

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



EY

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RdeS/VM/MRH

26 October 2022

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

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

Dear Sirs/Madams,

Introduction

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

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

1. Incorporation

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

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

2. Financial Information

2.1 Five Year Summary of Audited Financial Statements

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



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2.2 Audited Financial Statements for the year ended 31 March 2022

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

2.3 Audit Reports

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

2.4 Accounting Policies

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

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

2.5 Dividends

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

2.6 Events after Reporting Date

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

3. Restriction on Use

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

Yours faithfully,

STATEMENT OF FINANCIAL POSITION

Five Year Summary

| As at 31 March | 2021/22 Rs. | 2020/21 Rs. | 2019/20 Rs. | 2018/19 Rs. | 2017/18 Rs. |
|-------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | | |
| Non Current Assets | | | | | |
| Right-of-use Assets | 168,027,881 | 181,434,971 | 195,819,005 | 206,155,699 | 218,803,034 |
| Freehold Property, Plant & Equipment | 1,527,367,899 | 1,596,105,041 | 1,635,064,175 | 615,484,117 | 652,860,233 |
| Bearer Biological Assets | 2,225,510,018 | 2,235,530,646 | 2,232,460,902 | 2,338,677,920 | 2,225,065,611 |
| Consumable Biological Assets | 1,439,365,093 | 1,289,675,829 | 1,025,776,037 | 827,849,337 | 760,296,260 |
| Other Non Current Financial Assets | 1,170,000 | 31,118,823 | 77,270,497 | 185,649,584 | 186,816,778 |
| | <u>5,361,440,891</u> | <u>5,333,865,310</u> | <u>5,166,390,617</u> | <u>4,173,816,657</u> | <u>4,043,841,916</u> |
| Current Assets | | | | | |
| Produce on Bearer Biological Assets | 10,852,244 | 8,855,936 | 2,692,042 | 5,974,594 | 9,394,939 |
| Inventories | 473,853,608 | 515,934,251 | 426,707,466 | 506,041,559 | 607,222,307 |
| Trade and Other Receivables | 277,576,369 | 290,942,821 | 214,321,375 | 166,010,291 | 210,539,922 |
| ESC Recoverable | - | - | - | 61,842,446 | 50,420,309 |
| Amounts due from Related Companies | 421,265,461 | 379,463,925 | 12,459,418 | 51,542,825 | 34,813,161 |
| VAT Recoverable | - | - | - | 27,269,963 | 27,804,714 |
| Short Term Investment | 45,567,123 | 28,842,466 | 27,066,786 | 24,792,868 | 22,500,000 |
| Cash & Bank Balances | 47,788,036 | 124,628,054 | 51,455,680 | 64,624,309 | 170,843,804 |
| | <u>1,276,902,841</u> | <u>1,348,667,452</u> | <u>734,702,768</u> | <u>908,098,855</u> | <u>1,133,539,155</u> |
| Total Assets | <u>6,638,343,731</u> | <u>6,682,532,763</u> | <u>5,901,093,385</u> | <u>5,081,915,511</u> | <u>5,177,381,071</u> |
| EQUITY AND LIABILITIES | | | | | |
| Capital and Reserves | | | | | |
| Stated Capital | 1,730,436,695 | 1,270,787,250 | 910,787,250 | 910,787,250 | 910,787,250 |
| Fair Value Reserve of Financial Assets at FVOCI | (182,358,468) | (152,409,645) | (106,257,971) | (2,334,390) | (1,167,195) |
| Timber Reserve | 1,319,130,778 | 1,177,034,452 | 921,591,957 | 733,518,942 | 675,233,100 |
| Revaluation Reserve | 777,101,919 | 811,192,701 | 851,698,192 | - | - |
| Retained Profit/(Loss) | (2,013,929,409) | (2,452,841,515) | (2,546,584,851) | (1,174,976,786) | (931,809,510) |
| Total Equity | <u>1,630,381,515</u> | <u>653,763,244</u> | <u>31,234,578</u> | <u>466,995,017</u> | <u>653,043,645</u> |
| Non Current Liabilities | | | | | |
| Interest Bearing Loans & Borrowings | 740,018,470 | 753,168,178 | 920,224,238 | 849,869,288 | 1,118,960,801 |
| Retirement Benefit Obligations | 1,129,917,707 | 1,557,598,881 | 1,531,478,560 | 1,341,107,480 | 1,177,097,334 |
| Deferred Income | 192,565,401 | 197,098,095 | 203,194,616 | 208,754,782 | 217,478,744 |
| Liability to Make Lease Payment | 125,912 | 127,970 | 129,872 | 142,381 | 144,809 |
| Deferred Tax Liability | 186,627,782 | 112,097,147 | 159,138,004 | - | - |
| | <u>2,249,255,272</u> | <u>2,620,090,271</u> | <u>2,814,165,290</u> | <u>2,399,873,930</u> | <u>2,513,681,688</u> |
| Current Liabilities | | | | | |
| Interest Bearing Loans & Borrowings | 457,357,120 | 573,466,758 | 515,321,869 | 347,728,179 | 187,565,774 |
| Lease Liability | 2,058 | 1,902 | 1,138,292 | 803 | - |
| Trade and Other Payables | 1,832,361,991 | 1,959,765,223 | 1,695,513,188 | 1,374,113,717 | 1,309,625,235 |
| Dividend Payable | - | - | 10,027,606 | 10,027,606 | 10,027,606 |
| Amounts due to Related Companies | 28,690,899 | 437,918,793 | 402,739,829 | 67,162,700 | 144,976,608 |
| Income Tax Payable | 24,300,700 | 16,871,712 | 12,652,091 | 12,652,091 | 12,872,755 |
| Bank Overdraft | 415,994,176 | 420,654,860 | 418,300,641 | 403,361,469 | 345,587,760 |
| | <u>2,758,706,944</u> | <u>3,408,679,248</u> | <u>3,055,693,516</u> | <u>2,215,046,565</u> | <u>2,010,655,738</u> |
| Total Equity and Liabilities | <u>6,638,343,731</u> | <u>6,682,532,763</u> | <u>5,901,093,385</u> | <u>5,081,915,511</u> | <u>5,177,381,071</u> |

Net Assets per Share 3.91 2.01 0.13 1.99 2.78

Director - Finance

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

Director

Director

26 October 2022
Colombo

STATEMENT OF PROFIT OR LOSS

Five Year Summary

For the Year Ended 31 March

| | 2021/22 Rs. | 2020/21 Rs. | 2019/20 Rs. | 2018/19 Rs. | 2017/18 Rs. |
|---------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 4,486,527,182 | 4,291,538,466 | 3,187,556,166 | 3,995,018,402 | 4,667,281,393 |
| Cost of Sales | (4,423,317,778) | (4,120,858,598) | (4,223,017,837) | (3,804,394,123) | (3,997,767,507) |
| Gross Profit/ (Loss) | 63,209,404 | 170,679,868 | (1,035,461,671) | 190,624,279 | 669,513,886 |
| Gains/(loss) on change in fair value of biological assets | 158,117,372 | 269,955,747 | 197,794,763 | 54,865,497 | 103,800,583 |
| Other Income | 158,365,199 | 87,490,862 | 56,114,245 | 48,798,936 | 76,788,338 |
| Administrative Expenses | (130,433,899) | (148,845,519) | (130,432,772) | (122,729,391) | (117,142,567) |
| Finance Income | 32,122,849 | 6,982,532 | 2,414,795 | 3,004,602 | - |
| Finance Cost | (221,474,029) | (250,833,197) | (284,822,058) | (277,726,131) | (191,039,597) |
| Profit/ (Loss) Before Tax | 59,906,896 | 135,430,293 | (1,194,392,699) | (103,162,208) | 541,920,644 |
| Income Tax Expense | (32,073,542) | 54,165,592 | (17,541,284) | 220,664 | (30,451,459) |
| Profit/ (Loss) for the year from continuing operations | 27,833,354 | 189,595,885 | (1,211,933,983) | (102,941,543) | 511,469,184 |
| Earnings Per share | 0.09 | 0.81 | (5.16) | (0.44) | 3.90 |

STATEMENT OF OTHER COMPREHENSIVE INCOME

Five Year Summary

| For the Year Ended 31 March | 2021/22 Rs. | 2020/21 Rs. | 2019/20 Rs. | 2018/19 Rs. | 2017/18 Rs. |
|--------------------------------------------------------------------------------------------------------------|----------------|----------------|-----------------|----------------|----------------|
| Profit/(loss) for the year | 27,833,354 | 189,595,885 | (1,211,933,983) | (102,941,543) | 511,469,184 |
| Other Comprehensive Income | | | | | |
| Net other comprehensive loss to be reclassified to profit or loss in subsequent periods | | | | | |
| Net (loss) / gain on financial assets at fair value through OCI | (29,948,823) | (46,151,674) | (103,923,581) | (1,167,195) | (1,167,195) |
| Tax Effect | - | - | - | - | - |
| | (29,948,823) | (46,151,674) | (103,923,581) | (1,167,195) | (1,167,195) |
| Revaluation Surplus on Buildings | - | - | 990,346,735 | - | - |
| Tax Effect | - | - | (138,648,543) | - | - |
| | - | - | 851,698,192 | - | - |
| Remeasurement gains/(Losses) on defined benefit plan | 579,982,453 | 133,055,257 | 33,022,015 | (81,939,891) | (128,975,219) |
| Tax Effect | (60,898,158) | (13,970,802) | (4,623,082) | - | - |
| | 519,084,295 | 119,084,455 | 28,398,933 | (81,939,891) | (128,975,219) |
| Net other comprehensive Income/ (loss) not to be reclassified to profit or loss in subsequent periods | 489,135,472 | 72,932,781 | 776,173,544 | (83,107,086) | (130,142,414) |
| Other comprehensive income for the year, net of tax | 489,135,472 | 72,932,781 | 776,173,544 | (83,107,086) | (130,142,414) |
| Total comprehensive income for the year, net of tax | 516,968,827 | 262,528,666 | (435,760,439) | (186,048,628) | 381,326,770 |

STATEMENT OF CHANGES IN EQUITY
Five Year Summary

| | Stated Capital | Fair Value Reserve of Financial Assets at FVOCI | Timber Reserve | Revaluation Reserve | Retained Profit/ (Loss) | Total |
|--------------------------------------------------------------------|----------------|-------------------------------------------------|----------------|---------------------|-------------------------|-----------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Balance as at 01 April 2017 | 667,787,249 | - | 570,407,035 | - | (1,209,477,409) | 28,716,875 |
| Net Profit for the year | - | - | - | - | 511,469,184 | 511,469,184 |
| Other Comprehensive Income/ (Loss) for the year, net of tax | - | (1,167,195) | - | - | (128,975,219) | (130,142,414) |
| Gain on change in fair value of Consumable Biological Assets | - | - | 107,367,498 | - | (107,367,498) | - |
| Realised gain on Harvested Valuable Timber Tress | - | - | (2,541,434) | - | 2,541,434 | - |
| Issue of Shares | 243,000,000 | - | - | - | - | 243,000,000 |
| Balance as at 31 March 2018 | 910,787,249 | (1,167,195) | 675,233,100 | - | (931,809,510) | 653,043,645 |
| Net Loss for the year | - | - | - | - | (102,941,543) | (102,941,543) |
| Other Comprehensive Income/ (Loss) for the year, net of tax | - | - | - | - | (81,939,891) | (81,939,891) |
| Gain on change in fair value of Consumable Biological Assets | - | - | 58,285,842 | - | (58,285,842) | - |
| Transfer of fair value reserve of equity instruments designated at | - | (1,167,195) | - | - | - | (1,167,195) |
| Balance as at 31 March 2019 | 910,787,249 | (2,334,390) | 733,518,942 | - | (1,174,976,786) | 466,995,017 |
| Net Loss for the year | - | - | - | - | (1,211,933,983) | (1,211,933,983) |
| Other comprehensive income for the year, net of tax | - | (103,923,581) | - | 851,698,192 | 28,398,933 | 776,173,544 |
| Gain / (loss) on change in fair value of Consumable biological | - | - | 201,077,315 | - | (201,077,315) | - |
| Realised gain on harvested valuable timber trees | - | - | (13,004,300) | - | 13,004,300 | - |
| Balance as at 31 March 2020 | 910,787,249 | (106,257,971) | 921,591,957 | 851,698,192 | (2,546,584,851) | 31,234,578 |

Agarapatana Plantations Limited

Appendix 01

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

| | | | | | | |
|----------------------------------------------------------------|----------------------|----------------------|----------------------|--------------------|------------------------|----------------------|
| Net Profit / (Loss) for the year | - | - | - | - | 189,595,885 | 189,595,885 |
| Issue of shares | 360,000,000 | - | - | - | - | 360,000,000 |
| Other comprehensive income/ (loss) for the year, net of tax | - | (46,151,674) | - | - | 119,084,455 | 72,932,781 |
| Gain / (loss) on change in fair value of Consumable biological | - | - | 263,791,854 | - | (263,791,854) | - |
| Realised gain on harvested valuable timber trees | - | - | (8,349,359) | - | 8,349,359 | - |
| Transfer from Revaluation Reserve | - | - | - | (40,505,491) | 40,505,491 | - |
| Balance as at 31 March 2021 | 1,270,787,249 | (152,409,645) | 1,177,034,452 | 811,192,701 | (2,452,841,515) | 653,763,244 |
| Net Profit / (Loss) for the year | - | - | - | - | 27,833,354 | 27,833,354 |
| Issue of shares | 459,649,445 | - | - | - | - | 459,649,445 |
| Other comprehensive income/ (loss) for the year, net of tax | - | (29,948,823) | - | - | 519,084,295 | 489,135,472 |
| Gain / (loss) on change in fair value of Consumable biological | - | - | 156,121,064 | - | (156,121,064) | - |
| Realised gain on harvested valuable timber trees | - | - | (14,024,738) | - | 14,024,738 | - |
| Transfer from Revaluation Reserve | - | - | - | (38,090,259) | 38,090,259 | - |
| Deferred Tax effect on Revaluation Reserve | - | - | - | 3,999,477 | (3,999,477) | - |
| Balance as at 31 March 2022 | 1,730,436,694 | (182,358,468) | 1,319,130,778 | 777,101,919 | (2,013,929,409) | 1,630,381,515 |

Agarapatana Plantations Limited
STATEMENT OF PROFIT OR LOSS
Five Year Summary

Appendix 01

| For the Year Ended 31 March | 2021/22 Rs. | 2020/21 Rs. | 2019/20 Rs. | 2018/19 Rs. | 2017/18 Rs. |
|----------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | | | | |
| Net Profit / (Loss) before Taxation | 59,906,896 | 135,430,293 | (1,194,392,699) | (103,162,208) | 541,920,644 |
| Adjustments for: | | | | | |
| Interest Income | (32,122,849) | (6,982,532) | (2,414,795) | (3,004,602) | (680,024) |
| Interest Expenses | 221,474,029 | 250,833,197 | 284,822,058 | 277,726,131 | 191,039,597 |
| Retiring Benefit Obligations - Provision | 177,491,789 | 241,322,614 | 237,871,812 | 201,221,011 | 190,938,434 |
| Depreciation | 176,410,377 | 176,467,222 | 152,740,758 | 113,068,495 | 113,080,412 |
| Amortization | - | - | - | 6,441,455 | 6,441,455 |
| (Gain) / Loss on Fair Value of Biological Assets | (158,117,372) | (269,955,747) | (197,794,763) | (54,865,497) | (103,800,583) |
| Amortisation Capital Grants | (9,354,094) | (8,849,021) | (8,760,166) | (8,723,962) | (8,671,820) |
| Profit on Disposal of Property, Plant & Equipment | - | (3,291,600) | - | (2,043,478) | (6,473,913) |
| Profit from sale of Valuable Timber Trees | (766,762) | (9,840,921) | 3,694,648 | - | (7,965,975) |
| Profit from sale of other trees | - | - | - | (1,087,391) | (22,403,890) |
| Provision for Surcharges | 65,634,659 | 61,394,615 | 99,235,265 | 24,195,938 | 81,881,902 |
| Write off of unclaimed ESC Receivables | - | 23,583,441 | 17,662,991 | 8,742,786 | 7,740,402 |
| Write off of Bearer Biological assets (Immature) | - | - | 94,713,324 | - | - |
| Write back of Dividend Payable | - | (10,027,606) | - | - | - |
| Write back of Taxes Payable | (59,971,855) | - | - | - | - |
| Operating Profit before Working Capital Changes | 440,584,818 | 580,083,955 | (512,621,567) | 458,508,677 | 983,046,640 |
| (Increase) / Decrease in Inventories | 42,080,643 | (89,226,785) | 79,334,093 | 101,180,748 | (208,832,668) |
| (Increase) / Decrease in Trade & Other Receivables | (19,608,129) | (100,888,025) | 23,138,334 | 44,529,631 | (16,459,014) |
| (Increase) / Decrease in Amount due from Related Companies | (41,801,536) | (367,004,507) | 39,083,407 | (16,729,664) | (22,011,226) |
| (Increase) / Decrease in VAT Recoverable | - | - | - | 5,677,722 | 9,738,561 |
| Increase / (Decrease) in Trade & Other Payables | (79,348,261) | 206,109,485 | 221,649,904 | 19,656,367 | (370,356,803) |
| Increase / (Decrease) in Amount due to Related Companies | (409,227,894) | 35,178,964 | 335,577,129 | (77,813,908) | 30,272,410 |
| Cash Generated From Operations | (67,320,359) | 264,253,087 | 186,161,300 | 535,009,573 | 405,397,902 |
| Retiring Benefit Obligations - Payments | (25,190,510) | (82,147,036) | (14,478,717) | (119,150,757) | (161,920,688) |
| Interest Received | 32,122,849 | 6,982,532 | 2,414,795 | 3,004,602 | 680,024 |
| Interest Paid | (244,587,179) | (276,110,360) | (315,683,119) | (331,666,931) | (239,078,196) |
| NBT Paid | (1,962,341) | (1,321,538) | (1,095,384) | - | (6,185,350) |
| Payment of Income Tax | (11,012,070) | (1,943,307) | - | - | - |
| Payment of VAT | (18,781,016) | (1,930,527) | (115,368) | (5,142,971) | (6,485,257) |
| Net Cash from/(used in) Operating Activities | (336,730,626) | (92,217,149) | (142,796,493) | 82,053,517 | (7,591,565) |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | | | | |
| Investment in Unquoted Shares | - | - | - | - | (182,148,000) |
| Proceeds from Sale of Property, Plant & Equipment | - | 3,291,600 | - | 2,350,000 | 6,473,913 |
| Investment in Field Development | (36,223,875) | (44,967,262) | (36,104,994) | (101,288,958) | (83,972,263) |
| Investment in Timber | (7,592,938) | (8,457,297) | (9,853,685) | (9,267,235) | (10,955,629) |
| Proceeds from Sale of Shares | - | - | 4,455,506 | - | 1,862,466 |
| Proceeds from Sale of Valuable Timber and other Trees | 14,791,500 | 18,190,280 | 9,360,548 | 1,250,500 | 37,847,994 |
| Purchase of Property, Plant & Equipment | (24,908,491) | (55,949,371) | (93,168,385) | (27,869,052) | (63,951,186) |
| Net Cash used in Investing Activities | (53,933,804) | (87,892,051) | (125,311,011) | (134,824,745) | (294,842,705) |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | | | | |
| Payment of Finance Leases | (1,902) | (1,138,292) | (4,035,947) | (30,768,214) | (35,069,270) |
| Grant Received | 4,821,400 | 2,752,500 | 3,200,000 | - | 1,259,950 |
| Grant Refunded | - | - | - | - | (405,000) |
| Proceeds from Issue of shares | 459,649,445 | 360,000,000 | - | - | - |
| Proceeds from Term Loans | 349,558,033 | 101,500,000 | 581,838,710 | 186,409,601 | 846,248,758 |
| Proceeds from Share Issue | - | - | - | - | 211,000,000 |
| Repayment of Term Loans | (478,817,221) | (210,411,172) | (338,729,134) | (264,570,495) | (378,459,752) |
| Net Cash from / (Used in) Financing Activities | 335,209,753 | 252,703,034 | 242,273,629 | (108,929,108) | 644,574,686 |
| Net Increase/ (Decrease) in Cash and Cash Equivalents | (55,454,677) | 72,593,835 | (25,833,883) | (161,700,336) | 342,140,416 |
| Cash & Cash Equivalent at the beginning of the year | (267,184,340) | (339,778,175) | (313,944,292) | (152,243,956) | (494,384,372) |
| Cash & Cash Equivalent at the end of the year | (322,639,017) | (267,184,340) | (339,778,175) | (313,944,292) | (152,243,956) |