	902,516	2,828,980
Salaries and wages	75,099,472	64,356,876	75,099,472	64,356,876
EPF	9,028,148	7,722,826	9,028,148	7,722,826
ETF	2,253,418	1,930,706	2,253,418	1,930,706
Provision for retirement benefit obligation	2,690,457	2,576,265	2,690,457	2,576,265
Inventory write off - obsolete stocks	26,178,424	29,734,171	26,178,424	29,734,171
Provision for impairment of trade receivables	28,825,575	12,657	28,825,575	12,657

9 NET FINANCE EXPENSES

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Finance income				
Interest income	1,742,020	3,176,993	1,742,020	3,176,993
	1,742,020	3,176,993	1,742,020	3,176,993
Finance expenses				
Loan interest - packing credit	(56,697,606)	(89,674,573)	(56,697,606)	(89,674,573)
Loan interest - term loan	(78,873,334)	(65,648,515)	(78,873,334)	(65,648,515)
Interest on lease rentals	(1,793,891)	(595,110)	(1,793,891)	(595,110)
Interest on bill discounts	(1,646,322)	-	(1,646,322)	-
Interest on related party advances	(20,191,748)	(413,017)	(20,191,748)	(413,017)
Bank overdraft interest	(27,539,103)	(37,863,276)	(27,539,103)	(37,863,276)
Interest on short-term loans	(26,516,393)	(21,612,918)	(26,516,393)	(21,612,918)
Bank charges	(8,816,685)	(9,935,216)	(8,815,570)	(9,930,516)
Foreign exchange loss	(20,495,995)	(29,297,886)	(20,495,995)	(29,297,886)
	(242,571,077)	(255,040,511)	(242,569,962)	(255,035,811)
Net finance expenses	(240,829,057)	(251,863,518)	(240,827,942)	(251,858,818)

10 INCOME TAX EXPENSE

10.1 Current income tax expense

For the year ended 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Income tax expense on current year's profit		-	-	-	-
Deferred tax expense					
Origination of deferred tax assets	29	(2,180,618)	(126,068,134)	(2,180,618)	(126,068,134)
Total income tax expense		(2,180,618)	(126,068,134)	(2,180,618)	(126,068,134)

NOTES TO THE FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE (CONTD....)

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

For the year ended 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Loss before tax		(328,410,582)	(171,685,190)	(328,300,605)	(171,640,289)
Exempt income/other source of income		(3,154,688)	(2,943,800)	(3,154,688)	(2,943,800)
Realisation of depreciable assets		-	1,805,000	-	1,805,000
Aggregate disallowable expenses		393,991,825	21,621,227	393,881,848	21,576,326
Aggregate allowable expenses		(238,757,993)	(194,965,992)	(238,757,993)	(194,965,992)
Taxable profit/(loss) for the year		(176,331,438)	(346,168,755)	(176,331,438)	(346,168,755)
Tax losses brought forward		(560,387,063)	(217,078,657)	(560,387,063)	(217,078,657)
Tax profit/(loss) incurred during the year		(176,331,438)	(346,168,755)	(176,331,438)	(346,168,755)
Adjustments for the tax losses brought forward		62,975,103		62,975,103	-
Utilisation of tax losses		1,458,949	2,860,349	1,458,949	2,860,349
Tax losses carried forward		(672,284,449)	(560,387,063)	(672,284,449)	(560,387,063)
Income tax income at the rate @ 24%		-	-	-	-
Income tax income at the rate @ 30%		-	-	-	-
Total current tax for the year		-	-	-	-
Current tax on profits/(loss) for the year	10.1	-	-	-	-
Charge to deferred tax liability on temporary differences		(2,882,912)	(1,017,848)	(2,882,912)	(1,017,848)
Charge to deferred tax asset on temporary differences		702,294	127,085,982	702,294	127,085,982
Total income tax expense		2,180,618	(126,068,134)	2,180,618	(126,068,134)

11. BASIC EARNING PER SHARE

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

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Loss attributable to ordinary shareholders	(326,229,964)	(45,617,056)	(326,119,987)	(45,572,156)
Weighted average number of ordinary shares	116,250,155	110,380,773	116,250,155	110,380,773
Basic earnings per share	(2.81)	(0.41)	(2.81)	(0.41)

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

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

Description	Land	Plant and Machinery - Heavy Duty	Plant and Machinery - Other	Ice Tea Equipment and Others	Stores Equipment - Other	Furniture and Fittings	Office Equipment	Motor Vehicles	Capital Work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At cost / valuation										
Balance as at 01st April 2023	4,342,000	18,047,851	2,010,828	19,406,201	18,329,941	14,402,221	22,747,998	3,202,567	-	102,489,607
Additions	-	-	1,441,795	107,391	-	1,128,575	966,925	-	12,577,817	16,222,503
Write-off	-	-	-	(17,683,361)	(14,750,312)	(9,716,573)	(11,916,950)	(117,057)	-	(54,184,253)
Balance at 31st March 2024	4,342,000	18,047,851	3,452,623	1,830,231	3,579,629	5,814,223	11,797,973	3,085,510	12,577,817	64,527,857
Depreciation and impairment losses										
Balance as at 01st April 2023	-	-	73,164	15,341,197	15,453,005	9,549,822	15,023,214	3,202,567	-	58,642,969
Depreciation	-	3,534,576	623,298	1,029,841	847,683	1,037,405	2,695,607	-	-	9,768,410
Write-off	-	-	-	(14,667,808)	(13,389,366)	(8,613,790)	(11,719,089)	(117,057)	-	(48,507,110)
Balance as at 31st March 2024	-	3,534,576	696,462	1,703,230	2,911,322	1,973,437	5,999,732	3,085,510	-	19,904,269
Total carrying amount										
As at 31st March 2024	4,342,000	14,513,275	2,756,161	127,001	668,307	3,840,786	5,798,241	-	12,577,817	44,623,588
As at 31st March 2023	4,342,000	18,047,851	1,937,664	4,065,004	2,876,936	4,852,399	7,724,784	-	-	43,846,638

NOTES TO THE FINANCIAL STATEMENTS

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

12.2 Company

Description	Land	Plant and Machinery - Heavy Duty	Plant and Machinery - Other	Ice Tea Equipment and Others	Stores Equipment	Furniture and Fittings	Office Equipment	Motor Vehicles	Capital work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At cost / valuation										
Balance as at 01st April 2023	4,342,000	18,047,851	2,010,828	19,406,201	18,329,941	14,402,221	22,747,998	3,202,567	-	102,489,607
Additions	-	-	1,441,795	107,391	-	1,128,575	966,925	-	12,577,817	16,222,503
Write-off	-	-	-	(17,683,361)	(14,750,312)	(9,716,573)	(11,916,950)	(117,057)	-	(54,184,253)
Balance as at 31st March 2024	4,342,000	18,047,851	3,452,623	1,830,231	3,579,629	5,814,223	11,797,973	3,085,510	12,577,817	64,527,857
Depreciation and impairment losses										
Balance as at 01st April 2023	-	-	73,164	15,341,197	15,453,005	9,549,822	15,023,214	3,202,567	-	58,642,969
Depreciation	-	3,534,576	623,298	1,029,841	847,683	1,037,405	2,695,607	-	-	9,768,410
Write-off	-	-	-	(14,667,808)	(13,389,366)	(8,613,790)	(11,719,089)	(117,057)	-	(48,507,110)
Balance as at 31st March 2024	-	3,534,576	696,462	1,703,230	2,911,322	1,973,437	5,999,732	3,085,510	-	19,904,269
Total carrying amount										
As at 31st March 2024	4,342,000	14,513,275	2,756,161	127,001	668,307	3,840,786	5,798,241	-	12,577,817	44,623,588
As at 31st March 2023	4,342,000	18,047,851	1,937,664	4,065,004	2,876,936	4,852,399	7,724,784	-	-	43,846,638

12.3 Right of Used Assets

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cost				
Balance as at 1st April	8,525,000	-	8,525,000	-
Additions	-	8,525,000	-	8,525,000
Balance as at 31st March	8,525,000	8,525,000	8,525,000	8,525,000
Accumulated depreciation				
Balance as at 1st April	568,332	-	568,332	-
Charge for the year	1,704,996	568,332	1,704,996	568,332
Balance as at 31st March	2,273,328	568,332	2,273,328	568,332
Depreciation carrying amount				
Balance as at 1st April	7,956,668	-	7,956,668	-
Additions	(1,704,996)	7,956,668	(1,704,996)	7,956,668
Balance as at 31st March	6,251,672	7,956,668	6,251,672	7,956,668

Right-of-Use assets represent a Lorry.

12.4 During the year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.16,222,503/- (2022/23 - 8,152,484/-).

12.5 Property, Plant and Equipment of the Group include fully-depreciated assets, the cost of which as at 31st March 2024 amounted to Rs.7,208,012/- (2022/23- Rs.41,588,399/-) and continue to be in use by the Group.

12.6 There were no capitalised borrowing costs relating to the acquisition of Property, Plant and Equipment during the year.

12.7 There were no temporary idle borrowing cost as at 31st March 2024.

12.8 Assets pledged as security against borrowings are disclosed in Note no.40.

12.9 The details of the Company's land holdings

	Extent of land	Method of valuation	Last valuation date	Revalued Amount Rs.	Property valuer	Cost of purchase Rs.	Year of purchase
(i) No 39, Linton Road, Kandana - Land	A0-R0-P6.88 (Perches)	Direct capital comparison method	31st March 2023	4,342,000	Mr. P.B. Kalugalagedara Chartered Valuation Surveyor	2,672,000	10/03/2021

12.10 Expenses recognised in statement of comprehensive income

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Depreciation	11,473,406	8,644,674	11,473,406	8,644,674
	11,473,406	8,644,674	11,473,406	8,644,674

NOTES TO THE FINANCIAL STATEMENTS

13. GOODWILL

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 1st April	263,849,498	263,849,498	263,849,498	263,849,498
Balance as at 31st March	263,849,498	263,849,498	263,849,498	263,849,498

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

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

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

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

Management determined forecast operating results based on past performance and expectations for the future. The pre-tax discount rate used is 12.15% and the growth rate used to extrapolate cash flow projections beyond five years is 2% per annum. Based on the assessment carried out, Value in Use is higher than the carrying value of the goodwill.

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

14. INVESTMENT IN SUBSIDIARY

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Non - quoted investment				
H V A Holdings (Pvt) Ltd	-	-	45,000,001	45,000,001
	-	-	45,000,001	45,000,001

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

15. OTHER INTANGIBLE ASSETS

15.1 Trademark - "HELADIV"

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cost				
Balance as at 1st April	44,938,997	44,938,997	-	-
Balance as at 31st March	44,938,997	44,938,997	-	-

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

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

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

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

Royalty rate	- 4.6%
Discount factor (pre tax)	- 12.15%
Terminal growth	- 2% p.a.
Brand related expenses	- 1.15% of revenue from revenue generated from Heladiv sales.

Having considered the positive growth in revenue in 2024/2025 and future revenue forecast together with reasonableness of royalty rates applied, the Board of Directors is confident that trademark has not been impaired as at the reporting date.

15.2 Trademark - "INFINI-T"

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Cost				
Balance as at 1st April	2,894,602	4,450,000	2,894,602	4,450,000
Impairment loss during the year	-	(1,555,398)	-	(1,555,398)
Balance as at 31st March	2,894,602	2,894,602	2,894,602	2,894,602

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

NOTES TO THE FINANCIAL STATEMENTS

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

15.2 Trademark - "INFINI-T" (CONTD....)

Valuation methodology and principal assumptions used for the brand valuation

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

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

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

- Royalty rate - 4.6%
- Discount factor (pre tax) - 12.15%
- Terminal growth - 2% p.a
- Inflation rate - 0.9%
- Brand related expenses - 1.15% of revenue from revenue generated from Infini-T sales.

Having considered the positive growth in revenue in 2024/2025 and future revenue forecast together with reasonableness of royalty rates applied, the Board of Directors is confident that trademark has not been impaired as at the reporting date.

15.3 Software

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Summary					
Cost					
Balance as at 1st April		4,206,564	628,400	4,206,564	628,400
Acquired / incurred during the year		-	3,578,164	-	3,578,164
Write off during the year		(323,000)	-	(323,000)	-
Balance as at 31st March		3,883,564	4,206,564	3,883,564	4,206,564
Amortization					
Balance as at 1st April		1,124,865	343,677	1,124,865	343,677
Amortisation charge for the year		1,004,825	781,188	1,004,825	781,188
Write off During the year		(322,996)	-	(322,996)	-
Balance as at 31st March		1,806,694	1,124,865	1,806,694	1,124,865
Carrying amount					
Balance as at 1st April		3,081,699	284,723	3,081,699	284,723
Acquired / incurred during the year		(1,004,825)	2,796,976	(1,004,825)	2,796,976
Balance as at 31st March	(a)	2,076,874	3,081,699	2,076,874	3,081,699

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
15.4					
Software - WIP					
Balance as at 1st April		-	3,578,164	-	3,578,164
Acquired / incurred during the year		-	-	-	-
Capitalised during the year		-	(3,578,164)	-	(3,578,164)
Balance as at 31st March	(b)	-	-	-	-
15.5					
Artworks					
Summary					
Cost					
Balance as at 1st April		2,426,140	-	2,426,140	-
Acquired / incurred during the year		-	2,426,140	-	2,426,140
Balance as at 31st March		2,426,140	2,426,140	2,426,140	2,426,140
Amortization					
Balance as at 1st April		471,750	-	471,750	-
Amortisation charge for the year		808,714	471,750	808,714	471,750
Balance as at 31st March		1,280,464	471,750	1,280,464	471,750
Carrying amount					
Balance as at 1st April		1,954,390	-	1,954,390	-
Acquired / incurred during the year		(808,714)	1,954,390	(808,714)	1,954,390
Balance as at 31st March		1,145,676	1,954,390	1,145,676	1,954,390
15.6					
Total					
Carrying amount					
Trademark - "HELADIV"		44,938,997	44,938,997	-	-
Trademark - "INFINI-T"		2,894,602	2,894,602	2,894,602	2,894,602
Software	(a) + (b)	2,076,874	3,081,699	2,076,874	3,081,699
Artworks		1,145,676	1,954,390	1,145,676	1,954,390
Net carrying amount		51,056,149	52,869,688	6,117,152	7,930,691
16. INVENTORIES					
As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Raw materials - Tea		198,392,046	145,442,514	198,392,046	145,442,514
Flavours		21,633,102	31,705,813	21,633,102	31,705,813
Packing materials		78,096,946	74,576,754	78,096,946	74,576,754
Semi-finished goods		111,324,479	197,973,808	111,324,479	197,973,808
Finished goods		8,755,771	4,528,510	8,755,771	4,528,510
Tea café stocks		(133,300)	20,897	(133,300)	20,897
Other stocks		4,441,768	6,195,187	4,441,768	6,195,187
		422,510,812	460,443,483	422,510,812	460,443,483
Provision for inventories	16.1	(21,751,815)	-	(21,751,815)	-
		400,758,997	460,443,483	400,758,997	460,443,483
16.1					
Provision for inventories					
Balance as at 01st April		-	18,500,000	-	18,500,000
Provision for the year		21,751,815	(18,500,000)	21,751,815	(18,500,000)
Balance as at 31st March		21,751,815	-	21,751,815	-

NOTES TO THE FINANCIAL STATEMENTS

17. FINANCIAL ASSETS

17.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 st March	2024			2023		
	No. of shares	Cost Rs.	Market value Rs.	No. of shares	Cost Rs.	Market value Rs.
Group						
Muller & Phipps (Ceylon) PLC	105,040	115,544	115,544	105,040	115,544	126,048
Colombo Land Developments PLC	25,000	595,000	442,500	25,000	595,000	502,500
Sanasa Development Bank	19,465	1,638,756	632,613	19,465	1,638,756	488,572
		2,349,300	1,190,657		2,349,300	1,117,120
Company						
Muller & Phipps (Ceylon) PLC	105,040	115,544	115,544	105,040	115,544	126,048
Colombo Land Developments PLC	25,000	595,000	442,500	25,000	595,000	502,500
Sanasa Development Bank	19,465	1,638,756	632,613	19,465	1,638,756	488,572
		2,349,300	1,190,657		2,349,300	1,117,120

17.2 FINANCIAL ASSETS MEASURED AT AMORTISED COST

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Fixed Deposit	-	30,000,000	-	30,000,000
NDB Wealth Management	634,164	404,434	634,164	404,434
	634,164	30,404,434	634,164	30,404,434
Total Financial Assets	1,824,821	31,521,554	1,824,821	31,521,554

18. TRADE RECEIVABLES

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Trade debtors - Export		331,743,216	268,304,768	331,743,216	268,304,768
Trade debtors - Local		12,902,688	42,671,846	12,902,688	42,671,846
Provision for impairment losses	18.2	(43,112,971)	(14,287,396)	(43,112,971)	(14,287,396)
		301,532,933	296,689,218	301,532,933	296,689,218

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.

18.1 Trade debtors - Intercompany				
Citrus Silver Ltd		688,645	616,782	688,645
George Steuart Consumer (Pvt) Ltd		7,385,392	36,171,686	7,385,392
George Steuart Ethicals (Pvt) Ltd		-	458,067	-
George Steuart Teas (Pvt) Ltd		-	662,340	-
Hikkaduwa Beach Resort PLC		-	35,618	-
Waskaduwa Beach Resort PLC		520,739	187,204	520,739
		8,594,776	38,131,697	8,594,776
				39,044,714

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
18.2 Provision for impairment losses				
Balance as at 1st April	14,287,396	25,676,501	14,287,396	25,676,501
Provision for the year	28,825,575	12,657	28,825,575	12,657
Write off during the year	-	(11,401,762)	-	(11,401,762)
Balance as at 31st March	43,112,971	14,287,396	43,112,971	14,287,396

19. AMOUNTS DUE FROM RELATED PARTIES

As at 31 st March	Nature of relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
H V A Holdings (Pvt) Ltd	Subsidiary	-	-	359,502	265,640
Hikkaduwa Beach Resort PLC	Affiliate	-	23,000	-	23,000
Citrus Silver Ltd	Affiliate	1,935,125	2,667,953	1,935,125	2,667,953
		1,935,125	2,690,953	2,294,627	2,956,593

20. PREPAYMENTS AND OTHER RECEIVABLES

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Other taxes recoverable	4,067,939	-	4,067,939	-
Prepayment	11,560,890	9,037,842	11,560,890	9,037,842
Other receivables	-	7,343,004	-	7,343,004
	15,628,829	16,380,846	15,628,829	16,380,846

21. DEPOSITS AND ADVANCES

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Advances	39,002,384	33,269,717	39,002,384	33,269,717
Deposits	2,915,960	4,619,040	2,915,960	4,619,040
	41,918,344	37,888,757	41,918,344	37,888,757

NOTES TO THE FINANCIAL STATEMENTS

22. CASH AND CASH EQUIVALENTS

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
22.1 Short-term deposits				
Exports margin accounts	7,266,145	24,360,114	7,266,145	24,360,114
	7,266,145	24,360,114	7,266,145	24,360,114
22.2 Favourable balances				
Cash at banks (USD)	1,515,508	1,970,132	1,515,508	1,970,132
Cash at banks (EUR)	167,324	944,392	167,324	944,392
Cash at banks (LKR)	19,819,726	9,809,134	19,819,726	9,808,019
Cash in hand and cheques in hand	147,754	142,144	147,754	142,144
Total favorable balances	21,650,312	12,865,802	21,650,312	12,864,687
Total short-term deposits and favorable balances	28,916,457	37,225,916	28,916,457	37,224,801
22.3 Unfavourable balances/overdrafts				
Bank overdrafts	129,943,130	261,354,575	129,943,130	261,354,575
Cash and cash equivalents for the purpose of statement of cashflows	(101,026,673)	(224,128,659)	(101,026,673)	(224,129,774)

23. STATED CAPITAL

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 1st April	582,965,063	333,857,588	582,965,063	333,857,588
Issued during the year	-	249,107,475	-	249,107,475
Balance as at 31st March	582,965,063	582,965,063	582,965,063	582,965,063
	Nos.	Nos.	Nos.	Nos.
Shares as at 1st April	116,250,155	66,428,660	116,250,155	66,428,660
Issued during the year	-	49,821,495	-	49,821,495
Shares as at 31st March	116,250,155	116,250,155	116,250,155	116,250,155

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

24. REVALUATION RESERVE

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 01st April	15,013,718	16,701,071	15,013,718	16,701,071
Revaluation surplus on property, plant and equipment	-	1,406,885	-	1,406,885
Deferred tax on revaluation of property, plant and equipment	-	(3,094,238)	-	(3,094,238)
Balance as at 31st March	15,013,718	15,013,718	15,013,718	15,013,718

25. ACCUMULATED LOSSES

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 01st April	(573,046,322)	(527,436,938)	(572,698,793)	(527,134,309)
Loss for the year	(326,229,964)	(45,617,056)	(326,119,987)	(45,572,156)
Actuarial gain on retirement benefit obligation	(2,330,019)	10,960	(2,330,019)	10,960
Deferred tax on actuarial gain on retirement benefit obligation	702,294	(3,288)	702,294	(3,288)
Realisation of revaluation surplus on disposal of assets held for sale	-	-	-	-
Balance as at 31st March	(900,904,011)	(573,046,322)	(900,446,505)	(572,698,793)

26. RETIREMENT BENEFITS OBLIGATION

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 1st April	8,582,785	7,113,868	8,582,785	7,113,868
Interest cost for the year	1,373,245	1,067,080	1,373,245	1,067,080
Current service cost for the year	1,317,212	1,509,185	1,317,212	1,509,185
Gratuity paid during the year	(3,721,417)	(1,096,388)	(3,721,417)	(1,096,388)
Actuarial gain	2,330,019	(10,960)	2,330,019	(10,960)
Balance as at 31st March	9,881,844	8,582,785	9,881,844	8,582,785

26.1 Expenses recognised in profit/loss

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Current service cost	1,317,212	1,509,185	1,317,212	1,509,185
Interest cost	1,373,245	1,067,080	1,373,245	1,067,080
	2,690,457	2,576,265	2,690,457	2,576,265

26.2 Actuarial gain

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Actuarial Gain on Obligation				
Due to change in Demographic Assumptions	(51,995)	(27,920)	(51,995)	(27,920)
Due to change in Financial Assumptions	1,787,265	(1,493,444)	1,787,265	(1,493,444)
Due to Experience adjustment	594,749	1,510,404	594,749	1,510,404
	2,330,019	(10,960)	2,330,019	(10,960)

Actuarial gain recognised in other comprehensive income

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Actuarial gain	2,330,019	(10,960)	2,330,019	(10,960)
	2,330,019	(10,960)	2,330,019	(10,960)

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Demographic Assumptions				
Retirement Age	60 Years	60 Years	60 Years	60 Years
Financial Assumptions				
Discount rate	11.00%	16.00%	11.00%	16.00%
Future salary increases	10.00%	10.00%	10.00%	10.00%
Staff Turnover	19.00%	20.00%	19.00%	20.00%

26.3 Sensitivity of assumptions employed in actuarial valuation

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

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

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
1% increase in discount rate	(419,756)	(279,203)	(419,756)	(279,203)
1% decrease in discount rate	458,807	300,021	458,807	300,021
1% increase in salary escalation rate	503,091	352,110	503,091	352,110
1% decrease in salary escalation rate	(467,841)	(332,140)	(467,841)	(332,140)

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

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Years From the Current Period				
1st Following Year	1,626,864	1,756,322	1,626,864	1,756,322
2nd Following Year	1,401,537	1,564,408	1,401,537	1,564,408
3rd Following Year	1,250,500	1,211,612	1,250,500	1,211,612
4th Following Year	1,045,187	976,755	1,045,187	976,755
5th Following Year	865,500	723,042	865,500	723,042
Between 5 and 11 years	2,629,938	1,920,139	2,629,938	1,920,139
Sum of years 11 and above	1,062,318	430,507	1,062,318	430,507
Total	9,881,844	8,582,785	9,881,844	8,582,785
Weighted Average Duration of Defined Benefit Obligation (Years)	5	4	5	4

27. INTEREST BEARING LOANS AND BORROWINGS

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
27.1 Non-current liabilities					
27.1.1 Secured term loans					
Balance as at 01st April		546,046,098	581,607,500	546,046,098	581,607,500
Loans obtained during the year		-	-	-	-
		546,046,098	581,607,500	546,046,098	581,607,500
Repayments during the year		(53,006,400)	(47,460,648)	(53,006,400)	(47,460,648)
		493,039,698	534,146,852	493,039,698	534,146,852
Effect of movements in foreign exchange		(15,484,898)	11,899,246	(15,484,898)	11,899,246
Balance as at 31st March		477,554,800	546,046,098	477,554,800	546,046,098
Transferred to current liabilities		(114,194,059)	(65,153,010)	(114,194,059)	(65,153,010)
Secured term loans - Non-current borrowings	(a)	363,360,741	480,893,088	363,360,741	480,893,088
Repayable within one year		114,194,059	65,153,010	114,194,059	65,153,010
Repayable between one and five years		363,360,741	480,893,088	363,360,741	480,893,088
Balance as at 31st March		477,554,800	546,046,098	477,554,800	546,046,098
27.1.2 Finance lease obligations					
Balance as at 01st April		5,353,291	-	5,353,291	-
Lease obtained during the year		-	11,628,000	-	11,628,000
Interest in suspense		-	(6,168,000)	-	(6,168,000)
Repayments during the year		(531,709)	(106,709)	(531,709)	(106,709)
Balance as at 31st March		4,821,582	5,353,291	4,821,582	5,353,291
Transferred to current liabilities		(2,325,600)	(2,325,600)	(2,325,600)	(2,325,600)
Finance lease obligations - non-current borrowings	(b)	2,495,982	3,027,691	2,495,982	3,027,691
Finance lease obligations repayable within one year					
Gross liability		531,634	531,634	531,634	531,634
Finance charges		1,793,966	1,793,966	1,793,966	1,793,966
Net lease obligation		2,325,600	2,325,600	2,325,600	2,325,600
Finance lease obligations repayable between one and five years					
Gross liability		4,143,992	4,821,732	4,143,992	4,821,732
Finance charges		2,445,208	3,899,268	2,445,208	3,899,268
Net lease obligation		6,589,200	8,721,000	6,589,200	8,721,000
Total non-current borrowings	(a)+(b)	365,856,723	483,920,779	365,856,723	483,920,779

NOTES TO THE FINANCIAL STATEMENTS

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

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
27.2 Current liabilities					
Packing credit loans and Short-term loans		371,394,699	418,640,649	371,394,699	418,640,649
Secured term loans - repayable within one year		114,194,059	65,153,010	114,194,059	65,153,010
Finance lease obligations - repayable within one year		2,325,600	2,325,600	2,325,600	2,325,600
		487,914,358	486,119,259	487,914,358	486,119,259

27.3 Assets pledged as security against borrowings and the facility details are disclosed in Note 40.

28. GOVERNMENT GRANTS

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 1st April	8,875,126	9,984,526	8,875,126	9,984,526
Recognised in profit or loss during the year	(1,109,400)	(1,109,400)	(1,109,400)	(1,109,400)
Balance as at 31st March	7,765,726	8,875,126	7,765,726	8,875,126
Amounts expected to be recognised after one year	6,656,326	7,765,726	6,656,326	7,765,726
Amounts expected to be recognised within one year	1,109,400	1,109,400	1,109,400	1,109,400
	7,765,726	8,875,126	7,765,726	8,875,126

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

29. DEFERRED TAX LIABILITIES/(ASSETS)

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Balance as at 01st April	(194,360,608)	(71,390,000)	(194,360,608)	(71,390,000)
Origination in profit or loss	(2,180,618)	(126,068,134)	(2,180,618)	(126,068,134)
Recognised in other comprehensive income	(702,294)	3,097,526	(702,294)	3,097,526
Balance as at 31st March	(197,243,520)	(194,360,608)	(197,243,520)	(194,360,608)

Deferred tax provision / reversal for the year

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

Reversal and (origination) of temporary differences

As at 31 st March	Group			
	2024		2023	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligation	9,881,844	2,964,553	8,582,785	2,574,836
Carried forward tax losses	672,284,442	201,685,333	140,536,299	42,160,890
Adjustment on thin capitalisation	-	-	522,526,249	156,757,875
	682,166,286	204,649,886	671,645,333	201,493,601
Deferred tax liabilities				
Property, plant and equipment	6,579,931	1,973,979	5,668,687	1,700,606
Revaluation reserve	18,107,956	5,432,387	18,107,956	5,432,387
	24,687,887	7,406,366	23,776,643	7,132,993
Net deferred tax assets	657,478,399	197,243,520	647,868,690	194,360,608

As at 31 st March	Company			
	2024		2023	
	Temporary difference Rs.	Tax Rs.	Temporary difference Rs.	Tax Rs.
Deferred tax assets				
Retirement benefit obligation	9,881,844	2,964,553	8,582,785	2,574,836
Carried forward tax losses	672,284,442	201,685,333	140,536,299	42,160,890
Adjustment on thin capitalisation	-	-	522,526,249	156,757,875
	682,166,286	204,649,886	671,645,333	201,493,601
Deferred tax liabilities				
Property, plant and equipment	6,579,931	1,973,979	5,668,687	1,700,606
Revaluation reserve	18,107,956	5,432,387	18,107,956	5,432,387
	24,687,887	7,406,366	23,776,643	7,132,993
Net deferred tax asset	657,478,399	197,243,520	647,868,690	194,360,608

Movement in deferred tax balance during the year

As at 31 st March	Balance as at 31 st March 2023 Rs.	Recognised in profit or loss Rs.	Recognised in OCI Rs.	Balance as at 31 st March 2024 Rs.
Retirement benefit obligation	2,574,836	(312,577)	702,294	2,964,553
Adjustment on thin capitalisation	156,757,875	(156,757,875)	-	-
Property, plant and equipment	(1,700,605)	(273,373)	-	(1,973,978)
Revaluation reserve	(5,432,388)	-	-	(5,432,388)
Carried forward tax losses	42,160,890	159,524,443	-	201,685,333
Net deferred tax asset	194,360,608	2,180,618	702,294	197,243,520

NOTES TO THE FINANCIAL STATEMENTS

As per the amendment to the Inland Revenue Act No. 24 of 2017 which was effective from 01st October 2022, the applicable income tax rate of the Company is 30%. Accordingly, 30% has been used in computing the deferred tax since that rate has been substantively enacted as at 31st March 2024.

As at 31 st March	Note	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
30. TRADE PAYABLE					
Tea creditors		12,565	455,000	12,565	455,000
Packing material creditors	30.1	55,345,431	44,799,858	55,345,431	44,799,858
Flavour creditors		6,120,733	5,482,492	6,120,733	5,482,492
		61,478,729	50,737,350	61,478,729	50,737,350
30.1 Trade Payable-Intercompany					
George Steuart Consumer (Pvt) Ltd		-	13,136	-	13,136
George Steuart & Company		1,650,000		1,650,000	
		1,650,000	13,136	1,650,000	13,136
31. DEPOSITS AND ADVANCES					
Advances and deposits from customers		204,629,178	1,790,056	204,629,178	1,790,056
		204,629,178	1,790,056	204,629,178	1,790,056
32. ACCRUED EXPENSES AND OTHER PAYABLES					
Salary and related expenses payable		419,542	-	419,542	-
Freight creditors		11,188,070	11,219,020	11,188,070	11,219,020
Other payables	32.1	68,279,951	78,192,418	68,242,951	78,170,418
		79,887,563	89,411,438	79,850,563	89,389,438
32.1 Other Payables- Related Parties					
George Steuart Travels (Pvt) Ltd		1,792,847	-	1,792,847	-
Citrus Silver Limited		752,904	-	752,904	-
George Steuart Optimize (Pvt) Ltd		10,414,534	1,303,994	10,414,534	1,303,994
		12,960,284	1,303,994	12,960,284	1,303,994

33. AMOUNT DUE TO RELATED PARTIES

As at 31 st March	Nature of relationship	Group		Company	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
George Steuart & Company Ltd	Parent	311,107,912	30,000,000	311,107,912	30,000,000
		311,107,912	30,000,000	311,107,912	30,000,000

34. RISK MANAGEMENT

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

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

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

Risk management framework

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

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

34.1 Credit risk

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

Exposure to credit risk

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

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Carrying amount				
Trade receivable	344,645,904	310,976,614	344,645,904	310,976,614
Cash and cash equivalents	28,916,457	37,225,916	28,916,457	37,224,801
Financial assets measured at fair value through profit or loss	1,190,657	1,117,120	1,190,657	1,117,120
Financial assets measured at amortised cost	634,164	30,404,434	634,164	30,404,434
Amounts due to related party	311,107,912	30,000,000	311,107,912	30,000,000
	686,495,094	409,724,084	686,495,094	409,722,969

All these institutions have been evaluated and rated according to their respective rating criteria.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Domestic	12,902,688	42,671,846	12,902,688	42,671,846
Russia and the CIS States	31,288,652	39,000,294	31,288,652	39,000,294
Far East /Asia	91,827,095	126,160,035	91,827,095	126,160,035
Europe	123,463,710	84,746,789	123,463,710	84,746,789
USA / Canada	25,223,486	18,397,650	25,223,486	18,397,650
Middle East and Africa	59,940,273	-	59,940,273	-
	344,645,904	310,976,614	344,645,904	310,976,614

NOTES TO THE FINANCIAL STATEMENTS

34. RISK MANAGEMENT (CONTD....)

Impairment losses

The aging of trade receivables at the reporting date was;

As at 31 st March	Gross 2024 Rs.	Impairment 2024 Rs.	Gross 2023 Rs.	Impairment 2023 Rs.
Group				
Not past due	260,845,690	-	193,162,744	-
Past due 60-90 days	341,495	-	43,958,469	-
Past due 91-120 days	15,388,035	-	33,197,113	-
Past due 121-365 days	28,561,582	-	19,184,370	-
Past due more than 365 days	39,509,102	43,112,971	21,473,918	14,287,396
	344,645,904	43,112,971	310,976,614	14,287,396
Company				
Not past due	260,845,690	-	193,162,744	-
Past due 60-90 days	341,495	-	43,958,469	-
Past due 91-120 days	15,388,035	-	33,197,113	-
Past due 121-365 days	28,561,582	-	19,184,370	-
Past due more than 365 days	39,509,102	43,112,971	21,473,918	14,287,396
	344,645,904	43,112,971	310,976,614	14,287,396

The movement in the allowance for impairment in respect of trade receivable during the year is given in Note 18.2

34.2 Liquidity risk

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

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

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

As at 31 st March	Carrying amount Rs.	Contractual amount Rs.	Less than 01 year Rs.	More than 01 year Rs.
Group				
31st March 2024				
Non-derivative financial assets				
Trade receivables	301,532,933	301,532,933	301,532,933	-
Amounts due from related parties	1,935,125	1,935,125	1,935,125	-
Financial assets	1,824,821	1,824,821	1,824,821	-
Cash and cash equivalents	28,916,457	28,916,457	28,916,457	-
	334,209,336	334,209,336	334,209,336	-
Non-derivative financial liabilities				
Trade payables	61,478,729	61,478,729	61,478,729	-
Amount due to related parties	311,107,912	311,107,912	311,107,912	-
Bank overdraft	129,943,130	129,943,130	129,943,130	-
Interest bearing loans and borrowings	853,771,081	853,771,081	487,914,358	365,856,723
	1,356,300,852	1,356,300,852	990,444,129	365,856,723

As at 31 st March	Carrying amount Rs.	Contractual amount Rs.	Less than 01 year Rs.	More than 01 year Rs.
31st March 2023				
Non-derivative financial assets				
Trade receivables	296,689,218	296,689,218	296,689,218	-
Amounts due from related parties	2,690,953	2,690,953	2,690,953	-
Financial assets	31,521,554	31,521,554	31,521,554	-
Cash and cash equivalents	37,225,916	37,225,916	37,225,916	-
	368,127,641	368,127,641	368,127,641	-
Non-derivative financial liabilities				
Trade payables	50,737,350	50,737,350	50,737,350	-
Amount due to related parties	30,000,000	30,000,000	30,000,000	-
Bank overdraft	261,354,575	261,354,575	261,354,575	-
Interest bearing loans and borrowings	970,040,038	970,040,038	486,119,259	483,920,779
	1,312,131,963	1,312,131,963	828,211,184	483,920,779
Company				
31st March 2024				
Non-derivative financial assets				
Trade receivables	301,532,933	301,532,933	301,532,933	-
Amounts due from related parties	2,294,627	2,294,627	2,294,627	-
Financial assets	1,824,821	1,824,821	1,824,821	-
Cash and cash equivalents	28,916,457	28,916,457	28,916,457	-
	334,568,838	334,568,838	334,568,838	-
Non-derivative financial liabilities				
Trade payables	61,478,729	61,478,729	61,478,729	-
Amount due to related parties	311,107,912	311,107,912	311,107,912	-
Bank overdraft	129,943,130	129,943,130	129,943,130	-
Interest bearing loans and borrowings	853,771,081	853,771,081	487,914,358	365,856,723
	1,356,300,852	1,356,300,852	990,444,129	365,856,723
31st March 2023				
Non-derivative financial assets				
Trade receivables	296,689,218	296,689,218	296,689,218	-
Amounts due from related parties	2,956,593	2,956,593	2,956,593	-
Financial assets	31,521,554	31,521,554	31,521,554	-
Cash and cash equivalents	37,224,801	37,224,801	37,224,801	-
	368,392,166	368,392,166	368,392,166	-
Non-derivative financial liabilities				
Trade payables	50,737,350	50,737,350	50,737,350	-
Amount due to related parties	30,000,000	30,000,000	30,000,000	-
Bank overdraft	261,354,575	261,354,575	261,354,575	-
Interest bearing loans and borrowings	970,040,038	970,040,038	486,119,259	483,920,779
	1,312,131,963	1,312,131,963	828,211,184	483,920,779

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

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTD....)

34.3 Market risk

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

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

34.3.1 Currency risk

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

Exposure to currency risk

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

Group

As at 31 st March	31 March 2024			
	LKR	USD	SGD	EURO
Trade receivable	12,902,688	696,296	92,810	313,525
Trade payable	17,867,732	145,158	-	-

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

Company

As at 31 st March	31 March 2024			
	LKR	USD	SGD	EURO
Trade receivable	12,902,688	696,296	92,810	313,525
Trade payable	17,867,732	145,158	-	-

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

The following significant exchange rates were applied during the year.

As at 31 st March	Average rate		Reporting date spot rate	
	2024	2023	2024	2023
USD	300	327	300	327
SGD	223	246	223	246
EURO	325	357	325	357

Foreign currency sensitivity

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

As at 31 st March	2024		2023	
	Amount in foreign currency Rs.	LKR amount Rs.	Amount in foreign currency Rs.	LKR amount Rs.
Group				
USD assets	749,901	225,298,969	80,485	26,330,246
Euro assets	314,040	102,130,438	2,647	944,392
SGD assets	92,810	20,687,127	-	-
Total foreign currency denominated assets	1,156,751	348,116,534	83,132	27,274,638
Impact on PBT				
5% strengthening of Rupee		(17,405,827)		(1,363,732)
5% weakening of Rupee		17,405,827		1,363,732
Company				
USD assets	749,901	225,298,969	80,485	26,330,246
Euro assets	314,040	102,130,438	2,647	944,392
SGD assets	92,810	20,687,127	-	-
Total foreign currency denominated assets	1,156,751	348,116,534	83,132	27,274,638
Impact on PBT				
5% strengthening of Rupee		(17,405,827)		(1,363,732)
5% weakening of Rupee		17,405,827		1,363,732

34.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises mainly from the borrowings and investment of excess funds in financial investments. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings and investments at fixed rates expose the Group to fair value interest rate risk.

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

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

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Variable rate instruments				
Financial liabilities	477,554,800	546,046,098	477,554,800	546,046,098
	477,554,800	546,046,098	477,554,800	546,046,098

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

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONTD....)

Increase/decrease in interest rate

As at 31 st March	2024 Effect on profit before tax	
	Group Rs.	Company Rs.
100 bp increase	(4,775,548)	(4,775,548)
100 bp decrease	4,775,548	4,775,548

Increase/decrease in interest rate

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

34.3.3 Equity price risk

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

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

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

Group

The table below shows the diversification of equity investments;

As at 31 st March	2024 Rs.	2023 Rs.
Trading Share		
Quoted equity securities	1,190,657	1,117,120

Sensitivity analysis

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

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

As at 31 st March	Change in year share price of all Companies in which the Group has invested	Effect on profit before tax as a result of gain/losses on equity securities classified as at FVTPL Rs.
Investment in equity shares	+5%	59,533
	-5%	(59,533)

34.4 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 Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas.

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

34.5 Capital management

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

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

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

As at 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
For the year ended 31st March				
Total liabilities	1,658,465,163	1,420,791,368	1,658,428,163	1,420,769,368
Less: Cash and cash equivalents	(28,916,457)	(37,225,916)	(28,916,457)	(37,224,801)
Net debt	1,629,548,706	1,383,565,452	1,629,511,706	1,383,544,567
Total equity	(302,925,231)	24,932,459	(302,467,725)	25,279,988
Debt to adjusted capital ratio as at 31st March	-538%	5549%	-539%	5473%

NOTES TO THE FINANCIAL STATEMENTS

35. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

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

Group

As at 31 st March	Financial assets measured at fair value through profit or loss Rs.	Financial assets measured at amortised cost Rs.	Other financial liabilities at amortised cost Rs.	Total Rs.
2024				
Financial assets				
Financial investments	1,190,657	634,164	-	1,824,821
Trade receivable	-	301,532,933	-	301,532,933
Amounts due from related parties	-	2,294,627	-	2,294,627
Deposits	-	41,918,344	-	41,918,344
Cash and cash equivalents	-	28,916,457	-	28,916,457
	1,190,657	375,296,525	-	376,487,182
Financial liabilities				
Borrowings	-	-	853,771,081	853,771,081
Trade payable	-	-	61,478,729	61,478,729
Amount due to related parties	-	-	311,107,912	311,107,912
Other payables	-	-	284,479,741	284,479,741
Bank overdraft	-	-	129,943,130	129,943,130
	-	-	1,640,780,593	1,640,780,593
2023				
Financial assets				
Financial investments	1,117,120	30,404,434	-	31,521,554
Trade receivables	-	296,689,218	-	296,689,218
Amounts due from related parties	-	2,690,953	-	2,690,953
Deposits	-	37,888,757	-	37,888,757
Cash and cash equivalents	-	37,225,916	-	37,225,916
	1,117,120	404,899,278	-	406,016,398
Financial liabilities				
Borrowings	-	-	970,040,038	970,040,038
Trade payable	-	-	50,737,350	50,737,350
Amount due to related parties	-	-	30,000,000	30,000,000
Other payables	-	-	91,201,494	91,201,494
Bank overdraft	-	-	261,354,575	261,354,575
	-	-	1,403,333,457	1,403,333,457

Company

As at 31 st March	Financial assets measured at fair value through profit or loss Rs.	Financial assets measured at amortised cost Rs.	Other financial liabilities at amortised cost Rs.	Total Rs.
2024				
Financial assets				
Financial investments	1,190,657	634,164	-	1,824,821
Trade receivable	-	301,532,933	-	301,532,933
Amounts due from related parties	-	2,294,627	-	2,294,627
Deposits	-	41,918,344	-	41,918,344
Cash and cash equivalents	-	28,916,457	-	28,916,457
	1,190,657	375,296,525	-	376,487,182
Financial liabilities				
Borrowings	-	-	853,771,081	853,771,081
Trade payable	-	-	61,478,729	61,478,729
Amount due to related parties	-	-	311,107,912	311,107,912
Other payables	-	-	284,479,741	284,479,741
Bank overdraft	-	-	129,943,130	129,943,130
	-	-	1,640,780,593	1,640,780,593
2023				
Financial assets				
Financial investments	1,117,120	30,404,434	-	31,521,554
Trade receivable	-	296,689,218	-	296,689,218
Amounts due from related parties	-	2,956,593	-	2,956,593
Deposits	-	37,888,757	-	37,888,757
Cash and cash equivalents	-	37,224,801	-	37,224,801
	1,117,120	405,163,803	-	406,280,923
Financial liabilities				
Borrowings	-	-	970,040,038	970,040,038
Trade payables	-	-	50,737,350	50,737,350
Amount due to related parties	-	-	30,000,000	30,000,000
Other payables	-	-	91,179,494	91,179,494
Bank overdraft	-	-	261,354,575	261,354,575
	-	-	1,403,311,457	1,403,311,457

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

NOTES TO THE FINANCIAL STATEMENTS

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

35.2 Fair value hierarchy for assets carried at fair value

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

As at 31 st March	Note	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Group					
2024					
Financial assets - Fair value through profit or loss	17.1	1,190,657	-	-	1,190,657
Freehold land and building	12	-	-	4,342,000	4,342,000
Machinery	12	-	-	17,269,436	17,269,436
2023					
Financial assets - Fair value through profit or loss	17.1	1,117,120	-	-	1,117,120
Freehold land and building	12	-	-	4,342,000	4,342,000
Machinery and stores equipment	12	-	-	19,985,515	19,985,515
Company					
2024					
Financial assets - Fair value through profit or loss	17.1	1,190,657	-	-	1,190,657
Freehold land and building	12	-	-	4,342,000	4,342,000
Machinery	12	-	-	17,269,436	17,269,436
2023					
Financial assets - Fair value through profit or loss	17.1	1,117,120	-	-	1,117,120
Freehold land and building	12	-	-	4,342,000	4,342,000
Machinery and stores equipment	12	-	-	19,985,515	19,985,515

36 RELATED PARTY DISCLOSURE

36.1 Parent and ultimate controlling party

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

36.2 Transactions with key management personnel

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

36.2.1 Key management personnel compensation

For the year ended 31 st March	Group		Company	
	2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
Short- term employee benefits including salaries	11,277,500	12,557,000	11,277,500	12,557,000
Total	11,277,500	12,557,000	11,277,500	12,557,000

36.3 Transactions with group companies

36.3.1 Transactions with group companies

Recurrent related party transactions which are in aggregate value exceed 10% of the gross revenue of the Company as per 31st March 2023 audited Financial Statements, which required additional disclosures in the 23/24 annual report under Colombo Stock Exchange rule 9.14.8 (2) is as follows.

Name of the related party	Relationship	Nature of the transaction	Aggregate value of related party transactions entered into during the financial year (Rs)	Transaction value as % gross income	Terms & conditions of the related party transactions
George Stuart & Company Ltd	Parent	Recurrent	591,000,000	25%	Normal Commercial Terms

36.3.2 Recurrent related party transactions

For the year ended 31 st March		Transaction amount		Balance due from / (due to)	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
a. Company	George Stuart & Company Ltd				
Directors	S. A. Amersekere				
	Ms. V.S.A. Fernando				
Relationship	Parent company				
Nature of transaction	Loan received	(591,000,000)	(30,000,000)		
	Loan repayments	330,000,000	90,000,000		
	Interest charge	(20,191,748)	(413,017)		
	Interest paid	83,836	2,700,000		
	Service fee	(3,821,059)	(3,465,231)		
	Payments for service fee	2,171,059	3,465,231		
	Local goods purchase	-	(288,930)		
	Payment received for local sale	-	288,930	(312,757,912)	(30,000,000)
b. Company	H V A Holdings (Pvt) Ltd				
Directors	Ms. V.S.A. Fernando				
	S. A. Amersekere				
Relationship	Common directors /Subsidiary				
Nature of transaction	Receipts for expenses and other transactions	93,862	36,240	359,502	265,640
c. Company	George Stuart Optimize (Pvt) Ltd				
Relationship	Affiliate				
	IT services	17,026,070	1,236,000		
	Payments for IT services	(8,194,752)	(1,310,500)		
	Service fee	1,071,072	1,795,041		
	Payments for service fee	(792,000)	(577,090)	(10,414,384)	(1,303,994)
d. Company	George Stuart Teas (Pvt) Ltd				
Relationship	Affiliate				
	Sales of goods	-	-		
	Payment Received	(662,340)	(1,160,233)		
	Purchase of services	(98,976)	(2,770,140)		
	Payments	98,976	2,770,140	-	662,340

NOTES TO THE FINANCIAL STATEMENTS

36. RELATED PARTY DISCLOSURE (CONTD....)

36.3 Transactions with group companies (CONTD....)

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

For the year ended 31 st March		Transaction amount		Balance due from / (due to)	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
e. Company	George Steuart Ethical (Pvt) Ltd (Formerly known as a Seri Naturals (Pvt) Ltd)				
	S. A. Ameresekere	-	-	-	-
	Ms. V.S.A. Fernando	-	-	-	-
Relationship	Affiliate	-	-	-	-
	Sales of goods	-	-	-	-
	Payment received	(458,067)	(9,700,000)	-	458,067
f. Company	George Steuart Consumer (Pvt) Ltd (Formerly known as a George Steuart Laboratories (Pvt) Ltd)				
Relationship	Affiliate	-	-	-	-
	Sales of goods	20,419,831	52,662,668	-	-
	Receipts	(49,206,132)	(31,753,308)	-	-
	Reimbursements of head office shared expenses	914,725	2,265,873	-	-
	Net Receipts from reimbursements of head office shared expenses	(1,827,735)	(1,352,856)	-	-
	Purchase of goods	(104,771)	(30,602)	-	-
	Payments	117,907	41,766	7,385,392	37,071,567
g. Company	Citrus Silver Ltd				
Directors	Ms. V.S.A. Fernando	-	-	-	-
Relationship	Affiliate	-	-	-	-
	Reimbursements of tea café expenses	7,502,343	5,378,772	-	-
	Net Receipts and re-imburement of tea expenses and other transactions	(8,235,171)	(3,417,344)	-	-
	Sale of goods	2,539,753	2,117,183	-	-
	Receipts	(2,467,890)	(1,816,768)	-	-
	Goods purchase	(946,166)	240,387	-	-
	Payment for purchases	540,071	-	1,870,866	2,937,926
h. Company	George Steuart Travels (Pvt) Ltd				
Relationship	Affiliate	-	-	-	-
	Sales of goods	-	-	-	-
	Receipts	-	(4,000,000)	-	-
	Purchase of goods	(8,262,939)	8,458,998	-	-
	Payments	6,470,092	(8,458,998)	(1,792,847)	-

For the year ended 31 March		Transaction amount		Balance due from / (due to)	
		2024 Rs.	2023 Rs.	2024 Rs.	2023 Rs.
i. Company	Hikkaduwa Beach Resort PLC				
Directors	S.A. Ameresekere	-	-	-	-
Relationship	Common directors	-	-	-	-
	Fixed Assets Sale	-	23,000	-	-
	Payment received - PPE Sale	(23,000)	-	-	-
	Sale of goods	314,193	123,569	-	-
	Receipts	(349,811)	(87,951)	-	58,618
j. Company	Waskaduwa Beach Resort PLC				
Directors	S. A. Ameresekere	-	-	-	-
	Ms. V.S.A. Fernando	-	-	-	-
Relationship	Common directors				
	Sale of goods	2,211,904	312,248	-	-
	Receipts	(1,878,369)	(125,044)	520,739	187,204

36.4 Terms and conditions of transactions with related parties

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

37. COMMITMENTS AND CONTINGENCIES

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

38. EVENTS AFTER THE REPORTING DATE

38.1 Rights Issue

Subsequent to the reporting date, consequent to the application made by the Company, the CSE by its letter dated 25th July 2024, granted to the Company approval in principle to issue and list new shares by way of rights issue. Shareholders approved the ordinary resolution in EGM held on 15th August 2024 to issue 128,276,033 new ordinary voting shares in the proportion of (32) new ordinary shares for every twenty nine (29) shares held by the holders of ordinary voting shares at an issue price of Rs 2.90 per share amounting a total Rights Issue of Rs 372,000,496/-.

Other than that there have been no material events occurring since the reporting date that require adjustments to or disclosure in the Financial Statements.

39. GOING CONCERN

The Board of Directors of the Company / Group has determined that the use of going concern assumption in the preparation of Financial Statements as at 31st March 2024 is appropriate based on following factors.

39.1 Company

The Company has reported a net loss of Rs. 326,119,987/- during the year ended 31st March 2024 (2023: Net loss of Rs.45,572,156/-) and, as of that date, the Company's current liabilities exceeded its current assets by Rs.483,158,262/- (2023- Rs.37,394,826/-). The negative net assets of the Company as at the reporting date was Rs.302,467,724/- (2023: positive net assets Rs.25,279,988/-). The net asset of the Company is less than half of stated capital situation in terms of section 220 of the Companies Act No. 07 of 2007.

NOTES TO THE FINANCIAL STATEMENTS

However, having noted the above position, the Board of Directors of the Company has determined that the use of going concern assumption in the preparation of Financial Statements of the Company for the year ended 31st March 2024 is appropriate based on following factors.

- a) The cash flow forecast of the Company for the period up to next 12 months.
- b) The continued support of the parent company, George Steuart & Company Ltd.
- c) The forthcoming rights issue of Rs 372,000,496 which will be fully subscribed by the parent company, is expected to reverse the company's current net asset deficit and put it into a positive position.
- d) The Company's ability to settling outstanding bank loans, lease rental, statutory payables and other liabilities when they fall due.
- e) The Company has moved away from its heavy reliance on the Russian market and diversified its market mix to include markets such as Europe, the Far East and middle east through the acquisition of new markets and customers at better margins. Accordingly, the Company continues to participate in selected strategically important Global Trade fairs. The Company has embarked introducing successful new product developments such as a Wellness Range, Moringa Range, Tea Extracts, and Tea Syrups etc. In addition, the Company is focused on increasing its sales of value-added tea and Tea extracts whilst also pursuing opportunities in the herbal tea sector.

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

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

- (f) Company has already started negotiaiton with foreign principals to venture in to "Herbs" business and penetrate in to local market from next financial year.

39.2 Group

The Group has reported a net loss of Rs. 326,229,964/- during the year ended 31st March 2024 (2023: Net loss of Rs.45,617,056/-) and, as of that date, the Group's current liabilities exceeded its current assets by Rs.483,555,764/-, (2023- Rs.37,681,351/-). The negative net assets of the Group as at the reporting date was Rs.302,925,230/- (2023:positive net assets Rs.24,932,459/-). The net asset of the Group is less than half of stated capital situation in terms of section 220 of the Companies Act No. 07 of 2007.

H V A Foods PLC is a significant component in the Group. Hence, the Directors of the Group are confident that the financial position of the Group will improve in the future as a result of steps taken by the Company as outlined in Note 38.1 above.

40. ASSETS PLEDGED AS SECURITIES AND FACILITY DETAILS

40.1 ASSETS PLEDGED AS SECURITIES

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

40.2 FACILITY DETAILS

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

Lender	Facility type	Security	Interest rate	Amount of facility (Rs. / US\$) Rs. /USD	Balance as at 31st March 2024 Rs.	Balance as at 31st March 2023 Rs.
People's Bank	Long-term loan	a). Letter of hypothecation	3 month SOFR+5.0% p.a. or floor rate of 10.0% p.a which ever is higher	USD 350,000	37,554,800	68,046,098
National Development Bank PLC	Packing credit loans	a). corporate guarantee from George Steuart & Company Ltd (parent company)	LKR - AWPLR (W)+1.5% p.a/ USD -7.95% p.a	USD 1,500,000/ LKR 578,000,000	212,877,912	242,453,550
	Short Term Loans		AWPLR (W) +1.25% p.a	-	50,000,000	-
	Long-term loan		10.80% p.a	LKR 500,000,000	440,000,000	478,000,000
	Overdraft		AWPLR (W)+1.5%	LKR 20,000,000	33,460,995	153,833,548
Hatton National Bank PLC	Packing credit loans	a). corporate guarantee from George Steuart & Company Ltd (parent company)	USD: 03M SOFR+3.75% LKR: Market rates	USD 1.0Mn or equivalent LKR	8,516,783	176,187,099
	Short Term Loans		AWPLR +0.5% p.a. (weekly review)		100,000,000	-
	Overdraft		AWPLR +0.5% p.a. (weekly review)		100,000,000	96,482,136

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Report of the Auditors given on pages 58 to 62 of the Annual Report

As per the Sections 150(1), 151, 152(1) and (2), 153 (1) and (2) of the Companies Act No. 07 of 2007, the Directors are required to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and its subsidiary as at the end of the financial year and of the results

of its operations for the financial year, ensure that they are completed within six months or such extended period as may be determined by the Registrar General of Companies, certified by the person responsible for the preparation of the Financial Statements that they are in compliance with the said Companies Act and dated and signed on behalf of the Board by two Directors of the Company.

In terms of section 166(1) read together with sections 168(1)(b) and (c) and section 167(1) of the Companies Act, the Directors shall cause a copy of the aforesaid Financial Statements together with the Annual Report of the Board of Directors of the Company prepared as per section 166(1) of the Companies Act to be sent to every shareholder not

less than fifteen working days before the date fixed for holding the Annual General Meeting.

The Directors consider that in preparing these Financial Statements set out on pages 67 to 79, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgment and that all applicable Accounting Standards, as relevant, have been followed.

The Directors are also confident that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements as disclosed in Note 39.

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

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

Financial Statements prepared and presented in this report have been prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS)

and are consistent with the underlying books of accounts and are in conformity with the requirements of Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

COMPLIANCE REPORT

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

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

By Order of the Board of
H V A Foods PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

30th August 2024

INVESTOR INFORMATION

SHARE DISTRIBUTION

Shareholding as at 31st March 2024

From	To	No of Holders	No of Shares	%
1	1,000	2,163	778,906	0.6700
1,001	10,000	1,007	3,824,46	3.2899
10,001	100,000	310	9,143,383	7.8653
100,001	1,000,000	32	8,692,091	7.4771
Over 1,000,000	-	5	93,811,315	80.6978
		3,517	116,250,155	100.0000

CATEGORIES OF SHAREHOLDERS

From	No of Holders	No of Shares	%
Local Individuals	3,393	20,905,692	17.9834
Local Institutions	106	95,017,587	81.7354
Foreign Individuals	17	101,265	0.0871
Foreign Institutions	1	225,611	0.1941
	3,517	116,250,155	100.0000

DIRECTORS' SHAREHOLDING AS AT 31 ST MARCH 2024

From	No of Shares	%
B. S. M. De Silva	1,600	-
S.U Dassanayake	-	-
S. A. Ameresekere	-	-
Ms. V. S. A. Fernando	-	-
M. P. D. Cooray	-	-

SHARE PRICES FOR THE YEAR

Market price per share	As at 31/03/2024	As at 31/03/2023
Highest	Rs 5.70	Rs 6.90
Lowest	Rs 3.10	Rs 2.80
Last Traded	Rs 3.70	Rs 4.20

INVESTOR INFORMATION

TWENTY MAJOR SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH 2024

Name	No of Shares 31.03.2024	% of holding	No of Shares 31.03.2023	% of holding
1 GEORGE STEUART & CO LTD A/C NO 01	78,006,977	67.100	78,006,977	67.100
2 H V A LANKA EXPORTS (PRIVATE) LIMITED	11,625,015	10.000	11,625,015	10.000
3 MR. A.R.H. FERNANDO	1,747,755	1.503	1,747,755	1.503
4 DFCC BANK PLC/MASKELIYA TEA EXPORTS (PVT) LTD	1,236,568	1.064	1,236,568	1.064
5 SENKADAGALA FINANCE PLC/S.GOBINATH	1,195,000	1.030	-	-
6 DR. S.M.T.B. SAMARAKOON	646,598	0.560	651,469	0.560
7 MR. M.T. RAJAB KHAN	561,708	0.480	539,566	0.464
8 MRS. R.M.N. WIJESEKARA	561,174	0.480	561,174	0.480
9 MR. G.A.M.P. CHANDANA	500,000	0.430	500,000	0.430
10 MR. T.G. THORADENIYA	444,636	0.380	444,636	0.380
11 MR. R.E. RAMBUKWELLE	442,999	0.380	522,909	0.450
12 MR. J.A.M. JIFFRY	401,000	0.340	400,000	0.340
13 DIALOG FINANCE PLC/S.D.DIVAKARAGE	400,193	0.340	400,193	0.340
14 MR. H.A. NASAR	381,673	0.330	399,706	0.340
15 MR. S.M. NAZEER	329,205	0.280	329,205	0.280
16 LAKE DRIVE HOLDINGS (PRIVATE) LIMITED	309,522	0.270	309,522	0.270
17 ASSETLINE FINANCE LTD/P.B.C. VIDURANGA	255,468	0.220	-	-
18 MR. K.M.S.M. RAZIK	254,354	0.220	313,854	0.270
19 EST OF LAT D. EASSUWAREN (DECEASED)	237,968	0.200	237,968	0.200
20 MR. M.H.A. KAMIL	226,064	0.190	236,064	0.190
SUB TOTAL	99,763,877	85.797	98,462,581	84.651
OTHERS	16,486,278	14.203	17,787,574	15.349
TOTAL	116,250,155	100.000	116,250,155	100.000

PUBLIC HOLDING

Public Holding percentage as at 31st March 2024 = 21.392%.

Number of Public shareholders representing the above percentage = 3,513

FLOAT ADJUSTED MARKET CAPITALISATION

The float adjusted market capitalisation of LKR 92,014,589.60.

The Float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, and the Company has complied with the minimum public holding requirement applicable under the said Option.

FIVE YEAR SUMMARY

For the year ended 31 March	2024	2023	2022	2021	2020
TRADING RESULTS (Rs.)					
Revenue	1,842,864,051	2,353,909,140	1,261,234,481	1,164,440,585	850,380,041
Cost of Sales	(1,593,102,962)	(2,102,798,498)	(1,215,324,928)	(1,032,347,737)	(763,337,326)
Other Operating Income	11,309,229	20,058,758	94,166,619	6,193,976	19,868,890
Profit before Finance Charges	(87,472,664)	80,218,528	(192,296,415)	164,572,708	(25,942,511)
Finance Cost	(242,569,962)	(255,035,811)	(58,438,227)	(91,573,025)	(115,710,860)
Finance Income	1,742,020	3,176,993	1,781,686	293,965	245,956
Profit after Income Tax	(328,300,605)	(171,640,290)	(248,952,956)	73,293,649	(141,407,415)
Income Tax on Profits	2,180,618	126,068,134	20,066,395	5,269,058	15,797,559
Profit/(Loss) after Income Tax	(326,119,987)	(45,572,156)	(228,886,561)	78,562,707	(125,609,856)
SHAREHOLDERS FUNDS (Rs.)					
Stated Capital	582,965,063	582,965,063	333,857,588	333,857,588	333,857,588
Reserves	(885,432,787)	(557,685,075)	(510,433,238)	(317,935,044)	(396,570,775)
NET ASSETS	(302,467,724)	25,279,988	(176,575,650)	15,922,544	(62,713,187)
ASSETS (Rs.)					
Property, Plant & Equipment	50,875,260	51,803,306	44,154,530	50,190,533	367,597,459
Goodwill	263,849,498	263,849,498	263,849,498	263,849,498	-
Intangible Assets	6,117,152	7,930,691	8,312,887	7,242,340	2,792,340
Investment in Subsidiary	45,000,001	45,000,001	45,000,001	45,000,001	45,000,001
Deferred Tax Assets	197,243,520	194,360,608	71,390,000	14,776,364	9,201,726
Current Assets	792,875,007	883,105,252	788,132,100	613,306,898	465,807,309
Non-Current Assets Classified as held for sale	-	-	-	291,537,524	-
LIABILITIES (Rs.)					
Non-current Liabilities	382,394,893	500,269,290	552,828,994	263,027,108	292,394,747
Current Liabilities	1,276,033,269	920,500,078	844,585,672	1,006,953,506	660,717,275
NET ASSETS (Rs.)	(302,467,724)	25,279,988	(176,575,650)	15,922,544	(62,713,187)
RATIOS & OTHER INFORMATION					
Current ratio	0.62	0.96	0.93	0.61	0.70
Quick Assets Ratio	0.31	0.46	0.74	0.46	0.53
Interest Cover (No. of times)	(0.41)	0.37	(2.15)	2.15	(0.22)
Debt Equity Ratio (%)	(5.48)	5,620.13	(791.40)	7,029.00	(1,464.00)
Return on Equity (%)	(107.82)	(180.27)	(129.63)	493.00	(191.15)
Return on Total Assets (%)	(24.05)	(3.15)	(18.75)	6.11	(14.11)
Net Asset Value per Share	(2.60)	0.22	(2.66)	0.24	0.94
Earnings Per Share (Rs.)	(2.81)	(0.39)	(3.45)	1.18	(1.89)
Revenue Growth (%)	(0.22)	86.64	8.31	36.93	(22.48)
Dividend per Share	Nil	Nil	Nil	Nil	Nil
Dividend pay out	Nil	Nil	Nil	Nil	Nil

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Fourteenth (14th) Annual General Meeting of the Company will be held on 30th September 2024 at 9.30 a.m. at the Sri Lanka Foundation, Lecture Hall No. 03, No. 100, Padanama Mawatha, Independence Square, Colombo 07, for the following purposes:

1. Ordinary Business

- 1.1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and its subsidiary and the Statement of Accounts for the year ended 31st March 2024 with the Report of the Auditors thereon.
- 1.2 To re-elect as a Director Mr. Mututantrige Parakrama Devaka Cooray who retires by rotation in terms of Article 88(j) of the Articles of Association of the Company.
- 1.3 To re-elect Mr. Samantha Pradeep Samarawickrama Ranatunga who retires in terms of Article 95 of the Articles of Association of the Company as a Director.
- 1.4 To re-elect Mr. Christopher Graham Stork who retires in terms of Article 95 of the Articles of Association of the Company as a Director.
- 1.5 To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.
- 1.6 To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.

2 Special Business

- 2.1 To discuss the report set out under paragraph FURTHER REPORT ON THE SERIOUS LOSS OF CAPITAL POSITION OF THE COMPANY on the page 55 of the Report of the Directors, prepared in terms of section 220 of the Companies Act No 7 of 2007, and the financial position of the Company; being an update to the Report placed before the shareholders at the Extraordinary General Meeting held on 7th December 2019.
- 2.2 To consider, and if thought fit to pass the following resolution as an ordinary resolution
"the shareholders participating at the meeting, having read and considered the Report of the Directors; prepared in terms of section 220 of the Companies Act No. 07 of 2007; dated 30th August 2024 as set out under paragraph FURTHER REPORT ON THE SERIOUS LOSS OF CAPITAL POSITION OF THE COMPANY of the Directors Report, Prepared in terms of section 220 of the Companies Act No. 07 of 2007, and explanations given by the Board of Directors hereby resolve that the directors of the company be authorized to carry on the business of the company to the best advantage of all shareholders of the Company"

By order of the Board

H V A FOODS PLC



P W CORPORATE SECRETARIAL (PVT) LTD

Secretaries

30th August 2024

Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder of the Company.
3. A Form of Proxy accompanies this Notice.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company, No.118, Braybrooke Place, Colombo 02, Sri Lanka by 9.30 p.m. on 28th September 2024.

FORM OF PROXY

I/We* (NIC/Passport/Co. Reg. No.)
of being a shareholder/s of H V A FOODS PLC hereby appoint
..... (NIC/Passport No.....) of..... or failing him/her*

S.P.S. Ranatunga	or failing him*
C.G. Stork	or failing him*
S.U. Dassanayake	or failing him*
S.A. Ameresekere	or failing him*
Ms. V.S.A. Fernando	or failing her*
M.P.D. Cooray	

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Fourteenth Annual General Meeting of the Company to be held on 30th September 2024 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

1 Ordinary Business	For	Against
1. To re-elect as a Director Mr. Mututantrige Parakrama Devaka Cooray who retires by rotation in terms of Article 88(j) of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. Samantha Pradeep Samarawickrama Ranatunga who retires in terms of Article 95 of the Articles of Association of the Company as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Christopher Graham Stork who retires in terms of Article 95 of the Articles of Association of the Company as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Messrs BDO Partners, Chartered Accountants as the Auditors of the Company and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine donations for the year ending 31st March 2025 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>
2 Special Business	For	Against
1. To consider and if thought fit to pass the Ordinary Resolution set out under item 2.2 of the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....
Signature of Shareholder/s

*Please delete what is inapplicable.

FORM OF PROXY

INSTRUCTIONS FOR COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
2. The completed Proxy should be at the Registered Office of the Company, No.118, Braybrooke Place, Colombo 02, Sri Lanka by 9.30 p.m. on 28th September 2024.
3. The Proxy shall –
 - (a) In the case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the Company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute. (as applicable)
4. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
5. In the case of joint holders the Form of Proxy must be signed by the first holder.

CORPORATE INFORMATION

NAME OF COMPANY

H V A Foods PLC

LEGAL FORM

A Public Quoted Company with limited liability, incorporated under the provisions of Companies Act No.7 of 2007.

DATE OF INCORPORATION

22nd August 1997

REGISTERED OFFICE OF THE COMPANY

No 118, Braybrooke Place, Colombo 02

SUBSIDIARY COMPANY

H V A Holding (Pvt) Ltd

COMPANY REGISTRATION NO

PV 1765 PB/PQ

NATURE OF THE BUSINESS

Processing, packing and exporting of value-added teas.

STOCK EXCHANGE LISTING

The Ordinary Shares are listed on Colombo Stock Exchange

DIRECTORS

S.P. S. Ranatunga – Chairman / Independent Non-Executive Director (appointed w.e.f. 17th April 2024)

C. G. Stork – Executive Director / Chief Executive Officer (appointed w.e.f. 1st April 2024)

S. U. Dassanayake – Chief Operating Officer/Executive Director

S. A. Ameresekere – Non-Executive Director (re-designated w.e.f. 1st April 2024)

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

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

SECRETARIES

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

REGISTRARS

Central Depository Systems (Pvt) Limited
Ground Floor, M & M Centre
341/5, Kotte Road
Rajagiriya

LAWYERS

Capital Law Chambers and Corporate Consultants
75/6, Ward Place,
Colombo 07

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

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

BANKERS

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

INVESTOR RELATIONS

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

Heladiv[®]
T E A F R O M P A R A D I S E

118 Braybrooke Place,
Colombo 02,
Sri Lanka