



DILMAH CEYLON TEA COMPANY PLC
ANNUAL REPORT 2021/22



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Report 2021/22 online



HOW WE
MAKE THE
WORLD
A BETTER
TEA



Our company has the heart of a tea grower, and the soul of a good cup of tea born from a grower's love for better quality. We'd rather make a good cup of tea, where real tea lovers can taste the difference, than compromise and cut corners to make a fortune in poor taste. Our family business is known for being the original disruptor in tea. In the 1950's we fought colonisation of the tea industry, and now we find ourselves fighting commoditisation. We care about the issues that really matter: the planet, workers' rights, human rights, and the right to a good cup of tea. We fight politely – our fight is in setting an example and doing the right thing ourselves, making tea of the highest quality with kindness to people and nature. We do this with sincerity and commitment, and with firm hope that we will inspire others to join us in our mission.

Simply put, to make the world a better tea, we grow it ourselves, handpicking each leaf, and packing it super-fresh so it tastes better, and is actually better for you. It also means being sustainable in every way, going beyond being carbon neutral and aiming to be carbon negative by 2030 – that's better for our planet. It also means paying living wages and treating our people well – that's better for our workers. We give 15% of our pre-tax profits to the less fortunate – and that's better for our community.

This understanding and mutual respect for people and our environment is what guides our business, and ultimately, what makes our tea better is what in turn helps achieve our Purpose of serving humanity. The road to making the world a better tea is built on major humanitarian and

conservation work through our MJF Foundation & Dilmah Conservation. We recognise the need to adapt; to ensure that we are renewed in our commitment to work through the current and future challenges of the tea industry, climate change, and in co-existing with nature and beyond. The solution lies in kindness: 100% of our earnings benefit the economy of Sri Lanka, and minimum 15% of our pre-tax profits is used annually for the betterment of people and planet.

Our MJF Foundation serves humanity – children, women and men with disabilities, and the less privileged. Our initiatives are geared towards estate workers, their families, the communities that revolve around them, and those who need that little bit of kindness the most. We work to provide healthcare, education,

skills training, gender-based programmes, diversification, new technology, support for SMEs, access to updated infrastructure, and eco-livelihood opportunities.

Our approach in being kind to nature is equally as comprehensive: working towards Net Zero Emissions, reforesting our tea gardens by building nature corridors that recreates lost habitats, engaging in collaborative species conservation that affects entire ecosystems, supporting the rehabilitation of orphaned elephants and the understudied population of bees, lichens and skinks that often go unnoticed – these are all part of where the profits from a good cup of tea is going towards.

Here's to making the world (and you), a better tea.





OUR TEAM

We leverage the talent, commitment and expertise of our self-motivated team to drive innovation, facilitate the customer experience and to achieve our strategic aspirations.





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WELCOME TO OUR 4TH INTEGRATED ANNUAL REPORT

Dilmah commenced Integrated Reporting in 2019, an important milestone in its corporate reporting journey. This year, the Company publishes its fourth Integrated Report. Since its inception, the Group has been deeply committed to social and environmental sustainability, and the adoption of Integrated Reporting has enabled Dilmah to highlight the wholistic approach followed by the Group, in a coherent and structured manner. This report builds on the foundations laid last year by providing a balanced and concise assessment of how the Group utilizes capital inputs in the creation of value, for diverse stakeholders. This Annual Report has been prepared

based on the guidelines issued by the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

Scope and Boundary

The Report covers the operations of Dilmah Ceylon Tea Company PLC ("DCTC") and its subsidiary MJF Beverages (Private) Limited (collectively referred to as the "Group") for the period from 1st April 2021 to 31st March 2022. The Group adopts an annual reporting cycle and its latest annual report for the financial year ending 31st March 2022 is available for download at www.dilmahtea.com. There were no significant changes

to the Group's size, structure, or supply chain during the year, nor any material restatements of non-financial information published in previous years unless specifically mentioned.

Materiality

In determining the content to be included in this Integrated Report the Company has adopted the principle of materiality. The material topics listed on page 26 and 27 form the anchor of this Report and have been selected following feedback received from Dilmah's stakeholders, the Group's strategic aspirations, and risks and opportunities stemming from the operating landscape.

Reporting Standards

- **Financial statements:** Sri Lanka Financial Reporting Standards
- **Narrative Report:** <IR> Framework
- **Sustainability Reporting:** GRI Standards
- Sustainable Development Goals Reporting of the Colombo Stock Exchange

External Assurance

- Assurance on the financial statements have been provided by Messrs. Ernst and Young.
- We have not sought assurance on our sustainability reporting this year.

Applying the <IR> Principles

- **Completeness**
The scope of the material topics has been widened to include factors specific to the Group and the industry, in addition to the topics prescribed by the GRI Framework
- **Materiality**
Content included in the Report is determined and structured based on the principle of materiality
- **Strategic orientation**
Dedicated chapter on the Group's strategic orientation
- **Connectivity**
Signposting and navigation icons throughout the Report to show connectivity of information

Print Available on request



Available Online as a PDF



Feedback

We understand that Integrated Reporting is a journey and a process of continuous improvement. We welcome your comments, suggestions and feedback on our Report. Kindly direct your feedback to, sustainability@dilmahtea.com

Reporting Format

The Annual Report and the Sustainability Report has been combined to one Integrated Report which included all material information relevant to stakeholders, providing a balanced, concise and clear assessment of Dilmah's value creation. This Report is the fourth Integrated Report of Dilmah Ceylon Tea Company PLC.

PERFORMANCE HIGHLIGHTS

Metric		2021/22	2020/21	Y-O-Y
Financial Performance				
Revenue	Rs. Mn	11,436	9,212	24%
Operating profit	Rs. Mn	5,474	1,673	227%
Profit before tax	Rs. Mn	5,844	1,915	205%
Profit after tax	Rs. Mn	5,571	1,750	218%
Return on equity	%	34.17	13.36	156%
Return on capital employed	%	34.17	13.36	156%
Working Capital Ratios				
Inventory days	Days	83	81	2%
Debtor days	Days	160	180	-11%
Payable days	Days	34	32	5%
Current ratio	Times	6.8	8.2	-18%
Quick asset ratio	Times	6.0	7.1	-16%
Financial Position				
Total assets	Rs. Mn	22,923	16,789	37%
Total liabilities	Rs. Mn	4,205	2,913	44%
Shareholders' funds	Rs. Mn	18,719	13,876	35%
Non-controlling interest	Rs. Mn	-	-	-
Total debt	Rs. Mn	-	-	-
Shareholder Information				
No of shares in Issue	Number	20,737,500	20,737,500	0%
Earnings per share	Rs.	268.62	84.38	218%
Dividends per share	Rs.	55.00	18.00	206%
Net asset value per share	Rs.	902.68	669.12	35%
Closing price	Rs.	998.00	636.75	57%
Market capitalization	Rs. Mn	20,696	13,205	57%
P/E ratio	No. of times	3.72	7.55	-51%
Dividend pay out	%	12	6	108%
Dividend cover	No. of times	8.10	16.88	-52%
Dividend yield	%	6	3	95%

Metric		2021/22	2020/21	Y-O-Y
Human Capital				
Total employees – permanent	No.	634	554	14%
Payments to employees	Rs. Mn	1,314	1,050	25%
New recruits – permanent	No.	40	35	14%
Employee retention rate	%	90	87	3%
No. of promotions	No.	44	36	22%
Female representation	%	45	41	10%
Investment in training	Rs. Mn	27	11	155%
Total training hours	Hours	42,438	16,034	165%
Average training hours/employee	Hours	67	29	131%
Workplace injuries	No.	6	4	50%
Union representation	%	N/A	N/A	-
Instances of disruption to work	No.	Nil	Nil	-
Manufactured Capital				
Investment in capex	Rs. Mn	4,303	4,153	4%
Property, plant and equipment	Rs. Mn	3,513	3,328	6%
Highest performing equipment efficiency	%	97.9	97.8	0%
Capacity utilisation	%	53	42	26%
Intellectual Capital				
R&D investment	Rs. Mn	11.7	10.1	16%
New products launched	No.	36	48	-25%
Tea standards	No.	350	336	4%
Social and Relationship Capital				
No. of distributors	No.	115	109	6%
Payments to suppliers	Rs. Mn	10,479	8,400	25%
Proportional spending to local suppliers	Rs. Mn	8,084	6,538	24%
Investment in CSR	Rs. Mn	520	255	104%
Natural Capital				
Material - tea, flavours & herbs	MT	4,508	4,577	-2%
Energy consumption	GJ	14,740	13,086	13%
Energy intensity	GJ per unit	3.3	2.9	14%
Water consumption	m3	23,631	21,830	8%
Water consumption per unit	m3 per unit	5.2	4.8	10%
Solid waste generation	MT	271.0	269.6	1%
Carbon footprint	tCO2e	32,361	31,435	3%
Spending on environmental initiatives	Rs. Mn	35.5	25.9	37%

ABOUT DILMAH

BUSINESS OVERVIEW

Dilmah is a globally renowned Sri Lankan family tea company, with an unparalleled reputation for producing authentic, natural and ethical Sri Lankan tea of the finest quality. The Company pioneered the concept of Single Origin Tea in 1988, offering tea which was 'picked, perfected and packed' where it is grown, giving power back to Sri Lankan tea growers and consumers around the world. As the first producer-owned tea brand, Dilmah is the only fully vertically

integrated tea company with presence along the entire value chain including ownership in several of Sri Lanka's finest tea gardens, factories, printing and packaging facilities. Dilmah products are sold in over 100 countries supported by an extensive global distribution network.

Dilmah is built on its Founder, Merrill J. Fernando's vision of making business a matter of human service. The Company pursues its commitment towards sustainability through balancing economic

success, environmental preservation, and social responsibility, which is reflected through the Company's key pillars of Taste, Goodness and Purpose. A significant portion of the Group's profits are directed every year towards supporting the humanitarian and environmental initiatives of MJF Charitable Foundation and Dilmah Conservation. Dilmah Ceylon Tea Company (DCTC) is 87% owned by MJF Group of companies; inclusive of MJF Teas (Pvt) Ltd. and MJF Exports (Pvt) Ltd.



Founder's Philosophy:

Business is a Matter of Human Service

Vision:

To share our love for tea and our profits - without compromise on quality, integrity or kindness - expressed in the authentic & varied Taste in fine tea, it's natural Goodness and the ethical Purpose that delivers positive impact on our community and environment.

Mission:

A family business, with family values at our heart, to offer the finest tea and herbs, honouring tradition and quality while fulfilling our Founder's pledge to sincerely and impactfully serve humanity with kindness to people and nature.

Values:

**Dedication | Integrity
| Loyalty | Motivation |
Authenticity | Humaneness**

Pure Ceylon Tea |
Unblended | Garden
Fresh | Single Origin Tea
| Cared for by a Teamaker
who is passionate about

tea | Ethical | Traditional
| Finest Quality | Natural
| Authentic | The
Pioneer | Committed to
Sustainability and to the
Future of the Ceylon Tea
Industry

Dilmah in Numbers

Over
3,000
Products

Over
100
Markets

634
Employees

897
Supply Chain
Partners

Rs. 18.7 Bn
Equity

Rs. 5.57 Bn
Profit after tax

Artistry of
our tea

**First value-
added
Sri Lankan
owned global
brand**

Pioneered single
origin tea

Dilmah t-Lounges
in overseas
markets

Dilmah School
of Tea

Dilmah pledges a
core commitment
to sustainability

Commitment to
Taste, Goodness and
Purpose

ISO 9001:2015
Quality Management
system

FSSC 22,000
Food Safety
Management System

BRC Global
Food Safety
Standard

SMETA
SEDEX Members
Ethical Trade Audit

ISO:17025
Chemical and
Microbiological
Laboratory
Accreditation

ISO 14001: 2015
Environmental
Management Systems

**Rainforest
Alliance CoC**
& Carbon Neutral
Certification

NON-GMO
Production Standard

Our Impact

Over the years, the Dilmah Ceylon Tea Company has enhanced the brand value of Ceylon Tea in the global arena, with significant investments directed every year towards global marketing efforts, research and development, communications and industry thought leadership. Quickly adapting to the challenges of the pandemic, the Company implemented programmes to help its employees and surrounding communities eliminate mental stress and turmoil the pandemic posed, while also investing in training and development, promoting sustainable lifestyles and driving the workforce towards a circular economy whilst adhering to strict health guidelines.

Dilmah Thé Culinaire, Dilmah Tea Sommelier, Chefs & the Teamaker, and the Dilmah School of Tea are some signature international events and competitions hosted by Dilmah, aimed at engaging industry stakeholders in inspiring new tea experiences. Dilmah also works extensively to develop the industry, while also preserving historical knowledge on tea. The #teainspired publications are aimed at raising awareness on industry innovations, health benefits of tea and tea gastronomy and mixology. The website, History of Ceylon Tea, includes numerous publications on the fascinating evolution of the industry, preserving Ceylon tea's historical knowledge and heritage.

Economic Impact

Foreign exchange generated:

USD 56 Mn

Tax contributions:

Rs. 238 Mn

Employment generated:

634 numbers

Payments to employees:

Rs. 1,314 Mn

Payments to suppliers:

Rs. 10,479 Mn

Market capitalisation:

Rs. 20.7 Bn

Over 25,000 publications aimed at raising awareness on exciting themes such as tea gastronomy, tea mixology, food service and sustainability among others.

Promotional and engagement initiatives

- ☛ Dilmah tea inspired **culinary, mixology** and **hospitality** competitions
- ☛ Dilmah **tea fusion experiences** around the world
- ☛ The **Teagram** newsletter
- ☛ Global **distributor conference** and other global events
- ☛ **History of Ceylon Tea** website

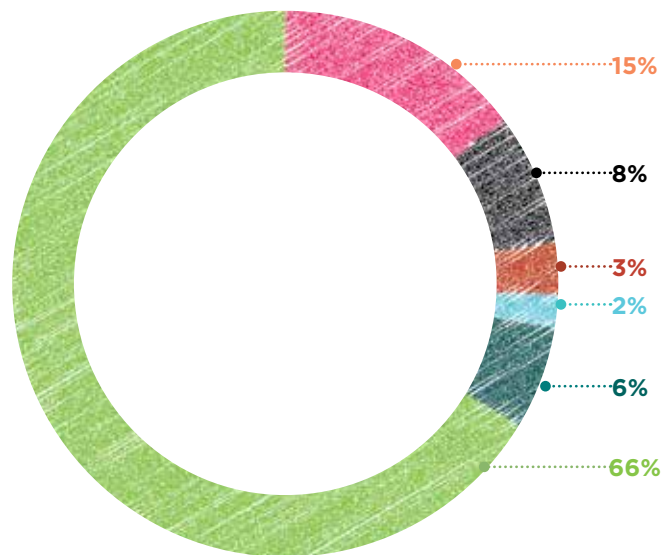
R&D and Innovation

- ☛ **Rs. 11.7 million** annual investment in R&D
- ☛ Over **3000** products
- ☛ A library of over **300** tea standards

Dilmah School of Tea (DSOT)

The World's first consumer and hospitality tea school, the Dilmah School of Tea offers programmes that seek to inspire passion in tea amongst hospitality professionals, consumers and industry stakeholders. The school offers tea programmes around the world, with over **5,500 participants** successfully completing programmes since inception.

Value Distribution



To Employees	15%
To shareholders	8%
Tax Contributions	3%
To Lenders	2%
To Development Interventions & Environmental Initiatives	6%
Retention for Growth	66%

Sustainability at the Heart of our Operations

Dilmah believes in the prolonged value generated through integrating sustainability to the heart of its operations.

The long-term plans to increase reliance on renewable energy, maintaining a sustainable vehicle fleet, opting for eco-friendly packaging options, and investing in intensive R&D to improve the sustainability of our product packaging, are non-negotiable commitments for Dilmah

Dilmah is built on the Founder's long-term vision of building a truly

sustainable tea industry that benefits people and planet. This vision is ingrained into the Company's ethos and organizational culture. The MJF Charitable Foundation (MJFCF) and Dilmah Conservation are the dedicated philanthropic and environmental arms of Dilmah Tea. Primarily funded through the Company, MJFCF and Dilmah Conservation engage in humanitarian and environmental sustainability initiatives islandwide.

15% of PBT

directed towards social and environmental sustainability

Over 186,000

lives impacted directly and indirectly



Over 1500

individuals benefited through environmental and climate education



Rs. 11.7 Mn

on Research and Development

Rs. 520 Mn

Spend and provide on community initiatives

Rs. 35.5 Mn

Spend on environmental initiatives

100% Carbon Neutral
Product and Facility



Brand Reach

Dilmah has a global presence in over 100 countries around the world, through an extensive network of sales agents and distributors. These partners engage proactively with consumers, pursuing new opportunities, and identifying emerging consumer preferences. While it is usual to acknowledge that the success and effective reach of a business is dependent on stakeholders and partners, as a family

run company, Dilmah understands the deeper importance of connections, bonds and relationships that go beyond the realms of business and finance. From the people of the tea gardens, to the employees at the Head Office and Factory, from suppliers to sales agents, distributors and consumers; Dilmah maintains positive relationships that contribute immensely to the growth of the Company.

BOARD OF DIRECTORS



Mr. Merrill J. Fernando
Chairman

Mr. Merrill J Fernando is the founder of Dilmah Tea. He defined business ethics in tea when he launched the first producer owned tea brand in the world in 1985 and pledge to share his success with those in need. In fulfillment of his commitment to a purpose beyond profit, Mr. Fernando established the MJF Charitable Foundation, one of Asia's largest private charitable foundations. Dilmah Conservation extends his founding principle of making business a matter of human service, to the environment.

He was honoured for his service towards humanity with the Oslo

Business for Peace Award in 2015 by a committee of Nobel Peace laureates, he received the First Award for Responsible Capitalism in 2016 and in 2019 an Honorary Doctorate from New Zealand's Massey University and the title of Deshamanya at Sri Lanka's National Honors.

Mr. Fernando also holds directorships in Aitken Spence Plantation Management PLC, Cargo Boat Development Company PLC, Printcare Ceylon PLC, Kahawatte Plantations PLC, The Fortress Resorts PLC and several other Private Limited Companies.



Mr. Himendra S. Ranaweera
Deputy Chairman

Mr. Himendra S. Ranaweera has been working with the MJF Group of Companies for the past 30 years and is its Deputy Chairman. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly known as Ceylon Tea Services PLC) in April 1998.

Mr. Ranaweera has over 40 years of experience in Operations Management, in Sri Lanka and overseas.

Mr. Ranaweera also holds directorships in Kahawatte Plantations PLC and several other Private Limited Companies.



Mr. Dilhan C. Fernando

Executive Director / Chief Executive Officer

Mr. Dilhan C. Fernando is the Chief Executive Officer of Dilmah Ceylon Tea Company PLC. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director and was appointed as the CEO of the Company in August 2017.

Mr. Fernando had his secondary education at Stonyhurst College, England and graduated from the London School of Economics with a

BSc (Hons) in Economics. He joined the MJF Group as a Management Trainee nearly 30 years ago.

Mr. Fernando serves as Chair of UN Global Compact Network Sri Lanka and Biodiversity Sri Lanka, a pioneering environmental collaboration initiated by the Ceylon Chamber of Commerce, IUCN and Dilmah Conservation.

Mr. Fernando also holds directorships in Kahawatte Plantations PLC and several other Private Limited Companies.



Mr. Malik J. Fernando

Executive Director

Mr. Malik J. Fernando is a Director of the MJF Group. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director.

Mr. Fernando had his secondary education at Stonyhurst College, England and obtained a BSc in Management from Babson College, Boston.

He joined the MJF Group as a Management Trainee nearly 35 years ago.

Mr. Fernando spearheads Resplendent Ceylon, the first Sri Lankan luxury resort brand, developing a collection of small, luxury resorts offering discriminating travelers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation & Dilmah Conservation.

Mr. Fernando also holds directorships in Aitken Spence Plantation Management PLC, Printcare Ceylon PLC, Kahawatte Plantations PLC, The Fortress Resorts PLC and several other Private Limited Companies.



Mr. Roshan C. Tissaaratchy

Executive Director

Mr. Roshan C. Tissaaratchy is a Director of the MJF Group and was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in April 2005 as an Executive Director.

Mr. Tissaaratchy is a graduate of the University of Colombo and a Fellow of The Chartered Institute

of Marketing, UK. He also has an MBA from the University of Sri Jayewardenepura.

He has over 30 years of working experience in all aspects of sales and marketing in a number of industries and also in advertising.

He has now completed 24 years of International Marketing with Dilmah Tea.



Ms. Minette D.A Perera Non-Executive Director

Ms. Minette D.A Perera was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 2000 as an Executive Director. She is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. After serving the Company as the Group Finance Director for over 12 years, Ms.

Perera retired from her post on 31st March 2013 and continued on the Board as a Non-Executive Director.

Ms. Perera has over 40 years working experience in Financial Management having worked in leading local and international companies. She is currently an Independent Non -Executive Director of several Listed Companies.



Mr. Rajan Asirwatham Non-Executive, Independent Director

Mr. Rajan Asirwatham was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) on 04th September 2008 as a Non-Executive Director. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. After a distinguished career at Ford Rhodes, now known as KPMG, he retired as its Senior Partner and Country Head on 31st March 2008.

Mr. Asirwatham is the Chairman of the Board of Post Graduate Institute of Medicine, Council of the University of Wayamba and Board of the S.W.R.D. Bandaranaike Memorial National Foundation. He is also the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka. Mr. Asirwatham is also an Independent Non -Executive Director of several other Listed Companies.



Mr. Darshana Gunasekera Group Finance Director

Mr. Darshana Gunasekera is the Director Finance of the MJF Group. He joined the MJF Group as the Chief Financial Officer in 2015 and was appointed to the Board of Dilmah Ceylon Tea Company PLC in October 2020 as an Executive Director. He is a double qualified accountant, Fellow member of the Chartered Institute of Management Accountants of UK and the

Association of Chartered Certified Accountants of UK. He holds a B.Sc. degree from University of Sri Jayewardenepura and is also qualified in Marketing.

Mr. Gunasekera has over 25 years of working experience including extensive overseas exposure, having worked in leading local and multinational companies.



Mr. Gritakumar E. Chitty
 Non-Executive, Independent Director
 (from 04th August 2010 till 06th January 2022)

Mr. Gritakumar E. Chitty was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly known as Ceylon Tea Services PLC) on 04th August 2010 as a Non-Executive Director. He served on the Board till his demise on 06th January 2022.

Mr. Chitty was an Attorney-at-Law and Advocate of the Supreme Court since 1968. He was also a former Assistant Secretary- General and the founding Registrar of the UN International Tribunal for the Law of the Sea in Hamburg, where he was its Chief Executive and Head of Legal Affairs for the period of 1996-2001. He commenced practicing law in Sri Lanka from 1968 and joined the United Nations in New York, in 1975. He continued to serve at the UN for over 20 years, in the capacity of Principal Legal Officer in the UN Office of Legal Affairs.

Mr. Chitty was an adviser to the Sri Lanka Delegation to the UN and has served as an adviser to the Inter-Ministerial Committee on Oceans and the Law of the Sea. He is also a member of the Appeals Board of the International Sea Bed Authority, a Member of the Editorial Board of the Law Journal "The Law and Practice of International Courts & Tribunals", a practitioner before the UN Disputes Tribunal and the UN Appeals Tribunal, and a Trustee of the Weeramantry International Centre for Peace Education and Research.

In 2016, Mr. Gritakumar E. Chitty was appointed by the Cabinet as the Chairman of the National Ocean Affairs Committee. He was a Life Member of the Bar Association of Sri Lanka and a Member of the American Society of International Law.



Dr. Ravindra A. Fernando
 Non-Executive, Independent Director
 (with effect from 11th February 2022)

Dr. Fernando was appointed to the Board of Dilmah Ceylon Tea Company PLC on 11th February 2022 as a Non-Executive Director. He is an Alumni of the University of Cambridge having completed a Master of Studies in Sustainability Leadership in 2014. He holds a Doctor of Business Administration Degree from the European Business School in 2016. He completed the Advanced Management Program at the INSEAD Business School (France) and is an Executive in Residence since 2010. He has an MBA from the University of Colombo. In April 2020, he created the '21st Century Board Leadership Model-MasterClass'© for the Institute of Directors of Luxembourg which is currently run in Luxembourg, Ireland and Sri Lanka.

He is the Chairman/CEO of Global Strategic Corporate Sustainability Pvt.Ltd, which operates in

Luxembourg, Ireland, United Kingdom, Vietnam, and Sri Lanka. His career with Multinationals spanned 1981-2007 with Unilever, Reckitt Benckiser, Smithkline Beecham International covering Africa, Middle East and Asia. He was the first CEO of the Sri Lanka Institute of Nanotechnology 2008-2011 and Operations Director of the Malaysia Blue Ocean Strategy Institute 2011-2016. He was the first UN Global Compact Focal point 2007 and set up the UNGC Sri Lanka Network

He serves on the Boards of MNC's LOLC Holdings, Ceylon Graphene Technologies Ltd, Aitken Spence Plantations, Habitat for Humanity, UN Global Compact, Ceylon Asset Management and Global Strategic Corporate Sustainability Pvt.Ltd. In 2007 he won "Global Strategy Leadership award", presented to him by Professor Renee Mauborgne of INSEAD at the World Strategy summit.



CHAIRMAN'S REVIEW

I am pleased to present the Annual Report and Audited Financial Statements of Dilmah Ceylon Tea Company PLC for the year ended 31st March 2022

Tea Crop and Tea Prices

Prices for Ceylon Tea have risen to unprecedented levels, and although tempered by devaluation of the Sri Lankan Rupee, that bodes well for Ceylon Tea. The potential that sustained growth in prices offers however is linked to our ability as an industry to reinforce our commitment to quality of Ceylon Tea, by investing in soil, agricultural improvement and by

adopting sustainable, climate resilient strategies. The decline in export FOB (in real terms) – though marginal – is alarming in that context and requires correction with broader commitment to a long term strategy of differentiation, building on the uniqueness of Ceylon Tea, supported by more effective promotion. Sri Lanka has a commendable record of worker welfare even though the relentless emphasis on discounting globally has hampered the

country's ability to derive fair earnings from the sale of its tea. Improvements in welfare, wages and sustainability can only continue with a shared commitment to ethics and fairness amongst plantation owners, traders, exporters, buyers and consumers. That highlights the responsibility of brands to maintain the integrity of their products, and similar responsibility among consumers to pay a fair price for good tea. That is the only way that we can

ensure that the industry progresses in line with opportunities for quality tea, while also keeping up with the aspiration of workers and the challenges of a changing climate.

Context & business philosophy

When confronted in 2020 by an unprecedented health crisis, my colleagues on the Board and I resolved to protect our employees. That crisis has

mushroomed into a crisis of much greater proportion with the economic, social and political challenges in Sri Lanka. We have maintained that resolution, to ensure the welfare of our employees and will continue to do so.

Your company's core values of quality and integrity are demonstrated in our uncompromising commitment to the Taste, Goodness and Purpose that are at the heart of every Dilmah product. Disruption in several key markets related to conflict in Europe and continuing emphasis on discounting in grocery retail pose challenges which we are confident of overcoming by engaging a new generation of tea drinkers through quality, wellness and ethical purpose. Tea consumption is predicted to continue to grow, supported by the preference amongst younger consumers for natural, plant based beverages, and the health benefits attributed to tea.

Dilmah Conservation collaborates with scientists and government in conservation, restoration, environmental education, encouraging sustainable agriculture and promoting biodiversity. Your company established the first private sector Climate Research & Adaptation Centre few years ago and is now collaborating with universities around the world in demonstrating

options to build climate resilience. These environmental initiatives have their humanitarian equivalent in the work of the MJF Charitable Foundation. The work of the foundation, amidst the macro environment challenges, continues through innovative initiatives to support children with developmental disorders and their families, and virtual educational, entrepreneurship development and psychosocial support sessions for youth, women and men.

Performance

Your company performed admirably under trying circumstances in 2021-22. In spite of severe, pandemic related complications, magnified by social, economic and political crises in Sri Lanka, annual revenue grew by 24% whilst the gross margin increased by 33%. Non-operating income increased by more than 30% resulting in a PBT of Rs. 5.8 Bn, which is more than 200% over previous year.

Corporate Social Responsibility and Alleviation of Poverty

Your company is founded on integrity and quality. The outcome of this is our

commitment to addressing inequality, and wider social and environmental concerns as a part of our core business philosophy. From the previous financial year, with your concurrence, the company increased its contribution to the fulfillment of that philosophy by nearly 35% in absolute terms.

Dividends

Although present circumstances and anticipated global recession require caution, the company has already declared an interim dividend of Rs. 40/- per share. I further propose a final dividend of Rs. 15/- per share, which will bring the total dividend in the Financial Year 2021/22 to Rs. 55/-.

Outlook for 2022/23

Circumstances that we thought were unprecedented in 2020, have evolved into even more challenges times, signaling that predictions of volatility and uncertainty are likely to persist until more concrete action is taken to address the climate emergency, and the crisis of inequality that is precipitating social and economic instability in many parts of the world. The macroeconomic context is alarming although we remain

confident that as we continue with the same faith, and commitment as we have always done in building a unique brand, we will overcome. A detailed forecast is impossible to present although we believe that as we pursue a strategy of Quality and Integrity, and continue to navigate the very different landscape of threats and opportunities, we will maintain and grow the performance of your Company.

I record with sorrow the demise of Mr. Gritakumar Chitty on 6th January 2022 and express my appreciation of his contributions to the Company over the past 11 years as a Member of the Board.

I also thank my other colleagues on the Board for their advice and guidance; our staff for their commitment and loyalty, our global distributors, their families and staff for their untiring efforts and cooperation; our customers for their part as lovers of fine tea.



Merrill J. Fernando
Chairman
30th August 2022



CEO'S REPORT

Your company endured continuing challenges in 2021/22 financial year, with severe operational implications linked to the pandemic. These challenges grew into a crisis of unprecedented proportions with conflict in Ukraine and an economic crisis in Sri Lanka magnifying the difficulties the company

had to contend with. In this period nevertheless your company continued to fulfill its obligations to customers and delivered a strong financial result in spite of the circumstances. Consolidated revenue grew by 24% in LKR terms to Rs. 11.4 Bn while gross margin increased by 33% to Rs. 5.0 Bn. Excellent treasury management delivered

30% improvement in non-operating income relative to 2021. This resulted in a PBT of LKR 5.8 Bn - a significant increase over the previous financial year.

Led by our Founder's vision of overcoming challenges with faith and dedication, your company focused on its people, community, environment, supply chain and brand

strategy. Our efforts at supporting the workforce and wider community in a health crisis and related disruptions continued with support for workers and their families through shortages of food and essential medicine. While fulfilling our commitment to serving humanity, through the work of the Dilmah funded MJF Foundation – its scholarships, schools, medical infrastructure, food security, entrepreneurship development, womens' development and other programmes – the company has maintained its commitment to the safety and welfare of employees, and to our obligations to our customers and consumers around the world. No member of staff was retrenched, nor any business unit downsized due to the pandemic or linked crises.

Provision of safe transport, protective equipment, medical testing, dry rations, meals, nutrition, mental health and related wellness programmes upto FY 2022 cost approx. Rs. 29 Mn in addition to approx. Rs. 50 Mn worth of donations to MoH to support the complications the country experienced in the early stages of COVID crisis. DCTC has donated LKR 520 Mn totalling upto LKR 610 Mn of generated funds for Merrill J. Fernando Charitable Foundation and Dilmah Conservation during the year. This brings

total donations from DCTC to both entities which bear operational responsibility for fulfilling our Founder's wish to serve humanity, to LKR 6.5 Bn (or approx. US\$46 Mn.).

Our commitment to sustainability continues to gain momentum with progress from Carbon Neutral to Zero Emissions developing through expanded renewable energy production, reforestation and blue carbon initiatives. These add to fundamental changes in packaging material, New Product Development and process optimization designed around circular economy principles. We are embedding sustainability into every dimension of the company through a series of initiatives designed to build efficiency and resilience. Through Dilmah Conservation and the MJF Charitable Foundation we will continue to serve humanity. Please visit <https://bit.ly/3K2ybm8> for an overview of the work of both organisations.

The present health, economic and social crises are expected to continue, compounded by a growing environmental crisis. While the effects of the pandemic eased to an extent, continuing lockdown in key territories added to conflict in the latter part of the financial year. These impacts are likely to persist with the emergence of different

strains of COVID-19, and a conflict in Europe that threatens regional economic stability. Your company continues its efforts in building a viable direct to consumer channel to manage the challenges that these and wider lifestyle changes impose.

Continued investment in new technology is a key component in your company's commitment to efficiency and sustainability. This is supported by collaboration with material manufacturers in developing more sustainable materials. Our investment in IT infrastructure has enabled business continuity and seamless transition to remote-working in a secure environment whenever physical movements were restricted due to the pandemic. Company successfully completed its server migration to the Cloud. Robotic Process Automation (RPA) is ongoing, and the deployment of a Bot has already increased process efficiency in the respective functions.

As a component of our commitment to ethically produced tea, we maintain zero-tolerance of bribery and corruption. The Company's policies on anti-bribery and corruption, business ethics and human rights are applicable to all employees and third parties dealing with the company. As an initiating

partner of Biodiversity Sri Lanka, we will advocate for responsible conduct by business in the area of biodiversity and conservation, while our involvement in UNGC Sri Lanka is a part of our affirmation of the Sustainable Development goals and the Ten Principles of the UN Global Compact.

Your company's performance was achieved through the combined efforts of a committed team supported by our colleagues around the world – partners, distributors and Dilmah associates. The performance was delivered without compromise on quality or ethical purpose.

In concluding, I would like to thank each of my colleagues, for their positive spirit and commitment. I also thank my father, the Founder of Dilmah, for the faith, vision and determination that has produced a business so sincerely built around Quality, Integrity and family values. It is that clarity that inspires every Dilmah employee, and gives us the ability to navigate volatility by doing what is right, rather than what is expedient.



Dilhan C. Fernando
CEO
30th August 2022

VALUE CREATION AND

Our Capitals	Capital Inputs	Value Delivered
Financial Capital See page 54	Shareholder funds Rs. 18.7 Bn	Shareholders PAT Rs. 5.57 Bn
Human Capital See page 58	634 Employees with Skills, Values and Industry experience Rs. 27 Mn Investment Training	Employees Value created Rs. 1,314 Mn 42,438 Training Hours
Manufactured Capital See page 74	Rs. 4,303 Mn investment in Capex Rs. 3,513 Mn spent on Property, Plant and Equipment	Tea 4,508 MT Improved Efficiency ensuring 100% Delivery in full on time (DIFOT)
Social and Relationship Capital See page 78	Dedicated Philanthropic arm: MJF Charitable Foundation Marketing Tools to promote Tea as an Experience	Rs. 520 Mn Investment in community engagement initiatives Developed unique and innovative customer engagement tools
Intellectual Capital See page 90	Rs. 11.7 Mn allocated for Research and Development Spectrum of product, packaging and culinary innovations	Launch of 36 new variants in 5 product ranges Over 300 Tea Standards and over 3,000 products
Natural Capital See page 100	Dedicated environmental arm: Dilmah Conservation Renewable energy, water, waste and other natural resources	100% Carbon Neutral Facility and product 17 Research Projects conducted on Climate Change
Top Quality Value Added Tea Delivered with	Leaf evaluation using all sensory impacts including visual, sound, feel and taste	Internal quality control procedures for stringent sample testing guarded with 12 international certifications and standards
Key Pillars of Value Creation and Preservation	Vision See page 11	Mission See page 11

PRESERVATION MODEL

Outcomes		Impact		Activities
Financial stability and growth		218% increase in Earnings per Share (EPS)		Tea Standards Formulated by our team of globally renowned tea experts and approved personally by the Chairman/CEO, our unique collection of Tea standards determines the elevation, region and quantity of teas to be procured.
Talented, committed and empowered human capital	63% of the total workforce with more than 5 years of service	90% Retention Rate	Loyal workforce	Grading and Tasting election based on samples obtained from plantations/ brokers to meet company standards Evaluate 10,000- 12,000 samples weekly
State-of the art manufacturing facilities	Technological Enhancements with advanced manufacturing technology	Customer Satisfaction and Improved process efficiency		Collection, Storage, Cleaning and Bulking Stocks Cleaning and Bulking of the fresh stock in hand to expected consumption levels of the relevant blends State of the art cleaning and bulking system
Empowered community	Strengthened supply chain	186,235 beneficiaries on community engagement	The World's 1st Consumer and Hospitality Tea School - DSOT with over 5,500 ambassadors globally	Sourcing Procuring tea, herbs, spices, flavours and packing materials
A product that is ethically, responsibly and safely manufactured	A vertically integrated tea brand (from tea plant to tea cup)	Most globally outreached Sri Lankan Brand		Production and Packaging Based on the confirmed orders in i-store, production will take place using our high-tech packaging machines
893,611 kWh of Solar energy production	97% of the Total Waste is Recycled/ Repurposed	One of the most Environmentally integrated tea brands of the World	Over 1,500 beneficiaries influenced on Environmental conservation including other businesses	Marketing and Distributing Marketing and Distribution to over 100 countries through agents/ distributors and also via online sales
Quality checks prior to production (through a trial batch), during production (through samples) and prior to packaging (Individual silo samples)		Sample tasting, with approximately 1,000 tea cups tasted daily		After sales customer engagement and feedback mechanisms including customer and market
Dilmah Values See page 11		Strategy See page 39	Governance See page 115	Risk Management See page 28



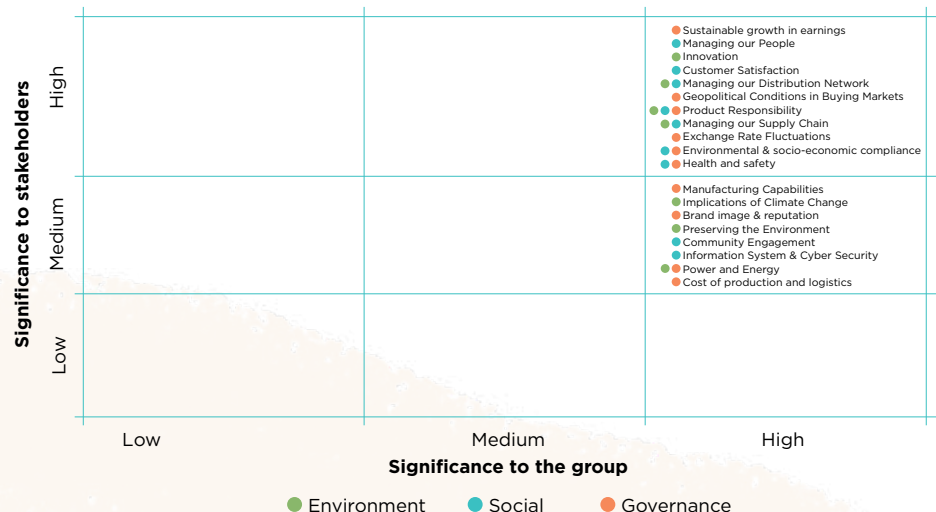
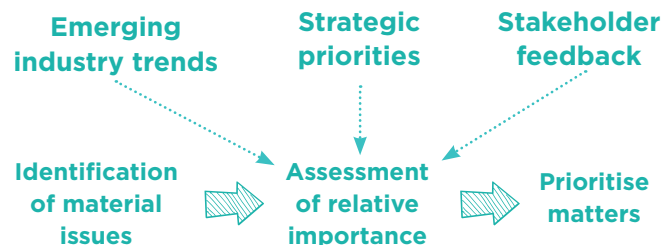
DETERMINING MATERIAL ISSUES

The principle of materiality has been adopted to determine which material matters should be included in this issue of the Annual Report. Conducting annual materiality assessments has helped the Company identify and prioritize the issues that matter most to the business and stakeholders, in a constantly changing and

evolving commercial environment. The results of the materiality assessment are integrated with the Risk Management process, to ensure wider sustainability issues are incorporated into the risks and opportunities under consideration across the Company. The material topics presented below represent emerging issues in the industry, factors

relevant to the Group's strategic agenda and its value creation model.

The material topics listed are considered most critical to the Group's business and also demonstrates how the Group's selected material topics correspond to the topics recommended by the GRI standards in its sustainability reporting. The process for determining material topics is also in line with the guidelines prescribed by the IR Framework.



Material Topic	Materiality Impact	Risk and Opportunity	Corresponding SDG	Corresponding GRI
Sustainable growth in earnings	High	R-6		GRI 201: Economic Performance
Managing our People	High	R-7	   	GRI 401: Employment GRI 404: Training & Education GRI 405: Diversity and equal opportunity
Occupational Health & Safety	High	R-3		GRI 403: Occupational Health & safety
Innovation	High	R-8	 	
Customer Satisfaction	High	R-2		
Managing our Distribution Network	High	R-2		
Manufacturing Capabilities	Medium			
Implications of Climate Change	Medium	R-8		
Geopolitical Conditions in Buying Markets	High	R-1	 	
Product Responsibility	High	R-5		GRI 416: Customer Health & Safety GRI 417: Marketing & Labeling
Brand image & reputation	Medium			
Managing our Supply Chain	High	R-4		GRI 204: Procurement Practices
Exchange Rate Fluctuations	High	R-6		
Preserving the Environment	Medium	R-8	     	GRI 301: Materials GRI 302: Energy GRI 303: Water GRI 305: Emissions GRI 306: Effluents and waste GRI 307: Environmental Compliance
Community Engagement	Medium		   	GRI 413: Local Communities
Information System & Cyber Security	Medium	R-9		
Environmental & socio-economic compliance	High	R-5		GRI 2-27: Compliance with laws and regulations
Power and Energy	Medium	R-5		GRI 302: Energy
Cost of production and logistics	Medium	R-4		



RISK MANAGEMENT AND OPPORTUNITIES

Dilmah Ceylon Tea as a Sri Lankan brand, marketing value added tea internationally continues to encounter numerous risks arising from the internal and external landscapes. The Company adopts a transparent Enterprise Risk Management (ERM) system with structures and tools in place to identify, manage and mitigate risks in a consistent manner.

The Company also follows a comprehensive and integrated approach towards risk management, incorporating good governance and sustainable development. Effective risk management strategies mitigate exposure and harness available opportunities in creating sustainable value for our stakeholders.



RISK MANAGEMENT FRAMEWORK

The Board of Directors hold ultimate responsibility for identifying and managing the Company's risk exposure. They are assisted by the Board Audit Committee and Corporate Risk Management team and Decentralized Management Council. Risk identification is a continuous process and involve stakeholder engagement and

frequent evaluation of the internal and external business environment. Risk grids are updated on an ongoing basis and presented to the Board for review. Strategic, operational, financial, IT and compliance related risks are reviewed on a regular basis by the Board to ensure the accountability and focus on mitigation activities.

Key Risks		Rating
R-1	Macroeconomic and geopolitical environment	High
R-2	Market and customer preferences	High
R-3	Health and safety	Ultra-High
R-4	Supply chain, logistics and raising cost of production	Ultra-High
R-5	Product responsibility, quality, power and energy	High
R-6	Financial – exchange rates, interest rate and credit risks	High
R-7	Human resources and talent management	Medium
R-8	Environment and climate change	Medium
R-9	Information systems and Cyber security	High

■ Ultra-High
 ■ High
 ■ Medium
 ■ Low

The following table provides a high-level overview of the Company's key risks in 2021/22.

Risk	Potential impact and developments in 2021/22	Mitigating activities and Opportunities
Macroeconomic and geopolitical conditions in buying markets	- As an export-oriented company, economic and geopolitical conditions in buying markets have a significant impact on demand and pricing trends. - Tense situation in key markets Russia, Ukraine in the second half of the year slowed down the demand and also impacted potential growth in respective regions.	- Company's focus and presence in diverse markets limit its dependence on a specific country / region / sector. - Monitoring political and economic trends on outlook on an ongoing basis and formulating strategic corporate plans to explore opportunities amidst the crisis.
Market and changing customer preferences	Customer preferences are changing rapidly with the increasing number of health-conscious customers, competition from alternate beverages and more sophisticated customer	- Proactive and ongoing engagement with customers through numerous platforms and certifications and accreditations to drive brand value - Continuous monitoring of emerging industry trends



Risk	Potential impact and developments in 2021/22	Mitigating activities and opportunities
	demands. Inability to cater to these emerging preferences could affect the relevance of company's products, ultimately affecting its competitive edge.	and preferences via various platforms and resources such as Euromonitor. Focus on developing new channels such as e-commerce and launching more sustainable products and also looking at opportunities to give more value added lines to make the products more affordable and cost effective to consumers.
Health and safety	- COVID 19 Pandemic related disruptions led to high risk to employees' health and safety. - Risk of office / factory operations getting interrupted due to COVID spread. - Supply Chain disruptions due to Lockdowns, border closures, factory shutdowns, logistical challenges etc. - Increase in cost of raw materials (Tea) and packing material due to the disruption in local and global markets and possible decrease in supply.	- Implementation of stringent COVID 19 health and safety protocols across the organisation, exceeding regulatory requirements. - Stringent procedures formulated to adopt in the event of infection. Vaccination program covering all employees - Adoption and facilitation of 'Work from Home' arrangements for office employees. - Establishment of a Health and Safety committee to ensure all employee views, suggestions & concerns are understood and addressed as applicable. - Revamped Business Continuity Plan (BCP) taking in to account possible COVID 19 disruptions. - Broad-base supply chain with increased reliance on local suppliers. - Close monitoring of suppliers' stock positions and continuous dialogue with suppliers. - Increase the inventory levels based on the risk and demand.
Fluctuations in tea prices	Tea as the primary raw material, rise in tea auction prices have a direct impact on the Group's profitability. From 2021 April to 2022 March tea prices have increased by 51% on average.	- Planned to increase the inventory levels which enables to secure timely deliver to customers whilst monitoring emerging trends in the shipping industry - Tea buying strategy incorporates price fluctuations and seasonal trends
Financial risks – exchange rates, interest rate and credit risks	- As an export-oriented entity, fluctuations in exchange rates have a direct impact on company's profitability. - The CBSL allowed free float of the Rupee in March 2022, resulting in the Rupee falling sharply against the US Dollar. In FY 2022, the Rupee declined by 50% against the US Dollar and 46% against Australian Dollar, falling further in ensuing week.	- Ongoing monitoring of exchange rate movements and assessment of the impact on our operations. - The Rupee has continued to weaken in the first quarter of FY 2022/23 but is expected to stabilise over the medium-term supported by the gradual improvement in the country's macro-economic fundamentals. - Company is mostly equity financed and strives to maintain zero exposure to long term debt servicing.

Risk	Potential impact and developments in 2021/22	Mitigating activities and opportunities
	• Increase in interest rates have a direct impact on profitability through both funding costs and finance income. The company has not used new credit facilities during the year 2022 and managed cash outflows with inward remittances • Company is exposed to credit risk through potential loss of earnings and constrained cashflow arising from distributors / customers' inability to fulfil their financial obligations	• Follow efficient treasury management procedures to take advantage of the positive movements in both interest rates and exchange rates. • Customers profiles are carefully evaluated before credit terms are offered. • Adopt secure payment terms such as LCs, bank guarantees, performance bonds etc where required and obtain SLECIC cover when there is a possible default risk.
Human resources and talent management	• The organisational tacit knowledge of our employee base is a critical factor in sustaining our competitive edge, and the company's inability to attract and retain the right talent would affect the fulfilment of strategic objectives.	• Regular follow up action & continuous and frequent communication with customers. • Maintain close relationship with employees, training & development programmes, remuneration in line or above the industry. • Maintain healthy working environment through effective two-way communication system. • Provision of hostel facilities and numerous welfare programs
Product responsibility/ quality related risks	• Issues relating to product responsibility and/or quality will directly impact the Group's brand and reputation, thereby affecting its competitive edge.	• Compliance on a range of product quality related certifications • Training and awareness of quality aspects across the company. • Internal audit program spreading throughout the year • Trained staff to conduct inspection and testing. • Well-equipped testing facilities • Stringent quality assurance across the sourcing, manufacturing and distribution process • Ongoing monitoring of emerging customer preferences • Strategic focus on product innovation and developing environmentally sustainable packaging
Shortage of power and energy	• Ongoing power interruptions and shortage of fuel for generators to operate tea bagging machines and factory/office equipment and impacted transport vehicles fleet.	• Increase storage capacity for diesel and place fuel orders through forex payments as facilitated by the government.



Risk	Potential impact and developments in 2021/22	Mitigating activities and opportunities
Environment and climate change	As a company which is dependent on the agriculture sector, the increasingly pronounced effects of climate change have a direct impact on our operations through adverse weather and natural disasters which affect the quantity and quality of tea.	- Sourcing from diverse regions and elevations - Conducting research through self-owned climate change research station and educating farmers on adaptation methodology.
Information systems and cyber security	- Operation is empowered through many key business systems while strengthening data driven decision making through AI and Machine Learning, which are dominant parts of business continuity. - Cyber security plays an essential role for business continuity. Information systems are connected with customers and vendors with different security controls and technologies to prevent and mitigate cyber threats, which essential for business continuity.	- Cloud-native, highly available and resilient disaster recovery solution is in place. - All the data backups and recovery are maintained by the Group IT. - Investments are also made in cybersecurity systems and frameworks which are updated on a regular basis.

“Every business has an obligation to share its success with those that need it, and to be a part of the solution to inequality, global warming and the multitude of other threats that we face today. We are a small, family business and we cannot do this alone. Our employees, suppliers, partners, stakeholders, and customers are all part of our initiatives aimed at serving humanity through kindness to people and planet – so we reach and inspire a wider community.”

- Merrill J. Fernando -
Founder of Dilmah Tea



SUSTAINABILITY AT DILMAH



Dilmah Tea was recognised as the winner of Best Corporate Citizen Sustainability Awards 2021 (category B) for the second consecutive time, based on complex criteria linked to social, environmental and economic value, compliance, resilience, stakeholder management and crisis response. In addition to the coveted top award, Dilmah won category awards for customer relations, environmental integration, award for demonstrated resilient practices for COVID-19 context and was chosen as one of the Top 10 Corporate Citizens of Sri Lanka.

Dilmah is a family business committed to serving humanity through kindness to people and planet. The Founder's long-term vision of building a truly sustainable tea industry benefiting people, communities and the environment, is deeply instilled into the Group's ethos and organisational culture. The Company's social responsibility begins with its very own employees, product and premises, as nature and communities lie at the core of Dilmah's purpose.

OUR COMMITMENT AND APPROACH

The Group pursues its commitment towards sustainability through balancing economic success, environmental preservation, and social responsibility.

This financial year while internationally and nationally the world grappled with a new normal and limiting economic challenges, the Company still strived to serve humanity, the employees, partners, and communities beyond business ventures, through kindness to people and nature, and foster relationships and connections with its stakeholders, that makes Dilmah a truly sustainable brand.

In 2021/2022 the Group focused on worker health and wellbeing, while also promoting mindfulness to help cope with health and economic challenges. In addition, the group invested on training and development, promoting sustainable lifestyles, climate adaptation, safeguarding natural and cultural ecosystems, development interventions and stakeholder engagement – to drive the workforce towards a circular economy.

The ensuing section illustrates the Group's sustainability strategy consisting of 6 pillars and 27 elements.

DILMAH CORPORATE SUSTAINABILITY STRATEGY

Corporate Governance

- G1 Board Oversight
- G2 Management Accountability
- G3 Corporate Policies and Management Systems
- G4 Materiality Assessment
- G5 Public Policy

Employee Empowerment

- E1 Training and Development
- E2 Diversity
- E3 Sustainable Lifestyles

Supply Chain Sustainability

- SC1 Policies and Codes
- SC2 Procurement Practices
- SC3 Supplier Engagement
- SC4 Verification and Disclosure

Stakeholder Engagement

- S1 Consumer Engagement
- S2 Strategic Collaboration
- S3 Engagement of Merchants & Ambassadors
- S4 Platforms for Stakeholder Dialogue
- S5 Sustainability Advocacy Beyond Business Boundaries

Responsible Operations

- R1 Climate Adaptation
- R2 Facilities and Buildings
- R3 Sustainable Transportations & Logistics
- R4 Safeguard Natural and Cultural Ecosystems
- R5 Water Management
- R6 Waste Reduction
- R7 Human Rights
- R8 Development Interventions for a better society

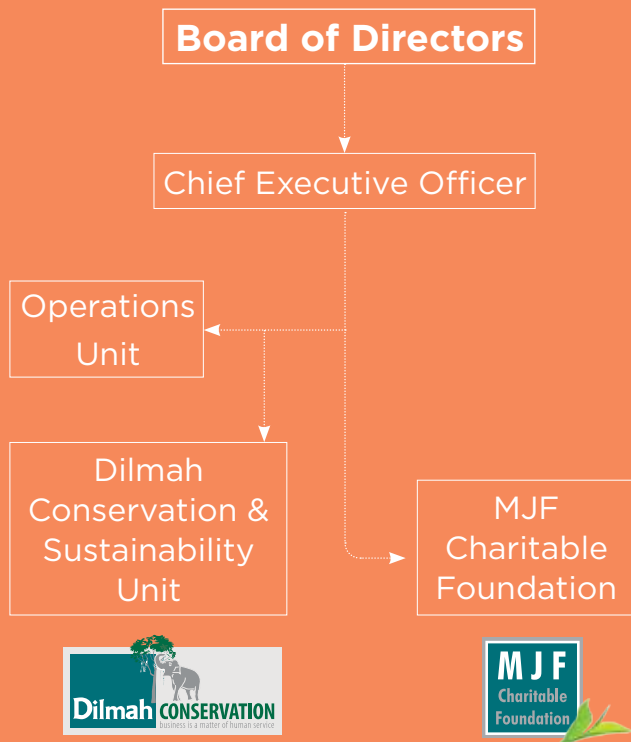
Product and Services

- P1 Product Design and Packaging Innovations
- P2 Business Model Innovation, R&D and Capital

Disclosure and verification

- The company will regularly report on its sustainability strategy and performance against standards and accepted matrices that is further verified, reviewed and acknowledged by an independent party

Sustainability Governance Structure



Good governance, transparency, and business ethics

Dilmah is a Family business driven by a dynamic value system set from its inception by its Founder and enshrined in every pillar of the business. These values are spelled out in policies, standards and operational manuals for sustainability of the business for future generations. Dilmah has adopted a robust Anti-bribery and corruption (ABC) Policy, Human Rights Policy and Code of Ethics setting a strong sense of responsibility towards all stakeholders to be transparent and

ethical in all aspects of the business. Our leadership team at the top is committed to positively influencing the management team, employees, customers and all stakeholders towards achieving high standards of integrity, business ethics, transparency and honest behaviour as the underlying principles of business operations.

In order to sustain our commitment, we have also put in place appropriate performance measures and reporting systems to monitor performance against metrics and compliance with the relevant policies, procedures and controls. Constant

review of the policy for suitability, adequacy and effectiveness, guarantees a comprehensive policy. We adopt a safe environment enabling people to report any unethical behaviours and violations they have identified using the whistle blowing mechanisms. Accordingly, Dilmah was placed 5th by Transparency International Sri Lanka which assess the top 75 Public Limited Companies on the Colombo Stock Exchange on the level of transparency in the disclosure of information.

Mitigating climate change through **Blue Carbon Initiatives.**

Dilmah conserves **26 acres of mangrove** forest in Kalpitiya and works with Biodiversity Sri Lanka to conserve **25 acres of mangroves** in Anawilundawa.

The Company also empowers **10 farmers to cultivate seaweed** **10 acres of Mannar's** continental shelf.

Our One Earth Urban Arboretum

models greening of urban spaces for healthier cities and people.

Our Environmental Education

researches and shares knowledge on nature, wildlife, natural medicine, sustainability and cultural heritage to inspire commitment to conserve.

1 Million Cashew Trees Planted

in Eastern Sri Lanka to revitalise the land and uplift communities under **Dilmah's Green Recovery Programme.**

Beach Caretaker Programme

empowers **75 individuals** from rural coastal communities around Sri Lanka to conserve **70km of Sri Lanka's coastline.**

Our Nature Corridor replaces tea lands with biodiversity to allow wildlife to move freely

between two fragmented forest reserves and strengthen species richness & resilience.

Elephant Conservation efforts include the **Elephant Information Centre, supporting a unique orphan elephant care and reintroduction programme** and elephant research.

Our Publications

are broadly classified into field guides on Sri Lanka's **flora and fauna, books on culture, heritage and Ayurveda, and organic home gardening** – educating and spreading awareness for better conservation.



Sustainable Beekeeping

and bee research to conserve Sri Lankan bees while empowering communities and promoting biodiversity

Research Collaboration

between scientists and our Dilmah Climate Change Centre demonstrate solutions for climate resilience in agriculture.

Life Skills & Vocational Training

for Youth to increase their preparedness for the job market of the future.

Educational Scholarships and School Support

so that young people on the plantations and low-income backgrounds access higher education.

Training for Government Practitioners

in health and education to ensure that people with disabilities are supported in society.

Investment in Disability Friendly Technologies

so that apps, databases and communications support PWDs and their families.

Better working facilities in the tea fields and housing infrastructure

so everyone has a better place to call a home

Early Childhood Development Programmes

so that children under 5 have a stronger start to life.

Nutrition Support and Awareness

promotes healthy minds and bodies that are crucial for children's wellbeing

Therapy, Education and Vocational Training

for an improved quality of life for children with disabilities.

Covid Support and Relief

to the local health system and other beneficiaries affected by the pandemic

Network of Community Centres

taking knowledge & opportunity to remote, rural communities.

Support to Elders

ensures their dignity and recognises their continued capacity to contribute.



Entrepreneurs Developed

have the tools, knowledge and support to create sustainable business models.

Financially Independent Women

who can make smart decisions that impact their entire families for the better.

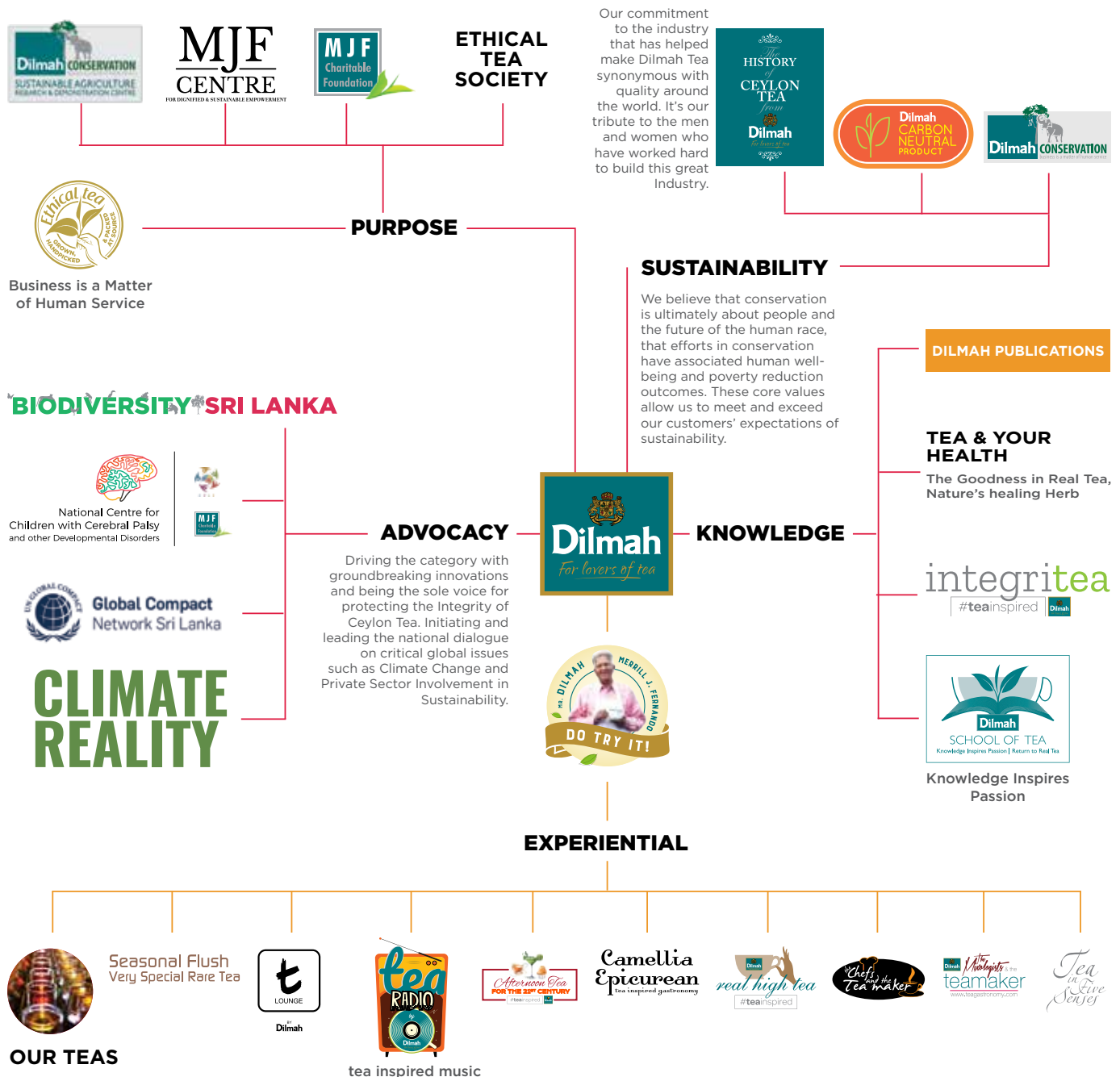
BRAND ECOSYSTEM APPROACH

As in any other ecosystem, Dilmah acknowledges that the brand ecosystem thrives on the wellbeing of all stakeholders. The

Company's business strategy is integrated within the brand ecosystem, enabling all stakeholders to engage

better so that every action in the business process contributes to a sustainable approach.

Dilmah Brand Ecosystem



RIPPLE EFFECT IN BUSINESS SUSTAINABILITY

Corporate Advocacy

'Family business, serving humanity through kindness to people and planet' is synonymous with Dilmah. As a Brand committed to creating impact beyond the realms of business and finance, sustainability advocacy is of utmost importance. As a group that works towards the United Nations 2030 Sustainability Agenda, Dilmah affirms the necessity for strengthening and revitalizing partnerships, and realizes the effect of stakeholder engagement on the company's overall Sustainability Strategy.

The Company's dedicated environmental arm, Dilmah Conservation, was a founding partner of Biodiversity Sri Lanka (BSL), a national platform entirely owned and driven by the private sector. It was established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka.

Dilmah is also a lead

advocate of corporate sustainability within the United Nations Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Dilmah Conservation is the climate leader for the United Nations Global Compact (UNGC) Network Sri Lanka and has established a collaborative platform to build climate awareness amongst businesses and the larger community through multiple initiatives. The Company is an active member of the UNGC's Sustainable Supply Chain Working Group and Climate Action Working Group and works closely with the UNGC by committing to the Science Based Target Initiative (SBTi) to achieve zero emissions for the manufacturing process by 2030.

BIODIVERSITY SRI LANKA



Contribution to the SDGs

Sustainable Development, both as a concept and in practice, is vital to build a more robust, competitive, and resilient business.

Dilmah drives towards aligning its sustainability strategy and initiatives with the United Nations Sustainable Development Goals (SDGs) through

strategic and concerted efforts aimed at alleviating poverty, promoting prosperity and protecting the environment.

The ensuing section is an illustration of Dilmah's focus on the SDGs through its businesses and sustainability initiatives.



Funding medical infrastructure for better health services: the Company supported the enhancement of free, national healthcare facilities in Sri Lanka by donating a High Dependency Care Unit to the Nawalapitiya Hospital in August 2021 and a new 90-bed ward block to the Point Pedro Hospital in February 2022

Strict health and safety procedures were adopted during our operations amidst the COVID-19 pandemic to ensure health and safety of all internal and external stakeholders

Special focus on Employee wellbeing and mindfulness

Stringent quality assurance at every stage of the production process

Supplier assessments for quality and food safety	ISO 9001:2015 FSSC 22000 BRC Global Standard for Food Safety ISO 17025
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Production and distribution of 4,508 MT of tea- considered to be one of the healthiest beverages available in the market



Partnered with governmental, national and international organizations for technical expertise and guidance, essential collaborations on Dilmah's journey of sustainability

Initiating Partner of Biodiversity Sri Lanka (BSL) in collaboration with Ceylon Chamber of Commerce and IUCN- Sri Lanka

LIFE to Our Mangroves: Restoring 25 acres of degraded mangrove forest patches in the Anawilundawa Wetland Sanctuary with members of BSL and the Department of Wildlife Conservation Sri Lanka

Collaborated with the MillenniumIT ESP for development of Sri Lanka's first teletherapy and tele education App "disABILITY"



Merrill J. Fernando Innovations Awards - ECOVATION 2021 identifying, empowering and rewarding sustainable innovators promoting circular economy concepts

97% of total waste recycled/ Repurposed

Water and Energy stewardship

100% carbon neutrality

Waste as a Resource Converting production waste into Christmas decorations and waste wood pallets into gardening structures



186,235 beneficiaries on community engagement



disABILITY YouTube Channel & App - Sri Lanka's only trilingual channel on disability to support special needs children and their families

Over 550 scholarships awarded to students, supporting secondary and higher education



520 children supported through MJF Scholarship Programme 294 students entered universities

3500 kids from less fortunate plantation and rural communities strengthened with educational support through MJF Kids programme



Restored 84 Child Development Centres for the welfare of over 6,600 Children in tea gardens



Meeting the needs & demands of over 15,000 families through updated infrastructure & facilities

Launch of a new cashew processing facility at MJF Centre East, to empower marginalized communities with new skills & livelihood support

240 Individuals supported through community-based organizations

Fostering sustainable livelihoods through skills and capacity enhancement



Equal opportunity employer

45% female representation

Capacity development through the Women's Development Programme

Empowering over 1400 women with dignity



Total water consumption of 23,631 m³

Rainwater Harvesting unit of 18,000 L capacity at the One Earth Centre Moratuwa



42,438 training hours

Equal opportunity employer

BRC food safety cultural excellence to enhance the existing overall company culture

Shift towards remote working arrangements, online meetings, trainings, and events during COVID-19 pandemic



17 Research Projects conducted on Climate Change

Continue to increase the renewable energy component in the Group's energy mix with a Solar Expansion Plan



Achieved 100% carbon neutrality for all products



The Dilmah Peliyagoda premises has been carbon neutral since 2017

All products are carbon Neutral since 2018

263,800 kWh generated through hydropower plants

893,611 kWh generated through solar units



Marine conservation through Beach Caretaker Program: Extended to maintain a pollution-free 50km stretch of beach with the help of 50 Beach Caretakers



Endana Nature Corridor - Aims to create a biological corridor across our tea estate in Endana which borders the Sinharaja Rainforest - a World Heritage Site and a Man & Biosphere Reserve

Initiating Partner of Biodiversity Sri Lanka in collaboration with Ceylon Chamber of Commerce and IUCN-Sri Lanka

Supported 5 initiatives of Biodiversity Sri Lanka

15 publications on biodiversity and heritage conservation to encourage biodiversity and heritage conservation are made available at affordable prices

Selected publications are prescribed for academic programmes in Sri Lankan educational institutes

26 acres of Mangrove Restoration to support blue economy and marine conservation

STAKEHOLDER ENGAGEMENT

This issue of the Annual Report is a testimony of Dilmah's commitment to Make the World a Better Tea, and a tribute to our network of stakeholders spread across 126 countries which is undoubtedly our pillar of strength, that makes honouring this commitment a reality. The Annual Report 2021/22 highlights the ways in which the Company has integrated the ethos of making the world a better tea to all its operational aspects and ensured that everyone involved with Dilmah, from picking the two leaves and a bud to drinking the freshly brewed

tea, is part of the commitment to serve humanity through kindness to people and nature.

Dilmah strongly advocates and drives towards partnerships and collaborations that are within and beyond its own sector, both nationally and internationally. The Company holds SDG17, Partnership for the Goals, in the highest esteem; and builds upon the many inclusive partnerships, and strives to uplift all involved, in all its environmental, social and governance spheres. Being a truly sustainable brand, Dilmah, in all its activities, hold the people and planet at its centre, staying true to its commitment.

Stakeholder feedback is the tool used to

understand expectations and perceived gaps in value delivered to them. Engaging with stakeholders is a responsibility shared across the organisation with multiple channels for obtaining feedback which is a key input to Dilmah's strategic planning processes. The table below provides a summary of how the Group engages with its stakeholders, their concerns and how they have responded to them.

The Annual Report 2021/22 is an accolade to the individuals who have together to create positive impact, and further Dilmah's commitment to making the world a better tea, despite international and national pressures that have made headlines during the past year.

Stakeholders Engagement Concerns

Stakeholders	Engagement	Concerns
Employees Our team comprises of 634 motivated individuals and we are committed to inspiring our employees to contribute towards our value creating process.	- Open-door policy (ongoing) - Individual performance reviews (Biannual) - Meetings and internal mailers (ongoing) - Awareness campaigns (ongoing)	- Remuneration - Opportunities for skill and career progression - Job security - Equal opportunities - Conducive work environment
Customers Our customers comprise of distributors, agents, end-customers and the HORECA channel.	- Sports and cultural activities (ongoing) - One-to-one interactions (ongoing) - Customer Service and relationship management teams (ongoing) - Social media interaction (ongoing) - Mailers & Newsletters (ongoing)	- Product quality and Food safety - Product affordability - Compliance to relevant regulations - Ease of transactions - Ethical Production - Environmental sustainability
Shareholders Our shareholding base consists of 947 individual shareholders and 60 institutional shareholders.	- Annual General Meeting - Publication of quarterly accounts - Press releases (ongoing) - Annual Report	- Shareholder returns - Strategic aspirations - Prudent risk management - Corporate governance practices
Suppliers We strengthen livelihoods of thousands of suppliers across our value chain.	- Vendor Review (ongoing) - Regular dialogue and interactions (ongoing) - Visits to ensure compliance(ongoing)	- Price and profitability - Credit period and ease of transactions - Capacity and demand planning - Climate change and sustainable - Production including responsible sourcing and packaging sustainability
Communities We benefit over 186,235 individuals investing 15% of our pre-tax profit on community and environmental initiatives	- MJFCF community projects (ongoing) - Interactions with local authorities (ongoing) - Through NGO interaction (ongoing)	- Community Investments - Employment Opportunities - Environmental Impact - Community Support
Government and policy makers The government is the regulator of markets and the environment. The government also levies taxes on our products sold and profits.	- Statutory audits (ongoing) - Meetings with Treasury, TRCSL, BOI, Customs (ongoing) - Dialogue through intermediaries (ongoing)	- Regulatory & Legal Compliance - Timely payment of taxes - Product Safety & Quality - Profitability and growth

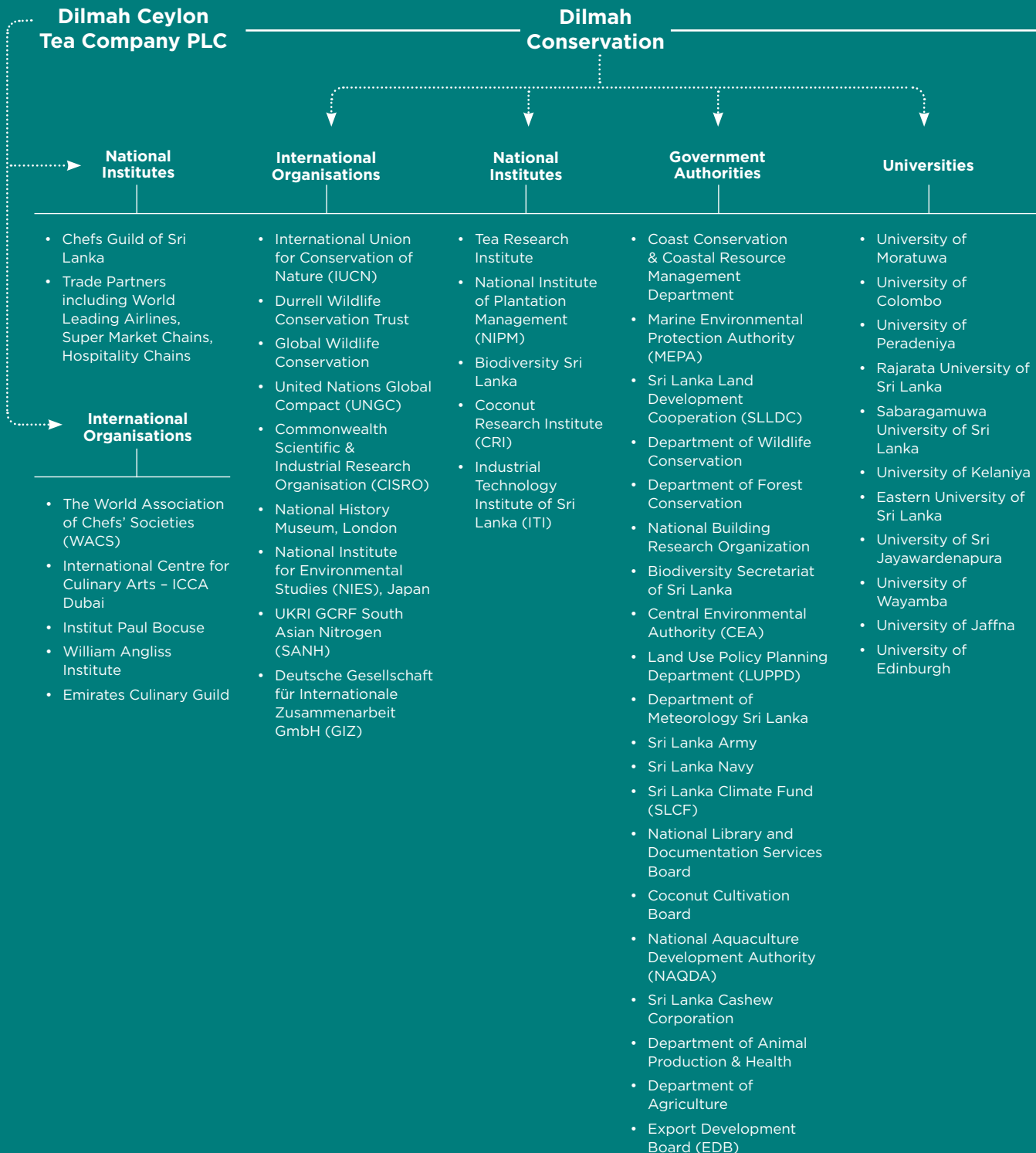
COLLABORATING FOR SUCCESS

While growth and trade are common indicators of achievement, measuring success at Dilmah is not limited to graphs and numbers on a spreadsheet, but also includes the positive impact made on people and communities, and nature, through the Company's extension of kindness.

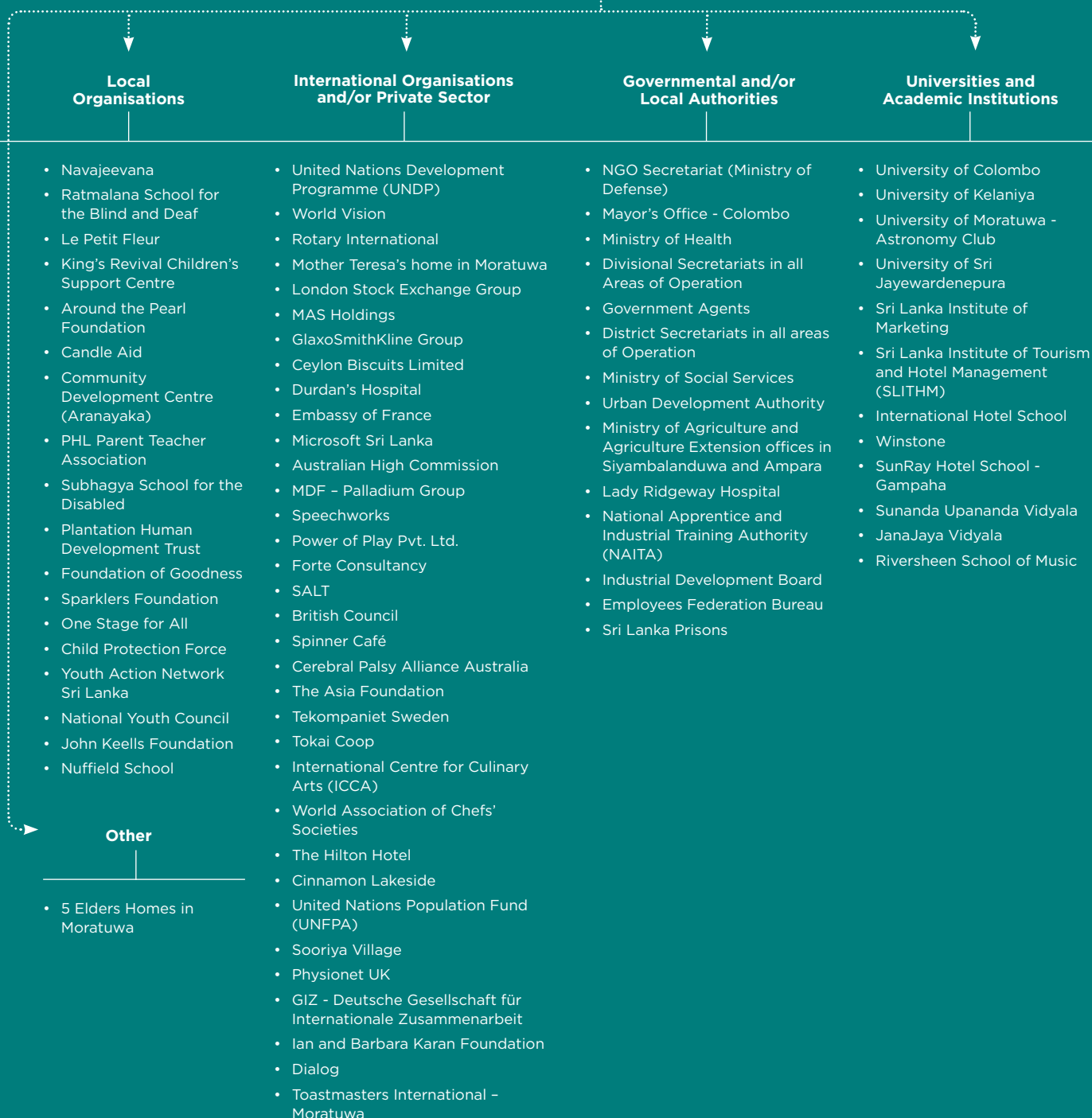
Dilmah has consistently partnered with governmental, national and international organizations for technical

expertise and guidance, essential collaborations on Dilmah's journey of sustainability. Partnering with organizations that have shared norms is considered vital to addressing complex sustainability issues. Dilmah engages in consulting and collaborative initiatives while driving cooperation along value chains, financing project level partnerships and forming industry-level business alliances to fulfil common objectives with the organizations that are illustrated below.

Key Stakeholders of Dilmah During 2021/22



MJF Charitable Foundation



OPERATING ENVIRONMENT

GLOBAL ECONOMIC GROWTH

Several shocks have hit the world economy already weakened by the pandemic: higher-than-expected inflation worldwide, triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine. A tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer

spending undershot expectations.

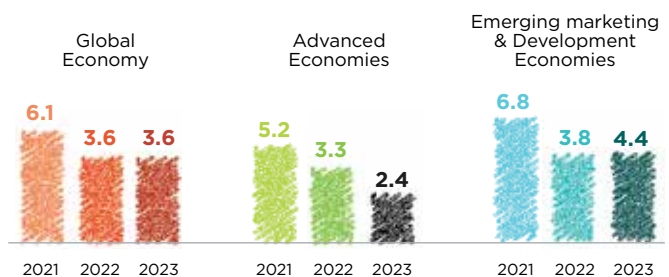
The war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict will contribute to a significant slowdown in global

growth in 2022 and add to inflation. Fuel and food prices have increased rapidly, hitting vulnerable populations in low-income countries hardest.

As per IMF, Global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023.

World Economic Outlook April 2022

Growth Projections



International Monetary Fund

IMF.org #WEO

Both Russia and Ukraine are projected to experience double digit GDP contractions in 2022. The severe collapse in Ukraine is a direct result of the invasion, destruction of infrastructure, and exodus of its people. In Russia, the sharp decline reflects the impact of the sanctions with a severing of trade ties.

The economic impact of the war is spreading far across mainly through commodity markets, trade,

and financial linkages. As Russia is a major supplier of oil, gas, and metals, and, together with Ukraine, of wheat and corn, the current and anticipated decline in the supply of these commodities has already driven their prices up sharply across Europe, Caucasus and Central Asia, Middle East and North Africa, and sub-Saharan Africa. The food and fuel price increases will hurt lower-income households globally—including the Americas and Asia.

In this difficult and uncertain environment, effective national policies and multilateral efforts play an important role in shaping economic outcomes. Although several economies will need to consolidate their fiscal balances, this should not impede governments from providing humanitarian support for refugees displaced by conflicts.

Disruption is everywhere

Industries are facing disruption from all sides and leaders need to closely watch three critical drivers of risk: political, technological, and social. On the political arena: businesses need to be aware of the different incentive packages available for the COVID hit businesses.

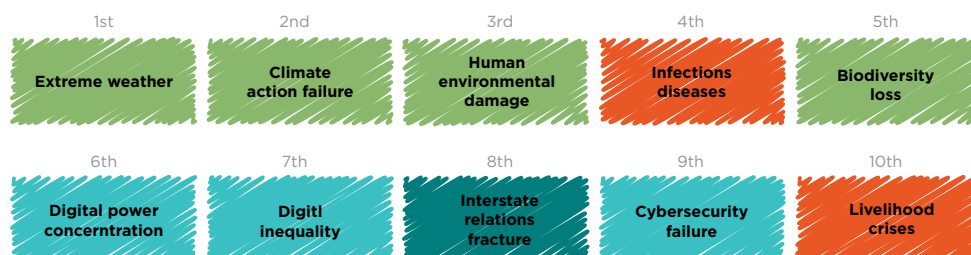
Businesses have had to manage dual crises: economic and health, which resulted in new employee and customer protocols, remote working and re-engineering of supply chains and called for more creative partnerships. These developments and long term risk outlook have challenged businesses to better prepare for the future.

Technological drivers are also accelerating and disrupting the business landscape. The pandemic has resulted in tech revolution for big and small businesses alike. Rapid digitalization transformed social and work interactions overnight. E-commerce, virtual conferencing, gaming and streaming all underwent unprecedented growth. It has been estimated that worldwide internet usage in 2020 increased by 30% while e-commerce grew upwards of 20%.

Global Risk Landscape 2021



Top Global Risks by Likelihood



Top Global Risks by Impact



Source: World Economic Forum Global Risks Report 2021

Commodity Market Outlook

The war in Ukraine has caused major supply disruptions and led to record high prices for a number of commodities. For most commodities, prices are expected to be significantly higher in 2022 than in 2021 and to remain high in the medium term. The price of Brent crude oil is projected to average \$100/bbl in 2022, a 42% increase from 2021 and its highest level since 2013. Non-energy prices are expected to rise by about 20% in 2022, with the largest increases in commodities where Russia or Ukraine are key exporters. Wheat prices are forecast to increase by more than 40% this year, reaching an all-time high in nominal terms. The outlook for commodity markets depends heavily on the duration of the war in Ukraine and the severity of disruptions to commodity flows, with a key risk that commodity prices could be higher for longer.

Even prior to the war, inflation had surged in many economies because of soaring commodity prices and pandemic-induced supply-demand imbalances. War-related supply shortages will greatly amplify those pressures, notably through increases in the price of energy, metals, and food. In many countries, inflation has become a central

concern. In some advanced economies, including the United States and some European countries, it has reached its highest level in more than 40 years, in the context of tight labor markets. There is a rising risk that inflation expectations become de-anchored, prompting a more aggressive tightening response from central banks. In emerging market and developing economies, increases in food and fuel prices could significantly increase the risk of social unrest. In line with the surge in commodity prices there has been an increase in production costs of other commodities. For example, rising energy prices increases the cost of inputs for agricultural production, such as fuel and fertilizers. Similarly, increasing energy prices drive up the cost of extracting and refining metal ores, particularly for aluminum, iron ore, and steel. In turn, higher metal prices increase the cost of renewable energy technologies

Sri Lankan Economy

As per CBSL annual report published in April 2022 the Sri Lankan economy recovered in 2021 from the pandemic induced contraction in 2020. However, with several deeply entrenched structural problems and

vulnerabilities inherited over several decades coming to the forefront, unprecedented socio-political tensions rose in the early months of 2022. The economy was already in a fragile state lacking the necessary buffers to withstand shocks, when it was hit by the COVID-19 pandemic and other multifaceted headwinds that emanated from the global and domestic fronts.

The Sri Lankan economy regained in 2021, following the COVID-19 induced contraction in 2020. As per the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7% in 2021, in real terms, compared to the contraction of 3.6% recorded in the preceding year. All sectors of the economy registered growth during the year: agriculture, forestry and fishing by 2%, industry by 5.3%, and services by 3%.

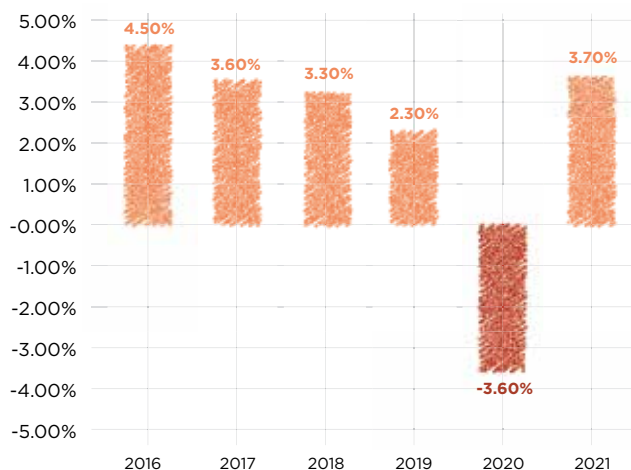
Relaxation of the pandemic guidelines, increased mobility, restating of lost jobs led to the rate of unemployment declining from 5.5% (2020) to 5.1% in 2021, contributing to the steady recovery of the country's economy in 2021.

The Gross Domestic Product (GDP) at both current market prices and constant market prices grew during 2021, as the economy leaped back from the pandemic driven contraction recorded in 2020.

Export industries need to build the capacity and resilience to withstand risks posed by the pandemic, and global issues that affect global markets and commodity prices, while forming strategies to grow and diversify. Export industries, which were significantly affected when the pandemic initially broke out in 2020, recovered within a short time span and recorded a notable growth, recording the highest export earnings in 2021.

The export sectors development should not rely heavily on free/preferential trade agreements. Sri Lanka has preferential export access to several foreign markets through eleven Generalised System of Preferences (GSP) schemes, including the EU GSP+. Meanwhile, Sri Lanka has entered into seven multilateral and bilateral trade agreements, which allow preferential access to foreign markets under concessions. At the same time, efforts are underway to negotiate and enter into free/ preferential trade agreements with some trading partners with high future potential such as China, Japan, Indonesia, Singapore, and Bangladesh. Adoption of stronger industrial policies and strategies is necessary to ensure the availability of essential goods in the country, develop import substitution industries and to increase export earnings

Real Economic Growth Rate%



Tea - Industry Environment

The production of tea recorded an overall growth of 7.4 per cent in 2021, driven by a significant expansion during the first half of the year, owing mainly to the lower base induced by the onset of the COVID-19 pandemic in the corresponding period of 2020. Following the significant increase of 24.0% recorded in the first half of the year, a sharp contraction of 7.2 per cent was registered in tea production during the latter half of the year, largely driven by unfavourable weather conditions that prevailed during the months of November and December.

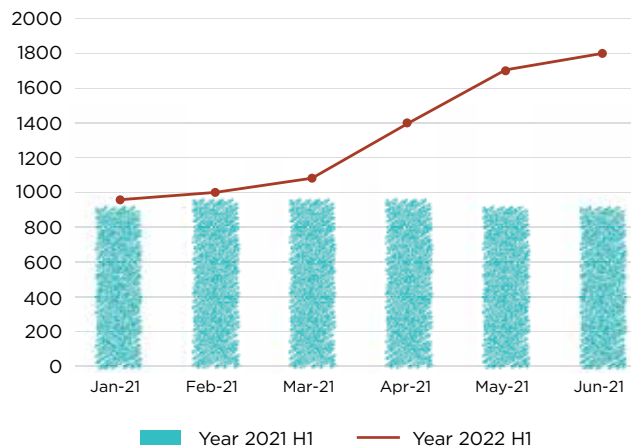
The CBSL report noted that several measures were undertaken by the Government to strengthen the tea industry in 2021. The Five Year Strategic and Action Plan for the Tea Sector in Sri Lanka (2021-2025) was finalised. Production of high, medium, and low grown tea, which contributes to about 22%, 17% and 61% of the total production, respectively, expanded by 5.0%, 9.1 % and 7.8%, respectively, in 2021.

Tea prices at the Colombo Tea Auction (CTA) remained elevated in 2021 compared to pre pandemic levels, but were still lower than those observed in 2020. The average price of tea decreased by 2.3% to Rs. 619.15 per kilogramme during the year from Rs. 633.85 per kilogramme recorded in 2020.

The average export price (FOB) of tea increased by 1.6% to US dollars 4.67 per kilogramme during 2020, compared to US dollars 4.60 per kilogramme recorded in the preceding year. Although the increase in tea prices can be partly attributed to the decline in the quantity supplied to the CTA due to reduced local production, a significant drop in tea exports from global competitors

due to setbacks caused by the COVID-19 pandemic enabled domestic exporters to attract a comparably higher price during 2020.

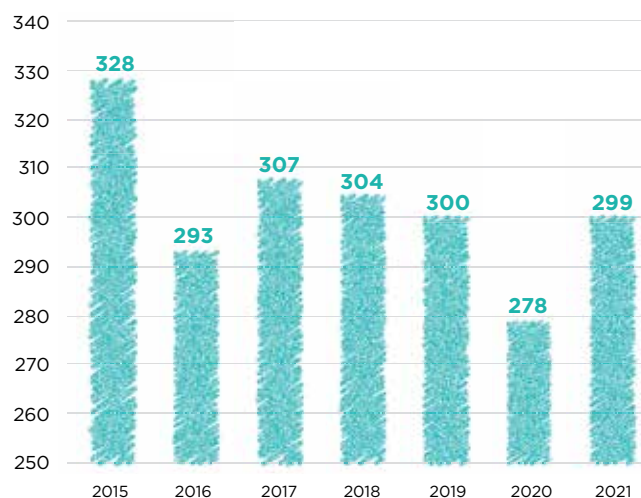
Tea FOB price (LKR/Kg)



Sri Lanka Tea exports January-December 2021 cumulative exports totalled 286.02 million kgs, showing an increase of 20.45 million kgs compared to the same period last year of 265.57 million kgs of January-December 2020.

Revenue of Rs. 263.35 billion realised from Tea Exports for January-December 2021, shows an increase of Rs. 33.18 billion in comparison to the Rs. 230.17 billion of January-December 2020. It also surpasses the previous best of Rs. 240.6 billion realised in January-December 2019.

National Tea Production Output YOY in Mn Kgs



Data from the Sri Lankan Tea Board (SLTB) reports that domestic tea production gained traction from the lowest ever production of 278 Mn Kgs to 299 Mn Kgs. Last year drop is due to COVID

19 outbreak and adverse weather conditions. And further SL Government took measures to uplift the tea sector by way of new planting/ replanting, subsidiary programmes and successfully

implementing the e-Auction during the year 2021 for trading. The Cabinet of Ministers granted approval to utilise Rs. 1 billion from the Tea Promotion and Marketing Fund of the SLTB to

provide a grant for tea exporters who are eligible under the Brand Promotion Scheme for the exporting of Pure Ceylon Tea.

Weekly Average tea Auction prices – Year 2022

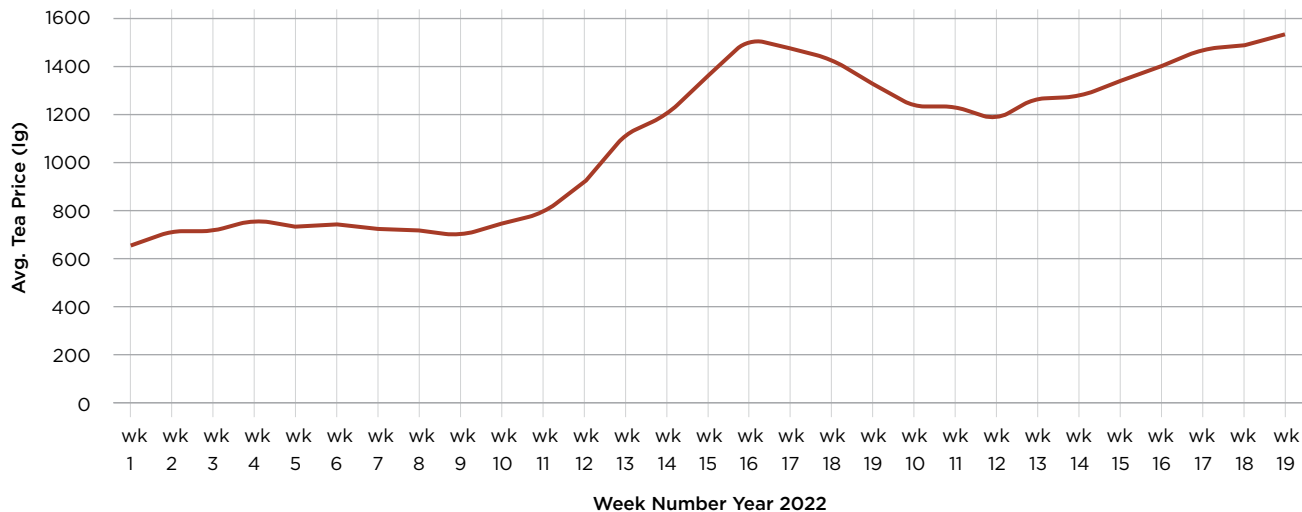
Sri Lankan Tea – weekly auction prices reported a substantial increase in 2022, particularly from March 2022. During the same period the previous year, the tea average auction prices were around

Rs.640/- per Kg whilst current year average prices spiked to Rs.1050/- per kg. An increase of 64% in auction prices were witnessed due to multiple factors, such as drop in tea production, adverse

climate conditions and the devaluation of the local currency. The drop in production was a result of the Government of Sri Lanka banning chemical fertilizers; although the decision was taken in mid-

2021, its impact was felt in Q1 of 2022. However, prices are projected to stabilize with the decision to revoke the ban on fertilizers and the production output for the year estimated to increase by around 2%.

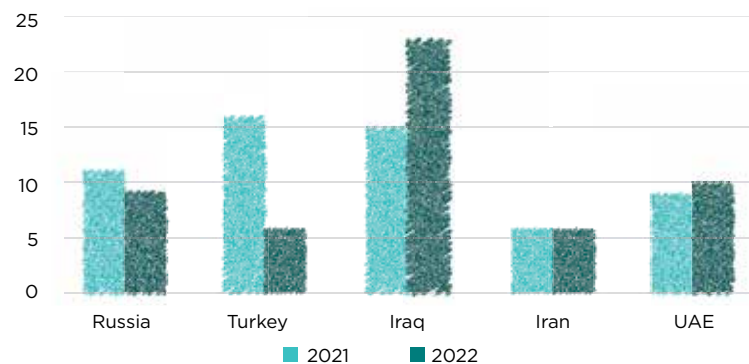
Sri Lanka Weekly Auction price - Year 2022 (LKR)



Data Source: Forbes and Walker Tea Brokers

Country-wise analysis of exports shows that Iraq emerged as the top importer of Ceylon tea while Turkey and Russia followed in second and third. The world economy continues to deteriorate in the fronts of commodity markets, supply chains, inflation, and financial conditions, as consequences of major negative shocks caused by the Covid-19 pandemic and the Russia-Ukraine conflict.

Country wise Tea Export Cumulative Qty (Mn-Kgs) - period Jan to June 2021 & 2022



Tea market Outlook for 2022 and beyond

Before the island nation's economic crisis, tea exports reported approximately US\$1.3 billion annually and nearly 5% of global tea production. But this has now dropped to its lowest level in 23 years.

For the last three months, Sri Lanka encountered a severe fuel and food and other essentials after its foreign reserves dried up. The country owes more than \$51 billion (€49.9 billion) to foreign lenders and inflation runs at more than 50%.

Sri Lanka produces around 300 million kilograms of tea annually and is predominantly an orthodox tea producer. Indeed, Sri Lanka is the largest supplier of orthodox teas, exporting more than 95% of its production.

Stakeholders insist the country's emergency has trickled down to job losses and rambling tea estates are already witnessing rising social unrest & tensions, as those without work in Colombo return home.

Prolonged power cuts have led to plucked tea leaves withering and getting spoilt as it affects quality.

"Production of tea has fallen by 18% and this has been largely on account of

shortage of fertilizers and fuel.

Production prospects for 2022 are fairly firm and global tea production may revert to approximately 2% growth. Sri Lanka may be an exception owing to the withdrawal of chemical fertiliser in and around mid-2021, and its ill effects which are likely to take its toll in 2022. Tea consumption is likely to be dominated by Asian consumers, particularly China and India. China, in particular, has been an important market for Ceylon Tea in recent times. Analysts predict that out of home consumption in China is likely to recover in the coming year helping to drive stronger growth in overall tea consumption.

The US could be singled out as a fast-growing market, particularly for instant tea and the iced tea segments. Interestingly, imports from Sri Lanka to the US too have shown useful growth in recent years.

Tea industry as a matter of urgency needs to adopt and mitigate the adverse effects of 'climate change.' Rehabilitating and improving the water retention capacity of the soil should be a priority followed by a systematic in-filling program carried out in the short term.

In the medium term, a structured re-planting program should be pursued in a manner in

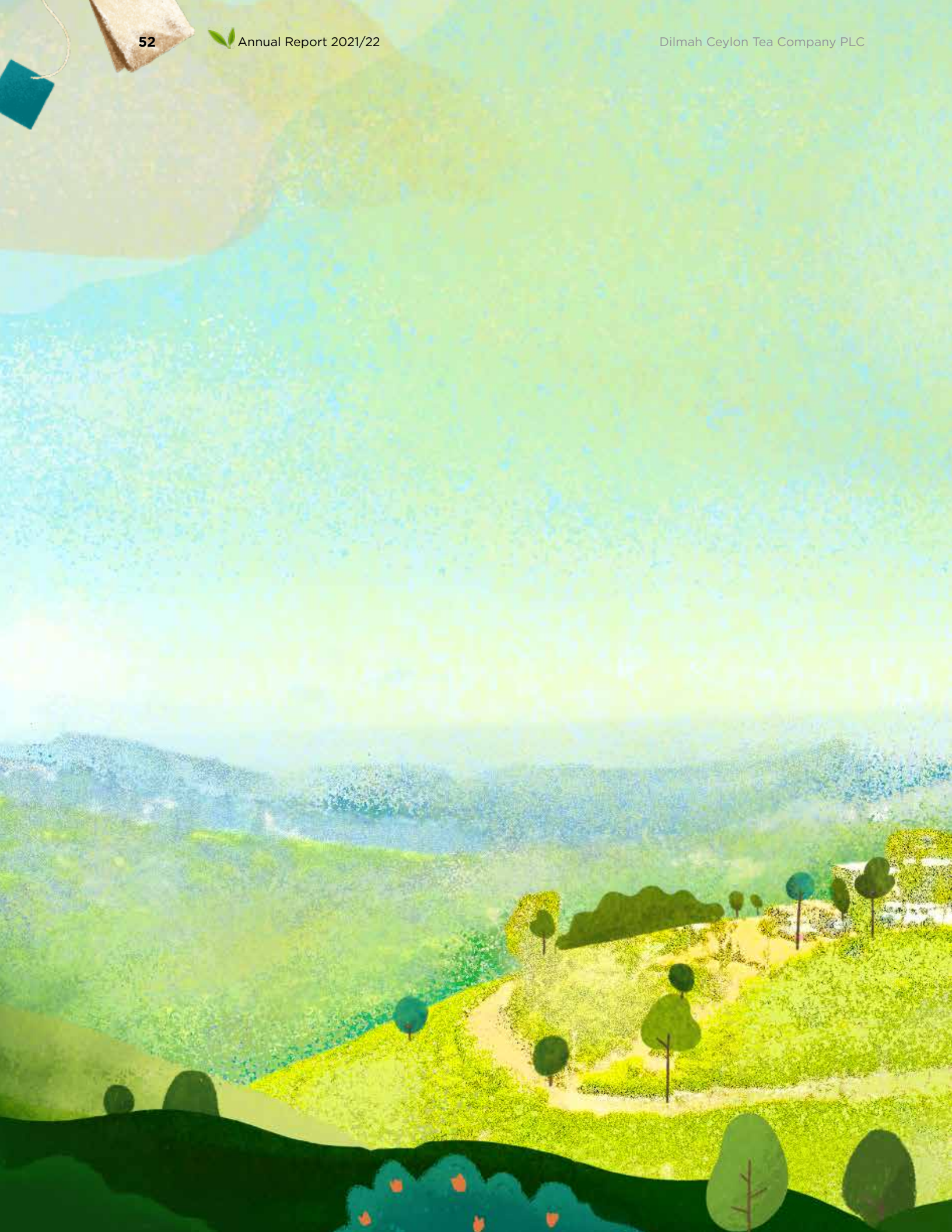
which a high degree of mechanisation can be achieved in agricultural practices, particularly the harvesting function. Therefore, the global competitiveness of 'Ceylon Tea' in the short to medium term will depend on how quickly the industry addresses these vital issues.

Global Tea Market

The global tea market is estimated to grow around by 5% year on year. The present situation in terms of the COVID-19 outbreak has paved a strong ground for different types of teas, like herbal tea, as consumers are actively seeking products that are good for health, natural, and act as immunity boosters, which has boosted trade globally and also the consumption of various types of tea.

Increasing trend shown in the global tea consumption due to health benefits, increase in awareness related to carbonated drinks among people. The flavonoids, antioxidants, and phytochemicals present in tea are known to help in improving various functions of the human body. The rising knowledge about the benefits of drinking tea for patients suffering from combat arthritis, cardiovascular diseases, and high blood pressure is likely to pave the way for the market's growth in the coming

years. Moreover, a rise in disposable income, a shift in tastes of people, and the introduction of additional healthy ingredients in tea by different market players are the other factors that fuel the market growth.



CAPITAL MANAGEMENT





FINANCIAL CAPITAL

The Group achieved yet another strong performance year. Export revenue topped LKR 11.4 Billion compared to the LY LKR 9.2 billion sales. This represented a growth of 24% over the last year. Further DCTC achieved a remarkable profit

after tax figure of LKR 5.5 Billion reporting over 200% increase in comparison to the previous year (LY LKR 1.7 Billion)

Export volume for the year stood at 4.5Mn kgs a slight decrease over the last FY of 1.5% to 4.51 Mn kgs.

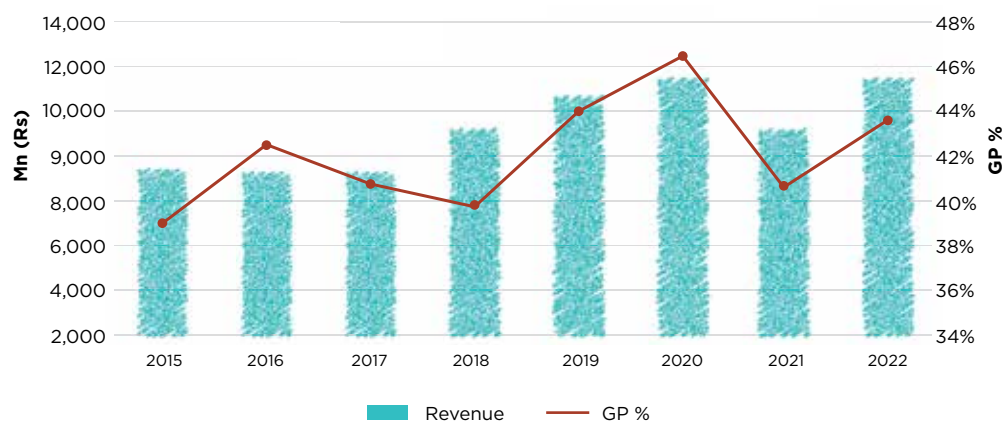
Group's PBT for the FY 21/22 increased by 200% to LKR 5.84 Bn from LKR 1.91 Billion from last year. Compared to last financials Earnings per share reported an increase of Rs. 84 per share to Rs. 268 per share owing to the increased profitability. Company's steady and consistent performance has positively contributed to effectively executing the long term strategy of the company.

The Group continued to innovate its product range, launching new recipes and recyclable packaging to meet the changing needs of the markets. Despite the cost escalations and economic conditions the Group continued to maintain its strong brand equity with high quality products. The Group launched 36 new variants in 5 products ranges: Dilmah Iced Tea (RTD), 4g Long Leaf

tea bags, Wild Island by Dilmah, to name a few. Further, the Group in terms of new packaging developments carried out ECOVATION to welcome and nurture innovative ideas and sustainable packaging. Twenty improvement projects being studied linked up with four key areas, such as, material source reduction, production efficiency and process improvement, wastage reduction, and recyclable packaging.

The Group reported a gross profit of LKR 4.9Bn with remarkable GP percentage of 44% compared to LKR 3.7Bn (GP margin of 41%) versus last FY. Company was able to maintain its steady profitability despite the current country situation and the global business climate.

Revenue & GP Growth



Operating Expenses

Operating expenses reported an increase of 25% for the year in review. Total operating expenses (Admin and S&D expenses) reported at LKR 4.1Bn while the last year figure stood at LKR 3.3 Bn. However it should be noted that from last year pandemic situation scale of business have improved locally as well as globally. And accordingly the cost of operating increased.

Administration Expenses showed a 21% increase from LY figure of LKR 1.63 Bn to LKR 1.98 Bn.

Increases are mainly from staff related expenses & OHs and donation figure due to increase in profits. 15% of pre tax profits is allocated towards the donation figure annually.

Further marketing & selling expenses increased by 28% to LKR 2.13 Bn (LY LKR 1.66 Bn) - Mainly due to earned A&P provision due to increase in top-line. Previous year globally a low key year with most of the businesses were closed / scaled down with the pandemic outbreak and current year saw an

improvement had a natural level of increase in business level activities, business promotions and digital marketing activities led to increase in marketing and selling expenses.

Necessary brand building programmes took place with local and international distributors, to induce volume growth. The Group has a wide distributor network and a direct customer base to roll out its marketing and advertising activities.

PBT figure grew by 205%

and stood at LKR 5.8Bn this is mainly due to the FOREX gain and partly due to increase in top line during the year. Year in review the forex gain increased by 276% to LKR 4.59 Bn and revenue grew by 24.1%. As result of the CBSL decision to float the USD the USD/ LKR rate moved up to 300 levels from 203 level. As a result the USD/LKR moved up during the last two months of the financial year of 2021/22

PBT, Taxation and PAT

The Group's PBT margin % reported at a strong 51% and stood at LKR 5.8 Bn an increase of 205% over last year. This was mainly attributable to the exchange fluctuations and the improvement in profitability. Increase in taxation figure is due to increase in profits and reported at LKR 273.4 Million for the year. PAT figure improved to LKR 5.57 Bn from LKR 1.74 Bn for year registering a remarkable growth of 218%.

Investment in PPE

The Group regularly upgrades equipment to keep abreast of modern manufacturing technology, improving product quality, flexibility, operational efficiency and environment. During the year in review investments were in tea bagging machinery and factory building and capital working progress reflects the ongoing construction of the Peliyagoda factory, supplier advances paid for importing of state of the art machinery.

Current Assets

Inventories included tea, packing materials, finished goods and machinery spare parts. It showed an

increase of 24% to LKR 1.9Bn versus LY LKR 1.5 Bn. The Group maintained a healthy level of stocks of all forms to service potential increase in short to mid term demand. Stock of Finished goods also reported an increase mainly due to global logistics issues and shipment delays due to the pandemic outbreak.

Trade Receivables

Trade debtor increased from last year figure of LKR 4.63 Bn to LKR 5.87 representing a 27% increase. This is in line with the increase in revenue and revaluation of the debtors due to exchange rate fluctuations. The Group maintains a stringent credit policy while maintaining a positive relationship with the global customers.

Current Liabilities

Overall current liabilities increased by 90% compared to LY LKR 2.55 Bn. This increase is attributed to the increase in profitability, advertising and promotion payable figure, in line with the increase in topline. Furthermore, payable to suppliers for the factory automation project contributed to the significant increase in current liabilities. It should be noted that in 2020/21 advertising and promotional activities were limited due to the restrictions posed by global outbreak of Covid-19; as a result the current liabilities of 2020/21 was lower than average.

Capital Structure

DCTC's consistent strong and exceptional performance in the current year further strengthened the Company's capital structure, as indicated by the key internal ratios as well as market indicators shown below. Return on Equity (ROE) increased from 13% to 34% due to increase in profitability, there by increasing the equity holders return. DCTC delivered a strong EPS of Rs. 268.62 for this financial year compared to the previous year, of Rs. 84.38 (EPS growth 218%)

The chart below shows the consistency in the Group's performance and is made evident by the key ratios. Group's share price reported round Rs.650 per share for the last

Return to Shareholders

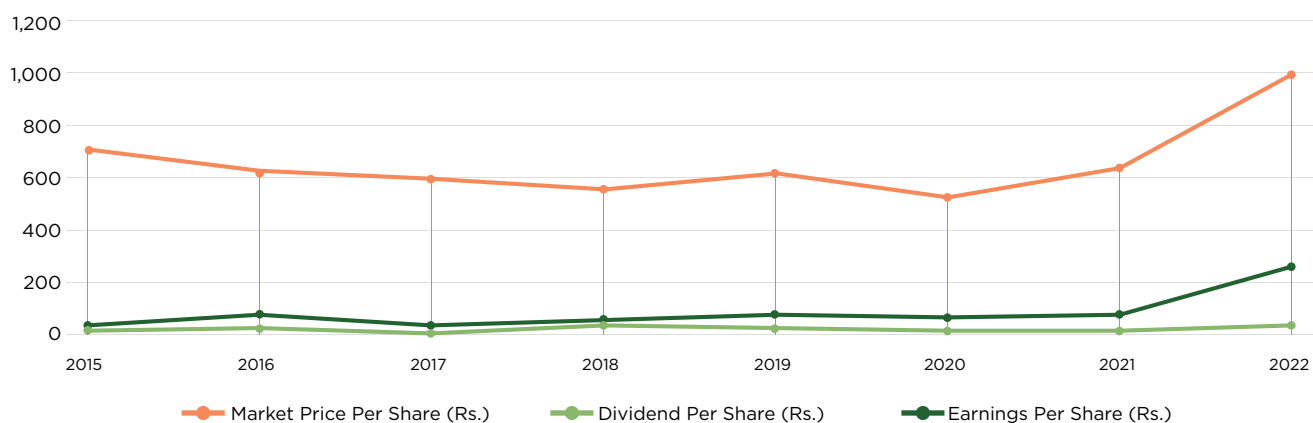
		2021/22	2020/21
ROE	%	34.17	13.36
Earnings per Share	Rs.	268.62	84.38
Net Asset per Share	Rs.	902.68	669.12
Share Price (Closing)	Rs.	998.00	636.75
P/E Ratio	Times	3.72	7.55
DPS	Rs.	55.00	18.00
Dividend Yield	%	6.00	3.00
Dividend Payout	Times	12.35	6.00
Market Capitalization	Rs. Mn	20,696	13,205



few years, except for the year in review posted at Rs.998/-. DCTC was able to maintain a stable dividend payment figure to keep shareholder confidence and at the same time was able to keep sufficient funds for future growth. The Company invested heavily in a technologically advanced new manufacturing facility, equipped with artificial intelligence robotic process

automation. The facility commenced operation in 2022 and is expected to increase production efficiency.

With exception to the previous years, current year's dividend pay-out increased from Rs. 18 per share to Rs 55 per share, to reflect the increase in profits in the current year and total dividend will sum up to Rs. 1.14 Bn.





HUMAN CAPITAL

Making the world a better tea, starts with our Company's most valuable asset, our Human Capital. The Company does not hold back in leveraging the talents and commitment of the people that work tirelessly behind the scenes to pour the world a better tea, while attracting and retaining the best talent in the country. As the world battles a pandemic and the country faces

an economically challenging era, the Dilmah family sustained the brand equity and position, by holding the family values upon which the brand is built. The Company harbours a dynamic team of 634 employees, who drive its strategic aspirations and facilitates a healthy customer experience, that contributes to the growth of the business.

Highlights of 2021/22

Investment of Rs. 1.9 Mn

in a competency monitoring and development mechanism for the Technical Staff

Dilmah was recognised at the

UNV 50 Country Awards 2021

for the voluntary efforts taken by members of the Dilmah family to uplift communities surrounding Dilmah estates and Centres island wide.

Launched an **NVQ certified**, nationally recognised skill development programme for the engineering team on automation.

634
Employees

45%
Female Representation

90%
Retention Rate

Our contribution



Value Delivered

Total Payments to Employees
Rs. 1,314 Mn

Training Investment
Rs. 27 Mn

Total Training Hours During the Year
42,438

Zero Layoffs
amidst health and economic crisis

Our Impact

High Level of Employee Engagement

Loyal workforce
63%
of the total workforce with more than 5 years of service

10%
Absenteeism Cover

Sustainability Ambassadors

MANAGEMENT APPROACH

Dedication, Integrity, Loyalty, Motivation, Authenticity and Humaneness are values that build the Brand, and are upheld by the 634-strong human capital of Dilmah. As a family business, the Company prioritises the health and wellbeing of its family members. Personal and career aspirations are met by adopting a

holistic employee value proposition. In addition to a pandemic, the year under review also posed national economic challenges; pushing the Company to adapt to multiple circumstances that faced its employees.

The Company has increased the efficiency of the HR process through complete digitisation which helps optimise

time and resources, from recruitment up to retirement / resignation. The Company furthered steps taken to encourage mindful and sustainable lifestyles to ensure the wellbeing of its employees. During the year under review, a relatively low employee turnover was shown of 10%, justifying Dilmah's commitment as a preferred employer.

Human Capital Priorities

Attraction

- By Knowledge
- By Skills & Expertise
- Via an Online system



Development

- State of the art evaluation system
- Management & Technical competencies
- Tailor-made development plan for each employee

Retention

- Rewards and recognition
- Prioritizing Health and safety
- Updated HR Policy



Employee Engagement

- Sustainable Lifestyles
- Fitness and Sports
- Employees' Children Engagement
- Engaging in Cultural Events

Occupational Health and Safety

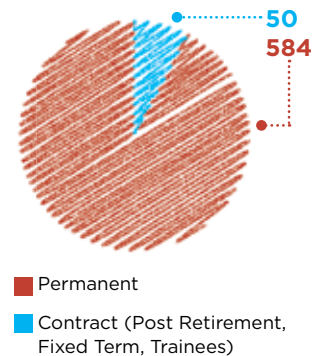
- Immediate corrective actions
- Accident-free working environment



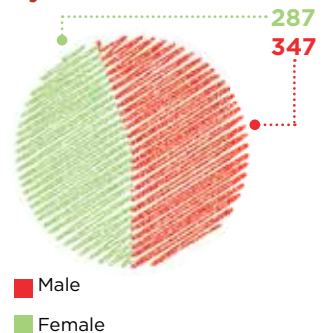
Team Profile

The Brand is enriched by a young and energetic team with 59% of the carder being between the ages of 19 to 40, whilst Dilmah values, its culture and traditions are passed down and enhanced by the more experienced 41%. The Dilmah family welcomes and believes in the positive impact created through diversity and is an equal opportunity employer that does not discriminate based on gender, ethnicity, age or any other form of diversity when attracting, remunerating, or promoting employees.

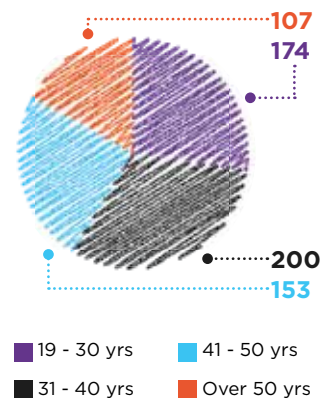
Total Employees by Type of Employment



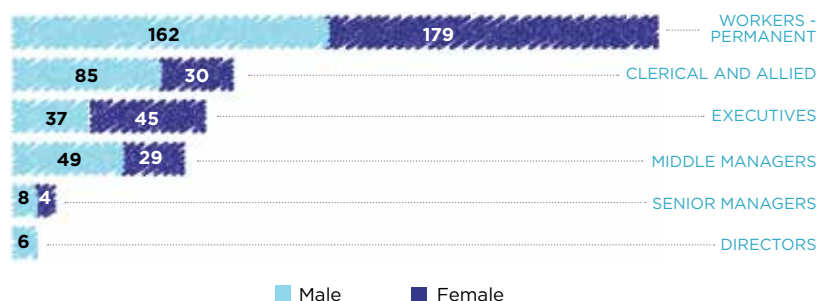
Total Employees by Gender



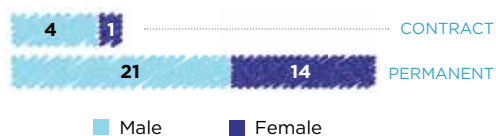
Total Employees by Age



Team Profile by Employee Category



New Employee Hires



HR GOVERNANCE & POLICIES

The Company's well thought out Human Resource Governance Framework, consisting of a resilient HR, Grievance and Ethics policies, ensure that employees are treated with care and kindness. The framework is centred on attracting, stimulating, developing, and retaining the Company's human capital. The Brand that is built upon a principle of 'no compromise' to taste, goodness and purpose, extends the same code to its workforce, whose talents and capabilities are constantly

enhanced through various programmes. The governance policies focus on capitalising and augmenting employee interest based on stakeholder and organisational goals. The Board, Remuneration Committee and the Heads of Departments constantly review and update policy framework and the way-forward with said policies. Our comprehensive HR policy framework is designed to comply with local and international regulations, standards and industry best practices.

The Company maintains zero tolerance towards bribery and corruption, as outlined through the comprehensive Anti-Bribery and Corruption Policy, its Workplace Anti-bribery rules and its Code on Business Ethics, made available to all employees via Dilmah's intranet site. Training on these policies is carried out in the induction programme conducted by the Legal department during the onboarding process of new employees.

HR Governance Structure

Board



Decentralised Management Committee (DMC)



HR Department



Head of Department (HOD)

Regulatory Framework

- **The Factories Ordinance**, No. 45 of 1942
- Employees' **Provident Fund Act**
- Employees' **Trust Fund Act**
- Employment of **Women, Young Persons and Children Act**
- Convention against **Torture** and other **Cruel, Inhumane or Degrading**
- **Treatment or Punishment Act**
- Convention on the Suppression of **Terrorist Financing Act**
- International Covenant on **Civil and Political Rights (ICCPR) Act**
- Protection of the **Rights of Persons with Disabilities Act**
- **Maternity Benefits** Ordinance
- **Shop and Office Employees** (Regulation of Employment and Remuneration) **Act**
- **Workmen's Compensation** Ordinance

Our Policies

- Human Rights Policy
- Business Ethics Policy
- Anti-bribery and Corruption Policy
- Grievance Policy
- Human Resource Policy
- Health & Safety Policy

Company Standing Orders and Code of Conduct

- Conditions of Employment
- Classification of Employee
- Employee Security
- Disciplinary Inquiry Procedure

Digitalised HR Process

Keeping up with the ever-evolving digital world, the HR process of the Company, from recruitment up to retirement / resignation, has been completely digitised through a Human Resources Information System (HRIS). Furthermore, to make matters more convenient and efficient, an online career page is in place on Dilmah's official website for candidates to upload their CV's for vacant positions. Candidates best suited for the job are recruited based on knowledge, skills, abilities and behaviour, providing an equal opportunity in line with organisational goals. During the recruitment process, the Company has ensured that the requirements of the Employment of Women, Young Persons & Children Act are met.

In order to ensure a smooth transition into the Dilmah culture and familiarisation with the Company, all recruits undergo an induction

programme covering all departments. All new recruits are quarterly reviewed during their probation period to make sure that they are familiar with the culture and the job, with right directions given through mentoring and guiding. The digitalised process in place helps improve the efficiency, accuracy, and employee engagement towards the betterment of the Company.

To make the HRIS more user-friendly a mobile app is in place enabling employees to apply for leave and medical claims and supervisors to approve of the same. A digitalised HR Process not only ensures easy access when working remotely and has proven to be an efficient, and environmental-friendly way of executing tasks.

During the year under review, the company has further improved the digitisation of HR processes by expanding the scope to cover major processes of the department. The Company

is readily equipped with state-of-the-art technology to make the processes simple and efficient.

Further, the Company has invested in a competency monitoring and development mechanism for the Technical Staff. This process is in place to ensure that the Technical Staff has the required knowledge, skills set and ability to meet the company objectives. The employees expected competencies have been defined for each designation, while the line managers can assess the current competencies of the employees. The system is designed to identify gaps in competencies of each employee in a periodic manner. With this tool, the Company could measure accurate and instant assessment about the current skill levels, identify skills gaps in relation to specific competencies and decide which trainings and development programmes are necessary for individual employees.

Listed below is the processes that has been digitised through the HRIS.

Recruitment with Real-time Feedback
www.dilmahtea.com/careers/



Onboarding



Confirmation with Mentoring & Guiding



Performance Appraisal



Training & Development



Compensation & Benefits

2021/22

Competency monitoring and development mechanism for the Technical Staff

Employee Engagement Activities During the Year



New Year Celebrations



Long Service Awards

Employee Engagement and Sustainable Lifestyles

The unprecedented health and economic challenges in the country has had severe impact on the lives of individuals and communities today, that emphasised the requirement for implementing employee engagement activities and sustainable lifestyle initiatives, to create a support system that helps them thrive through the current times.

Despite the challenges, Dilmah implemented various employee engagement initiatives, to help its workforce navigate through these

difficult times through many programmes that encouraged work-life balance and mindfulness of the employees, while adhering to strict health guidelines. Programmes conducted included development initiatives, sporting and recreational events, cultural events etc. However, due to the restrictions stemming from the pandemic, some of the major events in the Dilmah event calendar, such as the Staff Christmas Party and the Annual Pirith Ceremony were not conducted during the year under review.



Veganuary Challenge for Staff

Musical Entertainment Programme for Hostellers



Yoga Sessions and Art Therapy for Hostellers



Grievance Handling

The Company believes in fairness, diversity and equality; open and honest communication is encouraged at all levels of management. A transparent and streamlined grievance handling procedure has also been put in place to ensure employee feedback is well received.

- In the case of an employee or a group of employees having a grievance affecting employment within the Company or any other issue, the following ways can be utilized to report a possible violation of law or company policy, which may be done orally or in written form:
 - An anonymous note can be passed on at the monthly employee forum.
 - A complain can be made to their immediate supervisor or manager.
 - A problem can be reported to the compliance team/Head of HR or this can be done through the
- “Employee’s Voice” platform, a virtual portal which has a separate link to reach the CEO directly
- A problem can be reported to the senior management through the designated e-mail address
- Grievances and suggestions for any improvement can be made at the Joint Consultative Committee (JCC) which is conducted with the senior management.
- If an employee is not comfortable in reporting a suspected non-compliance to his/her manager or feels non-compliance has not been satisfactorily addressed by the manager, the employee can approach the compliance team and request anonymity. Such anonymous complaints can be passed on to the management at the monthly employee forum or by post to the CEO.

Grievance Mechanism

Open Door Policy	Joint Consultative Committee	Townhall Meetings	Professional Counselling Service	Grievance Records
Report to HOD: Direct access to their HOD regarding both professional and personal grievances Human Resource Manager: Direct access to HR manager regarding both professional and personal grievances	The JCC which has representation from each department will periodically discuss their grievances directly with the Chairman, Deputy Chairman and the CEO	Held once a month, open to any and all staff across all categories to speak out and voice their concerns	A nominated senior counsellor is assigned to attend to any level of grievance related to employee personal or professional health	An opportunity for the staff to express their grievances and workplace inquiries anonymously, where all these inquiries are directed to the management for necessary actions



Joint Consultative Committee Meeting

Performance Evaluation

As a Brand that holds dedication, integrity, loyalty, motivation, authenticity, and humanness, in high esteem, the Company believes in nurturing a performance-driven and meritocracy culture. The Employee Performance Management System (EPMS) is a scientific and transparent system to incentivise executives by duly recognising staff performance and to develop necessary skills to help employees move forward in their careers.

The Dilmah EPMS is designed to guide all executives to unleash their true potential, by closely monitoring their performance, their contribution with required competencies and adherence to the corporate values, which will pave the way forward to achieve the objectives of MJF Group.

With this system the employee is made aware of on-the-job tasks he/she is designated to complete during a specific time period, followed by system generated reminders.

Remuneration and Benefits

Prior to commencing the performance review process, the Remuneration Committee conducts a detailed salary benchmark across the industry to ensure Dilmah retains and attracts the best talent. The results of this benchmark, along with living cost analysis based on national data, and results of the performance appraisals, form the key components taken into consideration when determining remuneration.

Once defined based on the above approach, salary increments & promotions are then submitted by the

Committee for the approval of the CEO and the Board. Dilmah continues to retain and applaud the best talent, by promoting employees as deserved, despite the limiting national economic circumstances.

Promotions	Total	Male	Female
Executive and above	36	22	14
Non-Executive	8	7	1
Total	44	29	15

In addition to the pandemic, the country's unfavourable economic condition posed many challenges for industries in Sri Lanka, and Dilmah was no exception. The Company has ensured that no deductions or delays took place in the payments of salaries. Dilmah also took additional measures to provide staff with required dry rations and sanitary items, while also ensuring that the employees of the Company received the performance bonuses that they are entitled to twice a year.



Benefits offered to our permanent cadre

Fringe Benefits

- Bonus
- Production Incentives
- Attendance Allowance
- Death Donation Scheme
- Thrift Society
- Housing Loans
- Welfare Loan Scheme
- Special Grants from the Empathy Fund
- School Books / Uniforms Distribution
- Scholarship Scheme for Children
- In-house Hostel & Kitchen Facility for Staff
- Evening Snack
- Night Shift Meal
- Free Tea Quota
- Staff Tea Sales
- Staff Transport
- Laundry Service
- Uniforms & Overcoats

Mindfulness & Wellbeing

- Sports Club
- Yoga Sessions

Healthcare

- Medical Screening
- Medical Clinics
- Medical Leave
- Hospitalisation Insurance
- OPD Reimbursement



A special motivational programme

A virtual program was organised during the pandemic to motivate the employees, and encouraging them to face challenges by viewing them as opportunities instead.

Reach-out session

A Reach-out session conducted by LIFE 180° counselling centre on common workplace issues, signs of work-related stress, and self-care techniques for the female staff of Dilmah.



Training & Development

Training and development of our human capital is carried out based on the strategic aspirations of the organization. During the year we conducted over 250 training sessions with a total of 42,438 training hours, including individual trainings, and internal and external group programmes, focusing on technical and soft skill development, with a total beneficiary base for all employees.

Individual development plans are formulated for the staff based on the functional/technical competency gaps identified by the HODs. Training and development programme line-ups are offered to the individuals after a stringent evaluation process. External and internal training programs are conducted for all categories in our workforce, in addition to on-the-job training through a culture of mentoring and job rotation. All the trainings have been clustered to 08 categories in-line with the business requirement.

8 Training Clusters

- Business and Communication
- Compliance and System Requirements
- Finance and Accounting
- Information Technology
- Leadership and Management
- Professional Trainings
- Food Hygiene and Safety/OHS
- On the Job trainings / Technical



Technical Competency Development Training



13 employees have obtained NVQ level 4 qualification under "General Fitter" category

Allocated **15 employees** for NVQ Level 4 qualifications under "Basic Fundamentals of Automation" to support the Company's journey towards automation and process improvements



Allocated **10 employees** for Computerized Numerical Control (CNC) Turning & Milling operations training programme



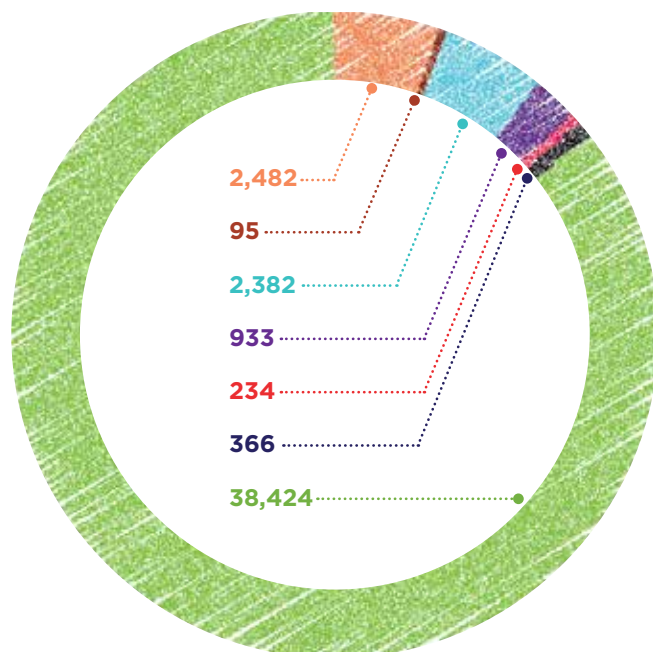
Fire training by the Fire Service Department

23 Employees of the fire crew were trained

Dilmah Internship Programme

The Dilmah Internship Programme (DIP) offers students an opportunity to pursue a career, based on their current study path, while providing real-time insight into the world of tea and corporate exposure in an international company, engaged in ethical trade. This enables students to build on their college-level learnings, while obtaining practical skills, and enhancing their employability in the industry and develops future leaders. The Interns at Dilmah are considered assets to the Company and are an opportunity for innovation, as they contribute fresh perspectives and new ideas. Their contribution is closely monitored by the CEO himself.

Training Hours

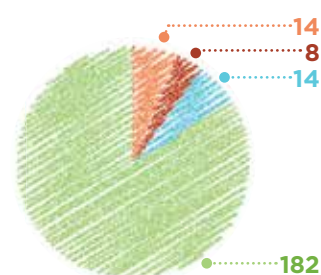


67 Average

Training Hours per Employee per annum

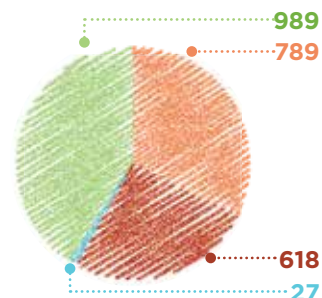
- General Training
- Individual Training
- Group Training (Internal & External)
- Machine skill enhancement related training
- Process related training
- Introduction training for new recruits
- Periodic awareness on process

Number of Trainings Conducted



- Internal Group Training
- External Group Training
- Individual Training
- Other

Number of Employees Trained



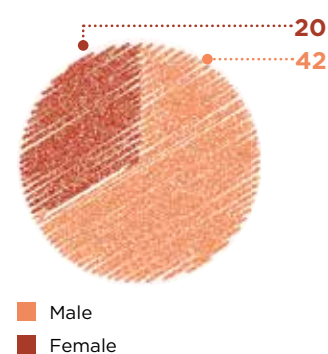
- Internal Group Training
- External Group Training
- Individual Training
- Other

Total Training Hours

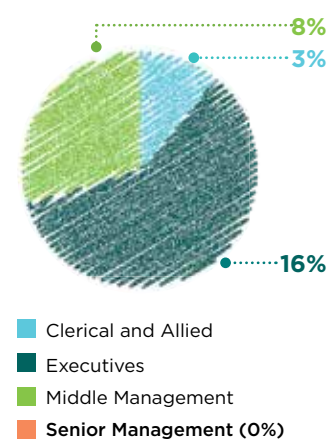


- Internal Group Training
- External Group Training
- Individual Training
- Other

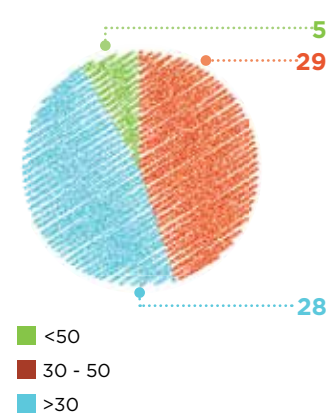
Turnover by Gender



Turnover by Employment Category



Turnover by Age



- <50
- 30 - 50
- >30

Employee Retention

The Dilmah family thrives on the dedication and loyalty of the employees. Dilmah's unique employee value proposition characterised by above-average remuneration and dynamic work environment has permitted the Company to sustain a retention rate of 90% while maintaining the turnover at a rate of 10% during the year under review. The executive staff turnover was 8.4% whilst the clerical and allied staff turnover was recorded at 7.8% and worker turnover rate was 11.1%.

Long Service Awards

Employee loyalty at Dilmah is justified by over 63% of employees with over 5 years of continuous service.

During the year under review, 20, 14 and 5 employees were recognised for their continued service of over 10, 20 and 25 years respectively.



Recognising employees with 25 years of continuous service



Appreciating employees with 20 years of continuous service



Celebrating employees with 10 years of continuous service

Health and Safety

As a manufacturing company, Dilmah is committed to providing employees with a safe working environment focused on eliminating and managing health and safety concerns such as the risk of hazards and injuries. Dilmah's dedication to employee health and safety is further strengthened by the Company's proactive commitment to the SDGs 3 and 8, which ensure 'Good Health' and 'Decent Work and Economic Growth', respectively.

Adhering to the requirements of the 4 pillars - labour, health and safety, environment, and business ethics of Sedex Members Ethical Trade Audit (SMETA) methodology, Dilmah ensures continuous improvement of Health & Safety in the workplace.

The packing and bagging factory situated in Peliyagoda is equipped with a fully-fledged medical facility, with medical check-ups conducted every weekend

by specialists in the medical field. The Health and Safety committee, comprising of 25% worker representation, conducts monthly reviews on the safety and hazardous situations in the premises. Proving the strength of our Health and Safety policy across the Group, zero injuries and hazards of critical nature were reported during the year under review.

Work-related injuries	Unit	Male	Female	Total
Fatalities as a result of work-related injury	No.	0	0	0
High-consequence work-related injuries (excluding fatalities)	No.	0	0	0
Recordable injuries	No.	4	2	6
Lost days due to occupational injuries	Days	25	5	30

By type of incident	Unit	Total
Falling	No.	1
Bodily reaction-injury by bending, reaching, standing or climbing	No.	1
Injury by being struck by/against an object	No.	4
Car accident	No.	0
Natural disasters	No.	0
Exposure to toxic/dangerous material	No.	0
Other	No.	0

🌿 *High-consequence injuries - Injuries that require more than 6 months recovery time.*

🌿 *Recordable injuries - Injuries that require recovery time of greater than 1 day and less than 6 months.*

🌿 *Zero fatalities of employees or contractors were recorded in 2021/22.*

HR follow-up procedure in case of injuries

- Health & safety officer will conduct an investigation to find out the root cause for the accident occurred



- Take immediate corrective action to prevent future probabilities



- If the period of disablement in working days is more than 3 days, Human Resources will inform the District Factory Inspecting Engineers Office within 10 days from the date of the accident occurred



- The accident is reported to the safety committee by the Health & Safety Officer

Salient Points of Our Health & Safety Policy

- Providing a healthy and safe working environment by focusing on good manufacturing practices and establishing a safety culture, systems and procedures.
- Providing necessary infrastructure and education, necessary to achieve aforementioned objectives while emphasising the importance of housekeeping, industrial hygiene and ensuring maintenance of established health and safety systems.
- Comply with all regulatory and statutory provisions, governing health and safety of the individual and the work environment.

NEW NORMAL: COVID-19 RESPONSE

Best Practices Guide designed by Dilmah for the health and safety of Dilmah staff, estate workers and their families during Covid-19.

COVID-19 Operational Guide

Strict protocols were followed from the tea gardens to the factories and offices to make sure the tea produced remains Ceylon's finest. Dilmah took control of the 'new normal', by setting up stringent hygiene and safety protocols, followed by all Dilmah personnel in the Tea Gardens, Offices and Factories, even after Covid-19 protocols were relaxed by relevant authorities.

Safety Gear, Monitoring, Hygiene

- Daily hygiene practices following the Ministry of Health Guidelines
- Frequent visits from the MOH and the PHIs on companies demand to make sure the safety standards are maintained optimally
- **Shifted from Biometric entry registration to facial recognition machines**
- Mandatory temperature checks
- Foot-operated hand washing station
- Disinfecting foot bath facilities at the entry points

PCR and RAT testing

- The Company has spent over **Rs. 10.4 Mn** on **1,605 PCR tests**.
- Performed **398 Rapid Antigen Tests** worth of **Rs. 796,000/-**

Extended Transport Services

- The Company has spent over **1 million LKR per month** for the extended transport services provided to the Factory Associates.



Estate Communities

- Worker welfare, hygiene, and nutrition
- New harvesting and admin system for physical distancing
- Food and essentials for estate workers and their families
- Payments of monthly advances and wages
- Sporadic training sessions to ensure health and safety guidelines are followed

Effective Communication

- Awareness programs on COVID 19 via pocket meetings, Posters, Emails, Flyers etc.
- Bulk SMS, **“MJF Team Safety”** WhatsApp group, Team MJF Facebook group with the **“Team MJF Employee in Distress and Requiring Assistance”** feature to share details of a fellow employee who is in distress due to COVID

Vaccination Programme against COVID-19

- **99%** of employees have been vaccinated by the end of the financial year

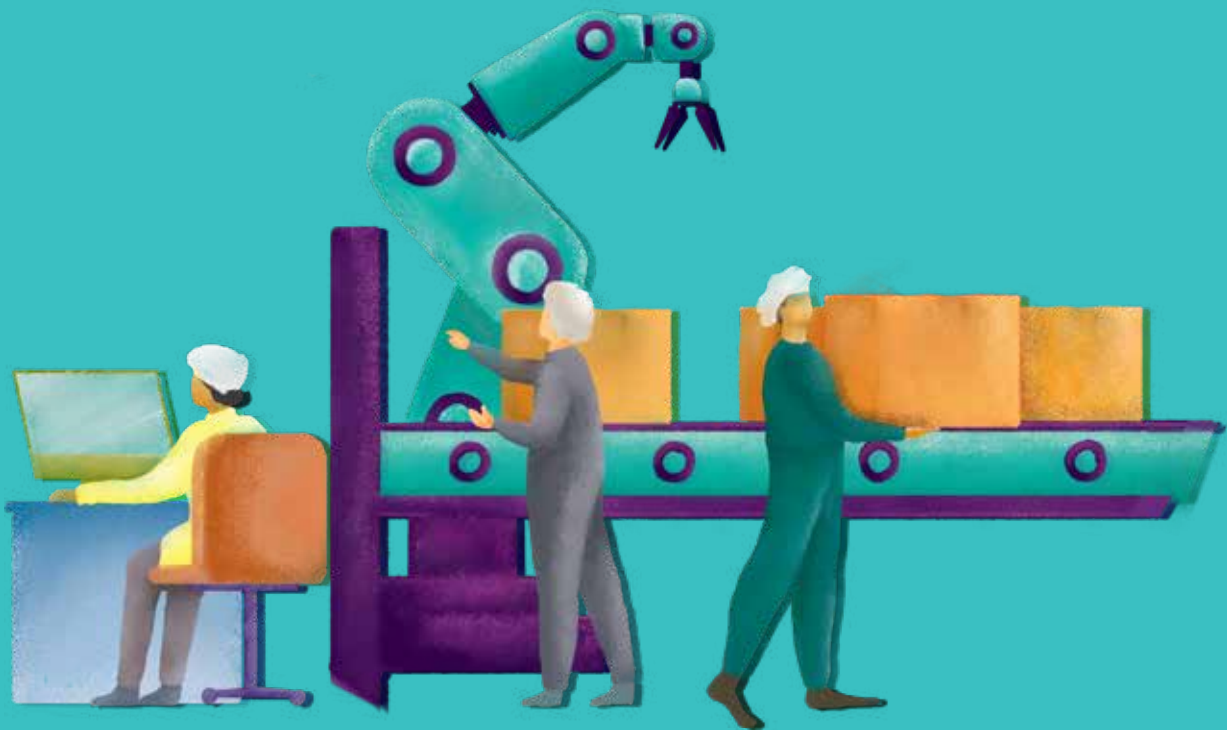
A Healthy Workplace

- Adopted work from home and roster basis working to minimise the number of staff physically reporting to work
- Conducted mindfulness activities through physical and virtual events for Dilmah staff and especially the staff using hostel facilities such as musical entertainment sessions, online yoga sessions, art competitions and online webinars on home gardening.

Donations and Social responsibility

- Dry rations were distributed among the employees





MANUFACTURED CAPITAL

The state-of-the-art production facilities, manufacturing equipment and other machinery build up the Company's physical infrastructure, which is a vital component in the value addition process practices at

Dilmah. These spaces, equipment, and their up-keep, facilitate the manufacturing of high-quality products in an uninterrupted, efficient and sustainable manner – further enabling the Company to make the world a better tea.

Highlights of 2021/22

144

engineering improvements



Opening of a **new factory** equipped with **artificial intelligence robotic process automation**, and **trailblazing machinery**.

4,508 MT

Production volume

Our contribution



Our Impact

100%

spent on Property, Plant & Equipment



Enhanced Efficiency

0.1% increase in OEE



Technological Enhancements

with advanced manufacturing technology

Value Delivered

Rs. 3,513 Mn

spent on Property, Plant & Equipment

Rs. 4,303 Mn

investment in Capex

81.2%

Overall Equipment Efficiency (OEE)

97.9%

highest performing equipment efficiency

100%

Delivery in Full on time (DIFOT)

Capacity Utilisation

The company continues to pay great attention to capacity utilisation and ensures from the onset, at the production planning stage, that all

resources are effectively and efficiently managed and utilised. In addition, meticulous attention is paid to maintenance of existing resources,

as the upkeep and improvement of machine utilisation – with regular preventive maintenance – helps achieve the optimum performance

of the machinery on the production floor.

The last two financial years were challenging in every operational front and the company functioned with restricted human resource and machinery capacities. Despite the unprecedented economic and health challenges, Dilmah reported a positive 26.2% YOY in capacity utilisation, compared to

the previous financial year. The resilience and practical risk management policies combined with the special pandemic strategy planning contributed to this growth.

During the year under review, the company has made 32 engineering improvements aimed at enhancing the overall equipment efficiency in production. The efficiency

of the manufactured capital has increased as a result of the increase in overall equipment efficiency, which has shown a 0.1% increase compared to the previous year. The upkeep of this equipment enables the human capital to function better and more efficiently, by maintaining the absenteeism cover at a low level of 10%.

Indicator	2021/22	2020/21	Y-O-Y Change %
Overall highest performing equipment efficiency ratio	97.9%	97.8%	0.1%
Production wastage at the factory	2.3%	2.2%	4.5%
Capacity utilisation	53%	42%	26.2%
Delivery In Full On Time (DIFOT)	100%	100%	0.0%
Overall Equipment Efficiency (OEE)	81.2%	81.1%	0.1%

Capital Value Addition

The Company invested Rs. 502 million as capex during the year, consisting of new investments and regular maintenance expenditure to its manufactured capital.

	Rs. 000's
Building	288,038
Plant & Machinery	158,167
Factory Equipment	549
Furniture & Fittings	4,496
Office & Store Equipment	26,866
Computer Hardware	18,090
Computer Software	5,714
Total CAPEX	501,920



Engineering Improvements

At Dilmah sustainable production processes are constantly monitored and updated through upkeep and enhancement of the manufacturing capital via many engineering improvements. The Company can attest that sustainable production processes and well-maintained equipment have positively impacted the human capital.

The ensuing section illustrates the 144 engineering improvements made during the year. These improvements are mainly categorized into process efficiency, energy efficiency, product quality, safety and innovations related projects.

Process Efficiency

- **54** Process Automation
- **22** Enhancing Production Speed
- **14** Design Modification
- **24** Packing Quality
- **04** Waste Management
- **17** Resource Optimization
- **32** Enhancing Production OEE
- **02** Defect Minimizing

Energy Efficiency

- **02** Energy Efficiency Related

Product Quality

- **15** Product Quality Related

Safety

- **06** Safety Related

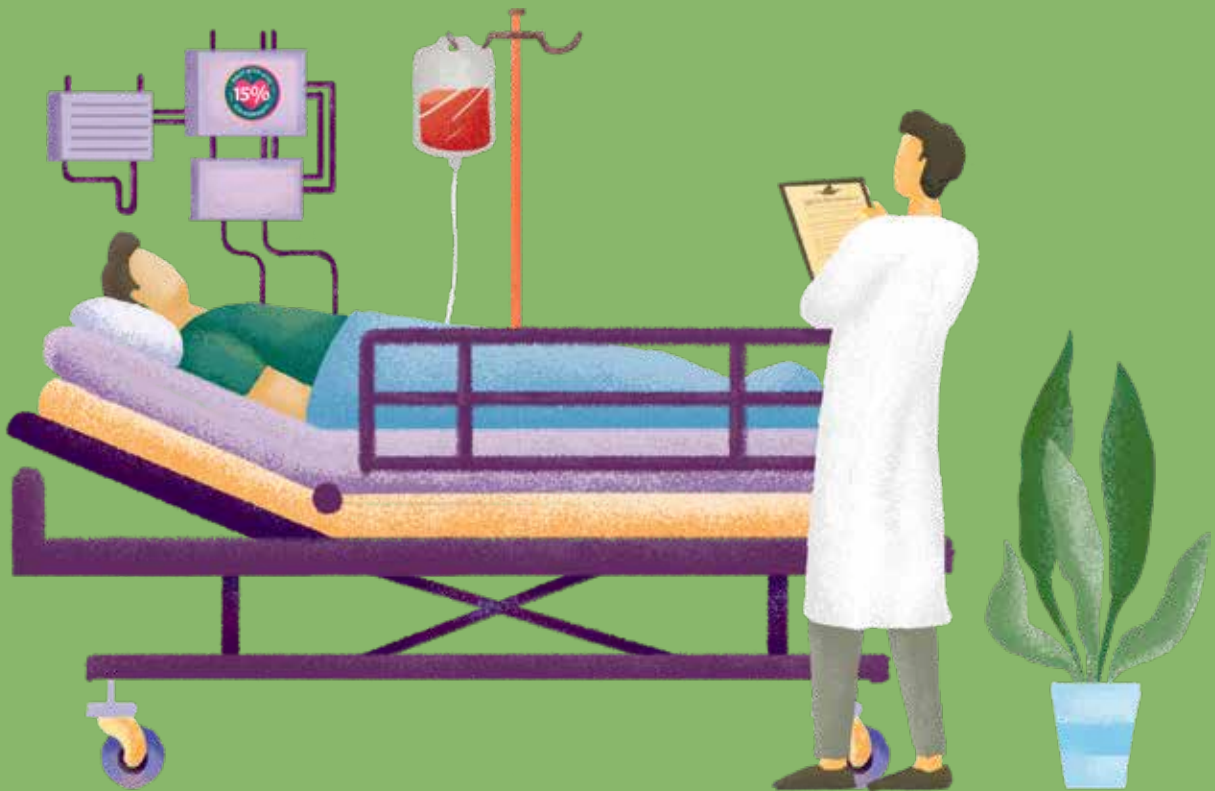
Innovations

- **10** Innovations



Fully Automated Factory

The fully automated factory which commenced construction in 2018/19 was completed and opened for production in 2021/22. The factory is equipped with artificial intelligence robotic process automation and state-of-the-art machinery, including tea bagging machines. The factory remediates the predicted scarcity in manpower while reducing manual errors in production – thereby ensuring a more efficient and high-quality product.



SOCIAL AND RELATIONSHIP CAPITAL

“

For centuries problems of mankind have been solved over a cup of tea. Whether they were problems between nations, amongst businesses, even in families, between husbands and wives, tea has been the soothing balm that helped their solution.

”

- Merrill J. Fernando -
Founder of Dilmah Tea

The Founder of Dilmah Tea dedicated his life and business to ensuring that his Company's tea not only helps solve burning problems but adds taste, goodness and purpose to the lives of everyone involved, from the employee to the consumer. Since tea was first brewed, it has become symbolic of companionship and friendship; true to the product it serves, Dilmah thrives on the relationships, partnerships and close-knit networks it nurtures among all its stakeholders. This financial year while internationally and nationally the world grappled with a new normal and limiting economic challenges, the Company still strived to serve humanity through kindness to people and nature, and foster relationships and connections with its stakeholders, that makes Dilmah a truly sustainable brand.

Highlights of 2021/22

Dilmah and Kahawatte Plantations donated a **High Dependency Care Unit** to Nawalapitiya Hospital in August 2021

New **90-bed ward block** valued at **Rs. 110 Mn** donated to the Point Pedro Hospital in February 2022

MJF Charitable Foundation's **disABILITY project** – supporting children with disabilities (CWDs) and their families across Sri Lanka – Emerged as one of the **Best Sustainability projects at Best Corporate Citizen Sustainability Awards 2021**

2.3 Bn
cups of tea served each year globally

897
Suppliers

115
Distributors

Our contribution



Value Delivered

Rs. 10,479 Mn

Payments to Suppliers

Investment in community engagement initiatives

Rs. 520 Mn

15 MJFCF
Centers spread across the country dedicated to serving humanity

Our Impact

186,235
beneficiaries on community engagement

Empowering marginalized communities with new skills & livelihood support

Livelihood development of over **15,000 families** in Plantation community

Sustainability Ambassadors

Enhanced Customer engagement

Management Approach

The true essence of the brand lies in its people; with the objective of generating shared corporate and ethical values, Dilmah strives to nurture meaningful and mutually constructive relationships with our diverse stakeholder base of customers, suppliers, business partners and communities.

DILMAH'S GLOBAL PRESENCE



Customers

The brand prides itself in pouring the world a better tea, by ensuring its production is of single-origin, authentic, natural and ethical tea and offers its valued customers spanning across the globe in 126 countries across 8 regions a wholesome tea experience. The Company builds on a principle of no compromise, which extends to its integrity in relation to product, customer, community and natural environment.

As a global citizen, Dilmah aims to create impact beyond the realms of business and has achieved this objective thanks to its loyal customers. Despite the pandemic and limiting economic circumstances, Dilmah has continued to grow from strength to strength because of its unfailing commitment to Taste, Goodness and Purpose.

Retail	Innovation	Quality & Product Responsibility	Engagement
• Supermarkets • Hypermarkets • Traditional trade • Convenience stores • Online retail	• Innovative and exciting products catering to emerging customer requirements • 36 new products introduced in 2021/22 • Rs. 11.7 Mn annual investment in R&D	• 3 Quality Management Food Safety & Management Certifications • 1 environmental Management Certification • First ISO:17025 accredited Chemical and Microbiological laboratory for tea industry in Sri Lanka • 3 Organic Certifications • 4 Ethical Sourcing & Responsible Operations related certifications	• Numerous customer engagement initiatives, tea promotion events, competitions and publications • Strong social media presence with 3.4 million brand followers • Consumer reached through Tea Radio, specialized apps and e-commerce platforms
HORECA • Hotel groups • Restaurants • Cafés • Airlines			

Quality and Product Responsibility

The Brand builds on value-addition and works extensively to improve the quality of all products. The frugal innovations, committed workforce, beyond business initiatives for planet and communities, and engaging the stakeholders on the same through continuous awareness and capacity building, demarcates the quality and the product responsibility of the teas produced by the Company.

The end-to-end operations along our value chain ensures adherence to the statutory requirements of the Factories Ordinance, the Tea Control Act and the Group's stringent internal quality standards. During the year under review there were no instances of non-compliance to any product responsibility/customer health and safety related laws or regulations.

Engagement

Dilmah is one of the most sought-after Ceylon tea brands, both locally and globally. Tea is beverage that has, historically, brought people together and nurtured companionships. Proactive and ongoing engagement with customers has enabled to elevate the brand not only as a beverage but also as a gastronomical delight and

experience. Dilmah's efforts to strengthen its brand reputation globally has also directly contributed towards elevating the position and brand of Ceylon Tea in general. Annually the Group invests close to Rs. 2 billion in marketing, promotion and brand building initiatives.

A few engagement activities held during the year are listed below:

Peak Ridge Leopard Conservation

The Next Generation of Chai from Dilmah's t-lounge & Bar

Inauguration of High Dependency Unit, Nawalapitiya





ECHS & Curtis Centre
Graduation



MJFCF Night Market



The 3rd ECHS East
Graduation



Tea experiences

Digital Engagement

Online platform:



13,178

Orders generated

\$ 692,673

Revenue generated

Tea inspired music



t-Radio

Tea inspired through mobile apps



1 Brand app
.....
Tea Inspired App



1 B2B app
.....
Dilmah Partners App



1 t-Lounge app
.....
Dilmah t-Lounge App



1 Educational app
.....
DC Arboretum App

Social media audience

- Facebook - **2,324,308** Followers
- LinkedIn - **56,006** Followers
- Twitter - **4,583** Followers
- YouTube - **9,080** Subscribers
- Pinterest - **871,360** Followers
- Instagram - **153,134** Followers
- Tiktok - **1,101** Followers

Suppliers

The taste and goodness of every cup of Dilmah Tea, stems from the carefully selected ingredients hand-picked from the tea gardens, and meticulously sourced from suppliers. The Brand promotes and safeguards the integrity

of all its suppliers through ethical business practices, by valuing the commitment and hard work of the people behind a product.

The majority of the Group's suppliers are tea smallholders and regional plantation companies

through whom it procures tea. During the financial year under review, the Company continued to support and work closely with these SMEs. Almost 100% of tea is procured from the Colombo Tea Auction in line with the

Tea Control Act and a few specialized varieties of tea such as Darjeeling and Assam which are not available in Sri Lanka are imported.

Local suppliers and service providers 692

Foreign suppliers and service providers 205

Total value created to suppliers Rs. 10.5 Bn

A stringent evaluation process for supplier selection based on;

- Quality
- Business practices
- Ethics
- Social & environmental practices

Supplier Code of Conduct

- Ensures that all suppliers comply with a fundamental set of guidelines which reflect the Group's approach towards business and sustainability goals

Business Partners

Dilmah is unique as it is committed to providing quality and authentic tea, that is ethically produced. True to its commitment, the Company ensures its business partners including distributors, service providers and regulators emulate the company's non-negotiable standards

on transparent and ethical business practices in their dealings with the company. Built on family values, Dilmah cherishes all partners of the Company's elaborate ecosystem with the highest esteem, and attempts to support and uplift its partners through awareness and outreach.

Distributors

- A network of 115 distributors spread across 126 countries in 8 regions
- Engaged through events, conventions and Partner App

Service Providers

- Tea gastronomy and mixology is promoted through collaborations with world renowned Chefs, culinary experts and hotel chains



Catering to Leading Airlines



Community

Dilmah's Purpose:

'Family Business, Serving Humanity' is reflected in its extensive community engagement initiatives. The Goodness in every cup of Dilmah tea is not only derived from the garden fresh, unblended product, that has proven health benefits but also from the positive extension of the business to over 186,235 beneficiaries across the country. Over the last year, the Company has worked closely with the underprivileged and rural communities that were hard hit by the pandemic. Philanthropic initiatives are driven through the MJF Charitable Fund (MJFCF), which is funded entirely by DCTC.

MJF Charitable Foundation

The Merrill J. Fernando Charitable Foundation was formed to fulfill our Founder's desire to ensure that his business serves humanity, through kindness to people and nature. One of the region's largest private charitable Foundations, it focuses on directly, efficiently and effectively delivering transformational impact to less fortunate communities, differently abled children and youth, while empowering women, youth and men with dignity through free education, vocational training,

entrepreneurship, nutrition, provision of medical infrastructure, caring for the elderly and advocacy.

Dilmah Conservation and the MJF Foundation connects with the Founder's belief that success is a blessing that must be shared. Merrill J. Fernando disrupted a tea industry that was captive to a colonial economic system. He devoted his

life to tea and overcame the obstacles to realizing his dream of a genuinely ethical tea, with faith in God and His Grace, and extending that kindness to the people who need it most.

Projects driven by MJF Charitable Foundation can be broadly classified into the following long-term purposes;

Changing Lives

Women's Development Programme (WDP):

- Dilmah's MJF Foundation has identified the dire need to support the country's women in a livelihood of their own over many years through our Women's Development Programme.
- Empowering **1400+ women** with dignity
- MJFCF Diriya resource centre in Pahalalanda has benefited **350+ young women** so far in the area by learning a new skill, which helps them to find employment or commence their own businesses and be financially independent.

Small Entrepreneurs Programme (SEP):

- Dilmah's SEP programme supports and encourages entrepreneurs to build and continue successful businesses. Started in 2004 in the aftermath of the tsunami, the MJFCF's SEP program has now assisted in the establishment of over **2000 entrepreneurs** island-wide.
- **240 Individuals** supported through community-based organizations
- Launch of a new **cashew processing facility at MJF Centre East**, to empower marginalized communities with new skills & livelihood support





MJF Kids

- **3500 boys and girls** from less fortunate plantation and rural communities strengthened with educational support through our MJF Kids programme
- MJF kids programme now operates in **10 centres** around the island, supporting children from troubled social backgrounds
- **Anjali Aham** - a new **study space** for kids in Point Pedro, with an investment of **12 million** rupees

Enabling the disabled

- Supporting **3500 + differently abled children** with therapy and education
- **disABILITY YouTube Channel & App** - Sri Lanka's only trilingual channel on disability to support special needs children and their families

COVID Response

- The pandemic created hardship in an unprecedented manner for people across the world, including Sri Lanka. The MJF Foundation along with its partners assessed the needs and created a multi-sectoral response targeting key areas identified at the onset.
- Donated equipment valued at **64 million** rupees strengthening the healthcare sector during the COVID-19 pandemic.
- Dry rations to over **6,000 households** were distributed including families of the staff in Peliyagoda and Plantations during the COVID-19 pandemic.



Plantation Communities

- Meeting the needs & demands of over **15,000 families** through updated infrastructure & facilities
- Restored 84 Child Development Centres for the welfare of over **6,600 Children** in tea gardens
- **2300 + children** from less fortunate communities strengthened through child development programmes at our tea gardens



Youth



- MJFCF supports youth between 17 and 30 years of age in vulnerable communities. Most of these students are school dropouts, from low-income families or other unprivileged backgrounds. We offer **skills development, training**, and other resources to nurture them into responsible and contributing citizens of society.
- **550+ scholarships** awarded to students, supporting secondary and higher education
- **520 children** supported through MJF Scholarship Programme **294 students entered universities**
- As Sri Lanka's only World Chefs certified culinary training facility, the **Empower Culinary and Hospitality School** has **groomed 228 young men and women** during these 5 years to **enhance their skill sets** and mold them into becoming professionals in the industry and to start their own enterprises.
- MJF Charitable Foundation and Cricket Live (CLF) New Zealand has enriched the lives of over **1000 boys & girls** in Sri Lanka
- Vocational training provided for nearly **7000 youth in carpentry, dress making, IT and Graphics**

Improving Medical Infrastructure

- Uplifting healthcare facilities for **50,000+ individuals** across Sri Lanka
- Dilmah and Kahawatte Plantations donated a **High Dependency Care Unit** to Nawalapitiya Hospital in August 2021
- **New 90-bed ward block** valued at **110 million rupees** donated to the Point Pedro Hospital in February 2022



MJFCF - Centres

- Ampara
- Batticaloa
- Colombo
- Hambantota
- Jaffna
- Kandy
- Moratuwa
- Kalkudah
- Negombo
- Point Pedro
- Kayts
- Ratnapura
- Monaragala
- Weligama
- Plantations in Ratnapura, Nuwara Eliya, Kahawatte, Endana, Nawalapitiya and Kandy



www.mjffoundation.org





INTELLECTUAL CAPITAL

Dilmah is committed to creating a premium quality product, through a blend of nature's goodness and the expertise of culinary artisans. The company delivers premium quality tea, combined with the 21st century culinary innovations and caters superior customer experiences, to all its consumers spread

across 126 countries. Dilmah's intellectual wealth, inclusive of the highest levels of creativity, innovation and technology, is the nucleus of Dilmah's operations which work towards elevating tea as an experience, rather than a simple commodity.

Dilmah's intellectual capital is fueled by the unparalleled

tea expertise of the founding family and the Dilmah team together with other elements of its intellectual capital, such as its vast library of over 300 unique tea standards, and value of the Dilmah brand represent key sources of competitive edge and is a critical input to its value creation process.

Highlights of 2021/22

2nd ECOVATION Awards -

Merrill J Fernando Innovation Awards: focused on sustainable packaging, resource efficiency and waste management.

Launch of Dilmah Iced Tea

Ready-to-drink (RTD)

Voted Product of the Year

in Australia, 3rd year in a row. Dilmah Organic Selection emerged the tea category winner of Product of the Year 2022

World's only vertically integrated tea brand – (from tea plant to tea cup)

Over **300** Tea Standards and over **3,000** products

Most globally outreached Sri Lankan Brand

Our contribution



Value Delivered

Rs. 11.7 Mn investments in R&D efforts

24 R&D projects

on material and waste reduction and packaging improvements

Launch of **36 new variants** in **5 product ranges**

Our Impact

Sustainable Packaging

98%-100% biodegradable tea bags

Recyclable and biodegradable inner and outer cartons

Recyclable tin caddies

Material Source reduction

30% reduction in average annual ink consumption

34 years

of brand presence led by the World's most experienced teamaker

Enhanced Product safety and responsibility



Management Approach

Founded by Merrill J Fernando, original disruptor, and tea aficionado, with an overall experience of 72 years, the Brand's existence spans more than 3 decades and exhibits a global presence in over 100 countries. As a Brand built on authenticity and value addition, the Brand strives on its intellectual wealth. Currently Dilmah holds stellar innovations in Western, South Asian, Ayurvedic and Organic teas. The three generations of the Dilmah Family are involved in the innovation process, in defining new tea recipes with a principle of no compromise on the product quality and the value delivered to consumers.

The Group's Chairman ultimately approves each unique recipe of flavour, aroma and taste that are carefully formulated and tested, while ensuring that the exceptional organoleptic properties are preserved in all Dilmah Teas. The company is home to a dedicated team for Research & Development, who look into business evolution and improvement on innovations in the entire tea - making process, from the bud to the cup.

As a family business, committed to serving humanity, Dilmah understands the crucial

role played by nature in shaping our existence; over the years Dilmah has extensively developed new products and made improvements in packaging that ensure minimum wastage. This commitment helps Dilmah maintain consistency across its product portfolio, offering the exceptional quality, freshness and authenticity that the brand is renowned for.

Tea Standardization Process

Tea standards are created upon evaluation of the standard against the specific market requirements and their organoleptic characteristics will be confirmed by the top management. The tea standards will then go through an approval process and the approved standards will be circulated amongst new product development and engineering departments.

Collection of tea standards

The Group's library exceeds over 300 tea standards. Our range includes Specialty gourmet and premium tea, herbal infusions, green teas, fun flavoured teas, spiced chais, organic teas and exclusive Teamaker's private reserves among others.

The Dilmah Brand

Dilmah exists over 100 countries and is probably the most well-known Sri Lankan brand in the international market. The three core pillars: Taste, Goodness and Purpose, underpinned with the authenticity and innovations, results in the final quality of the product, which is unblended, garden fresh and pure Ceylon tea. In all its endeavours, the Group adheres to the belief that business is a matter of human service and holds its employees and customers in the highest esteem. In addition to ensuring authenticity and uncompromised taste; Dilmah is committed to driving the evolution of tea, from being a mere commodity to an experience that goes beyond the cup. In that light, Dilmah School of Tea has brought together a network of chefs, hospitality professionals and customers, to kindle a passion for quality, innovation and creativity, and produced over 5,500 tea-inspired ambassadors in 2021/22. Competitions such as "Tea Inspiration for the 21st Century" has redefined tea as an ingredient in gastronomy and mixology.

The brand equity is promoted and protected through continuous and targeted promotions, customer engagement initiatives, competitions and numerous publications.

Taste

Unique recipes reflecting the Group's unmatched expertise in tea

Goodness

Promotes the health benefits of tea

Purpose

Underpinned by the philosophy that 'Business is a Matter of Human Service

Brand Recognition

- **Trusted Brand - New Zealand 2022**
New Zealanders have voted Dilmah their Most Trusted Tea Brand 8 years in a row, in the Reader's Digest survey
- **Trusted Brand - Australia 2021**
- **Trusted Brand - Australia 2022**
- **Trusted Brand (Tea Category) - Asia 2021**, voted by the consumers
- Voted **"Product of the Year 2022"** for Dilmah brand Organic Selection Winner Tea Category of a survey of 5,000 people by Nielsen, in Australia
- **Most Globally Outreached Sri Lankan Brand - Presidential Export Awards 2021**
- **Market Diversified Exporter - Presidential Export Awards 2021**



Winner Tea Category
Survey of 5000
people by Nielsen

Special Recognition:

Merrill J. Fernando, Dilmah Founder is awarded an Honorary Professional Membership from the National Institute of Plantation Management, Sri Lanka.

Research

During the year under review, 20 improvement projects being studied linked up with four key areas such as material source reduction, production efficiency and process improvement, wastage reduction, and recyclable packaging. Project highlights under the said 4 areas are as follows:

Material Source reduction 7

Design Changes: Reducing dimensions of the packaging box to increase the container filling capacity

30% average annual Ink consumption reduction

34% reduction in annual digraph ink consumption

Printing barcodes on SRT outers to replace stickers. Saving sticker materials and usage of thermal ink rollers

Production efficiency & process improvement 9

Establishment of automated internal feeding units to improve production efficiency and save labor

Effective Redesign

Process Simplification

Increasing efficiency through machinery upgrades (Process Re-engineering)

Wastage Reduction 2

Maximising reel diameters to reduce waste caused by the increased frequency of reel changeovers.

Recyclable Packaging 2

Replacing virgin board material with a low-cost recyclable material board.

Innovations

To innovate is to renew and reimagine. At Dilmah innovations are continuous and play a vital role in ensuring that consumers only receive the best tea the Brand has to offer. Since the inception of the company, Dilmah has invested and believed in innovations that blend the rich traditions, cultural heritage, local knowledge and the age-old-art of teamaking, stemming from the Island, together with state-of-the-art technology to produce the best teas. Having pioneered and actively promoted the concept of single origin tea, the Company has sought to consistently expand its range through exciting and innovative product propositions.

At Dilmah, innovations are supported with a much broader structure. Dilmah is home to skilled innovators and passionate individuals, who help the company grow from strength to strength. The culinary innovations are facilitated by a dedicated Research and Development team and a proactive marketing team. The supply chain and industry related innovations are realized through a special unit dedicated for Business Evolution and Innovations. Dilmah listens and understands requirements of specific consumers and the ability to customise and differentiate its

offering based on these requirements has enabled the Company to emerge as a leader in the HORECA segment, catering to 06 of the largest international hotel groups.

Supply chain and Industry Innovations through climate smart agriculture

Asset Optimization

Apiculture with plantation communities

Drone technology

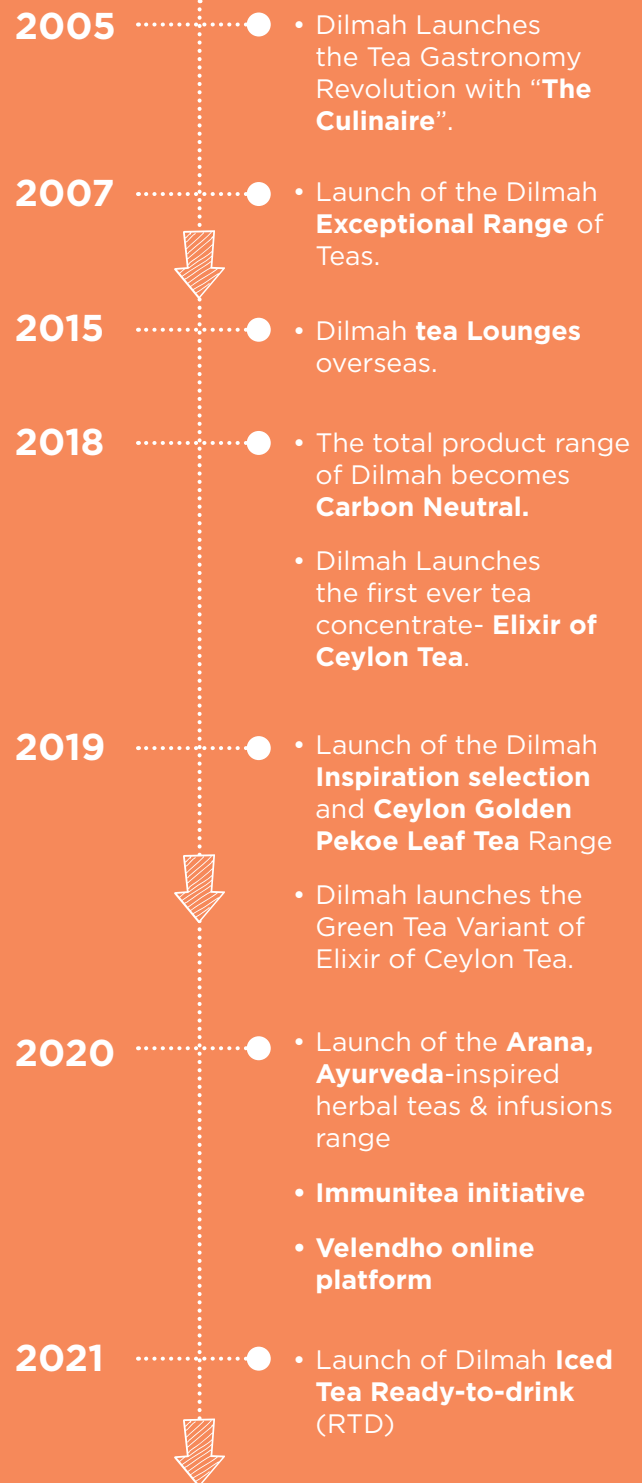
Precision Agriculture

Biochar from tea waste

New product development

In a world that is in constant flux, Dilmah understands the need for change, while prioritizing uncompromised flavour and core principles. Within the last 6 years the Group has introduced 304 new products, enhancing the brand's reputation as an industry leader in innovation. New product development has been a key strategic priority over the last few years. Key product development innovations in recent years are given below;

Highlights Dilmah's Product Development Timeline



Positioning Dilmah as a more responsive and consumer-conscious brand, the Trends Team was launched internally where a team of young professional researches contemporary consumer trends and product innovations.

New Products of Dilmah in 2021/22

Gift of Goodness –
Gift of Teas

Dilmah Iced Tea
(RTD) - Tetra Packs

Wild Island by
Dilmah

Dilmah Iced Tea
(RTD) Global

4g Long Leaf tea
bags



Packaging Innovation

Dilmah strongly believes that innovation is the key to growth and managing humanitarian and environmental challenges we face. The Company constantly samples other packaging material with the aim of reducing the non-recyclable content of its packaging. Dilmah is currently using minimalist packaging that complies with food safety regulations in its product designs. At present, 80% of our tea packs are tear-strip that helps reducing material requirement by weight which is also cost effective while reducing the impact on the environment.

R&D projects conducted by the Company to identify sustainable packaging options are as follows:

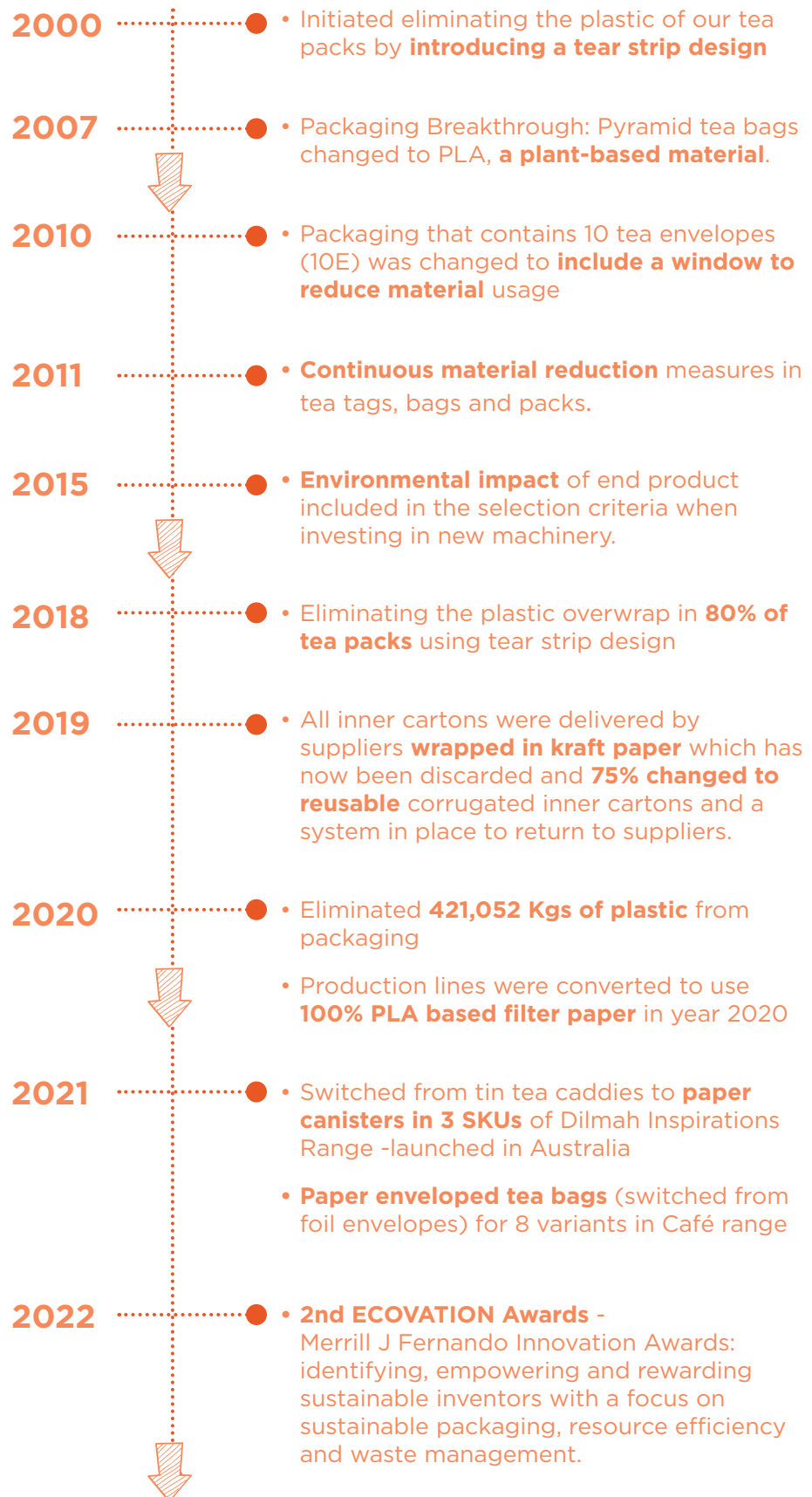
Overwrapping related 3 Projects

Removal of overwrap from Ceylon Gold, 4 Premium range products and 242 foodservice (100E) products

Other Materials related 1 Project

Introduction of knotted tags concept instead of stapled tags in tea bags (planned in 3 machines)

Dilmah Packaging Sustainability Journey



Packaging Targets

On Dilmah's journey of sustainability, through world-class research, innovation, resources and technology, Dilmah remains committed to achieving 100% biodegradability in all the elements of the production line. The Company also continues research on tea bags and packaging material composability in home & Industrial composting environment every year. In 2021/22, Dilmah implemented the Merrill J Fernando Innovation Awards (ECOVATION), to welcome and nurture innovative ideas on sustainable packaging and waste management.

INNOVATION IN TEA GASTRONOMY AND MIXOLOGY

Dilmah has focused on the potential in quality tea, to reverse commoditisation in the industry. Dilmah offers its consumers unblended tea that is picked, perfected and packed at origin. This practice is furthered with Dilmah's focus on the experience of fine tea is maintained through tea Gastronomy, Mixology, and Tea inspiration for 21st Century.

The ensuing section illustrates the culinary innovations that were born during the year 2021/22.

Tea Inspired Culinary Innovations in 2021/22

Tea Accessory: **Dunkeld Speciality Leaf Tea Brewer** was developed as part of Dilmah's sensory teaware line for luxury hospitality

Earl Grey tea in Bavarois, Glaze and Ganache

won the Dilmah Tea Inspired Awards at the Global Pastry Challenge hosted by Worldchefs - World Association of Chefs Societies.

Dilmah Oolong and Rosemary-Brined Boneless Pork Chops





Brewed, Poured & Plated:

Inspired by the fruity harmony of strawberry, raspberry and blueberry found in Dilmah Berry Sensation Tea, the winners of the Best Tea Inspired Dish at Bocuse d'Or Sri Lanka (2022) cooked Dilmah Tea with beetroot to create an extraordinary Port Jus Pressure Cooked Chicken Leg Ragout.



Honey Chamomile Cake



Dilmah Earl Grey and Vanilla Glazed Bacon



Dilmah Green Tea Smash



Dilmah Earl Brew

Green Tea Mango Smoothie



Certifications and standards

Our continued commitment towards quality and product responsibility, has enabled us to maintain compliance with a range of international certifications as listed below.

Quality Management Certification



ISO 9001:2015 Quality Management System Certification

USDA, AMS 7 CFR Part 205, National Organic Programme



Food Safety Management Certification



FSSC 22000 – Food Safety System Certification (DCTC)

Regulation (EC) No 834/2007 and Regulation (EC) No 889/2008



Organic Certification

BRC Global Standard for Food Safety

Japanese Agricultural Standard of Organic Agricultural Products (JAS)



Laboratory Accreditation Certification



ISO 17025 Chemical and Microbiological Laboratory Certification of Accreditation

SMETA – SEDEX Members Ethical Trade Audit



Environmental Management Certification



ISO 14001:2015 Environmental Management System Certification

Rainforest Alliance Chain of Custody Certification



Ethical Sourcing and Responsible Operations Related Certifications

Production Standard and Control Union Certification



NON-GMO Production Standard

Carbon Neutral Product Certification



Carbon Neutral Facility Certification





NATURAL CAPITAL

Tea is a product of nature, crafted by man; as such, Dilmah Tea intrinsically has an enduring connection with nature. The environment in which each tea bush is grown determines the strength, texture, fragrance and flavour of the tea. Mutual respect for the environment guides Dilmah's everyday business decision-making process and

each component of nature is valued and made an integral part of the mosaic of Dilmah's value chain.

Dilmah Conservation is Dilmah's dedicated environmental arm, established in the name of environmental sustainability, biodiversity conservation and for the purpose of spreading awareness

and education.

Understanding the inherent and essential value of the planet's natural goodness to both people and profit, and the gruelling effects of the climate crisis, special attention is paid to emission management and addressing consequences of climate change.

Dilmah has a well-developed

environmental management system adopted within the company, aligned with the ISO 14001 certification. Dilmah is also a corporate leader in environmental conservation and climate change adaptation advocacy – promoting the need and importance of safeguarding natural capital.

Highlights of 2021/22

Merrill J. Fernando Innovations

Awards -

ECOVATION 2021

identifying, empowering and rewarding sustainable innovators focused on circular economy concepts

Category Award for Environmental Integration

at the Best Corporate Citizen Sustainability Awards 2021

Achieved 100% carbon neutral

status up to the destination ports of all overseas markets

4,094MWh

Energy
Consumption

23,631 m3

Water
Consumption

19,000

hectares of tea
in subsidiary/
associated
companies

Our contribution



Value Delivered

Investment in
Environmental
initiatives

Rs. 35.5 Mn

15

publications on
environmental
and heritage
conservation

17

Research
Projects
conducted on
Climate Change

5

ongoing
biodiversity
related projects

Our Impact

Over 1500
beneficiaries on
Environmental
Education

97%

of the Total Waste
is Recycled/
Repurposed

893,611 kWh

of Solar energy
production
equivalent to
planting
10,455 trees

32,361 tCO2e

Discharge of
Emissions from
tea gardens to
the destination
ports of all
overseas markets

Environmental Management Approach

People and planet lie at the heart of Dilmah's operations. The Company, being a family business, is no stranger to ensuring that future generations are gifted a healthy and well-cared planet. Built upon the Founder's philosophy

of making business a matter of human service; from its inception, Dilmah has understood the importance of integrating sustainability agendas to the Company's business plan, long before the commercialisation of

ethical and sustainable practices.

Dilmah is governed by a comprehensive environmental management policy, fully compliant with the requirements of ISO 14001:2015 Environmental

Management Systems. The Policy in place ensures that the Dilmah premises and all Dilmah products are eco-friendly and eco-aware, upholding the pillars of great taste, natural goodness, and ethical purpose. Below is an illustration addressing different areas of priority

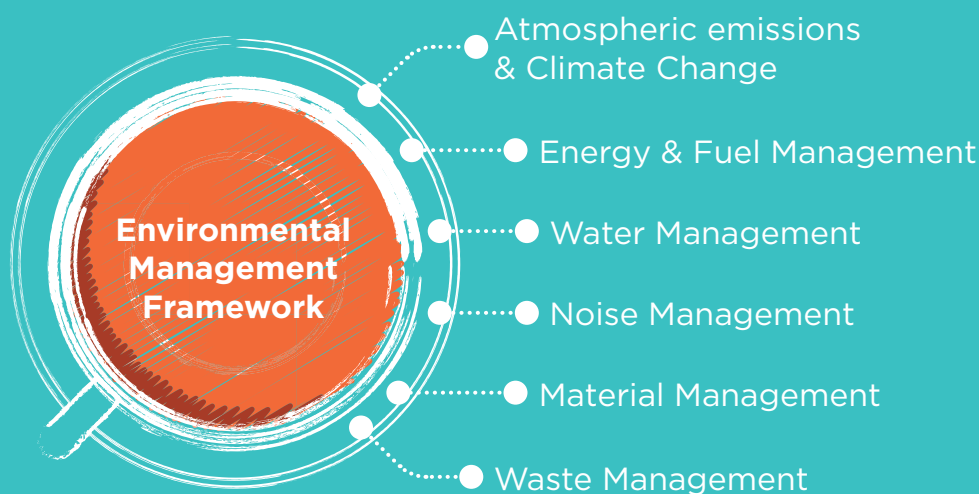
of Dilmah's Environmental Management System.

Each department plays a key role in upholding the Company's Environmental Management System. This is done through packaging developments, sustainable energy and waste management through target-setting for waste

reduction, monitoring environmental parameters and making improvements where possible.

Ethical behaviour is a key principle upon which the company is built and creating impact beyond the realms of profit maximization is an integral part of that value.

Dilmah's environmental agenda goes far beyond its operations through multiple Dilmah Conservation initiatives encompassing biodiversity conservation, climate research and education, and safeguarding the natural capital of the supply chain.



Emissions and Climate Change

Making the World a better tea, literally and figuratively, is highly dependent on one plant, *Camellia sinensis*, with its varying character that changes in aroma, taste and appearance, depending on changes in the environment. Greenhouse gas emissions from burning fossil fuels and deforestation, not only have direct and lasting impacts on the tea industry, but also threatens the health of people and planet. Being a Company that aims to do what is best for people, planet

and profit, Dilmah takes measures to safeguard the natural environment in all its endeavours.

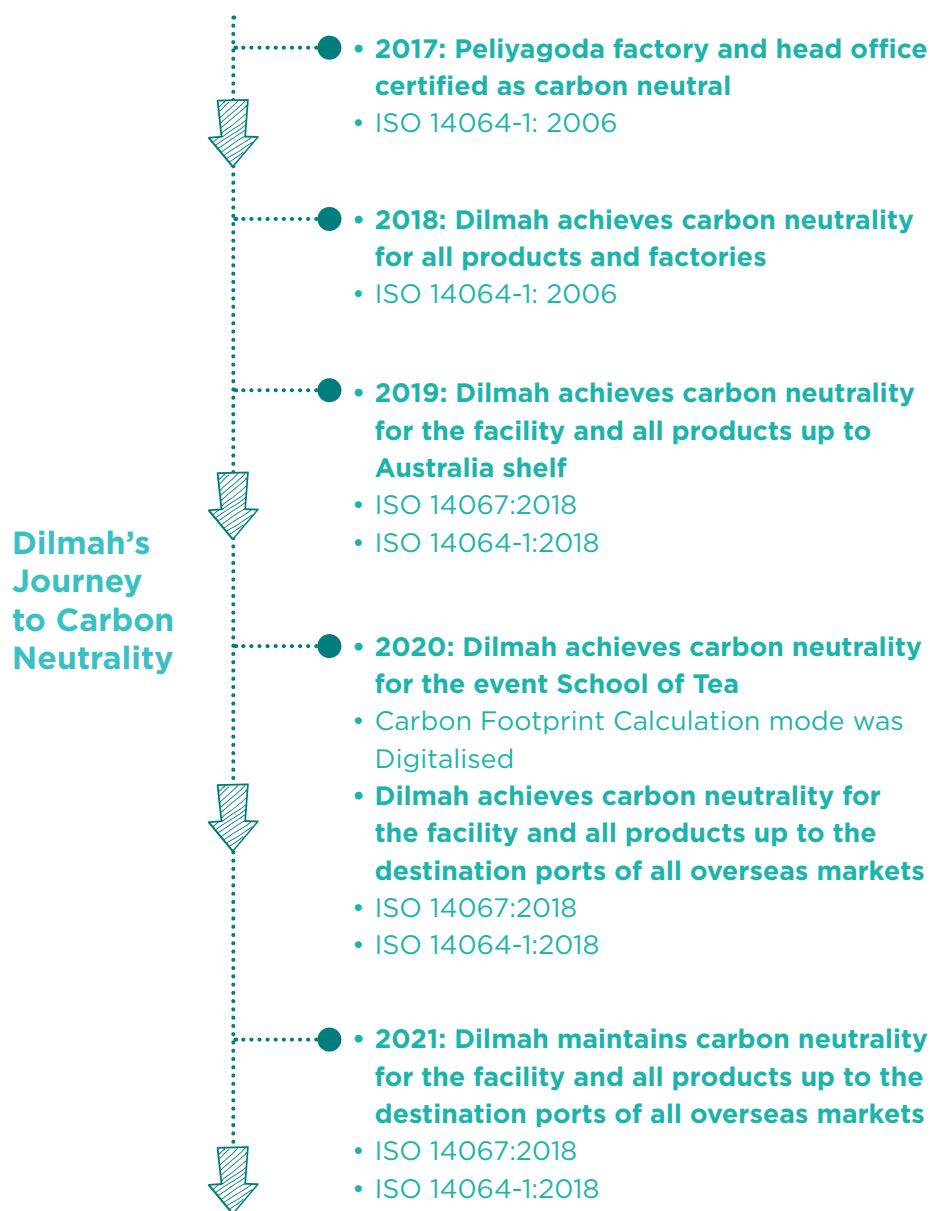
In 2018, Dilmah marked a significant milestone by achieving 100% carbon neutrality for its entire product range and being the first International Tea Brand from Sri Lanka to achieve this status. The Group engages an independent third-party in measuring the carbon footprint, which is computed based on the GHG Protocol published by the World Resource

Institute & World Business Council for Sustainable Development. In addition to reducing dependence on fossil fuel, the Group purchased carbon credits through UN approved Cleaner Development Mechanisms (CDM), thereby offsetting its carbon footprint.

Dilmah has actively offset its carbon emission through multiple initiatives such as; solar energy implementation, hydroelectricity plants, rewilding tea gardens, restoring wetlands and

many more. Dilmah's continuous commitment to research and development enabled it to venture beyond the traditional means of offsetting, to more innovative approaches such as the application of Biochar in tea gardens. In the reporting year, 2021/22, Dilmah Ceylon Tea Company committed to the Science Based Targets Initiative and pledged to achieve net-zero emissions for the Company's manufacturing process by 2030, in line with climate science.

Journey to Carbon Neutrality



**Way forward: Carbon Negative
by 2030 Committed to Science
Based Targets initiative**

Key initiatives adopted

- Energy efficiency in plant operations
- Energy efficiency in transportation
- Substitution of fossil energy with renewable energy
- Recycling of waste

Ensuring the planet's health and sustenance lies at the heart of Dilmah's operations. The Company details goals, milestones, and mitigation strategies in four key areas, energy, transport, water and waste, when planning out the business strategy for a financial year.

In 2018, expanded the scope of the computation of the carbon footprint to include the product carbon footprint on a cradle-to-gate basis, in addition to the already computed institutional carbon footprint. In 2019, the scope of product carbon footprint had been expanded from raw material acquisition to finished good manufacturing and distribution up to the local port, and storage and distribution in Australia up to retail stores. In 2020, Dilmah's carbon footprint calculation mode was digitalised, and the scope has been expanded to capture emissions until the destination ports of the countries that Dilmah exports to. The carbon footprint quantification continued with the expanded scope from tea gardens to the destination ports of all overseas markets in the year under review.

Carbon Footprint of Dilmah

Product Carbon Footprint	2021/22	2020/21	Y-O-Y Change %
Material acquisitions & pre-processing (tCO ₂ e)	22,732	27,395	-17%
Production (tCO ₂ e)	2,684	3,199	-16%
GHG Emissions (without final product distribution emissions) (tCO ₂ e)	25,416	30,594	-17%
Total GHG Emissions (with final product distribution emissions) (tCO₂e)	32,361	31,435	3%

Organisational Carbon Footprint	2021/22	2020/21	Y-O-Y Change %
Direct Emissions (tCO ₂ e)	586	807	-28%
Indirect Emissions (tCO ₂ e)	2,098	2,392	-12%
Total Institutional GHG Emissions (tCO₂e)	2,684	3,199	-16%
Emissions per unit (tCO₂e/tonne of production)	0.53	0.57	-7%
Emissions Intensity (tCO₂e/ Million Rupees)	0.291	0.276	5%

The organisational carbon footprint has shown a 16% reduction in 2021/22 against 2020/21. The product carbon footprint for material acquisition and pre-processing (scope 3 upstream emissions) and production (scope 1 and 2 emissions) for the year 2021/22 had also reduced by 17% compared to the previous year (2020/21). However, during the year under review, the total product carbon footprint (32,361 tCO₂e) has shown a 3% increase, due to increased emissions in the final product distribution (scope 3 downstream emissions), compared to the previous year which was 31,435 tCO₂e.

Carbon Negative Dilmah 2030

Dilmah Tea is a proudly Carbon Neutral Product since 2018. Dilmah committed to further reducing carbon emissions and pledged to become Carbon Negative by 2030. During the year under review, Dilmah committed to UNGC Science Based Targets Initiative (SBTi), further committing to align the Company's voluntary greenhouse gas reduction targets with climate science. Key focus areas of Dilmah's GHG emission strategy are renewable energy, transport and infrastructure.

Energy and Fuel Management

The Company is committed to increasing the reliance on renewable energy while reducing the dependence on fossil fuel. During the year under review, total renewable energy production has shown a share of 28% in the total

energy consumption of the Company's operations. The 70% increase in diesel consumption due to the power outages of the country, and the 8% increase in the grid electricity consumption due to expanded

occupancy of hostel facilities within the premises, are critically reflected in the 13% increase in the total energy consumption in 2021/22, compared to the previous year (2020/21).

Energy consumption by source

Source	2021/22	2020/21	Y-O-Y Change %
Non-renewable Energy			
Grid Electricity (GJ)	13,125	12,138	8%
Diesel (GJ)	1,616	948	70%
Total Energy Consumption (GJ)	14,740	13,086	13%
Renewable Energy Production			
Solar - within the production facility (GJ)	1,469	1,610	-9%
Solar - other facilities within the MJF Group(GJ)	1,748	1,730	1%
Hydro - in Plantations (GJ)	950	1,001	-5%
Total Renewable Energy Production (GJ)	4,167	4,341	-4%
Total renewable energy production as a % of total energy consumption	28%	33%	-15%

Solar power

Four solar power plants are in operation at the Dilmah Headquarters in Peliyagoda and is currently functioning at a capacity of 415.5kWp. In 2020/21, the renewable energy practices in place at the Dilmah premises in Peliyagoda was successfully expanded across the MJF Group of Companies. The Group presently functions solar plants with a combined capacity of 827kWp. Dilmah plans to expand the solar capacity across the group by adding 522kWp to the existing capacity, by the end of 2022 and another 1,560kWp in the coming years through solar implementation in the facilities owned by the MJF group. This project is affiliated with the Carbon Negative Action Plan 2030 to negate the GHG emissions of the production facility.

Hydropower

Generation of hydropower was implemented by installing two hydroelectricity plants at Queensberry and Craighead estates in 2016 and hydroelectric power generation of these two plants commenced in 2018. Currently Dilmah operates 4 hydropower plants: Queensberry (50kW), Craighead (70kW), Kataboola (70kW) and Wellandura (70kW), with a combined capacity of 260kW. During the year under review, 263.8 MWh of Hydropower was generated collectively from the power stations.

Safeguarding the Natural Capital of the Supply Chain

The Company is truly committed to the values of Taste, Goodness and Purpose, with no compromise. Through Dilmah Conservation's initiatives, the Company,

has been keenly engaged in safeguarding 19,000 hectares of tea in subsidiary / associated companies.

By adhering to the Chain of Custody standard of the

Rainforest Alliance, Dilmah maintains traceability of its products throughout the supply chain, to support the mission of improving natural ecosystems of the tea estates.

Rainwater Harvesting at Kahawatte Plantations

Kahawatta Plantations (KWPL), a subsidiary of the MJF Group, partially fulfilled its water requirement through rainwater harvesting with a collective capacity of 129,799 m³. Gravitational dam, earthen dam and rooftop collection methods were used in different estates according to the geographical feasibility of the area.

Endana Nature Corridor

The Endana Nature Corridor is one of Dilmah's flagship projects which is designed as a model for future restoration and recovery initiatives. The success of the Nature Corridor is reliant on the project stakeholders, inclusive of public-private partnerships and international funding. Technical consultation for the project is provided by Rajarata University of Sri Lanka, while Franklinia Foundation of Switzerland joined Kahawatte Plantation and Dilmah Tea as an international partner.

The project site has its own weather station, research centre, and plant nursery. The success of any in-situ conservation initiative is strengthened by the involvement of the adjacent communities: the community surrounding the nature corridor is involved in nursery management practices and other project activities, while also obtaining training on beekeeping, providing an additional income and alternate livelihood. The model organic garden at the Research Station houses a low-cost aquaponic system and flourishing garden, where individuals are exposed to climate-smart agro innovations and eco-friendly agricultural practices.

The Endana Nature Corridor provides opportunities for research students to study reforestation and restoration initiatives, while also contributing immensely to the growth and scientific basis of the project. Annually,





the programme supports 2 – 4 undergraduates, and 2 graduate researches. The Research Station also facilitates education and awareness programmes for the children in the vicinity, plantation workers and employees at KWPL.

Bee a Keeper

Dilmah Conservation's Bee a Keeper initiative has established its Research Hub and Project Hub at KWPL's Queensbury Estate and Endana Estate, respectively. Through Bee a Keeper, studies are conducted at the said estates on foraging patterns of bees, their behaviour, controlling pests that attack beehives, performance of bees in tea estates etc. Further, individuals of the plantation community are trained in beekeeping to encourage the practice as a cottage industry and alternative income source.

Novel Technologies for Better Conservation Management of Agricultural Landscape

Dilmah Tea works together with Kahawatte Plantations to facilitate the coexistence of people and animals in the tea estates. The pilot project is underway at KWPL's Queensbury Estate, located adjoining the Rilagala Forest Reserve. Moving away from the traditional methods of conservation, Dilmah Conservation facilitates a novel method (to Sri Lanka) of using combined advance technology integrated with the general ecological/ environmental assessment techniques to monitor and facilitate conservation of flora and fauna in the tea plantation sector. This research enables communities to apply new tools in protecting their natural resources, transforming our understanding of wildlife and natural systems through tracking and listening technologies, or supporting the detection and prevention of poaching.

The technologies used include, GPS Mapping, Drones, and Camera Traps, among others. Through this programme, a biodiversity assessment will document species richness and habitat occupancy, document the extent, terrain and habitat complexity of the plantation together with other environmental variables and develop a centralised data collection system.

In addition, the research team from Tropical Ecosystem Network (TERN), and technical partners University of Sabaragamuwa, will conduct staff training and community awareness programmes for knowledge sharing and replication, together with Dilmah Tea and Kahawatte Plantations.



Climate Research and Adaptation

One Earth Climate Change Centre

Climate change research is aimed at understanding global environmental change and how it will impact local nature and society. This also includes effective suggestions for adaptation and mitigation that require collaboration from multiple sectors and stakeholders.

Dilmah Conservation's One Earth Climate Change Centre, established in October 2017, is the first private sector initiative of its kind; inaugurated with a commitment to contribute to global and national climate change adaptation strategies.



17 Research Projects conducted on Climate Change

Provided exposure to 06 International Groups

Experimenting the possibility of growing low country vegetables at high elevations @ the Centre's Organic Garden

Ammonia in Forests: How much is too much?

The One Earth Climate Change Centre is facilitating an international research to better understand how nitrogen affects ecosystems and provide information on how to improve nitrogen management in agriculture.

The Centre located at the Queensbury Estate in Nawalapitiya, was chosen as the research premises and the rich lichen population at the Centre will be used as indicators, to investigate the forest ecosystem changes against nitrogen levels, in addition to selected plots at the Rilagala Forest Reserve adjoining the Estate.

Water Management

SDG 6, 'Clean Water and Sanitation' calls for improved water quality by reducing pollution, and substantially increasing water-use efficiency. The Company's water consumption is limited to cleaning of manufacturing and operational units, drinking and sanitation requirements of employees - as the Company's core operations of blending and packing is not largely water-intensive. Water is sourced primarily through the National Water Supply and Drainage Board and ground water to a lesser degree.

Further details of this distribution are given in the following table. During the year under review, the water consumption has shown an 8% increase compared to the last financial year 2020/21, in adherence to the mandatory COVID safety measures declared by the Ministry of Health.

Water Withdrawal by Source

Source	2021/22	2020/21	Y-O-Y Change %
Municipal Water (m3)	18,156	16,647	9%
Ground Water (Well) (m3)	5,475	5,183	6%
Total Water Withdrawal (m3)	23,631	21,830	8%

Water Discharge by Quality

Dilmah facility includes a wastewater treatment plant ensuring that discharged effluents meet the required standards as recommended by the Environmental Protection License (EPL). Every quarter, external testing is also carried out to assure safe discharge of effluents.

Waste Management

The Group's waste is mainly generated in production and packaging operations other than through the general activities. As a conscientious Company, committed to growing as a business, whilst minimising negative impact on people and planet, over the years the Company

has minimized the use of plastic in production and packaging by switching to plastic-free alternatives in over 80% of the products. To ensure responsible disposal of waste, Dilmah has adopted the 3R approach of Reduce, Reuse and Recycle, along with other methods such as re-purpose, treatment and disposal, in efforts to move towards a more circular process of operations.

Waste by Method of Disposal

Waste material	Method of Disposal	Volume (MT)	%
Cardboard and paper	Recycle	85.99	31.73%
Food waste	Animal feed	21.25	7.84%
Composite materials	Recycle	31.77	11.72%
Wood waste/ Pallet	Reuse	7.28	2.69%
Polythene/Plastic	Recycle	51.60	19.04%
Metal	Recycle	5.22	1.93%
Tea waste	Reprocessed	66.60	24.58%
Sanitary	Incineration	0.19	0.07%
E-waste	Recycle	1.07	0.39%
Total waste		270.97	
Total re-used		7.28	2.69%
Total recycled/repurposed		263.50	97.24%

Merrill J Fernando Innovation Awards 2021

The Merrill J Fernando Innovations Awards or ECOVATION was held for the second time during the last financial year. The theme for the awards was held under the theme Circular Design for a Sustainable Future and applications were accepted under the categories of Sustainable Packaging, Waste Management and Resource Efficiency.

Out of 64 applicants, 30 shortlisted applicants were mentored by a veteran panel of judges, and the 10 finalists were provided a platform to showcase their eco-innovations.

Waste as a Resource at One Earth Centre – Moratuwa

Production waste from the Dilmah Factory is utilised at the One Earth Centre Moratuwa and by the MJF Charitable Foundation.

The waste wood pallets are used at the One Earth Centre Moratuwa to build gardening structures that serve as educational materials for the workshops conducted at organic farm and the Sustainable Agricultural Research Centre at the centre. In addition to these pallets, the Organic Farm demonstrates how other discarded items such as broken wheelbarrows, barrels and pipes can be repurposed for gardening



and landscaping.

Waste is an educational resource for the children at the Rainbow Centre of the MJF Charitable Foundation. Packaging material that is discarded from the Dilmah factory is

used for arts and crafts by these students. The same was used by the Women's Development Programme to produce decorations that coloured the Dilmah Head Office in Peliyagoda for Christmas 2021.

Materials Management

Dilmah is committed to producing fresh, authentic, and ethical tea. Tea, the primary raw material, is procured via tea auctions and sourced directly from the tea estates affiliated to the Group. Packaging material that consists of a range of constituents, which include filter paper, inner cartons, envelopes, tags and corrugated outer cartons are procured through different large and SME suppliers. Raw material usage during the year under review is given in the table adjacent.

The Brand strives in all its processes to drive towards a circular economy. Safety and sustainability of our products are maintained

Material	Quantity (MT)
Cardboard	1,668.63
Paper	573.06
Composites	211.85
Herbs	65.36
Polythene	57.88
Wood	18.84
Tin Caddy	44.56
Porcelain	14.93
Thread	10.93
Flavours	31.08
Plastic	4.55
Glue	9.26
Glass	2.93
Metal	3.33
Aluminium Wire	2.41
Cloth	0.59
Ink	0.41
Rubber	0.03

through sourcing the best available packaging materials for our teas while pursuing methods

to use recyclable and biodegradable packaging materials. Dilmah's Luxury Leaf Tea bags are

made from corn starch based Polylactic Acid (PLA) material, which is independently tested for

safety to meet European Commission regulation EU 10/2011.

Biodiversity

A cup of Dilmah Tea starts at the two leaves and bud, freshly hand-picked from healthy ecosystems, enriched by the presence of rich biodiversity. Safeguarding Sri Lanka's biodiversity and natural habitats is integral and therefore a key focus area of Dilmah Conservation.

Ecosystems are dynamic and interconnected, with all organisms of an ecosystem depending upon each other. Similarly, partnerships and collaborations with different entities from governments, to the private sector and civil society, enhance and

enrich conservation initiatives. The Company formed Biodiversity Sri Lanka to build a coalition for environmental conservation among the corporate sector. As an initiating partner, Dilmah advocated for responsible conduct by businesses and encourage information

and knowledge sharing in the area of biodiversity conservation. The platform currently has a membership of 41 patron members, 37 general members, 6 SMEs, 3 associate members and 2 public-private partnerships.

Joint Activities with Biodiversity Sri Lanka 2021/22

- **LIFE to Our Mangroves: Restoring 25 acres** of degraded mangrove forest patches in the Anawilundawa Wetland Sanctuary with all members of BSL and the Department of Wildlife Conservation Sri Lanka
- **Celebration of International Day for Biological Diversity 2021** together with Embassy of France in Sri Lanka and the Maldives
- **Kanneliya Restoration Life Project:** Partnership for the restoration of the degraded Fern land in Halgahawala, Opatha and the associated development of a biodiversity credit accrual system for Sri Lanka: the project completed its fourth year
- **BSL AGM Technical session:** BSL's 6th Annual Technical Sessions on 'Biodiversity Conservation and the Future of Business' held in September 2021
- **Member Knowledge Hub:** a platform for member companies to share their experiences, lessons learnt & best practices in biodiversity conservation





Dilmah Conservation Projects and Key Events in 2021/22

Endana Nature Corridor

Establishment of a community engaged biological corridor to preserve natural habitats and enhance the biodiversity of tea estates.

- 10 Community Beekeepers were trained by experts and provided with beekeeping equipment in February 2022
- Weather Station established to support the research conducted
- The plant nursery established in the last financial year now houses over 5000 plants representing 60 regional plant species
- Two graduate students conducting research focusing on forest restoration

Marine Conservation

Marine Conservation through coastal cleaning by establishing the Beach Caretaker Programme in 2019.

- During the year under review there were 50 beach caretakers taking care of 50km of coastline

- Waste collected during the financial year: 27,237.68 kg

ECOVATION 2021

Ecovation 2021 was a platform for anyone with a nonmainstream eco-innovation concept or working prototype to gain financial support and resources to take their innovation from concept to market, further develop their prototype into a commercial product, and obtain legal support to protect their intellectual property.

The competition was held under the theme “Circular Design for a Sustainable Future”, focusing on generating solutions for sustainable packaging, resource efficiency, and waste management.

Out of 65 applicants, 15 were shortlisted and provided with one-on-one mentoring sessions by the esteemed panel of judges.

Organic Home Gardening Webinar Series

Creating online platforms to disseminate knowledge related to home gardening

- Launched and completed an e-certificate course in Organic Home Gardening
- 56 e-certificate winners

Coconut Ice-cream

Producing Vegan Coconut Ice-cream and empowering local women

- 21% of the coconuts plucked in 2 weeks from Dilmah Conservation's CocoPalm Beach Organic Coconut farm is used to produce vegan coconut ice-cream which is sold at a kiosk situated on the Colombo-Batticaloa highway in Kalkudah
- 04 women were trained in producing the ice-cream and 02 of them run the kiosk

Research Opportunities for Undergraduates and Graduates

Dilmah Conservation provides undergraduates and graduates a platform to conduct research to complete their thesis requirement

While providing students with an exposure to science-based and community-cantered conservation initiatives, students also interact with a corporate culture

In return the research findings help Dilmah Conservation elevate our projects and gain accreditation

Since 2018/19 we have provided opportunities for 19 students, including 4 students this financial year

Defending Mangroves

Conserving 26 acres of mangrove forests in Kalpitiya

- Baseline survey conducted
- Hydrology assessment conducted
- Mangrove species identified for planting
- Nature Club initiated with the children and youth in the vicinity
- First mangrove awareness session conducted

Elephant Conservation

Encouraging conservation of elephants through education and awareness programs conducted through Dilmah Conservation's Elephant Information Centre

Sponsoring a baby elephant and the Elephant Transit Home at the Udawalwe National Park

- Baby Dilmah Crossword competition conducted on social media to create awareness on elephants
- Launched Instagram and Twitter accounts for Baby Dilmah to spread awareness on elephant conservation

Bee a Keeper

Establishing projects and research for bee conservation and education

- Conducted a workshop for 10 community beekeepers at Endana Nature Corridor
- 3 researches conducted through the programme in 2021/22
- Launched the FRIENDLY BEEKEEPER webinar series on World Bee Day 2021 – 300+ unique participants via Zoom and 60 e-certificate winners!

Seaweed Cultivation Project: “Aforest Underwater”

Creating Blue Carbon Sinks for Community Upliftment

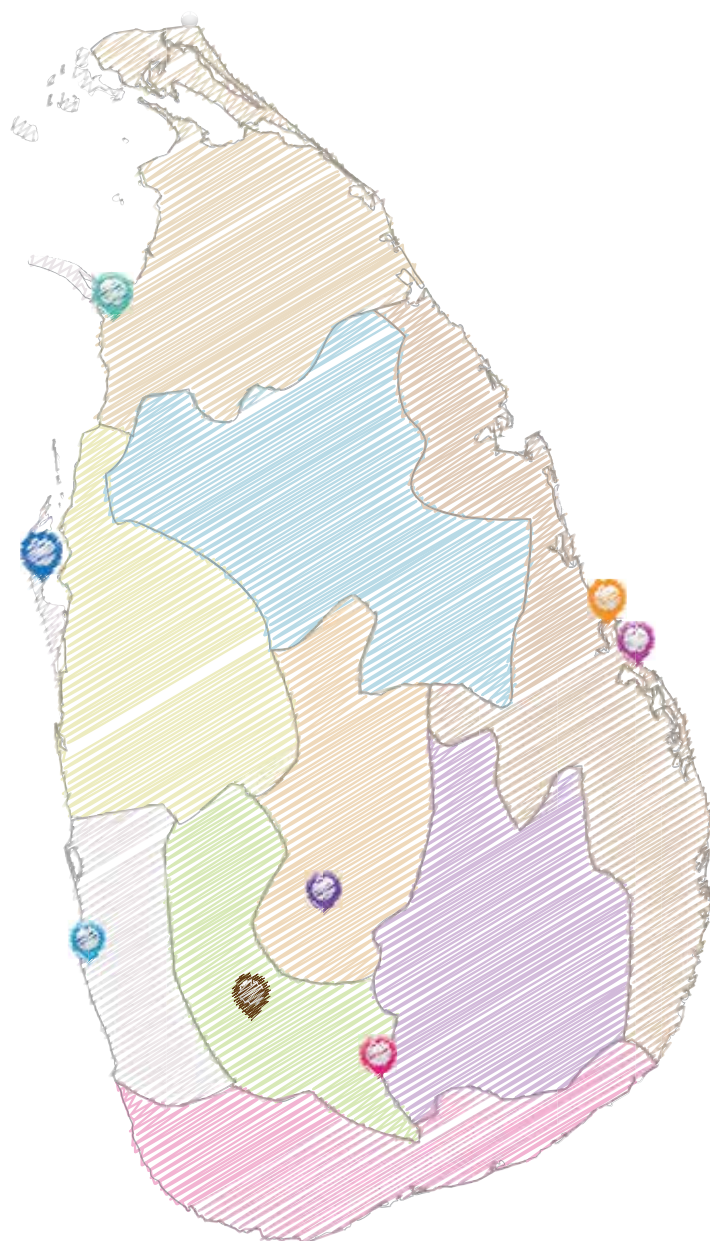
- Launched pilot project to cultivate seaweed in 10 acres of Mannar’s continental shelf with 10 farmers

Novel Technologies for Better Conservation Management of Agricultural Land

Following the data gathered from the Habitat Monitoring Project carried out in 2018, we are now working towards better conserving the wildlife within and adjoining our estates by conducting extensive research to implement a complete ecological

assessment plan leading to better conservation management.

We are working closely with the Tropical Ecosystem Network (TERN) and Sabaragamuwa University; so far, we have surveyed and gathered data from the forest area adjoining the Climate Change Centre and recorded data from the camera traps.



Dilmah Conservation Projects Map

-  One Earth Centre – Moratuwa
-  One Earth Centre for Climate Change
-  Endana Research Station
-  One Earth Centre – Kalkudah
-  Coco Palm Beach – Pasikudah
-  Aforest Underwater Project site – Mannar
-  Defending Mangroves Project site – Kalpitiya
-  Dilmah Conservation Elephant information Centre (Elephant Transit Home – Udawalawe)



www.dilmahconservation.org







CORPORATE GOVERNANCE





CORPORATE GOVERNANCE

OUR APPROACH TO CORPORATE GOVERNANCE

Dilmah Ceylon Tea Company PLC's (DCTC) is listed on the Diri Savi Board of the Colombo Stock Exchange with a public holding of 12.14% as the Company remains largely a family-owned business with highly specialized inputs from the family who are passionate about the art of tea making. The brand Dilmah

is synonymous with high standard ethical tea, good ethics and integrity is an underlying principle in every functionality of the Company. The Company believes that high standards of corporate governance are fundamental to sustainability of the business. The Board has set in place a governance framework and structure that

balances the interests of the Company and its stakeholders and ensures effective and ethical decision making within a culture of professionalism, integrity and fair play. This approach to corporate governance has underpinned the Company's success and recognition locally and internationally.

Framework and Structure

Our Governance framework is bound by external regulations and internally formulated policies, that define how we do business.

External	Internal
Companies Act	Articles of Association
Listing Rules of the CSE	Code of Business Ethics
Code of Best Practice on Corporate Governance	Anti Bribery and Corruption Policy
Other laws and regulations	Human Rights Policy
	Other Procedures and practices

DCTC's Compliance with provisions of the Listing rules of the Colombo Stock Exchange (CSE) is disclosed on pages 123 to 125.

The Board, led by the Chairman, bears ultimate responsibility for the performance of the Company and is accountable to the shareholders who appoint the directors. As the highest decision-making authority, the Board determines the strategic direction of the Company integrating financial, economic, social and environmental sustainability. The Board provides leadership, manages risk without stifling innovation and entrepreneurship and sets in place a sound governance framework that defines its scope.

The Board has established three (3) Board Sub-Committees and two (2) Executive committees, delegating certain matters with oversight responsibility, driving accountability through reporting obligations. Terms of Reference for the Committees outline their respective roles and responsibilities.

The Executive Management Team lead by the Chairman and comprising of the Deputy Chairman, CEO and executive Directors formulates and oversees the execution of strategies within the policy framework set out by the Board. The Executive Management Team is supported by executive committees and sub committees responsible for operational management of the Company. The Finance Director and Company Secretary attend meetings by invitation.

The Management Council, chaired by General Manager/ Chief Operations Officer gathers senior management staff to discuss common Group matters, including policy direction, areas of concern in business line performance, strategic planning and pursuit of Group objectives and standards. Concerns raised are escalated to the Decentralized Management Committee for deliberation and resolution. This Council meets monthly.

The Board delegates functions warranting greater attention, to the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee with oversight responsibility for same, enabling the Board to allocate sufficient time to matters within its scope.

The Board

Board Composition



Composition

The Board comprises of nine (9) members as at March 31, 2022. Dr. Ravindra A. Fernando was appointed on 11th February 2022 as a Non - Executive Independent Director to fill the Board vacancy created by Mr. Gritakumar E. Chitty upon his demise on 06th January 2022. A brief profile of each of the Directors are given on pages 16 to 19.

The Board comprises of eminent professionals in their respective fields. Three of the Directors are Non-Executive, of whom two are deemed Independent. Sufficient balance of power minimizes the tendency for



one or few members of the Board to dominate the Board processes or decision making. Although three of the Executive Directors namely Mr. Merrill J. Fernando (Chairman) Mr. Dilhan C. Fernando and Mr. Malik J. Fernando are related to each other, they act in the best interest of the Group in intention, purpose and attitude.

The Board is diverse in its experience, age and expertise contributing varied perspectives to boardroom deliberations and exercising independent judgment to bear on matters set before them.

All Directors possess financial acumen and business knowledge gained through experience from leading large enterprises.

Two of the directors including the Chairman of the Audit Committee, are finance professionals.

Directors Independence

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board, based on annual declarations submitted by Directors in accordance with the requirements of the Listing Rules of the CSE and having

considered the possibility of any impairment in independence due to extended board tenures, where applicable.

Directors' independence is discussed and evaluated by the Board prior to nomination of Board members for re-election.

Mr. Rajan Asirwatham - The Board is of the view that the period of service of Mr. Asirwatham as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as an Independent Non-Executive Director.

Mr. Gritakumar E. Chitty - The Board is of the view that the period of service of Mr. Chitty as a Board Member, which exceeded nine years did not compromise his independence and objectivity in discharging his functions as an Independent Non-Executive Director.

Appointment, Re-Election and Resignation

Directors are re-appointed by the shareholders at the Annual General Meeting (AGM), following a formal process and based on recommendations made by the Board.

Recommendations are made on consideration of the combined skills, knowledge, experience and diversity of the Board and any gaps thereof.

In compliance with Article 24 of the Articles of Association, a single Director will retire from office at each Annual General Meeting and on recommendation by the Board, be eligible to stand for re-election by the shareholders at the AGM. Accordingly, Mr. Roshan Tissaarachy will retire by rotation in terms of the Articles of Association of the Group and being eligible, offers himself for re-election at the AGM.

A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for election at the next AGM in terms of Article 23 (2) of the Articles of Association. Dr. Ravindra Fernando was appointed on 11th February 2022 as a Non - Executive Independent Director to fill the Board vacancy created by Mr. Gritakumar E. Chitty upon his demise on 06th January 2022.

Appointments are communicated to the shareholders through due notice to Colombo Stock Exchange. These communications include a brief résumé of the Director disclosing relevant expertise, key appointments, shareholding and

whether he is Executive, Independent or Non-Independent.

Resignations or removal, if any, of Directors and the reasons thereof are informed promptly to the Colombo Stock Exchange together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.

Board Responsibilities

The Board determines the overall strategy to enhance long term value of the Group and oversees implementation.

Providing independent, informed and effective judgment and leadership to decision making, they ensure strategy, risk, internal controls, performance and sustainable development considerations are effectively integrated and appropriately balanced. The Board also ensures all stakeholder rights and obligations are safeguarded whilst complying with laws, regulations and ethical standards.

All Directors contribute meaningfully to the growth of the Company and the Group. Regular presentations by Executive Management on matters including progress in implementation of the strategic goals, financial,

social and environmental performance, changes and challenges presented by the operating environment ensure that the Board is apprised of developments

impacting the Group. The Board seeks independent professional advice from external parties when necessary, in the discharge of their duties.

Board Committee	Areas of Oversight	Composition	Report Reference
Audit Committee (AC)	- Financial Reporting - Internal Controls - Internal Audit - External Audit	2 Non-Executive Independent Directors 1 Non-Executive Director	Page 134
Remuneration Committee (RC)	- Formulating Remuneration policy for Directors and Key Management - Personnel (KMP) Formulating HR Policy	2 Non-Executive Independent Directors 1 Non-Executive Director	Page 135
Related Party Transactions Review Committee (RPTRC)	Review of Related Party Transactions	2 Non-Executive Independent Directors 1 Non-Executive Director	Page 136

Meetings & Minutes

ATTENDANCE AT MEETINGS

Directors	Status	Board	AC	RPTRC	RC
Mr. Merrill J Fernando - Chairman	E	2	-	-	-
Mr. Himendra S. Ranaweera - Deputy Chairman	E	4	-	-	1
Mr. Dilhan C. Fernando	E	4	-	-	-
Mr. Malik J. Fernando	E	4	-	-	-
Mr. Roshan C. Tissaaratchy	E	4	-	-	-
Mr. Darshana Gunasekera	E	4	4	4	1
Ms. Minette D. A. Perera	N	4	4	4	1
Mr. Rajanayagam Asirwatham	I	3	4	4	1
Mr. Gritakumar E. Chitty (expired on 06th January 2022)	I	0	0	0	0
Mr. Ravindra A. Fernando (appointed wef 11th February 2022)	I	0	1	1	0
Total number of meetings		4	4	4	1

I - Independent Director, N - Non-Executive Director and E - Executive Director



Agenda and Board papers are sent seven days before the meeting, allowing members sufficient time to review the same. The CEO/ Director sets the Board Agenda, assisted by the Director Finance and Company Secretary. Board meetings are held on a quarterly basis with the flexibility to arrange additional meetings when required.

All board minutes are circulated to members within two weeks of the meeting being held, and formally approved at the subsequent Board meeting. Resolutions concerning business matters are passed by circulation, within regulations. However, if a Director deems it necessary that such resolution must be decided at a Board meeting and not by circulation, the Director shall put the resolution to be decided at a meeting.

Other Business Commitments/ Directors Interests

All Directors allocate sufficient time to enable them to discharge their duties and responsibilities. Directors declare their outside business interests at appointment and annually thereafter. The Company Secretary maintains a Register of Directors' Interests, which

is tabled to the Board annually. The Register is available for inspection in terms of the Companies Act. Key appointments of the Directors are included in their profiles.

All Related Party Transactions (RPTs, other than those exempted by the CSE listing rules on the RPTs) are carried out and disclosed in a manner consistent with the CSE Listing Rules. Related Party Transactions carried out during the year under review are given in Note 30 to the financial statements on page 189. The Related Party Transactions Review Committee considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations and keep the Board apprised of their observations.

Company Secretary

The Company Secretary is Ms. Jayanga Wegodapola, Attorney-at-law. She guides the Board on discharging its duties and responsibilities and keeps members abreast of relevant changes in legislative enactments that affect business operation. All Directors have access to the services of the Company Secretary.

The Company Secretary maintains the minutes of

Board meetings, which are open for inspection by any Director at any time.

Appointment and removal of the Company Secretary is a matter for the Board as a whole.

Roles of Chairman and CEO / Director

The role of Chairman is separate from that of the CEO / Director ensuring no one Director has unfettered power and authority. The Chairman leads the Board, preserving good corporate governance and setting the ethical tone for the Board and Group. The CEO / Director leads the executive management and is accountable to the Board for the performance of the Group.

Board Access to Information and Resources

Directors have unrestricted access to management and organization information, as well as to resources required to carry out their duties and responsibilities, independently and effectively. Executive Management makes regular presentations with regards to the business environment and in relation to Group operations. Access to independent

professional advice, coordinated through the Company Secretary, is available to Directors at the Group's expense.

Induction and On-going Training for Directors

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the factory.

The Directors are kept abreast of local and global developments affecting business, including regulatory changes, economic movements and industry trends.

They undertake training and professional development by attending seminars / workshops / conferences, participating as speakers at events, using web-based learning resources and reading business updates etc.

Code of Conduct

DCTC's culture is shaped by the Group's Code of Ethics/ Business Ethics Policy which articulates the standards of conduct expected of all Directors and employees. It enshrines principles of honesty,

integrity, equality and humanity by creating a responsible workplace founded on ethical, professional and legal standards of conduct.

A whistle blowing policy provides a direct communication line to the Chairman, where employees have the opportunity to report in good faith any genuine suspicions of fraud, bribery or malpractice. The policy provides for anonymity and protection of the reporting employee and two-way communication with the management without retaliation.

GROUP'S CODE OF ETHICS

- Commitment
- Regulatory Compliance
- Impartiality and Fairness
- Accuracy and Confidentiality
- Company Resources
- Professional Standard and Etiquette
- Non-Discrimination
- Anti-Bribery and Corruption
- Fair Competition
- Good Governance and Financial Reporting
- Intellectual Property
- Corporate Responsibility and Sustainability
- Whistle Blowing
- Corrective Action
- Personal Responsibility

The code of conduct implemented by the Group ensure ethical and responsible decision

making and endeavor to guide the Directors, Employees and other stakeholders to maintain high standards of values and ethical business culture practices by Dilmah Tea from its inception.

Remuneration

The Group Remuneration Policy seeks to motivate and reward performance while meeting regulatory requirements, market expectations and corporate values. No Director is involved in determining his / her own remuneration. The Remuneration Committee in consultation with the CEO / Director makes recommendations to the Board regarding the remuneration of the Key Management Personnel.

The Board as a whole, agrees on the fees of Non-Executive Directors. Executive Directors Remuneration comprises of two components, fixed remuneration and variable remuneration encompassing an annual performance bonus aligned to corporate and individual performance.

Directors' remuneration in respect of the Group and of the Group for the Financial Year ended 31st March 2022 are disclosed on page 191 of the Financial Statements.

Risk Management & Internal Control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Group. These systems cover all controls, including financial, operational and compliance. They are monitored and regularly reviewed for effectiveness by the Board.

Our internal auditors, KPMG support the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Audit Committee on a regular basis. Further, as required by the certification / accreditation process of the Group, KPMG and trained auditors conducts regular system audits and verifications based on the requirements of certification standards and audit criteria including ISO 9001:2015, ISO 14001:2015, FSSC 22000, BRC Global Standard for Food Safety and Sedex Members Ethical Trade Audit (SMETA). The findings are reported to the management and any noncompliance is attended to immediately.

Accountability

The Board strives to provide stakeholders with a balanced and comprehensive account of the financial position, performance and prospects of the Group. This is the Group's third Integrated Annual Report, and it complies with the requirements of widely accepted standards, codes and frameworks which have been voluntarily adopted to ensure corporate reporting is in line with international best practice.

Major or Material Transactions

During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007 which materially affect the net asset base of the Group.

Compliance with Laws, regulations and approved policies

Directors are conscious of their duty to comply with the laws, regulations, codes, internal controls and approved policies. DCTC is compliant with all

relevant legal and statutory requirements.

Company conducts its business within an ethical framework of policies which include Business Ethics policy (<https://www.dilmahtea.com/dilmah-business-ethics-policy.html>), Human Rights Policy (<https://www.dilmahtea.com/dilmah-human-rights-policy.html>) and Anti Bribery and Corruption Policy (<https://www.dilmahtea.com/dilmah-human-rights-policy.html>). Company has taken a zero-tolerance approach to Bribery and Corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships upholding laws relevant to countering bribery and corruption in all the jurisdictions in which it operates.

Some key highlights from the ABC initiative implemented by the Company are;

- a). Publication of the ABC policy in notice Boards, prominent places in the Company and on website to give notice to employees, suppliers, customers and all third parties of interests of the ABC policy and compliance requirements.
- b). Implementation of the Supplier Code of Conduct which is inclusive of ABC clauses.

- c). Implementation of the Supplier Declaration Form to ensure self-declaration from vendors that they are aligned to Group policies.
- d). ABC clauses included to contracts with vendors/ suppliers/ partners/third party agents.
- e). Mandatory training rolled out to all staff on ABC.

Shareholder Relations

At the close of the financial year 2021/22, DCTC had 1,007 shareholders. The Directors directly and indirectly held 88% of shares whilst the Employees Provident Fund, the next largest shareholder held 8%. The Group encourages effective communication with shareholders who are engaged through multiple channels of communication, including the Annual General Meeting (AGM), Annual Report, Interim Financial Statements and announcements to the Colombo Stock Exchange. These are provided to the Colombo Stock Exchange for publication on their site. The Board recognizes its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and

prospects. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the Company has complied with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The AGM is the main mechanism for the Board to interact with and account to shareholders. It also affords an opportunity for shareholders' views to be heard. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which include approval of the Annual Report and Financial Statements and appointment of Directors and External Auditors. Board members, Sub-Committee Chairpersons, Key Management Personnel and External Auditors on the request of the Board Chairman, are present and available to answer questions.

All Shareholders are encouraged to participate at the AGM and exercise their voting rights. Notice of the AGM, the Annual Report and Financial Statements and any other resolution together with the corresponding information, are circulated to shareholders not less than 15 working days prior to the Annual General Meeting. A separate

resolution for each item of business is proposed, giving shareholders the opportunity to vote on each of such issues, separately.

External Auditor

The External Auditor is appointed subject to the provision of the Companies Act. The Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor inline with professional & ethical standards and regulatory requirements.

On the recommendation of the Board, the shareholders approved the re-appointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2021/22 at the last AGM. In compliance with the Companies Act, the External Auditors submitted an annual statement confirming their independence in relation to the external audit.

Appendix - Compliance with the Listing Requirements Sections 7.6 and 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange

Rule No.	Requirement	Disclosure	Compliant
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Annual Report of the Board of Directors	
7.10.1(a)	Non-Executive Directors (NED) composition At least two or one third of total Directors, whichever is higher	Composition	
7.10.2(a)	Independent Directors Composition Two or one-third of Non-Executive Directors, whichever is higher	Composition	
7.10.2(b)	Independence of Directors - Each Non-Executive Director should submit a declaration of - Independence / Non-Independence	Directors' Independence	
7.10.3(a)	Disclosure relating to Directors The names of Independent Directors should be disclosed in the Annual Report	Directorate	
7.10.3 (a)/ (b)	Independence of Directors - The Board shall make a determination annually as to the Independence - or Non-Independence of each Non-Executive Director	Directors' Independence	
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director including the Director's areas of expertise.	Board Profiles	
7.10.3(d)	Appointment of new Directors Provide a brief resume of any new Director appointed to the Board	Appointment, Re-Election and Resignation	
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee	Remuneration Committee Report	
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors of the Board, for approval	Remuneration Committee Report	



Rule No.	Requirement	Disclosure	Compliant
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee - The Annual Report should set out; - Names of the Directors comprising the Remuneration Committee - Statement of Remuneration policy - Aggregate remuneration paid to Executive and Non-Executive Directors	Remuneration Committee Report	
7.10.6	Audit Committee A listed company shall have an Audit Committee	Audit Committee Report	
7.10.6(a)	Composition of Audit Committee - Shall comprise of Non-Executive Directors, a majority of whom are Independent - Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings - The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Audit Committee Report	
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10.6(b)	Audit Committee Report	
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee - Names of the Directors comprising the Audit Committee - Basis for determining the independence of the Auditors - Report of the Audit Committee in the prescribed manner	Audit Committee Report	
9.3.2	Related Party Transactions Review Committee - Details pertaining to Non-Recurrent Related Party Transactions - Details pertaining to Recurrent Related Party Transactions - Report of the Related Party Transactions Review Committee - Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to - Related Party Transactions, or a negative statement otherwise	Related Party Transactions Review Committee Report	
7.6	Contents of the Annual Report	Board Profile	
i)	Names of Directors of the entity	About Us	
ii)	Principal activities of the entity and its subsidiaries during the year under review	Investor Information	

Rule No.	Requirement	Disclosure	Compliant
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Investor Information	
iv)	The Public Holding percentage etc.	Directors Interest in	
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Shares and Shareholding	
vi)	Information pertaining to material foreseeable risk factors	Risk Management	
vii)	Details of material issues pertaining to employees and industrial relations	Human Capital	
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Note 4 and 5 to the Financial Statements – Property, Plant and Equipment and Investment Properties, respectively	
xiv)	Number of shares representing the stated capital	Investor Information	
xv)	Distribution schedule of the number of shareholders and the percentage of their total holding	Investor Information	
xvi)	Ratios and market price information	Investor Information	
xvii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Note 4 to the Financial Statements - Property, Plant and Equipment	
xviii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	N/A	N/A
xiv)	Employee share option / purchase schemes	N/A	N/A
xv)	Corporate Governance Disclosures	Disclosures relating to Directors, Audit Committee and Remuneration Committee	
xvi)	Related Party Transactions	Note 30 to the Financial Statements - Related Party Transactions	

REPORT OF THE BOARD OF DIRECTORS

GENERAL

The Board of Directors of Dilmah Ceylon Tea Company PLC (DCTC) are pleased to present its Annual Report for the financial year ended 31st March 2022, together with the audited Financial Statements of the Company, consolidated Financial Statements of the Group and the Auditor's Report on those Financial Statements, in conformity with the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE).

DCTC was incorporated as a public limited liability company in Sri Lanka on 29th May 1981 under the Companies Ordinance No. 51 of 1938. The Company was re-registered as required under the provisions of the Companies Act No. 07 of 2007 on 13th October 2008. The re-registration number of the Company is PQ 209.

The ordinary shares of the Group were listed on the main board of the Colombo Stock Exchange on 01st January 1982,

and subsequently transferred to the Diri Savi Board on 16th August 2017.

The registered office is located at No. 111, Negombo Road, Peliyagoda, Sri Lanka.

The Company has entered into an Agreement with Board of Investment of Sri Lanka (BOI) and enjoy concessions under section 17 of the BOI Law.

The Annual Financial Statements were reviewed and approved by the Board of Directors on 30th August 2022.

In compliance with Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in the Annual Report published for the year ended 31st March 2022.

Disclosure Requirements	Reference to the Companies Act No. 07 of 2007	Disclosure Reference for Compliance	Page
The nature of the business of the Company	Section 168 (1) (a)	Note 1.2 to the Financial Statements - Principal Activities and Nature of Business	150
Financial Statements for the accounting period completed and signed in accordance with Section 152	Section 168 (1) (b)	The Financial Statements of the Company and Group for the year ended 31 st March 2022.	143 to 197
Auditor's Report on the Financial Statements of the Company	Section 168 (1) (c)	Independent Auditors' Report	140 to 142
Any change in accounting policies made during the accounting period	Section 168 (1) (d)	Note 2.6 to the Financial Statements - Changes in Accounting Policies	151
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Directors' Interest in Contracts with the Company Details of the Directors' shareholdings - Investor Information There were changes to the Directors' shareholding during the financial year. Details in Directors Interests in Shares and Shareholding.	132
Remuneration and other benefits of Directors during the accounting period	Section 168 (1) (f)	Note 30.2 to the Financial Statements - Profit / (Loss) Before Tax	191
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Note 22 to the Financial Statements - Profit / (Loss) Before Tax	182
Names of the persons holding office as Directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Section 168 (1) (h)	Board Profiles In terms of Article 24 of the Articles of Association of DCTC, Mr. Roshan Tissaaratchy retires by rotation and being eligible, offers himself for re-election	16 to 19
Amounts payable by the Company to the Person or firm holding office as auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that person or firm	Section 168 (1) (i)	Note 22 to the Financial Statements - Profit / (Loss) Before Tax	182
Particulars of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in the Company or any of its subsidiaries	Section 168 (1) (j)	External Auditors	132
Signed on behalf of the board by two Directors and the Company Secretary	Section 168 (1) (k)		133

Principal Activities of the Group

The principal activity of the Group is to manufacture, export and market tea bags and packets under the brand name “Dilmah”. The principal activity of the Subsidiary Company is to manufacture, export and market tea in the form of liquid tea concentrate and ready-to-drink tea.

Review of Operations

A review of the operations of the Group and results of its performance during the financial year are contained in the Chairman’s Message (pages 20 to 21) and Financial Capital Report (pages 54 to 57).

Future Developments

An overview of the future developments of the Group is given in the Chairman’s Message and CEO’s Report (pages 22 to 23).

Financial Statements

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of the Companies Act No. 07 of 2007. The Financial Statements of the Company and the Group for the year ended 31st March 2022 duly signed by the Sector Finance Controller and two Directors of the Company, are given in pages 143 to 200.

Directors’ Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Group and to present a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, (SLFRSs and LKAs), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Listing Rules of the CSE.

The Statement of Directors’ Responsibility for Financial Reporting is given on page 137.

Going Concern

The Board has made an assessment of the Group’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Group Results and Appropriations

For the year ended 31st March	2022	2021
	Rs. ‘000	Rs. ‘000
Revenue	11,435,775	9,211,987
Profit for the Year	5,570,600	1,749,715
Other Comprehensive Income Net of Tax	(42,893)	(106,540)
Total Comprehensive Income Net of Tax	5,527,707	1,643,175
1 st & 2 nd Interim Dividend for the Current Year	829,500	-
Proposed Final Dividend	311,063	373,275

Dividends

Two interim dividends totalling Rs.40/- were paid for the year ended 31st March 2022. The Directors recommend paying a final dividend of Rs.15/- per share for the year ended 31st March 2022.

The Board of Directors provided the Statements of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of each dividend payment in terms of Section 56 (2) of the Companies Act No. 07 of 2007. The Board also fulfilled the requirement of the Solvency Test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 immediately after the payment of each interim dividend, and ensured compliance with the Solvency Test after payment of each.

Corporate Donations

We continue with the Company philosophy that business is a matter of human service. For the current year, the Company made a donation of Rs. 420 million in cash to MJF Charitable Foundation and further 100 million was earmarked for in-kind donations. (2020/2021 Rs. 210 million) to the MJF Charitable Foundation. The activities of the Foundation are given on the pages 84 to 89. Other Donations by the Company during the year amounted to Rs. 249,524/- (2020/ 21 - Rs. 45,799,502/-).

Taxation

The taxable income is determined according to the provisions of the Inland Revenue Act No 24 of 2017(as amended)

Human Resources

The Group continues to invest in human capital development and implement effective human resource practices and policies to improve workforce efficiency, effectiveness and productivity, offering equal career opportunities regardless of gender, race or religion.

Upholding the Founders principles of “Business is a matter of human service” Board granted an ex-gratia payment to its employees in addition to the customary bonus to enable employees to brace the high living costs. Company has taken many other initiatives to hold the hands of its staff members during this economic crisis including giving essential dry ration packs to the factory staff.

There were no material issues pertaining to employees and industrial relations of the Company that occurred during the year under review which requires disclosure.

As at 31st March 2022, 634 persons were employed by the Company (31st March 2021 - 554)

Statutory Payments

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to taxes and duties, and in relation to employees have been made promptly on the due dates.

Compliance with Laws & Regulations

To the best of the knowledge and belief of the Directors, the Group has not engaged in any activities contravening the laws & regulations of the country. The Group has also formulated and implemented Policy framework relating to Business Ethics, Human Rights and Anti- Bribery & Corruption to emphasise its commitment towards responsible decision making and corruption free business conduct.

Capital Expenditure

Capital expenditure incurred on acquisition of Property, Plant & Equipment during the year of the Company and Group amounted to Rs. 500 million and Rs. 502 million respectively (2021/22 Company: Rs. 385 million and Group: Rs. 385 million). Details are given

in Note 4 of the Notes to the Financial Statements on page 164 to 167.

Capital expenditure approved and contracted for and not contracted for, as at Balance Sheet date are given in Note 27 to the Financial Statements on page 187 & 188.

Property, Plant and Equipment (PPE)

Details of property, plant and equipment are given in Note 4 to the Financial Statements on pages 164 to 167. The net book values of freehold properties owned by the Company and the Group as at 31st March 2022 are included in the accounts at Rs.3,373.6 million and Rs. 3,425 million respectively (2021/22 Company: Rs. 2,448.5 million and Group: Rs. 2,501.6 million).

The market value of Property, Plant & Equipment is considered not materially different to the values stated.

Investments

Investments made by the Company are detailed in Notes 7 and 8 of the Notes to the Accounts.

Stated Capital

The Stated Capital of the Company is Rs. 642,500,000/- divided into 20,737,500 Ordinary Shares.

Shareholding

As at 31st March 2022, there were 1007 (1082 as at 31st March 2021) registered shareholders and their distribution is given on page 199. The twenty major shareholders as at 31st March 2022 and the number of shares held and their percentage shareholding are disclosed on page 200.

Reserves

The total reserves as at 31st March 2022 stand at Rs. 18,076 million (2020/21 - Rs. 13,233 million) including the FVOCI Reserve of Rs. 70 million (2020/21- Rs. 145 million).

Events Occurring after the Balance Sheet Date

No significant events have occurred after the Balance Sheet date, which require adjustments to or disclosure in the Financial Statements.

Risk Management and System of Internal Controls

The Group has an ongoing process in place to identify, evaluate, and manage the risks that are faced by the Group, as detailed in the Risk Report on pages 28 to 32. An effective and comprehensive system of internal controls is in place comprising of internal checks, internal audit, and financial and other controls required to carry out Group business and safeguard assets. The Audit Committee Report, Risk Management Report and the Independent Auditors' Report thereon are given on pages 140 to 142.

Sustainability

The Group is an early champion of adopting sustainability practices and sustainability reporting. Economic, environment and social sustainability is ingrained into business strategies as detailed in the Sustainability at Dilmah on pages 34 to 41.

Directorate

The following Directors held office as at the Statement of Financial Position date and their

brief profiles appear on pages 16 to 19 of the Annual Report.

Dr. Ravindra A. Fernando was appointed as an independent non-executive director of the Company to fill vacancy created by the deceased of Mr. G.E Chitty.

Mr. Merrill J. Fernando, Mr. Himendra S. Ranaweera and Mr. Rajanayagam Asirwatham retire in terms of Section 210 of the Companies Act No. 07 of

2007. Separate resolutions are proposed respectively, to re-appoint each of them as Director in terms of Section 211 (1) of the said Companies Act No. 07 of 2007.

Mr. Roshan Tissaaratchy retires by rotation in terms of Section 24 of the Articles of Association of the Company, and being eligible offers him self for re-election at the Annual General Meeting.

Name of the Director	Status
Mr. Merrill J. Fernando - Chairman	ED
Mr. Himendra S. Ranaweera - Deputy Chairman	ED
Mr. Dilhan C. Fernando - Chief Executive Officer	ED
Mr. Malik J. Fernando	ED
Ms. Minette D. A. Perera	NED
Mr. Roshan C. Tissaaratchy	ED
Mr. Darshana Gunasekera	ED
Mr. Rajanayagam Asirwatham	IND
Mr. Gritakumar E. Chitty (expired on 06th January 2022)	IND
Dr. Ravindra A. Fernando (appointed wef 11th February 2022)	IND

(IND - Independent Director, NED - Non Executive Director and ED - Executive Director)

Directors of the Subsidiary - MJF Beverages (Pvt) Ltd.

Name of the Director	Status
Mr. Merrill J. Fernando - Chairman	ED
Mr. Himendra S. Ranaweera - Deputy Chairman	ED
Mr. Dilhan C. Fernando - Chief Executive Officer	ED
Mr. Malik J. Fernando	ED
Mr. Roshan C. Tissaaratchy	ED
Mr. Daya Prabath Wickramatunga	IND

Interests Register

The Company maintains an Interests Register as required by the Companies Act No. 07 of 2007. All Directors have made general disclosures relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 07 of 2007. The related entries were made in the Interests Register during the year under review, and are available at the registered head office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act No. 07 of 2007.

Board Sub-Committees

The Board delegates functions warranting greater attention to three (3) Board Sub-Committees with oversight responsibility for the same. Accordingly, the following mandatory Sub-Committees have been constituted by the Board in compliance with the Listing Rules of the CSE.

Board Committee	Members	
Audit Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty (expired on 06th January 2022) Ms. Minette D. A. Perera Dr. Ravindra A. Fernando (appointed wef 11th February 2022)	Report of the Audit Committee is given on page 134
Remuneration Committee	Mr. Gritakumar E. Chitty - Chairman (expired on 06th January 2022) Mr. Rajanayagam Asirwatham Ms. Minette D.A. Perera (Chairperson from 11th February 2022) Dr. Ravindra A. Fernando (appointed wef 11th February 2022)	Report of the Remuneration Committee is given on page 135
Related Party Transactions Review Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty (expired on 6th January 2022) Ms. Minette D. A. Perera Dr. Ravindra A. Fernando (appointed wef 11th February 2022)	Report of the Related Party Transaction Review Committee is given on page 136

Related Party Transactions

All Related Party Transactions (RPTs, other than those exempted by the CSE listing rules on the RPTs) are carried out and disclosed in a manner consistent with the CSE Listing Rules. Relevant disclosures made by the Directors on contracts and proposed contracts with

the Company or any of the subsidiaries within the Group appear under Note 30 in Related Party Disclosure to the Financial Statements on pages 189 to 191 of the Report. These interests have been declared at Directors meetings in compliance with the requirements on Related Party

Transactions of the Listing Rules of the CSE and Section 192 (1) of the Companies Act No. 07 of 2007.

The Related Party Transaction Review Committee is responsible for reviewing the Related Party Transactions of the Company. The Committee Report is given on page 136

Directors Emoluments

During the year under review, total remuneration of the Executive Directors amounted to Rs. 203,778,527/- and Non-Executive Directors amounted to Rs. 2,300,000/- (2021/22 - Executive Directors Rs. 148,295,259/- and Non-Executive Directors Rs. 1,950,000/-)

Directors Interests in Shares and Shareholding

Directors of the Company and its subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholding and any acquisitions / disposals to their respective Boards in compliance with Section 200 of the Companies Act No. 7 of 2007. The direct shareholdings of Directors together with that of their spouses & dependent children are as follows:

Name of the Director	2022	2021
Mr. Merrill J. Fernando	8,200	8,200
Mr. Malik J. Fernando	24,200	24,200
Mr. Dilhan C. Fernando	60,400	24,200
Mr. Himendra S. Ranaweera	22,984	22,984
Ms. Minette D. A. Perera	200	200
Mr. Roshan C. Tissaaratchy	4,000	4,000
Mr. Rajanayagam Asirwatham	4,800	4,800
Mr. Gritakumar E. Chitty	-	-
Mr. Darshana Gunasekera	-	-
Dr. Ravindra A. Fernando	-	-

The indirect shareholdings of Directors, Mr. Merrill J. Fernando, Mr. Malik J. Fernando & Mr. Dilhan C. Fernando, together with that of their spouses & dependent children are as follows:

As at 31st March	2022	2021
MJF Teas (Pvt) Ltd.	13,812,882	13,812,882
MJF Exports (Pvt) Ltd.	4,256,712	4,256,712
Merrill J. Fernando and Sons (Pvt) Ltd.	25,300	25,300

Corporate Governance

The Directors are responsible for the formulation and implementation of overall business strategies, policies and setting standards in the short, medium and long-term basis adopting good governance in the management of the affairs of the Company.

Accordingly, systems and structures have been introduced and improved from time-to-time to enhance risk management measures and to improve accountability and transparency. A separate report on Corporate Governance Practices adopted by the Company is given on pages 116 to 125 of this Annual Report. The Company has complied with Section 7.10 of the Continued Listing Rules of Colombo Stock Exchange (CSE) on Corporate Governance.

Group Auditors

Ernst & Young, Chartered Accountants, served as the Group Auditors during the year under review and the Auditors' Report is given on pages 140 to 142 of the report. The Auditors have confirmed that they have no interest in, or relationship with the Company or its Subsidiary other than that of Auditors. They also confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Fees payable and fees for other services rendered are noted hereunder: Fees payable to Auditors for the current financial year Rs. 1,183,871/- (2020/21 - Rs. 1,076,247/-). Fees payable for other services rendered Rs.1,940,860/- (2020/21 - Rs. 1,014,281/-). Auditors Ernst & Young have expressed their willingness to continue in office.

A resolution to reappoint them as Auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Transfer Pricing Regulations

It is certified that the Group has complied with the transfer pricing regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. The information pursuant to these regulations are given under certificate produced under Section 107 (2) (a) of the said Act.

We believe that the transactions entered into with related parties during the period 01.04.2021 to 31.03.2022 are at arm's length and not prejudicial to the interests of the Group. The transactions are entered into on the basis of transfer pricing policy adopted by the Group. All transactions have been submitted to the independent auditor for audit and no adverse remarks have been made in their report on the audit of such transactions.

Outstanding Litigation

There is no litigation against the Group that will have a material impact on the reported financial results or future operations.

Notice of Annual General Meeting

The 41st Annual General Meeting of Dilmah Ceylon Tea Company PLC is to be convened on 29th September 2022 at 11.00 a.m. at 111, Negombo Road, Peliyagoda via a virtual platform. Notice of the Annual General Meeting appears on page 205.

Acknowledgment of the Contents of the Report

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



Mr. Dilhan C. Fernando
Director



Ms. Minette D. A. Perera
Director



Ms. Jayanga Wegodapola
Company Secretary

30th August 2022

REPORT OF THE AUDIT COMMITTEE

Committee Composition

The Audit Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of three Non-Executive Directors, and two of them are 'Independent' as per the Listing Rules. The members of the Committee during the year under review were Mr. Rajan Asirwatham (Chairman), Mr. Gritakumar E. Chitty (until 6th January 2022), Ms. Minette Perera and Dr. Ravindra A Fernando (wef 11th February 2022). The Chairman of the Audit Committee, Mr. Asirwatham is a qualified Chartered Accountant.

Committee Meetings

The Committee held four quarterly meetings during the financial year under review. Mr. Asirwatham and Ms. Minette attended all four meetings, Dr. Ravindra attended one whilst Mr. Chitty was excused from all. Director Finance and the Company Secretary attended the meetings of the Committee by invitation.

Role of the Committee

The primary function of the Committee is to assist the Board in fulfilling its responsibilities, overseeing management's conduct of the Company's financial reporting process and systems of internal accounting and financial controls, monitoring the independence and performance of the Company's external auditors and providing an avenue of communication among the external auditors, the management and the Board.

Internal Audit

The Committee regularly reviews the scope of the internal audit function and reviews audit programs proposed. The internal audit findings are discussed and follow up reviews of audit findings are undertaken to ensure that audit recommendations are being implemented. The Committee also assesses the effectiveness of the internal audit function. The Committee is of the view that the internal controls prevalent within the Group are satisfactory

and provides reasonable assurance that the financial position of the Company is well monitored and the assets are safeguarded.

External Audit

The Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the Auditor. The Committee is satisfied that there is no conflict of interest between the Company and the Auditor, other than for the payment of audit fees. The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor.

The Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as the Auditors for the year ending 31st March 2022 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendations to the Board of Directors on the fees payable to the Auditors for approval by the Board.

Financial Reporting

The Committee reviewed and recommended the Group's interim and annual financial statements for approval of the Board prior to submission to the Colombo Stock Exchange and shareholders.

The Committee reviewed and certified the profit reconciliation based on SLFRS/ LKAS rules and directions and impact to the prudential ratios with regard to dividend declarations in compliance with relevant regulations. The Committee reviewed the internal controls on financial reporting system to ensure the reliability and integrity of information provided, the review included the extent of compliance with SLFRS/ LKAS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, going concern assumptions, major judgmental areas and material audit judgments.



Mr. Rajan Asirwatham
Chairman - Audit Committee

30th August 2022

REPORT OF THE REMUNERATION COMMITTEE

The Committee is responsible for setting the Company's policy on compensation and benefits, overseeing its implementation. It is also mandated to review significant Human Resource policies that influence the Company's performance. The Committee specifically reviews remuneration of the Chief Executive Officer, Executive Directors and Senior Members of the management as it is designated to consider.

Committee Composition

The Committee, appointed by and responsible to the Board, comprises of three Non-Executive Directors two of them are Independent as per the Listing Rules. The members of the Committee during the year under review were Mr. Gritakumar E. Chitty (Chairman until 6th January 2022), Ms. Minette D A Perera (Chairman wef 11th February 2022) Mr. Rajan Asirwatham, and Dr. Ravindra A. Fernando (wef 11th February 2022).

Committee Meetings

The Committee held one meeting during the year under review. Ms. Minette D. A. Perera and Mr. Asirwatham attended same while Mr. Chitty was excused. Director

Finance attended the meeting of the Committee by invitation.

Policy

The remuneration policy of the company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimize long term shareholder value creation.

The Committee is responsible for determining the compensation of the senior management and to lay down guidelines and parameters for the compensation structure of all management staff of the Company. In its decision making process necessary information and recommendations are obtained from the Deputy Chairman.

The remuneration packages of the Company are aligned to individual performance and to strategic priorities.



Ms. Minette D A Perera

Chairperson - Remuneration
Committee

30th August 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee is a Board Sub Committee.

The Committee has been established in compliance with the “Code of Best Practices on Related Party Transactions” issued by the Securities and Exchange Commission of Sri Lanka.

The objective of the Committee is to review all related party transactions other than those transactions explicitly exempted by the Code.

Committee Composition

The Related Party Transaction Review Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of three Non- Executive Directors, and two of them are ‘Independent’ as per the requirements of the Code.

The members of the Committee during the year under review were Mr. Rajan Asirwatham (Chairman), Mr. Gritakumar E. Chitty (until 06th January 2022), Ms. Minette D. A. Perera and Dr. Ravindra A. Fernando (wef 11th February 2022).

The Chairman of the Committee Mr. Asirwatham is a qualified Chartered Accountant.

Purpose of the Committee

The purpose of the Committee as set out its Terms of Reference (TOR), is to review in advance all proposed Related Party Transactions other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules.

The Committee adopts policies and procedures to review Related Party Transactions of the Company and determines whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.

Committee Meetings

The Committee held four quarterly meetings during the financial year under review. Mr. Asirwatham and Ms. Minette attended all four meetings, Dr. Ravindra attended one whilst Mr. Chitty was excused from all. Director Finance and the Company Secretary attended the meetings of the Committee by invitation.

- The Committee reviews in advance all related party transactions of the Company except those explicitly exempted in the Code.

- The Committee ensures that written policies and procedures of the Company are in conformity with rules and regulations governing related party transactions.

- The Committee communicates their observations on the related party transactions if any to the Board of Directors.

- The Committee also ensures that immediate market disclosure of any related party transaction is made in accordance with the Code to the Colombo Stock Exchange.

- The Committee identifies persons who shall be considered as “Key Management Personnel” of the Company and self-declarations are obtained from each such person for the purpose of identifying related parties to them. Based on the information furnished on these declarations, the Company has developed a system that enables the Company to retrieve data on related party transactions.

has communicated their comments/observations to the Board. It was also observed that there were no nonrecurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. The company is therefore compliant with the said Rules on related party transactions. Details of other related party transactions entered into by the Company during the period under review is disclosed in note 30 to the financial statements.

Declarations

The Committee quarterly reviewed the disclosures made by each of the members of the Board on transactions in which he is interested or which is proposed to be entered into with a related party. The declarations made by them on compliance with regulatory requirements as set out in the Listing Rules pertaining to Related Party Transactions are recorded in an Interest Register maintained by the Company.

Related Party Transactions during the year 2021/22.

The Committee has reviewed the related party transactions during the financial year 2021/22 and



Mr. Rajan Asirwatham
Chairman – Related Party Transactions Review Committee
30th August 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF FINANCIAL STATEMENTS

The following statement sets out the responsibilities of Directors, in relation to the Financial Statements. This should be read in conjunction with the Auditors responsibility in relation to the Financial Statements, set out in the report of the Auditors on pages 140 to 142 of this report.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each year giving a true and fair view of the state of the affairs of the Company as at end of the financial year and the financial performance for the year. The Directors are also responsible to ensure that proper accounting books and records are maintained, to prepare the Financial Statements with reasonable accuracy.

The Financial Statements comprise of the statement of financial position as at 31.03.2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended together with the notes thereto.

The Directors confirm that the consolidated Financial Statements of the Company give a true and fair view of

- The state of affairs of the Company as at 31st March 2022
- The profit or loss of the Company and its subsidiary for the financial year then ended.

The Board accepts the responsibility for the integrity and objectivity of the Financial Statements and the Directors are responsible to ensure that in preparing the Financial Statements, appropriate accounting policies have been selected and applied in a consistent manner and that material departures, if any, have been disclosed and explained.

It is the responsibility of the Directors to ensure that the Financial Statements have been prepared in conformity with Sri Lanka Accounting Standards (LKAS/ SLFRS), Companies Act No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange and be certified by the Sector Financial Controller of the Company and signed by the two Directors as required by the Companies Act No.07 of 2007.

The Directors consider that in preparing the Financial Statements exhibited on pages 143 to 196 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgment, assumptions and estimates.

The Directors are required to prepare these Financial Statements on a going concern basis, unless it is

inappropriate to presume that the Company will continue as a going concern. The Directors are required to take reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and ensure as far as practicable the accuracy and reliability of records.

The Directors confirm that the Auditors of the Company, Messrs Ernst & Young were provided every opportunity to undertake whatever inspections they considered necessary to enable them to form their opinion on the Financial Statements.

Messrs Ernst & Young have examined the Financial Statements made available together with all other financial records, minutes of shareholders' and directors' meetings and related information, and have expressed their opinion which appears on pages 140 to 142 of this annual report.

The Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid, or where relevant provided for.

The Board of Directors confirm that they have authorized distribution of dividends upon being satisfied that the Company satisfies the solvency test immediate after such distributions are made in accordance with Section 57 of the Companies Act No.07 of 2007 and as required by Section 56(2) of the said Companies Act, have obtained solvency certificates from the Auditor, prior to authorizing interim dividends for this year.

The Directors are of the opinion that the Financial Statements presented in the report from pages 143 to 200 have been prepared in accordance with the above and that they discharged their duties as set out in this statement.

By order of the Board,



Ms. Jayanga Wegodapola

Company Secretary

30th August 2022

At Colombo





FINANCIAL REPORTS



INDEPENDENT AUDITOR'S REPORT



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

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

WRHDS/DS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DILMAH CEYLON TEA COMPANY PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dilmah Ceylon Tea Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to

the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance

with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P Y K N Sajeewani FCA, N M Sulpiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCA FCCA

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
Revenue from Contracts with Customers	
The Group derived its revenue of Rs. 11.435 Bn from the manufacture and sale of goods as disclosed in Notes 2.18 & 17 to the financial statements. The recognition and measurement of revenue was a key audit matter due to ⊙ The significance of reported revenues coupled with the significant increase (24%) in revenue recorded by the Group during the year; and ⊙ Considerations to be made on terms of sales arrangements affecting the transfer of control for goods sold.	Our audit approach included the following; ⊙ Evaluated the design and tested the operating effectiveness of relevant key controls over the recognition of revenue, ⊙ performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues, and ⊙ tested the appropriateness of revenue recognized during the year and particularly towards the year end, by reviewing relevant sales contracts, shipping documents and other relevant supporting documents. We also assessed the adequacy of disclosures made in relation to the recognition of revenue in Notes 2.18 & 17 to the financial statements.

Other information included in the 2022 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is

a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

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

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

unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- ⊙ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ⊙ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- ⊙ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ⊙ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention

in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ⊙ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ⊙ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters,

the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4107.



30th August 2022
Colombo

STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31 March 2022	Note	2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	3,512,925	3,328,489	3,459,568	3,273,610
Investment Property	5	637,921	647,946	637,921	647,946
Intangible Assets	6	152,407	176,085	152,407	176,085
Right of Use Asset	7	1,084,729	1,114,524	1,074,117	1,103,467
Other Non-Current Financial Assets	8	303,492	379,214	303,492	379,214
Total Non-Current Assets		5,691,474	5,646,258	5,627,505	5,580,322
Current Assets					
Inventories	9	1,919,742	1,546,975	1,895,379	1,530,360
Trade and Other Receivables	10	5,877,985	4,639,012	5,839,953	4,616,911
Advances and Prepayments		999,665	242,079	991,614	239,998
Amounts Due from Related Party	11	-	-	79,282	85,102
Other Current Financial Assets	12	-	1,543,601	-	1,543,601
Cash and Cash Equivalents	13	8,434,585	3,170,827	8,429,430	3,162,180
Total Current Assets		17,231,977	11,142,494	17,235,658	11,178,152
Total Assets		22,923,451	16,788,752	22,863,163	16,758,474
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	14	642,500	642,500	642,500	642,500
Other Components of Equity		69,676	145,179	69,676	145,179
Retained Earnings		18,006,733	13,087,861	17,971,136	13,081,997
Total Equity		18,718,909	13,875,540	18,683,312	13,869,676
Non-Current Liabilities					
Lease Liability	7	1,112,092	1,093,012	1,102,225	1,082,311
Deferred Tax Liabilities	23	266,361	187,426	260,685	182,823
Retirement Benefit Obligations	15	273,331	286,037	270,349	279,614
		1,651,784	1,566,475	1,633,259	1,544,748
Current Liabilities					
Trade and Other Payables	16	767,697	489,579	765,938	489,601
Provisions and Accrued Expenses		1,578,007	566,396	1,575,386	564,426
Lease Liability	7	89,540	99,012	87,754	97,904
Income Tax Payable	23	117,514	191,750	117,514	192,119
		2,552,758	1,346,737	2,546,592	1,344,050
Total Liabilities		4,204,542	2,913,212	4,179,851	2,888,798
Total Equity and Liabilities		22,923,451	16,788,752	22,863,163	16,758,474

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Chamil Hathurusinghe

Sector Finance Controller

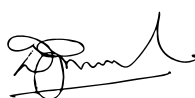
The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by;



Dilhan C Fernando

Director/Chief Executive Officer

30th August 2022



Darshana Gunasekera

Group Finance Director

The accounting policies and notes on pages 150 through 197 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from Contracts with Customers	17	11,435,775	9,211,987	11,350,390	9,175,653
Cost of Sales		(6,444,285)	(5,463,590)	(6,375,237)	(5,419,116)
Gross Profit		4,991,490	3,748,397	4,975,153	3,756,537
Other Income	18	23,190	41,334	23,166	41,318
Administrative Expenses		(1,978,938)	(1,630,867)	(1,981,911)	(1,635,167)
Selling and Distribution Costs		(2,130,657)	(1,665,462)	(2,130,644)	(1,665,372)
Foreign Exchange Gain	19	4,592,433	1,220,788	4,580,312	1,215,450
Finance Costs	20	(171,505)	(197,378)	(170,048)	(195,954)
Finance Income	21	517,980	397,793	517,980	397,793
Profit Before tax	22	5,843,993	1,914,605	5,814,008	1,914,605
Income Tax Expense	23	(273,393)	(164,890)	(272,105)	(164,494)
Profit for the year		5,570,600	1,749,715	5,541,903	1,750,111
Earnings per Share (Rs.)	24	268.62	84.38	267.23	84.39
Dividend per Share (Rs.)	25	33.00	5.00		

The accounting policies and notes on pages 150 through 197 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		5,570,600	1,749,715	5,541,903	1,750,111
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;					
Change in Fair Value of FVOCI Investments	8.3	(75,503)	(84,820)	(75,503)	(84,820)
Net Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;		(75,503)	(84,820)	(75,503)	(84,820)
Other Comprehensive Income not to be classified to profit or loss in subsequent periods:					
Re-measurement Gain / (Loss) on Employee Retirement Benefit Obligation	15	37,919	(25,256)	36,714	(24,783)
Deferred Tax attributable to re-measurement Gain / (Loss) on Employee Retirement Benefit Obligation	23	(5,309)	3,536	(5,140)	3,470
Net Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent periods;		32,610	(21,720)	31,574	(21,313)
Other Comprehensive Income for the year, Net of Tax		(42,893)	(106,540)	(43,929)	(106,133)
Total Comprehensive Income for the year, Net of Tax		5,527,707	1,643,175	5,497,974	1,643,978

The accounting policies and notes on pages 150 through 197 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - GROUP

Year ended 31 March 2022	Note	Other Components of Equity			
		Stated Capital Rs.'000	FVOCI Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
As at 01 April 2020		642,500	229,999	11,463,554	12,336,053
Profit for the Year		-	-	1,749,715	1,749,715
Other Comprehensive Income		-	(84,820)	(21,720)	(106,540)
Total Comprehensive Income for the year		-	(84,820)	1,727,995	1,643,175
Final Dividend - 2019/20	25	-	-	(103,688)	(103,688)
As at 31 March 2021		642,500	145,179	13,087,861	13,875,540
Profit for the Year		-	-	5,570,600	5,570,600
Other Comprehensive Income		-	(75,503)	32,610	(42,893)
Total Comprehensive Income for the year		-	(75,503)	5,603,210	5,527,707
Final Dividend - 2020/21	25	-	-	(373,275)	(373,275)
Interim Dividend - 2021/22	25	-	-	(311,063)	(311,063)
As at 31 March 2022		642,500	69,676	18,006,733	18,718,909



STATEMENT OF CHANGES IN EQUITY - COMPANY

Year ended 31 March 2022	Note	Other Components of Equity			
		Stated Capital Rs.'000	FVOCI Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
As at 01 April 2020		642,500	229,999	11,456,887	12,329,386
Profit for the Year		-	-	1,750,111	1,750,111
Other Comprehensive Income, Net of Tax		-	(84,820)	(21,313)	(106,133)
Total Comprehensive Income for the year		-	(84,820)	1,728,798	1,643,978
Final Dividend - 2019/20	25	-	-	(103,688)	(103,688)
As at 31 March 2021		642,500	145,179	13,081,997	13,869,676
Profit for the Year		-	-	5,541,903	5,541,903
Other Comprehensive Income, Net of Tax		-	(75,503)	31,574	(43,929)
Total Comprehensive Income for the year		-	(75,503)	5,573,477	5,497,974
Final Dividend - 2020/21	25	-	-	(373,275)	(373,275)
Interim Dividend - 2021/22	25	-	-	(311,063)	(311,063)
As at 31 March 2022		642,500	69,676	17,971,136	18,683,312

The accounting policies and notes on pages 150 through 197 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cashflows From / (Used in) Operating Activities					
Profit before Income Tax Expense		5,843,993	1,914,605	5,814,008	1,914,605
Adjustments for					
Depreciation	22	324,915	307,274	321,531	303,936
Amortisation of Intangible Assets	22	26,272	25,808	26,272	25,808
Depreciation on Right of Use Asset	7	29,795	29,806	29,350	29,349
Interest Expense on Lease Liability	20	142,448	142,413	140,991	140,991
Unrealised Foreign Exchange (Gain) / Loss		(4,273,683)	(457,255)	(4,264,070)	(454,703)
Interest Expenses	20	29,057	54,965	29,057	54,963
Dividend Income	18	(4)	(5)	(4)	(5)
Interest Income	21	(517,980)	(397,793)	(517,980)	(397,793)
Profit on disposal of Property, Plant and Equipment		(11)	(29,267)	(11)	(29,267)
Profit on disposal of Investment		(21)	(1)	(21)	(1)
Provision for Impairment of Receivables		8,160	61,965	8,160	57,798
Provision for Defined Benefit Plans	15	37,818	45,589	37,151	44,587
Impairment on Unquoted Equity Securities		-	5,675	-	5,675
Impairment Loss on Amounts due from Related Party		-	-	5,820	13,918
Operating Profit before Working Capital Changes		1,650,759	1,703,779	1,630,254	1,709,861
Working Capital Changes:					
Inventories		(372,767)	(195,368)	(365,019)	(194,933)
Trade and Other Receivables		322,608	513,432	329,615	511,113
Advances and Prepayments		(757,587)	209,063	(751,616)	207,645
Amounts Due from Related Party		-	-	-	(10,033)
Trade and Other Payables		226,138	(26,109)	224,387	(24,534)
Provisions and Accrued Expenses		1,011,597	(52,652)	1,010,959	(49,166)
Cashflows from Operations		2,080,748	2,152,145	2,078,580	2,149,953
Retirement Benefit Obligation Paid	15	(12,606)	(19,148)	(9,702)	(19,148)
Interest Paid		(29,057)	(54,965)	(29,057)	(54,963)
Income Tax Paid		(273,988)	(292,262)	(273,988)	(292,262)
Net Cashflows from Operating Activities		1,765,097	1,785,770	1,765,833	1,783,580

STATEMENT OF CASHFLOWS

Year ended 31 March 2022	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investing Activities					
Acquisition of Property, Plant and Equipment		(498,689)	(379,178)	(496,829)	(378,819)
Acquisition of Investment Properties		(635)	(75)	(635)	(75)
Acquisition of Intangible Assets		(2,594)	(5,914)	(2,594)	(5,914)
Acquisition of Bond Investments		-	(1,511,601)	-	(1,511,601)
Proceeds from disposal of Property, Plant and Equipment		29	29,314	29	29,314
Proceeds from disposal of Other Current Financial Assets		1,543,601		1,543,601	
Dividend Received		4	5	4	5
Interest Received		517,980	397,793	517,980	397,793
Net Cashflows used in Investing Activities		1,559,696	(1,469,656)	1,561,556	(1,469,297)
Financing Activities					
Repayment of Lease Liability		(132,840)	(132,727)	(131,227)	(131,228)
Dividends Paid		(684,338)	(103,688)	(684,338)	(103,688)
Repayments of Interest Bearing Loans and Borrowings		-	(1,895,000)	-	(1,895,000)
Net Cashflows used in from Financing Activities		(817,178)	(2,131,415)	(815,565)	(2,129,916)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		2,756,143	140,628	2,755,426	140,518
Net Increase / (Decrease) in Cash and Cash Equivalents		5,263,758	(1,674,673)	5,267,250	(1,675,115)
Cash and Cash Equivalents at the beginning of the year		3,170,827	4,845,500	3,162,180	4,837,295
Cash and Cash Equivalents at the end of the year	13	8,434,585	3,170,827	8,429,430	3,162,180

The accounting policies and notes on pages 150 through 197 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

Dilmah Ceylon Tea Company PLC (“the Company”) is a public limited liability Company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company and the principal place of business is situated at No. 111, Negombo Road, Peliyagoda.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company are to manufacture, export and market tea bags and packets under the brand name “Dilmah”.

MJF Beverages (Private) Limited is a private limited liability company incorporated and domiciled in Sri Lanka and is engaged in manufacture, export, and market tea in the form of liquid tea concentrate and ready to drink tea.

1.3 Parent Entity and Ultimate Parent Entity

The Company’s parent undertaking is MJF Teas (Private) Limited. In the opinion of the Directors, the Company’s ultimate parent undertaking and controlling party is MJF Holdings (Pvt) Limited, which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Financial Statements of the Group as at and for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 30th August 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the Separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at www.casrilanka.com

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements

The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act No.07 of 2007.

2.2 Basis of Preparation

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

- ⊙ Fair Value through other comprehensive income investment are measured at fair value.
- ⊙ Retirement Benefit Obligation at present value of the obligation.

Where appropriate, the specific policies are explained in the succeeding notes.

2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is also the Group’s functional currency.

2.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiary as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has;

- ⊙ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ⊙ Exposure, or rights, to variable returns from its involvement with the investee, and
- ⊙ The ability to use its power over the investee to affect its returns

The country of incorporation, effective shareholding and principal activities of the

subsidiary incorporated in the Financial Statements are as follows;

Name of the subsidiary	Country of incorporation	Effective shareholding	
		2022	2021
MJF Beverages (Private) Limited	Sri Lanka	100%	100%

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity while any resultant gain or loss is recognised in the Consolidated Statement of Profit or Loss.

The Financial Statements of the subsidiary is prepared for the same reporting period as the holding company. The accounting policies set out below have been applied consistently by the Group entities to all periods presented in the Financial Statements.

2.5 Common Control Business Combinations

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly,

- ⊙ The assets and liabilities of the combining

entities are reflected at their carrying amounts.

- ⊙ No new goodwill is recognised as a result of the combination. Net outcome of the net assets acquired and the shares issued is reflected within equity.

2.6 Changes in Significant Accounting Policies

New and amended standards and interpretations

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2021.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

2.7 Comparative Information

The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous period figures and notes have been reclassified wherever necessary to conform to the current year's presentation. Such reclassifications were made to



NOTES TO THE FINANCIAL STATEMENTS

improve the quality of presentation and do not affect previously reported profit or equity.

2.8 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.9 Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of the property, plant and equipment. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment and the cost can be reliably measured. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. All other expenditure is recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets except land, as follows:

Buildings on Leasehold Land	Over the lease period
Plant and Machinery	Over 10 years
Factory Equipment	Over 5 years
Furniture and Fittings	Over 7 years
Office and Stores Equipment	Over 5 years
Computer Hardware	Over 3 years
Motor Vehicles	Over 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at end of each reporting period. An estimation change in the useful life of fixed asset during the period has occurred and the underlying assumptions considered are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.



2.9.1 Capital Work-in-Progress

Capital work-in-progress is stated at cost, net accumulated impairment losses, if any, which include all costs incurred from the date of acquisition to the date recognition criteria met to consider as property plant and equipment. Capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

2.10 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. 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 useful lives of intangible assets are assessed as finite.

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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ⊙ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- ⊙ Its intention to complete and its ability and intention to use or sell the asset
- ⊙ How the asset will generate future economic benefits
- ⊙ The availability of resources to complete the asset
- ⊙ The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is

NOTES TO THE FINANCIAL STATEMENTS

complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recorded in the Statement of Profit or Loss. During the period of development, the asset is tested for impairment annually.

2.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group considered whether;

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

Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Group as the Lessee

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

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 3 to 36 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are

recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (Refer Note 7).

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The accounting policies applicable to the Group as a lessor in the comparative period were not difference from SLFRS 16.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one year. The Group applies judgement in evaluating

whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

2.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined as follows:

- ⊙ Raw Material are valued on a first in first out (FIFO) basis
- ⊙ Finished Goods are valued at weighted average costs, which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity
- ⊙ Packing materials are valued at weighted average costs
- ⊙ Consumables and spares are valued at weighted average costs
- ⊙ Goods-in-transits are valued at actual costs

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

2.14 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of 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 or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds



NOTES TO THE FINANCIAL STATEMENTS

its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.15 Financial Instruments

Initial recognition of Financial Assets and Financial Liabilities

The Group shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Measurement of Financial Assets

A financial asset be measured at amortised cost if both of the following conditions are met:

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

A financial asset shall be measured at fair value unless it is measured at amortised cost in accordance with above criteria. The Group measures Trade and Other Receivables at amortised cost and fair value through other comprehensive income at Fair value and fair value changes recognized to other comprehensive income.

Fair value through other comprehensive income

If both of the following conditions are met;

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

Derecognition of financial assets

The Group derecognise a financial asset when and only when the contractual rights to the cash flows from the financial asset expire, or it transfers

the financial asset as and the transfer qualifies for derecognition.

A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial asset is derecognised, impaired or reclassified in accordance and through the amortisation process.

Financial Liabilities Recognition

The Group measured the financial liability at fair value, including the costs of the transaction which can be directly assigned financial liability, when these are designated at their fair value in the profit and loss account.

The Group assessed that the fair value of loans and borrowings, bank overdrafts, and trade and other payables.

The Group has the following non-derivative financial liabilities loans and borrowings, bank overdrafts, and trade and other payables.

Financial Liabilities Subsequent measurement

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss.

Derecognition of financial liabilities

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when its contractual obligations are discharged or cancelled or expire.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the

net amount is presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Cash and Cash Equivalents

Cash and Cash Equivalents in the Statement of Financial Position comprise cash on hand and at banks and short-term deposits which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand and at banks and short-term deposits with a maturity of three months or less.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

Impairment

Financial Assets

Impairment- Recognition of expected credit losses

The Group recognise a loss allowance for expected credit losses on a Trade Receivables to which the impairment requirements apply.

At each reporting date, the Group measure 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 initial recognition.

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

Simplified approach for trade receivables

The Group always measure the loss allowance at an amount equal to lifetime expected credit losses

for trade receivables or contract assets that result from transactions that are within the scope of SLFRS 15, and that;

- i. do not contain a significant financing component (or when the entity applies the practical expedient for contracts that are one year or less) in accordance with SLFRS 15; or
- ii. contain a significant financing component in accordance with SLFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

2.16 Retirement Benefit Obligations

Defined Benefit Plans - Retirement Gratuity

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983, minimum retirement age of workers Act No. 28 of 2021 and the Indian Repatriate Act No.34 of 1978 to eligible employees.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in the Statement of Comprehensive Income. The Group is liable to pay gratuity in terms of the relevant statute. The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs. Smiles Global (Private) Limited as at 31 March 2022. The liability is not externally funded.

Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund ("EPF and ETF")

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively, which are externally funded.

NOTES TO THE FINANCIAL STATEMENTS

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.18 Revenue from Contracts with Customers

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue;

a. Goods transferred at a point in time

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

b. Presentation and disclosure requirements

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer

to Note 17 for the disclosure on disaggregated revenue.

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of other non-current assets, are accounted in the Statement of Profit or Loss, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Interest Income

Interest Income is recognized as the interest accrues unless collectability is in doubt.

Dividend Income

Dividend income is recognized when the Group's right to receive the payments is established.

Others

Other income is recognized on an accrual basis.

2.19 Expenditure Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items 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 the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

Finance Costs

Finance costs comprise interest expense on bank overdrafts. Interest expense is recorded as it accrues using the effective interest method.

Operating Leases

Operating lease payments are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease.

Others

Other expenses are recognized on an accrual basis.

2.20 Taxation

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The taxable income is determined according to the provisions of the Inland Revenue Act No 24 of 2017(as amended)

Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all temporary differences, except;

- ⊙ Where the deferred tax liability arises from an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

Deferred tax assets are recognized for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except;

- ⊙ Where the deferred tax assets relating to deductible temporary differences arises from

the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in the Statement of Profit or Loss or Statement of Comprehensive Income.

Turnover Based Tax

Turnover based tax include Value Added Tax. The Group pay such taxes in accordance with the respective statutes.

2.21 Current versus Non-Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is classified as current when it is:

- ⊙ Expected to be realised or intended to sold or consumed in normal operating cycle
- ⊙ Held primarily for the purpose of trading
- ⊙ Expected to be realised within twelve months after the reporting period, or
- ⊙ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

All other assets are classified as non-current.

A liability is current when:

- ⊙ it is expected to be settled in normal operating cycle
- ⊙ It is held primarily for the purpose of trading
- ⊙ It is due to be settled within twelve months after the reporting period, or
- ⊙ There is no right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.22 Segment Reporting

A business segment is distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting Consolidated Financial Statements of the Group.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Senior Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman/ Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.23 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS

is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.24 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future.

Useful life-time of the Property, Plant, and equipment

The Group reviews the useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

Impairment of Fair Value of Other Comprehensive Income Investments

The Group treats equity securities designated at fair value through other comprehensive income/ available for sale as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of Trade Receivables

The Group assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk for trade receivables the Group applies the simplified approach permitted by SLFRS 9 which requires expected lifetime losses to be recognize from initial recognition of the receivables.

At the reporting date, gross trade receivables of the Group were Rs. 5,872 million (2021 - Rs. 4,571 million) with allowance for impairment of trade receivables amounting to Rs. 240 million (2021 - 164 million) and gross trade receivables of the Company were Rs. 5,839 million (2021 - Rs. 4,548 million) with allowance for impairment of trade receivables amounting to Rs. 236 million (2021 - 159 million).

Employee Defined Benefit Plan – Gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. Management reviews all assumptions at each reporting date and revised assumptions where appropriate.

Deferred Taxes

Deferred tax asset of Rs. 3 million (2021 - Rs. 3 million) as at 31 March 2022 has not been recognized on the carried forward tax losses of the Subsidiary of the Company as it is unable to assess with reasonable certainty that taxable profits would be available to recover the deferred tax asset in the foreseeable future. If the Group recognize deferred tax asset, profit and equity would have increased by Rs. 3 million (2021 - Rs. 3 million) for the year ended 31 March 2022.

Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2022,

based on available information, the management has assessed the existing and anticipated effects current economic conditions on the Group and the appropriateness of the use of the going concern basis. In March 2022, each Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook to the Board, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

In determining the above significant management judgements, estimates and assumptions the impact of the current economic conditions has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below. None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group in the foreseeable future. The Group intends to adopt these amended standards, if applicable, when they become effective.

SLFRS 17 Insurance Contracts

In 8 January 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued SLFRS 17 Insurance Contracts (SLFRS 17). SLFRS

NOTES TO THE FINANCIAL STATEMENTS

SLFRS 17 was amended by Amendments to SLFRS 17 - Insurance Contracts, in 28 June 2021. SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17.

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

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a

contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential



'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately

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

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

SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

SLFRS 1 First-time Adoption of Sri Lanka Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 1 First-time Adoption of International Financial Reporting Standards (SLFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of SLFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition

to SLFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of SLFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group do not have subsidiaries which are adopting IFRSs for the first time and hence, this amendment is not applicable to the Group.

LKAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to LKAS 41 Agriculture (LKAS 41). The amendment removes the requirement in paragraph 22 of LKAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of LKAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	Balance As at 01.04.2021 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2022 Rs.'000
Gross Carrying Amounts				
At Cost				
Land	702,444	-	-	702,444
Buildings on Leasehold Land	67,474	-	-	67,474
Buildings	-	779,241	-	779,241
Plant and Machinery	3,287,350	398,608	-	3,685,958
Factory Equipment	11,582	549	-	12,131
Furniture and Fittings	59,171	4,496	-	63,667
Office and Store Equipment	125,922	26,866	(303)	152,485
Computer Hardware	118,202	18,090	-	136,292
Motor Vehicle	230,926	-	-	230,926
Total Value of Depreciable Assets	4,603,071	1,227,850	(303)	5,830,618
In the Course of Construction				
Capital Work In Progress	1,296,784	297,414	(1,026,574)	567,624
	1,296,784	297,414	(1,026,574)	567,624
Total Gross Carrying Amount	5,899,855	1,525,264	(1,026,877)	6,398,242
	Balance As at 01.04.2021 Rs.'000	Charge for the year Rs.'000	Disposals Rs.'000	Balance As at 31.03.2022 Rs.'000
Accumulated Depreciation				
At Cost				
Buildings on Leasehold Land	22,330	1,824	-	24,154
Plant and Machinery	2,181,247	242,563	-	2,423,810
Factory Equipment	7,189	436	-	7,625
Furniture and Fittings	21,097	7,885	-	28,982
Office and Store Equipment	85,774	19,734	(303)	105,205
Computer Hardware	92,700	18,252	-	110,952
Motor Vehicle	161,029	23,560	-	184,589
Total Depreciation	2,571,366	314,254	(303)	2,885,317

	2022	2021
	Rs.'000	Rs.'000
Net Carrying Amounts		
Land	702,444	702,444
Buildings on Leasehold Land	43,320	45,144
Buildings on Freehold Land	779,241	-
Plant and Machinery	1,262,148	1,106,103
Factory Equipment	4,506	4,393
Furniture and Fittings	34,685	38,074
Office and Store Equipment	47,280	40,148
Computer Hardware	25,340	25,502
Motor Vehicle	46,337	69,897
	2,945,301	2,031,705
Capital Work In Progress	567,624	1,296,784
	567,624	1,296,784
Total Net Carrying Amount	3,512,925	3,328,489

4.1.1 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 498,689,307/- (2021 - Rs.379,178,312/-). Cash payments amounting to Rs. 498,689,307/- (2021 - Rs. 379,178,312/-) were made during the year for purchase of Property, Plant and Equipment.

4.1.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 611,197,125/- (2021 - Rs. 593,243,434/-) and continue to be in used by the Group.

4.1.3 The Subsidiary of the Group has entered in to a long-term operating lease agreement with Kahawatte Plantations PLC from 01 January 2006 to 14 June 2045 for the use of land situated at Rilhena Estate. Buildings on leasehold land as reflected above represent buildings constructed by the Subsidiary of the Group on the said leased land.

4.1.4 Details of Group's land and buildings stated at cost are indicated below;

Land

Location	Extent
111, 167, 179, Negombo Road, Peliyagoda	279 P

Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01
Rilhena, Palmadulla, Rathnapura	01

NOTES TO THE FINANCIAL STATEMENTS

4.2 Company

	Balance As at 01.04.2021 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2022 Rs.'000
Gross Carrying Amounts				
At Cost				
Land	702,444	-	-	702,444
Building	-	779,241	-	779,241
Plant and Machinery	3,108,885	397,399	-	3,506,284
Furniture and Fittings	58,723	4,496	-	63,219
Office and Stores Equipment	127,995	26,763	(303)	154,455
Computer Hardware	117,613	18,090	-	135,703
Motor Vehicles	230,930	-	-	230,930
Total Value of Depreciable Assets	4,346,590	1,225,989	(303)	5,572,276
In the Course of Construction				
Capital Work In Progress	1,296,784	297,414	(1,026,574)	567,624
	1,296,784	297,414	(1,026,574)	567,624
Total Gross Carrying Amount	5,643,374	1,523,403	(1,026,877)	6,139,900
	Balance As at 01.04.2021 Rs.'000	Charge for the year Rs.'000	Disposals Rs.'000	Balance As at 31.03.2022 Rs.'000
Accumulated Depreciation				
At Cost				
Plant and Machinery	2,010,693	241,556	-	2,252,249
Furniture and Fittings	20,675	7,879	-	28,554
Office and Stores Equipment	85,122	19,673	(303)	104,492
Computer Hardware	92,241	18,203	-	110,444
Motor Vehicles	161,033	23,560	-	184,593
Total Depreciation	2,369,764	310,871	(303)	2,680,332

	2022	2021
	Rs.'000	Rs.'000
Net Carrying Amounts		
Land	702,444	702,444
Buildings on Freehold Land	779,241	-
Plant and Machinery	1,254,035	1,098,192
Furniture and Fittings	34,665	38,048
Office and Stores Equipment	49,963	42,873
Computer Hardware	25,259	25,372
Motor Vehicles	46,337	69,897
	2,891,944	1,976,826
Capital Work In Progress	567,624	1,296,784
	567,624	1,296,784
Total Net Carrying Amount	3,459,568	3,273,610

4.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 496,828,409/- (2021 - Rs. 378,819,094/-). Cash payments amounting to Rs. 496,828,409/- (2021 - Rs. 378,819,094/-) were made during the year for purchase of Property, Plant and Equipment.

4.2.2 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs.434,829,176/- (2021 - Rs. 416,875,487/-) which are still in use.

4.2.3 Details of Company's land and buildings stated at cost are indicated below;

Land

Location	Extent
111, 167, 179, Negombo Road, Peliyagoda	279 P

Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENT PROPERTY

Group/Company

	Balance As at 01.04.2021 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2022 Rs.'000
Gross Carrying Amounts				
At Cost				
Land	234,064	-	-	234,064
Building	426,308	635	-	426,943
Total Value of Investment Property	660,372	635	-	661,007
Total Gross Carrying Amount	660,372	635	-	661,007

	Balance As at 01.04.2021 Rs.'000	Charge for the year Rs.'000	Disposals Rs.'000	Balance As at 31.03.2022 Rs.'000
Accumulated Depreciation				
At Cost				
Building	12,426	10,660	-	23,086
Total Depreciation	12,426	10,660	-	23,086

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Land	234,064	234,064
Building	403,857	413,882
Total Net Carrying Amount	637,921	647,946

- 5.1** Investment Property of the Group/Company relates to land acquired by the Company in February 2012. The land with an extent of 2 Acres, 3 Roods and 23 Perches together with a building is situated at No 480, Handala, Wattala.

- 5.2** Level 3 fair value of the Investment Property as at 31 March 2022 is estimated to be Rs. 560,230,000/- (2021 - Rs. 560,230,000/-), and have been derived by considering the prevailing prices of similar lands in the same locality. Accordingly, price per perch of Rs.1,210,000/- (2021 - Rs. 1,210,000/-) has been taken to arrive at the said fair value. The building which includes in the Investment Property as at 31 March 2022 is estimated at Rs.426,943,092/- (2021-Rs.426,608,210/-)
- 5.3** The Group/Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties or for repairs, maintenance and enhancements.
- 5.4** The company has generated income during the year amounting to Rs. 14,173,974/- (2021 - Nil). The operational expenses of the property had been limited to brokerage charges and General maintenance expenses amounting to Rs. 3,034,162/- (2021 - Rs. 288,641/-) for the year.

6. INTANGIBLE ASSETS

	GROUP/COMPANY	
	2022	2021
	Rs.'000	Rs.'000
Computer Software		
At Cost		
As at 1 April	686,867	680,953
Acquired during the year	2,594	5,914
As at 31 March	689,461	686,867
Amortization		
As at 1 April	510,782	484,974
Amortization for the year	26,272	25,808
As at 31 March	537,054	510,782
Net Book Value	152,407	176,085

- 6.1** During the financial year, the Group/Company acquired Intangible Assets to the aggregate value of Rs.2,593,797/- (2021 - Rs.5,913,304/-). Cash payments amounting to Rs.2,593,797/- (2021- Rs.5,913,304/-) were made by the Group/Company during the year for purchase of Intangible Assets.

NOTES TO THE FINANCIAL STATEMENTS

7. SLFRS 16 - LEASES

7.1 Right of Use Asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the Company's incremental borrowing rate) adjusted for any lease payments made at or before the initial application date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of Use Lease assets of the Company is as follows;

7.1.1 Group

	Balance As at 01.04.2021 Rs.'000	Additions Rs.'000	Advance Payment for Leases Rs.'000	Balance As at 31.03.2022 Rs.'000
At Gross Value				
Land	789,341	-	-	789,341
Buildings and installations	384,795	-	-	384,795
	1,174,136	-	-	1,174,136
	Balance As at 01.04.2021 Rs.'000	Charge for the year Rs.'000	De- Recognition Rs.'000	Balance As at 31.03.2022 Rs.'000
Depreciation				
Land	39,868	19,935	-	59,803
Buildings and installations	19,744	9,860	-	29,604
	59,612	29,795	-	89,407

	2022	2021
	Rs.'000	Rs.'000
Net book values		
Land	729,538	749,473
Building	355,191	365,051
	1,084,729	1,114,524

7.1.2 Company

	Balance As at 01.04.2021 Rs.'000	Additions Rs.'000	Advance Payment for Leases Rs.'000	Balance As at 31.03.2022 Rs.'000
At Gross Value				
Land	789,341	-	-	789,341
Buildings and installations	372,824	-	-	372,824
	1,162,165	-	-	1,162,165

	Balance As at 01.04.2021 Rs.'000	Charge for the year Rs.'000	De- Recognition Rs.'000	Balance As at 31.03.2022 Rs.'000
Depreciation				
Land	39,868	19,935	-	59,803
Buildings and installations	18,830	9,415	-	28,245
	58,698	29,350	-	88,048

	2022	2021
	Rs.'000	Rs.'000
Net book values		
Land	729,538	749,473
Building	344,579	353,994
	1,074,117	1,103,467

NOTES TO THE FINANCIAL STATEMENTS

7.2 Lease Liability/Lease Creditor

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

7.2.1 Group

	Balance As at 01.04.2021	Additions	Accretion of Interest	Repayment During the Year	Balance As at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	801,593	-	96,551	(90,020)	808,124
Buildings and installations	390,431	-	45,897	(42,820)	393,508
	1,192,024	-	142,448	(132,840)	1,201,632
			Amount repayable within 1 year Rs.'000	Amount repayable after 1 year Rs.'000	Total Rs.'000
Lease Liability/Lease Creditor			89,540	1,112,092	1,201,632
			89,540	1,112,092	1,201,632

7.2.2 Company

	Balance As at 01.04.2021	Additions	Accretion of Interest	Repayment During the Year	Balance As at 31.03.2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	801,593	-	96,551	(90,020)	808,124
Buildings and installations	378,622	-	44,440	(41,207)	381,855
	1,180,215	-	140,991	(131,227)	1,189,979
			Amount repayable within 1 year Rs.'000	Amount repayable after 1 year Rs.'000	Total Rs.'000
Lease Liability/Lease Creditor			87,754	1,102,225	1,189,979
			87,754	1,102,225	1,189,979

7.2.3 Maturity analysis of lease liability as follows,

	Group		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Payable within one year				
Gross liability	136,061	134,040	133,865	132,540
Finance cost allocated to future periods	(46,521)	(35,028)	(46,111)	(34,636)
Net liability transferred to current liabilities	89,540	99,012	87,754	97,904
Payable within two to five years				
Gross liability	419,833	410,125	416,833	405,625
Finance cost allocated to future periods	(202,721)	(170,584)	(201,576)	(168,714)
Net liability	217,112	239,541	215,257	236,911
Payable after five years				
Gross liability	5,439,786	5,582,775	5,407,490	5,552,398
Finance cost allocated to future periods	(4,544,806)	(4,729,304)	(4,520,522)	(4,706,998)
Net liability	894,980	853,471	886,968	845,400
Net liability payable after one year	1,112,092	1,093,012	1,102,225	1,082,311

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER NON-CURRENT FINANCIAL ASSETS

		GROUP/COMPANY	
		2022	2021
Securities designated as FVOCI -	Quoted Investments	291,790	367,512
	Unquoted Investments	11,702	11,702
		303,492	379,214

8.1 Investment in Subsidiary

	Holding %		Company	
	%	%	Value	Value
	2022	2021	2022	2021
			Rs. '000	Rs. '000
Non-quoted				
MJF Beverages (Private) Limited	100%	100%	300,750	300,750
Provision for Impairment of Investment in Subsidiary			(300,750)	(300,750)
			-	-

8.2 An impairment assessment on investment in MJF Beverages (Private) Limited were carried out by the Board of Directors as the carrying value of the investment exceeds the net assets attributable of the Subsidiary as at 31 March 2022. Based on that assessment, the investment has been fully provided for as at 31 March 2022.

8.3

	Quoted Investments		Unquoted Investments		Total	
	Value	Value	Value	Value	Value	Value
	2022	2021	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group/Company						
Equity Securities designated as FVOCI						
At the beginning of the year	367,512	452,332	11,702	17,377	379,214	469,709
Gain/(Loss) on Change in Fair Value	(75,503)	(84,820)	-	(5,675)	(75,503)	(90,495)
Disposals	(219)				(219)	-
At the end of the year	291,790	367,512	11,702	11,702	303,492	379,214

8.4 Quoted Investments

	No. of Shares			
	2022	2021	2022	2021
			Rs. '000	Rs. '000
Kahawatte Plantation PLC	12,571,800	12,571,800	286,637	363,325
Renuka City Hotels PLC	17,500	17,500	5,145	3,959
John Keells Holdings PLC	-	1,476	-	219
Maskeliya Plantation PLC	800	800	8	9
			291,790	367,512

The Group/Company mainly holds a non-controlling interests of 12.65% (2021 - 12.65%) in Kahawatte Plantations PLC. The fair value of quoted equity shares is determined by reference to published prices in the Colombo Stock Exchange.

8.5 Unquoted Investments

	No. of Shares			
	2022	2021	2022	2021
			Rs. '000	Rs. '000
Rainforest Ecolodge (Private) Limited	2,500,000	2,500,000	11,702	17,377
(-) Impairment on Unquoted Equity Securities			-	(5,675)
			11,702	11,702

The Group/Company holds a non-controlling interest of 5.25% (2021 - 5.25%) in Rainforest Ecolodge (Private) Limited - a Resort Company incorporated in Sri Lanka.

The fair value of unquoted investment in Rainforest Ecolodge (Private) Limited has been estimated considering the fair value of net assets held by Rainforest Ecolodge (Private) Limited as at 31 March 2022 and potential returns expected through its future operations.

9. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw Materials	647,166	659,167	643,264	651,110
Packing Materials	591,308	427,454	576,740	425,585
Finished Goods	373,789	227,378	372,416	225,448
Consumables and Spares	307,479	232,976	302,959	228,217
	1,919,742	1,546,975	1,895,379	1,530,360

NOTES TO THE FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Debtors	Related Party (Note 10.1)	1,632,110	2,134,996	1,619,327	2,120,708
	Others	4,240,172	2,436,254	4,220,671	2,428,193
		5,872,282	4,571,250	5,839,998	4,548,901
Less: Provision for Doubtful Debts (10.2)		(240,487)	(164,129)	(236,240)	(159,962)
		5,631,795	4,407,121	5,603,758	4,388,939
Other Receivables	Related Party (Note 10.3)	45,459	33,428	45,459	33,428
	Others	200,731	198,463	190,736	194,544
		5,877,985	4,639,012	5,839,953	4,616,911

10.1 Trade Receivables - Related Party

	Relationship				
Dilmah Australia (Private) Limited	Fellow Subsidiary	1,501,192	2,122,401	1,489,576	2,109,368
MJF Group Europe Holding B.V	Fellow Subsidiary	130,918	12,595	129,751	11,340
		1,632,110	2,134,996	1,619,327	2,120,708

10.2 Movement of Provisions for Doubtful Debts

		GROUP		COMPANY	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April		164,129	102,164	159,962	102,164
Impairment Reversal on Trade Receivables		(11,340)	-	(11,340)	-
Impairment Provision on Trade Receivables		19,500	61,965	19,500	57,798
Exchange Loss on impairment on Trade Receivables		68,198	-	68,118	-
As at 31 March		240,487	164,129	236,240	159,962

10.3 Other Receivables - Related Party

	Relationship				
MJF Exports Ltd - India	Fellow Subsidiary	45,459	33,428	45,459	33,428
		45,459	33,428	45,459	33,428

10.4 Trade Receivable - Age Analysis

	Total	Neither Past due nor Impaired	Past due but not impaired				
			0 -60	61-90	91-120	121-360	>360
			days	days	days	days	days
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
At 31 March 22	5,631,795	4,987,232	327,495	31,866	24,933	33,298	226,971
At 31 March 21	4,407,121	3,446,191	388,923	139,214	165,186	267,607	-
Company							
At 31 March 22	5,603,758	4,980,766	325,913	24,850	17,916	30,605	223,708
At 31 March 21	4,388,939	3,436,149	386,802	136,479	161,583	267,926	-

11. AMOUNTS DUE FROM RELATED PARTY

	2022	2021
	Rs. '000	Rs. '000
Company		
MJF Beverages (Private) Limited	165,848	165,848
Provision for Impairment of Amounts due from Related Party	(86,566)	(80,746)
	79,282	85,102

12. OTHER CURRENT FINANCIAL ASSETS

	2022	2021
	Rs. '000	Rs. '000
Group/Company		
Debt Instruments designated as Amortized Cost		
Sri Lanka Development Bonds	-	498,998
Sri Lanka Sovereign Bonds	-	1,044,603
	-	1,543,601

NOTES TO THE FINANCIAL STATEMENTS

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statement of Cash Flows include the following Statement of Financial Position amounts:

	Group		Company	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Favorable Cash and Cash Equivalents Balances				
Cash on Hand	1,176	684	1,079	642
Bank Balances	754,199	430,942	749,141	422,337
Short-term Deposits	7,679,210	2,739,201	7,679,210	2,739,201
	8,434,585	3,170,827	8,429,430	3,162,180

14. STATED CAPITAL

	GROUP/COMPANY			
	2022		2021	
	Number	Rs. '000	Number	Rs. '000
Fully Paid Ordinary Shares	20,737,500	642,500	20,737,500	642,500
	20,737,500	642,500	20,737,500	642,500

15. RETIREMENT BENEFIT OBLIGATION

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	286,037	234,340	279,614	229,392
Current Service Cost	21,942	23,327	21,641	22,795
Past Service Cost	(4,178)	-	(4,063)	-
Interest Cost	20,055	22,262	19,573	21,792
Actuarial (Gain)/Loss	(37,919)	25,256	(36,714)	24,783
Benefits Paid	(12,606)	(19,148)	(9,702)	(19,148)
As at 31 March	273,331	286,037	270,349	279,614

The Retirement benefit plan of the company is amended due to the increasing retirement age enacted by the minimum retirement age of Workers Act No.28 of 2021.

The employee retirement benefit liability of the Group/Company is based on the actuarial valuation carried out by Smiles Global (Private) Limited (2021 - Smiles Global (Private) Limited), Independent actuarial specialists as at 31 March 2022. The principal assumptions used are as follows:

	GROUP/COMPANY	
	2022	2021
Discount Rate	15%	7%
Future Salary Increment rate	12%	10%
Expected future working life time	5 - 6 Years	4 - 5 Years

Sensitivity of Principal Assumptions used

A one percentage change in the assumptions would have the following effects:

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Discount Rate				
1% increase	(8,162)	(9,512)	(7,946)	(9,232)
1% decrease	8,843	10,395	8,598	10,083
Salary Increment Rate				
1% increase	10,152	11,231	9,886	10,909
1% decrease	(9,520)	(10,495)	(9,284)	(10,200)

NOTES TO THE FINANCIAL STATEMENTS

16. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables	Related Party (Note 16.1)	104,208	62,398	104,228	62,621
	Other	578,875	305,796	577,244	305,600
		683,083	368,194	681,472	368,221
Other Payable		84,614	121,385	84,466	121,380
		767,697	489,579	765,938	489,601

16.1 Trade Payables - Related Party

	Relationship				
Printcare Universal (Private) Limited	Affiliate Company	46,724	31,031	46,724	31,031
Packages Lanka (Private) Limited	Affiliate Company	9,892	3,551	9,892	3,551
Timber Concepts (Private) Limited	Fellow Subsidiary	9,291	5,025	9,291	5,025
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	3,128	-	3,128	-
Print Care PLC	Affiliate Company	30,578	16,438	30,578	16,438
PCL Solutions (Private) Limited	Fellow Subsidiary	1,894	3,869	1,894	3,869
Dilmah SEA PTE Ltd	Fellow Subsidiary	-	1,277	-	1,277
Dilmah Rus LLC	Fellow Subsidiary	2,691	1,200	2,691	1,200
MJF Beverages (Private) Limited	Subsidiary	-	-	20	223
MJF Group Europe Holding B.V.	Fellow Subsidiary	10	7	10	7
		104,208	62,398	104,228	62,621

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
17. REVENUE FROM CONTRACTS WITH CUSTOMERS				
Export Sales - Related Party (Note 17.1)	2,847,870	2,050,181	2,847,870	2,034,094
- Others	8,584,644	7,161,058	8,502,520	7,141,559
	11,432,514	9,211,239	11,350,390	9,175,653
Local Sales	3,261	748	-	-
	11,435,775	9,211,987	11,350,390	9,175,653
17.1 Export Sales - Related Party				
Dilmah Australia (Pty) Limited	2,747,760	2,026,904	2,747,760	2,014,268
MJF Group Europe Holding B.V	100,110	23,277	100,110	19,826
	2,847,870	2,050,181	2,847,870	2,034,094
All sales related to export sales are Tea and Value Added Tea sold across the Globe under the brand name Dilmah.				
Contract Assets arising from Revenue from Contracts from Customers only include Trade and Other Receivables. Refer Note No. 10.				
18. OTHER INCOME				
Profit on Disposal of Property, Plant and Equipment	11	29,267	11	29,267
Income on Hire of Vehicles	3,283	3,336	3,283	3,336
Dividend from Equity Securities	4	5	4	5
Income - Rent	14,174	-	14,174	-
Sundry Income	4,430	7,177	4,406	7,161
Service Fees	1,288	1,549	1,288	1,549
	23,190	41,334	23,166	41,318
19. EXCHANGE GAIN				
Exchange Gain for the Year	4,661,886	1,235,480	4,648,430	1,230,142
(-) Exchange Loss on Impairment of Trade Receivable	(69,453)	(14,692)	(68,118)	(14,692)
	4,592,433	1,220,788	4,580,312	1,215,450
20. FINANCE COSTS				
Interest Expense on Short Term Loans	29,057	54,847	29,057	54,847
Interest Expense on Early Settlements	0	118	0	116
Interest Expense on Lease Liability	142,448	142,413	140,991	140,991
	171,505	197,378	170,048	195,954

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCE INCOME

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Interest on Deposits and Saving Accounts	415,202	280,193	415,202	280,193
Interest on Bonds	102,765	117,457	102,765	117,457
Other Interest	13	143	13	143
	517,980	397,793	517,980	397,793

22. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<i>Included in Cost of Sales:</i>				
Consumption of Tea and Packing Material	5,261,820	4,501,355	5,235,015	4,491,246
Employee Benefits including the following;	616,459	501,221	591,368	480,967
- Defined Benefit Plan Costs - Gratuity	1,229	14,201	-	13,199
- Defined Contribution Plan Costs - EPF and ETF	44,732	38,880	42,431	36,878
Depreciation	268,666	256,140	265,400	252,882
<i>Included in Administrative Expenses:</i>				
Employee Benefits including the following;	697,253	549,274	697,253	549,274
- Defined Benefit Plan Costs - Gratuity	37,151	31,388	37,151	31,388
- Defined Contribution Plan Costs - EPF and ETF	41,070	39,200	41,070	39,200
Directors' Fee and Emoluments	206,078	150,245	206,078	150,245
Donations	520,250	255,457	520,250	255,457
Amortisation of Intangible Assets	26,272	25,808	26,272	25,808
Depreciation	56,249	51,134	56,131	51,055
Impairment Loss on Trade Receivables	19,500	197,913	19,500	197,913
Statutory Audit Fees	1,107	1,045	1,023	965
Other Audit Fees	1,055	5,071	1,055	5,071
Impairment Loss on Amounts due from Related Party	-	-	-	13,918
<i>Included in Selling and Distribution Costs:</i>				
Export Promotion	1,864,506	1,446,649	1,864,506	1,446,649

23. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows :

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax Expense	199,371	230,443	199,354	230,443
Over Provision of Current Income Tax in respect of prior years	396	(1,983)	28	(1,983)
	199,767	228,460	199,382	228,460
Deferred Income Tax				
Deferred Taxation Charge (Reversed)	73,626	(63,570)	72,723	(63,966)
Income Tax Expense recognised in Statement of Profit or Loss	273,393	164,890	272,105	164,494
Statement of Comprehensive Income				
Deferred Tax attributable to re-measurement Gain on Employee Defined Benefit Liabilities	5,309	(3,536)	5,140	(3,470)
Deferred Tax Charge recognised in Statement of Comprehensive Income	5,309	(3,536)	5,140	(3,470)

23.1 Reconciliation between Current Tax Expense and Accounting Profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 March are as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before Tax	5,843,993	1,914,605	5,814,008	1,914,605
Intra-group Eliminations	-	(2,806)	-	-
	5,843,993	1,911,799	5,814,008	1,914,605
Disallowable Expenses	1,190,940	912,163	1,191,599	914,390
Allowable Expenses	(845,108)	(273,130)	(826,156)	(263,779)
Allowable Income	(4,805,216)	(885,104)	(4,805,216)	(885,104)
Taxable Profit	1,384,609	1,665,728	1,374,235	1,680,112

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Taxable Income at 14%				
Business profit	1,384,609	1,665,728	1,374,235	1,680,112
Investment Income	3,296,561	401,134	3,296,561	401,134
Allowable Income	(3,267,555)	(394,885)	(3,267,555)	(394,885)
Qualifying Payments	-	(40,342)	-	(40,342)
Tax Losses Brought Forward and Utilised	(10,157)	14,384	-	-
	1,403,458	1,646,019	1,403,241	1,646,019
Taxable Other Income at 24%	16,974	-	-	-
Investment income (Excluding FCBU interest)	16,974	-	-	-
Income Tax at 14% on Dividend Income	1	-	1	-
Income Tax at 14% on Taxable income	192,393	230,443	192,393	230,443
Taxable Other Income at 18%	17	-	-	-
Income Tax at 24% on Taxable Other income	6,960	-	6,960	-
Current Income Tax Expense	199,371	230,443	199,354	230,443
	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
23.2 Income Tax (Receivable) / Payable				
At the beginning of the year	191,750	255,552	192,119	255,921
Current Income Tax Expense	199,371	230,443	199,354	230,443
Over Provision of Current Income Tax in respect of prior years	396	(1,983)	28	(1,983)
Income tax paid / Set off	(274,003)	(292,262)	(273,987)	(292,262)
At the end of the year	117,514	191,750	117,514	192,119
Income tax Payable	117,514	191,750	117,514	192,119
	117,514	191,750	117,514	192,119
23.3 Tax Losses				
At the beginning of the year	21,801	46,816	-	-
Adjustment for tax losses brought forward	(297)	(39,399)	-	-
Loss incurred during the year	-	14,384	-	-
Loss set-off for the current year	(10,157)	-	-	-
At the end of the year	11,347	21,801	-	-

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF OTHER COMPREHENSIVE INCOME	
	2022	2021	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Deferred Tax Liability						
Accelerated Depreciation for Tax Purposes	143,788	261,470	(117,682)	(31,190)	-	-
Unrealized Exchange Gain	211,210	-	211,210	-	-	-
Deferred Tax Assets						
Unclaimed Right of Use Asset Rentals	(16,366)	(10,942)	(5,424)	(5,621)	5,309	(3,536)
Defined Benefit Plans	(38,266)	(40,046)	(3,529)	(3,703)	-	-
Provision for Doubtful Debt	(33,074)	(22,395)	(10,678)	(22,395)	-	-
Provision for Slow Moving Inventory	(931)	(661)	(269)	(661)	-	-
				-	-	-
Deferred Income Tax Charge			73,628	(63,570)	5,309	(3,536)
Net Deferred Tax Liability	266,361	187,426				
Company						
Deferred Tax Liability						
Accelerated Depreciation for Tax Purposes	137,550	255,967	(118,417)	(31,674)	-	-
Unrealized Exchange Gain	211,210	-	211,210	-	-	-
Deferred Tax Assets						
Unclaimed Right of Use Asset Rentals	(16,221)	(10,942)	(5,279)	(5,673)	-	-
Defined Benefit Plans	(37,849)	(39,146)	(3,843)	(3,563)	5,140	(3,470)
Provision for Doubtful Debt	(33,074)	(22,395)	(10,678)	(22,395)	-	-
Provision for Slow Moving Inventory	(931)	(661)	(269)	(661)	-	-
Deferred Income Tax Charge			72,724	(63,966)	5,140	(3,470)
Net Deferred Tax Liability	260,685	182,823				

NOTES TO THE FINANCIAL STATEMENTS

24. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit after taxation over the weighted average number of ordinary shares in issue during the year.

Given below is the computation of earning per share:

Group

	2022	2021
	Rs. '000	Rs. '000
Amount Used as the Numerator:		
Profit for the year	5,570,600	1,749,715
	Number	Number
Number of Ordinary Shares Used as the Denominator:	'000	'000
Weighted Average Number of Ordinary Shares	20,738	20,738
Earnings Per Share	268.62	84.38

Company

	2022	2021
	Rs. '000	Rs. '000
Amount Used as the Numerator:		
Profit for the year	5,541,903	1,750,111
	Number	Number
Number of Ordinary Shares Used as the Denominator:	'000	'000
Weighted Average Number of Ordinary Shares	20,738	20,738
Earnings Per Share	267.23	84.39

25. DIVIDEND PER SHARE

	GROUP/COMPANY	
	2022	2021
	Rs. '000	Rs. '000
Dividend paid on Ordinary Shares during the year		
Final Dividend for 2021 - 18.00 (2020 - Rs.5.00) per share	373,275	103,688
Interim Dividend for 2022 - Rs.15.00 (2021 - Nil) per share	311,063	-
	684,338	103,688
Dividend per Share (Rs.)*	33.00	5.00

*Dividend per share is calculated by considering the dividend paid for the year divided by the number of shares in issue which ranked for those divided.

26. SEGMENTAL INFORMATION

The Group does not have separately distinguishable components within the enterprise that is engaged in providing individual products or services or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

For management purposes, the Group monitors the sales and the costs associated with the different product types offered in evaluating the profitability of the same as follows;

26.1 Business Segment - Group

	Tea Bags		Tea Packets		Other*		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	9,725,724	7,352,160	1,539,599	1,742,974	170,452	116,853	11,435,775	9,211,987
Cost of Sales	(5,462,701)	(4,360,293)	(864,755)	(1,033,769)	(116,829)	(69,528)	(6,444,285)	(5,463,590)
Segment Gross Profit	4,263,023	2,991,867	674,844	709,205	53,623	47,325	4,991,490	3,748,397

26.2 Business Segment - Company

	Tea Bags		Tea Packets		Other*		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	9,725,724	7,352,160	1,539,599	1,742,974	85,067	80,519	11,350,390	9,175,653
Cost of Sales	(5,462,701)	(4,360,293)	(864,755)	(1,033,769)	(47,781)	(25,054)	(6,375,237)	(5,419,116)
Segment Gross Profit	4,263,023	2,991,867	674,844	709,205	37,286	55,465	4,975,153	3,756,537

*Other Sales include Bulk Tea and Other Value Added Teas.

Management considers that there is no suitable basis for allocating assets, related liabilities and operating expenses to business segments. Accordingly, segment assets, segment liabilities, segment operating expenses and other segment information by business segment is not disclosed.

27. CONTINGENCIES AND COMMITMENTS

As at reporting date, the Group and Company has following commitments and contingencies arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

	GROUP/COMPANY	
	2022	2021
	Rs. '000	Rs. '000
27.1 Capital Expenditure Commitments		
Estimated capital expenditure contracted but not provided for;		
Tea Bagging Machines	45,732	278,778
Factory Automation Project	269,100	81,900
Bank Reconciliation Automation Project	2,860	4,000
	317,692	364,678

NOTES TO THE FINANCIAL STATEMENTS

27.2 The Company has given corporate guarantees to the following Affiliate and Subsidiary Companies

Company in favour	Relationship	Bank	2022	2021
			Rs. '000	Rs. '000
Cape Weligama (Pvt) Ltd	Fellow Subsidiaries	Honkong Shanghai Banking Corporation Limited	1,815,420	1,815,420

28. ASSETS PLEDGED

There are no material assets pledged as at the reporting date.

29. EVENTS OCCURRING AFTER THE REPORTING DATE

After satisfying the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors made a payment of a 2nd Interim dividend of Rs. 25/- amounting to Rs. 518,437,500 on the 29th April 2022. Further, the Directors have recommended a Final Dividend of Rs.15/- per ordinary share for the year ended 31st March 2022 subject to approval at the forthcoming Annual General Meeting.

In accordance with LKAS 10 – Events After the end of the Reporting Period of the Sri Lanka Accounting Standards, the 2nd interim dividend paid as well as the proposed final dividend has not been recognized as a liability as at 31st March 2022, and collectively would result in a total outflow of Rs.829,500,000/-.

In March 2022, the Central Bank of Sri Lanka abandoned the temporary peg on US Dollar / LK Rupee (USD / LKR) Exchange Rate. The resulting impact of exchange rate movement during the period have been adjusted to these financial statements. The USD / LKR exchange rate continued to substantively increase subsequent to the period end. However, no adjustments to these financial statements were necessary, as such large increases arose only after the period end. The financial effects of the exchange rate movement have been more fully described in Note 31.

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

30. RELATED PARTY DISCLOSURES

Related parties represent the shareholders, key management personnel of the Company, close family members of key management personnel's and entities controlled or jointly controlled by such parties Pricing policies and terms of transactions with these related parties are approved by the Group/ Company's management.

30.1 Related Party Transactions

Transactions with related parties are as follows:

Group	Transaction Value				
	2022		2021		
	Rs. '000	Rs. '000			
Recurrent Transactions exceeds 10% of Revenue					
Name of the Company	Relationship	Nature of Transaction	Terms		
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	2,765,797	2,026,905
As a % of revenue				24%	22%
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on commercial terms.					
Recurrent Transactions not exceeds 10% of Revenue					
Name of the Company	Relationship	Nature of Transaction			
MJF Teas (Private) Limited	Parent Company	Rent Expenses		(40,563)	(40,563)
MJF Exports (Private) Limited	Fellow Subsidiary	Local Sales		3,073	542
		Transfer of Tea and Packing Materials		370,203	224,880
		Vehicles Hire Income		1,107	1,193
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials		(428,783)	(279,359)
Printcare PLC	Affiliate Company	Purchase of Packing Materials		(276,804)	(158,946)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(77,708)	(50,371)
		Vehicles Hire Income		10	15
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(5,970)	(18,514)
		Vehicles Hire Income		426	395
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials		(327,549)	(172,899)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses		(90,665)	(90,665)
Kahawatte Plantations PLC	Fellow Subsidiary	Rent Expenses		(1,500)	(1,500)
		Vehicles Hire Income		152	360
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		960	960
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income		22	-
MJF Charitable Foundation	Affiliate Oraganisation	Vehicles Hire Income		70	45
	Donations			(520,000)	(209,658)

Company	Transaction Value			
	2022		2021	
	Rs. '000		Rs. '000	
Recurrent Transactions exceeds 10% of Revenue				
Name of the Company	Relationship	Nature of Transaction	Terms	
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	2,747,760 2,014,268
As a % of revenue				24% 22%
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on commercial terms.				
Recurrent Transactions not exceeds 10% of Revenue				
Name of the Company	Relationship	Nature of Transaction		
MJF Teas (Private) Limited	Parent Company	Rent Expenses	(40,563)	(40,563)
MJF Exports (Private) Limited	Fellow Subsidiary	Transfer of Tea and Packing Materials	370,203	224,880
		Vehicles Hire Income	1,107	1,193
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials	(428,783)	(279,359)
Print care PLC	Affiliate Company	Purchase of Packing Materials	(276,804)	(158,946)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(77,708)	(50,371)
		Vehicles Hire Income	10	15
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(5,970)	(18,514)
		Vehicles Hire Income	426	395
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials	(327,549)	(172,899)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses	(90,665)	(90,665)
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	960	960
Kahawatte Plantations PLC	Fellow Subsidiary	Vehicles Hire Income	152	-
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income	22	-
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income	70	45
		Donations	(520,000)	(209,658)



The transactions with related parties are made on ordinary course of business. Outstanding balances at the year-end are unsecured and interest free. No corporate guarantees provided to/received from related parties.

Amounts due from and due to related party balances are disclosed in Notes 10, 11 and 16.

30.2 Transactions with Key Management Personnel of the entity or parent

Key Management Personnel include the Board of Directors of the Company and its Subsidiary.

	GROUP/COMPANY	
	2022	2021
	Rs. '000	Rs. '000
Key Management Personnel Compensation		
Short-term Employee Benefits	206,079	150,245
Post Employment Benefits	19,687	12,695
	225,766	162,940

No material transactions have taken place during the year with the parties/entities in which key management personnel or their close family members have control or jointly control, which require disclosure in these Financial Statements other than those disclosed under 30.1.

NOTES TO THE FINANCIAL STATEMENTS

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade payables, amounts due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include bank balances and cash, short-term deposits, trade receivables, amounts due from related parties and other receivables that derive directly from its operations. The Group also holds equity securities.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk of the Group comprises interest rate risk, foreign currency risk and equity price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates.

The following table demonstrates the sensitivity of the Statement of Profit or Loss to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities. As at the reporting date there were no interest bearing loans and borrowings and there are the Group is not exposed to interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange

rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Trade receivables of the Group include an amount of Rs.4,000 Mn (2021 - Rs. 2,272 Mn) and the Company include an amount of Rs. 3,984 Mn (2021 - Rs. 2,268 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Bank balances of the Group include an amount of Rs. 754 Mn (2021 - Rs. 431 Mn) and the Company include an amount of Rs. 749 Mn (2021 - Rs. 422 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Short-term deposits of the Group include an amount of Rs. 7,679 million (2021 - Rs. 2,739 Mn) and the Company include an amount of Rs. 7,679 Mn (2021 - Rs. 2,739 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Amounts due from related parties of the Group include and Amount of Rs. 1,677 Mn (2021 - Rs. 2,168 Mn) and the Company include an amount of Rs.1,665 Mn (2021-Rs.2,154 Mn) due in foreign currencies, mainly in Australian Dollars and EURO.

The following table demonstrates the sensitivity to a reasonably possible changes in the United States Dollars and Australian Dollars exchange rates by 10%, 15% and 20% with all other variables held constant, of the Group's/Company's profit due to changes in the fair value of monetary assets and liabilities held as at reporting date. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.

		GROUP		COMPANY	
		Effect on Profit for the year		Effect on Profit for the year	
		2022	2021	2022	2021
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollars	20%	(13,223,606)	(1,008,770)	(13,219,086)	(1,006,222)
	15%	(9,917,714)	(756,578)	(9,914,324)	(754,667)
	10%	(6,611,803)	(502,463)	(6,609,543)	(501,188)
Australian Dollars	20%	(365,617)	(476,168)	(363,294)	(473,562)
	15%	(274,213)	(357,120)	(272,470)	(355,165)
	10%	(182,808)	(238,072)	(181,647)	(236,769)

Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the equity price and key assumptions used to fair value listed and unlisted equity securities.

At the reporting date, the unlisted equity security is fair valued at Rs. 12 Mn (2021 - Rs. 12 Mn). The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2022 and potential returns expected through its future operations.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	GROUP/COMPANY			
	Change in Equity Price	Effect on Equity	Change in Equity Price	Effect on Equity
	2022	2022	2021	2021
	Rs. '000		Rs. '000	
Fair Value Through Other Comprehensive Income Investments				
Quoted Investments	+10%	29,179	+10%	36,751

Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily trade receivables and amounts due from related parties and from its financing activities, including deposits with banks and other financial instruments.

The Group trades only with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures as and a majority of these trade receivables are not secured. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2022, short term deposits and bank balances comprise 100% (2021 - 100%) for the Group and Company were rated "A" or better

With respect to credit risk arising from the deposits with banks, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the Statement of Financial Position. Exposures are considered of good credit standing and management believes there is a minimal risk of default thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

The credit risk arising from the financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments as follows:

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Receivables	3,999,685	2,272,125	3,984,431	2,268,231
Other Receivables	200,731	198,463	190,736	194,544
Amounts due from Related Parties	1,677,569	2,168,424	1,664,786	2,154,136
Short-term Deposits	7,679,210	2,739,201	7,679,210	2,739,201
Bank Balances	754,199	430,942	749,141	422,337
	14,311,394	7,809,155	14,268,304	7,778,449

Management has assessed the existing and anticipated effect of current economic conditions in the country on recoverability of trade and other receivable and concluded that Company and its subsidiaries don't have significant doubt on recoverability of trade and other receivable. Therefore, no incremental impairment allowance has been recognised.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet obligations as they fall due. The Group's approach to managing liquidity risk 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 destructing the Group's operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of the Group's own reserves, funds from the shareholders and bank facilities.

The table below summarises the maturity profile of the Group's financial liabilities as at reporting date, based on contractual undiscounted payments.



	On Demand	Less than 3 Months	3 to 12 Months	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31st March 2022				
Group				
Trade Payables	4,014	287,995	286,865	578,875
Amounts due to Related Parties	-	104,208	-	104,208
Other Payables	-	10,103	74,511	84,614
	4,014	402,306	361,376	767,697
Company				
Trade Payables	2,384	287,995	286,865	577,244
Amounts due to Related Parties	-	104,228	-	104,228
Other Payables	-	9,955	74,511	84,466
	2,384	402,178	361,376	765,938
As at 31st March 2021				
Group				
Trade Payables	5,437	67,795	232,564	305,796
Amounts due to Related Parties	-	62,398	-	62,398
Other Payables	59,364	10,728	51,293	121,385
	64,801	140,921	283,857	489,579
Company				
Trade Payables	5,241	67,795	232,564	305,600
Amounts due to Related Parties	-	62,621	-	62,621
Other Payables	59,359	10,728	51,293	121,380
	64,600	141,144	283,857	489,601

Management has assessed the existing and anticipated effect of current economics conditions on liquidity of the Company and its subsidiaries to settle liabilities when it is due and management are satisfied that the Company and its subsidiaries don't have significant concerns relating to the Group's liquidity.

NOTES TO THE FINANCIAL STATEMENTS

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Company may issue new shares or adjust dividend payments to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 March 2022 and 2021.

Capital, which includes stated capital, fair value through other comprehensive income reserve and retained earnings of the Group is measured at Rs. 18,399 million as at 31 March 2022 (2021 - Rs. 13,876 million) and the Company is measured at Rs. 18,237 million as at 31 March 2022 (2021 - Rs. 13,670 million).

32. FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, short-term deposits, trade receivables, amounts due from related parties, other receivables and Financial asset at fair value through other comprehensive income investments.

Financial liabilities consist of trade payables, amounts due to related parties, interest bearing loans and borrowings and other payables.

The following table provides the fair value measurement hierarchy of the Group's assets which are stated at Fair value.

		GROUP/COMPANY FAIR VALUE MEASUREMENT USING			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets measured at fair value:					
As at 31 March 2022					
Fair Value Through Other Comprehensive Income Investments					
Quoted Investments	31 March 2022	291,790	291,790	-	-
Unquoted Investments	31 March 2022	11,702	-	-	11,702
Fair Value Through Other Comprehensive Income Investments as at 31 March 2022		303,492	291,790	-	11,702
As at 31 March 2021					
Fair Value Through Other Comprehensive Income Investments					
Quoted Investments	31 March 2021	367,512	367,512	-	-
Unquoted Investments	31 March 2021	11,702	-	-	11,702
Fair Value Through Other Comprehensive Income Investments as at 31 March 2021		379,214	367,512	-	11,702

The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2022 and potential returns expected through its future operations.

During the reporting period ending 31 March 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of other financial instruments are not materially different from their carrying values.

FIVE YEAR SUMMARY - COMPANY

	2022	2021	2020	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
TRADING RESULTS					
Turnover	11,350,390	9,175,653	11,555,335	10,676,761	9,177,758
Operating Expenses	10,487,792	8,719,655	9,988,218	9,843,218	8,427,774
Other Income	5,121,458	1,654,561	603,696	875,360	554,531
Interest Expense	170,048	195,954	181,925	14,451	34,417
Profit before Income Tax	5,814,008	1,914,605	1,988,887	1,694,452	1,270,098
Income Tax on Profits	272,105	164,494	429,143	110,638	77,219
Profit for the Year	5,541,903	1,750,111	1,559,744	1,583,814	1,192,879
SHAREHOLDERS' FUNDS					
Stated Capital	642,500	642,500	642,500	642,500	642,500
Reserves	18,040,812	13,227,176	11,686,886	10,872,927	9,683,293
NET ASSETS	18,683,312	13,869,676	12,329,386	11,515,427	10,325,793
ASSETS					
Property , Plant & Equipment	3,459,568	3,273,610	3,188,118	2,943,485	3,032,933
Investment Property	637,921	647,946	658,528	640,838	516,074
Intangible Assets	152,407	176,085	195,978	308,601	442,928
Right of Use Assets	1,074,117	1,103,467	1,144,619	-	-
Other Financial Assets / Investments	303,492	379,214	469,709	512,294	503,846
Current Assets	17,235,658	11,178,152	11,613,492	8,377,277	7,107,235
LIABILITIES					
Non-current Liabilities	1,633,259	1,544,748	1,551,583	395,182	426,887
Current Liabilities	2,546,592	1,344,050	3,389,476	871,886	850,336
NET ASSETS	18,683,312	13,869,676	12,329,386	11,515,427	10,325,793
Market Price Per Share (Rs.)	998.00	636.75	531.00	619.90	554.90
Dividend Per Share (Rs.)	55.00	18.00	25.00	20.00	45.00
Total Dividend Rs. 000s(Gross)	1,140,563	373,275	518,438	414,750	933,188
No of Shares	20,737,500	20,737,500	20,737,500	20,737,500	20,737,500
RATIOS					
Return on Average Shareholders Funds (%)	34.05	13.36	13.08	14.50	11.55
Earnings Per Share (Rs)	267.23	84.39	75.21	76.37	58.74
Dividend Cover (times)	4.86	4.69	3.01	2.18	1.28
Liquidity (times)	6.77	8.32	3.43	9.61	8.36

INFORMATION TO INVESTORS

31st March 2022

1. STOCK EXCHANGE LISTING

The issued ordinary shares of Dilmah Ceylon Tea Company PLC are listed on the Colombo Stock Exchange.

2. ORDINARY SHAREHOLDERS

Number of Shares			Number of Shareholders	Total Holding	% Holding
1	-	1,000	896	53,671	0.26%
1,001	-	5,000	66	152,147	0.73%
5,001	-	10,000	15	108,675	0.52%
10,001	-	50,000	23	511,759	2.47%
50,001	-	100,000	4	263,885	1.27%
100,001	-	500,000	-		
500,001	-	1,000,000	-		
1,000,001	-	Over	3	19,647,363	94.75%
Total			1,007	20,737,500	100.00%

3. ORDINARY SHAREHOLDERS

	Number of Shareholders	Total Holding	% Holding
Individuals	947	909,003	4.38%
Institutions	60	19,828,497	95.62%
Total	1,007	20,737,500	100.00%

Number of Public Shareholders as at 31st March 2022 was 997

2,517,822 (12.14%) shares were held by the public as at 31st March 2022

The float adjusted market capitalization is Rs. 2,512,497,435/-

The Company is listed on the Dirisavi Board having complied with a minimum public holding of 10% of the total listed shares in the hands of a minimum of 200 public shareholders, under the Section 7.14.1 (i) (b) option 2 of CSE listing rules.

4. SHARE TRADING

	2022	2021	2020	2019	2018
No of Transactions	1,376	1,376	532	319	780
No of Shares Traded	113,182	36,813	16,553	18,317	43,847
Value of Shares Traded	88,602,136	25,066,297	9,258,053	11,001,198	24,890,630

5. DIVIDENDS

	2022	2021	2020	2019	2018
Interim	40/-	-	20/-	20/-	15/-
Final	15/-	18/-	5/-	15/-	30/-
Amount (Rs.000's) Gross	1,140,563	373,275	518,437	725,813	933,187

6. EARNINGS

	2022	2021	2020	2019	2018
Earnings/share Rs.	268.62	84.38	75.19	76.71	57.48
P/E Ratio	3.72	7.55	7.06	8.08	9.65

7. MARKET VALUES (RS.)

	2022	2021	2020	2019	2018
Highest	1,300.00	799.00	605.00	630.00	600.00
Lowest	632.25	500.50	480.00	530.00	520.00
Year End	998.00	636.75	531.00	619.90	554.90

The weighted average trading price for the year was Rs. 782.83

8. MARKET CAPITALISATION (RS.MILLION)

	2022	2021	2020	2019	2018
Capital & Reserves	18,683	13,870	12,329	11,312	10,326
Market Capitalization	20,696	13,205	11,012	12,855	11,507

9. TOP 20 SHAREHOLDINGS AS AT 31ST MARCH

SHAREHOLDER NAME	31.03.2022		31.03.2021	
	TOTAL SHARES	%	TOTAL SHARES	%
MJF Teas (Pvt) Ltd	13,812,882	66.61	13,812,882	66.61
MJF Exports (Pvt) Ltd	4,256,712	20.53	4,256,712	20.53
Employees Provident Fund	1,577,769	7.61	1,577,769	7.61
Mrs. S.T.Fernando	79,501	0.38	79,501	0.38
GF Capital Global Limited	69,700	0.34	69,700	0.34
Mr. D.C.Fernando	60,400	0.29	24,200	0.12
Mrs. A.S.Fernando	54,284	0.26	54,284	0.26
Mr. W.H.M.Fernando	46,662	0.23	46,662	0.23
Mrs. S.T.F.Ortiz (Deceased)	42,864	0.21	42,854	0.21
Mr. A.W.Athukorala	36,825	0.18	36,750	0.18
Mr. M.W.De Silva	34,830	0.17	34,830	0.17
Mr. J.W.Burton	32,270	0.16	32,270	0.16
Merrill J Fernando & Sons (Pvt) Ltd	25,300	0.12	25,300	0.12
Mr. M.J.Fernando	24,200	0.12	24,200	0.12
Dr. K.Poologasundram	23,808	0.11	23,808	0.11
Mr. H.S.Ranaweera	22,984	0.11	22,984	0.11
Ms. N.Harnam	22,265	0.11	22,265	0.11
Mr. H.R.Peries	21,200	0.10	21,200	0.10
Mr.H.D.A.D.Perera	20,467	0.10	20,467	0.10
Ms.L.R.Jayasundera	18,000	0.09	18,000	0.09
	20,282,923	97.83	20,246,638	97.66

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- To re-elect as a Director, Mr. Roshan Tissaaratchy who retires by rotation under Article 24 of the Articles of Association.

6. To re-elect as a Director Dr. Ravi Fernando who retires in terms of Article 23 (2) of the Articles of Association.
7. To receive and adopt the Annual Report of the Board of Directors on the affairs of the Company and Financial Statements for the year ended 31st March 2022 along with the Report of the Auditors thereon.
8. To declare a final dividend of Rs. 15/- per share as recommended by the Board of Directors.
9. To re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.
10. To authorize the Directors to determine and make donations and contributions to charities.

The Annual Report and the Financial Statements of the Company for the year ended 31st March 2022 is available on the:

- Official Website of the Company - <https://www.dilmahtea.com/sustainability/pdf/dilmah-ceylon-tea-company-plc-annual-report-2021-22.pdf>
- And the website of the CSE - <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=CTEA.N0000/financials>
- Members may also access the Annual Report and Financial Statements of the Company for year 2021/2022 by scanning the following QR code



Taking into consideration the waiver of the CSE Listing Rule 7.5 (b) (i) in relation to providing hard copies of the Annual Report for the financial year ended 31st March 2022, the members are advised to refer to the two websites noted above, as a printed copy of the Annual Report will not be provided on request due to the limited availability of paper in the market.

For clarification on how to download and/or access the Annual Report and Financial Statements, and for assistance in joining the virtual AGM, you may call the IT support hotline +94 11 482 2307 (Mr. Thilantha Wijeratne)

By order of the Board,

DILMAH CEYLON TEA COMPANY PLC

Ms. Jayanga Wegodapola

Company Secretary

At Colombo

30th August 2022

Notes:

- A member unable to participate at the AGM is entitled to appoint a proxy to participate and vote on his/her behalf by completing and sending the Form of Proxy, same can be downloaded together with Form A for registration of member for on-line participation and the relevant instructions on attending the virtual AGM from <https://www.dilmahtea.com/sustainability/pdf/dctc-circular-to-shareholders-2022.pdf>
- A Proxy need not be a shareholder of the Company.
- A Form of Proxy accompanies this Notice.
- The completed Form of Proxy and the Form A (where relevant) should be delivered to the Registered Office of the Company, Dilmah Ceylon Tea Company PLC, No.111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to legal@dilmahtea.com by or before 11.00 a.m. on 26th September 2022.

FORM OF PROXY

I / We

NIC No of

..... being shareholders of Dilmah Ceylon Tea Company PLC hereby appoint:

..... NIC No of

..... or failing him/her

Mr. Merrill Joseph Fernando of Colombo or failing him
 Mr. Malik Joseph Fernando of Colombo or failing him
 Mr. Dilhan Chrishantha Fernando of Colombo or failing him
 Mr. Himendra Somasiri Ranaweera of Colombo or failing him
 Ms. Minette Delicia Anne Perera of Colombo or failing her
 Mr. Roshan Conrad Tissaaratchy of Colombo or failing him
 Mr. Rajanayagam Nalliah Asirwatham of Colombo or failing him
 Dr. Ravindra Ajith Fernando of Colombo or failing him
 Mr. Darshana Gunasekera of Colombo

As my / our Proxy to participate and vote for me / us on my / our behalf at the 41st Annual General Meeting of the Company to be held on 29th September 2022 at 11.00 a.m. and any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr. Merrill Joseph Fernando, as a Director.	☐	☐
2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment Mr. Himendra S. Ranaweera as a Director of the Company.	☐	☐
3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting to re-appoint Mr. Rajanayagam Asirwatham, as a Director of the Company.	☐	☐
4. To pass the ordinary resolution set out under item 5 of the Notice of Meeting to re-elect as a Director, Mr. Roshan C. Tissaaratchy who retires by rotation under section 24 of the Articles of Association.	☐	☐
5. To pass the ordinary resolution set out under item 6 of the Notice of Meeting to re-elect as a Director Dr. Ravindra A. Fernando who retires in terms of Article 23 (2) of the Articles of Association.	☐	☐
6. To pass the ordinary resolution set out under item 7 of the Notice of Meeting to receive and adopt the Annual Report of the Board of Directors on the affairs of the Company and Financial Statements for the year ended 31st March 2022 along with the Report of the Auditors thereon.	☐	☐
7. To pass the ordinary resolution set out in item 8 of the Notice of Meeting to declare a final dividend of Rs.15/- per share as recommended by the Board of Directors.	☐	☐

Form of Proxy

8. To pass the ordinary resolution set out under item 9 of the Notice of Meeting to re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.

For ☐ Against ☐

9. To pass the ordinary resolution set out under item 10 of the Notice of Meeting to authorize the Directors to determine and make donations and contributions to charities.

☐ ☐

As Witness my hand / our hands this day of 2022

Signature:

- N.B.**
1. Please delete the inappropriate words.
 2. Instructions as to completion are provided below.
 3. A Proxy need not be a member of the Company.

Instructions as to Completion

1. Kindly perfect the Form of Proxy by filling legibly your full name, address and national identity card number and by signing in the space provided and filling in the date of signature.
2. In the case of corporate members, the Form of Proxy form must be executed under the common seal or the hand of a duly authorised officer or attorney.
3. If the Form of Proxy is signed by an attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. The duly completed Form of Proxy should be deposited at the registered office of the Company at the address given below or scanned and emailed to legal@dilmahtea.com not less than 48 hours before the time appointed for the Meeting.

Dilmah Ceylon Tea Company PLC
111, Negombo Road
Peliyagoda

DILMAH CEYLON TEA COMPANY PLC AND ITS SUBSIDIARY

CORPORATE INFORMATION

Legal Form

Quoted Public Company with Limited Liability

Company Registration Number

PQ 209

Registered Office

111, Negombo Road, Peliyagoda, Sri Lanka.

Telephone: (94 11) 4 822000

Facsimile: (94 11) 4 822001

E-mail : info@dilmahtea.com

Website : www.dilmahtea.com

Stock Exchange Listing

The Ordinary Shares are listed on the Colombo Stock Exchange

Subsidiary

MJF Beverages (Private) Limited

Board of Directors

Chairman - Merrill J. Fernando

Deputy Chairman - Himendra S. Ranaweera

Chief Executive Officer/Director - Dilhan C. Fernando - B.Sc.

Directors

Malik J. Fernando - B.Sc.

Roshan Tissaarachy - B.A, MBA, DipM, FCIM

Minette Perera - FCA, FCMA, FCCA

Rajan Asirwatham - FCA

Ravi A Fernando - DBA, MBA, MSt.(Cambridge)

Darshana Gunasekera - FCMA, FCCA, B.Sc.

Secretary - Jayanga Wegodapola - Attorney at Law and Notary Public

Bankers

Bank of Ceylon

Bank of China Limited

Cargills Bank Limited

Citibank N. A.

Commercial Bank of Ceylon PLC

DFCC Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Standard Chartered Bank Limited

The Hongkong & Shanghai Banking Corporation Limited

Auditors

Ernst & Young

Chartered Accountants

201, De Saram Place,

Colombo 10.



Dilmah Ceylon Tea Company PLC. 111 Negombo Road, Peliyagoda, Sri Lanka

☎ 011 4822000 info@dilmahtea.com www.dilmahtea.com

