



# Legacy

OF A LIFE DEVOTED TO TEA



**DILMAH CEYLON TEA COMPANY PLC**  
**ANNUAL REPORT 2022/23**



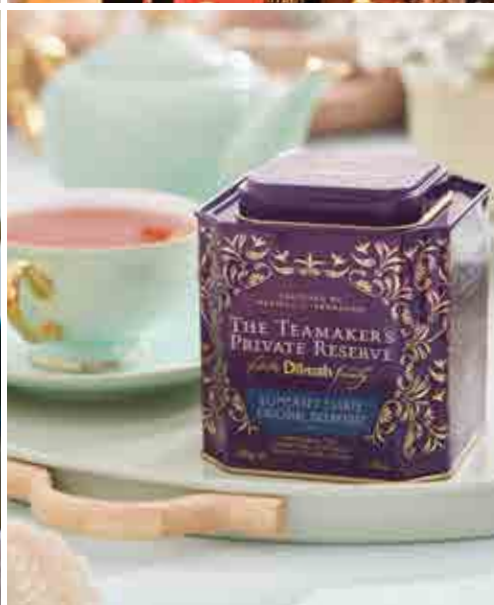




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OF A LIFE DEVOTED TO TEA

We steward a legacy that is uncompromisingly built around Taste, Goodness, & Purpose, expressed in the craftsmanship of the World's Finest Producer-Owned Tea, made with kindness to people and nature. This year's annual report is a testament to our commitment to upholding this legacy.

In the 1950s, the global tea trade was marked by inequality, with colonialism deeply embedded within its framework. It was this inherent injustice that ignited the passion of our Founder, Merrill J. Fernando, driving him to establish a tea brand that would value both the producers as well as those who savoured its flavours. Dilmah emerged as a paradigm shift, offering not only the assurance of Taste & Goodness for customers but also an ethical Purpose for communities and the environment.

Merrill J. Fernando created Dilmah to take the World's Finest Single Origin Pure Ceylon Tea with a genuinely ethical purpose across the globe. By handpicking and packing the tea at its source, he upheld the principles of authenticity and antioxidant goodness. By shipping it directly himself to customers worldwide, for the first time in the history of the tea industry, Merrill J. Fernando was able to retain earnings from his tea in Sri Lanka, sharing the benefits with the dedicated individuals who helped craft his tea.

Recognizing that it is through people that positive change can be achieved, we are dedicated to fostering a culture of collaboration, resilience, and compassion.

### **OUR PEOPLE: NURTURING STRENGTH, COMPASSION, AND RESILIENCE**

Our company has the heart of a tea grower. A heart that fought with passion for four decades to make the world a better tea. A tea that brought flavour to those who savoured it, and brought growth to those who grew it. As we continue to make the world a better tea, we see ourselves fighting commoditisation of our cuppa, but refuse to compromise on quality. This resilience resonates amongst our people, and it is they who have continued to strengthen this genuinely ethical tea brand.

Our mutual respect towards all that they do to help us take the World's Finest Single Origin Pure Ceylon tea across the globe has guided our business, fulfilling our Founder's pledge to serve humanity with kindness.

### **OUR PARTNERS: FOSTERING RELATIONSHIPS IN A CHANGING WORLD**

As a Global Citizen, our reputation is inextricably linked to the diverse stakeholders that comprise our brand. As a family business, we deeply value the importance of relationships and human connections. Through efforts such as the reunion of our Global Family at the 10th Dilmah Global Family

Conference as well as the Dilmah Partner Network, we have taken intentional steps to foster and nurture our brand ecosystem and our network of partners.

We understand that authentic partnerships are built on trust, shared values, and mutual growth. Through open communication, collaborative initiatives, and a commitment to inclusivity, we forge lasting relationships that transcend borders and contribute to a more connected world.

### **OUR PLANET: EMPOWERING SUSTAINABLE CHANGE**

As a company that upholds the values of sustainability and advocates for positive change, all our initiatives collectively contribute towards the UN 2030 Sustainable Development Agenda. We firmly believe that it is the power of the people that enables us to forge collaborations and partnerships that inevitably strengthen our efforts towards a sustainable planet.

In line with our commitment to nature and the environment, we continue to implement sustainable practices across our operations, reducing our carbon footprint with an aim to be carbon negative by 2030, and promoting responsible consumption with minimum waste. By championing biodiversity & ecosystem restoration, species conservation, and climate action, we strive to create a positive impact that extends beyond our tea plantations and resonates globally.

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# DILMAH CEYLON TEA COMPANY PLC ANNUAL REPORT 2022/23



## WELCOME TO OUR 5TH INTEGRATED ANNUAL REPORT

**GRI** 2-1, 2, 3, 4 & 5

Dilmah achieved a significant milestone in corporate reporting by embracing Integrated Reporting in 2019. This year, we are releasing our fifth Integrated Report. Since the beginning, our company has demonstrated a strong commitment to social and environmental sustainability, and the adoption of Integrated Reporting has allowed us to present this dedication in a clear and organized manner. With this report, we are expanding on the progress made last year by offering a comprehensive and concise evaluation of how we utilize our resources to generate value for our diverse stakeholders. The preparation of this Annual Report follows the guidelines provided by the International Integrated Reporting Council (IIRC) in their Integrated Reporting Framework.

## 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 2022 to 31st March 2023. The Group adopts an annual reporting cycle and its latest annual report for the financial year ending 31st March 2023 is available for download at [www.dilmahtea.com](http://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.

## REPORTING FORMAT

The Annual Report and the Sustainability Report have been combined into one Integrated Report which includes all material information relevant to stakeholders, providing a balanced, concise and clear assessment of Dilmah’s value creation. This year we are releasing the fifth Integrated Report of Dilmah Ceylon Tea Company PLC.

## MATERIALITY

In determining the content to be included in this Integrated Report we have adopted the principle of materiality. The material topics listed on pages 28,29 & 30 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.



Print Available on Request



Available Online

## 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

## 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,

Email: [sustainability@dilmahtea.com](mailto:sustainability@dilmahtea.com)

### Dilmah Ceylon Tea Company PLC

111, Negombo Road, Peliyagoda

Tel: +114 822 000



Scan the QR code to directly access the Dilmah Integrated Report 2022/23 online

# PERFORMANCE HIGHLIGHTS 2022/23

GRI 3-3, 204-1, 302-1,3,  
303-1,5, 306-3

METRIC		2022/23	2021/22	Y-0-Y
<b>Financial Performance</b>				
Revenue	Rs. Mn	22,313	11,436	95%
Operating profit	Rs. Mn	4,928	5,474	-10%
Profit before tax	Rs. Mn	5,831	5,844	0%
Profit after tax	Rs. Mn	5,034	5,571	-10%
Return on equity	%	24.32	34.17	-29%
Return on capital employed	%	24.32	34.17	-29%
<b>Working Capital Ratios</b>				
Inventory days	Days	70	83	-15%
Debtor days	Days	99	160	-38%
Payable days	Days	28	34	-17%
Current ratio	Times	5.43	6.75	-20%
Quick asset ratio	Times	4.72	6.00	-21%
<b>Financial Position</b>				
Total assets	Rs. Mn	28,021	22,923	22%
Total liabilities	Rs. Mn	5,337	4,205	27%
Shareholders' funds	Rs. Mn	22,684	18,719	21%
Non-controlling interest	Rs. Mn	-	-	-
Total debt	Rs. Mn	-	-	-
<b>Shareholder Information</b>				
No. of Shares in Issue	Number	20,737,500	20,737,500	0%
Earnings per share	Rs.	242.77	268.62	-10%
Dividends per share	Rs.	50.00	55.00	-9%
Net Asset Value per share	Rs.	1,093.89	902.68	21%
Closing price	Rs.	1,020.00	998.00	2%
Market capitalization	Rs. Mn	21,152	20,696	2%
P/E ratio	No. of times	4.20	3.72	13%
Dividend pay out	%	20.63	12.35	67%
Dividend cover	No. of times	4.85	8.10	-40%
Dividend yield	%	4.90	5.51	-11%

METRIC		2022/23	2021/22	Y-O-Y
<b>Human Capital</b>				
Total employees – permanent	No.	643	634	1%
Payments to employees	Rs. Mn	1,638	1,314	25%
New recruits – permanent	No.	67	40	68%
Employee retention rate	%	85	90	-6%
No. of promotions	No.	28	44	-36%
Female representation	%	44	45	-2%
Investment in training	Rs. Mn	29	27	7%
Total training hours	Hours	174,672	42,438	312%
Average training hours/employee	Hours	272	67	305%
Workplace injuries	No.	8	6	33%
Union representation	%	N/A	N/A	-
Instances of disruption to work	No.	Nil	Nil	-
<b>Manufactured Capital</b>				
Investment in capex	Rs. Mn	5,451	4,303	27%
Property, plant and equipment	Rs. Mn	4,690	3,513	34%
Highest performing equipment efficiency	%	96.9	97.9	-1%
Capacity utilisation	%	52	53	-2%
<b>Intellectual Capital</b>				
R&D investment	Rs. Mn	58.3	11.7	398%
New products launched	No.	35	36	-3%
Tea standards	No.	355	350	1%
<b>Social and Relationship Capital</b>				
No. of distributors	No.	90	115	-22%
Payments to suppliers	Rs. Mn	20,823	10,479	99%
Proportional spending to local suppliers	Rs. Mn	16,110	8,084	99%
Investment in CSR	Rs. Mn	484	520	-7%
<b>Natural Capital</b>				
Material - tea, flavours & herbs	MT	5,243	4,508	16%
Energy consumption	GJ	19,175	14,740	30%
Energy intensity	GJ per unit	3.7	3.3	11%
Water consumption	m <sup>3</sup>	28,239	23,631	19%
Water consumption per unit	m <sup>3</sup> per unit	5.39	5.2	4%
Solid waste generation	MT	362.83	271.0	34%
Carbon footprint	tCO <sub>2</sub> e	31,776	32,361	-2%
Spending on environmental initiatives	Rs. Mn	51.7	35.5	46%



Dilmah, a family-owned tea company from Sri Lanka, gained global recognition for its commitment to producing high-quality, authentic, and ethically sourced tea. Since 1988, the company has been a pioneer in the concept of Single Origin Tea, ensuring that their tea is picked, perfected, and packed in the same location where it is grown. This approach empowers tea growers in Sri Lanka and caters to the preferences of consumers worldwide.

Dilmah's legacy stands out as the first producer-owned tea brand, allowing the Company to have control over the entire value chain. This includes ownership of tea gardens, factories, as well as printing and packaging facilities in Sri Lanka. With an extensive global distribution network, Dilmah products are available in over 100 countries.

The foundation of Dilmah is rooted in its enduring connection to the land and the communities in which it operates. The Founder, Merrill J. Fernando, pledged to serve humanity through his family business, by embodying principles of kindness to nature and people. The company upholds its commitment to sustainability by balancing economic success, environmental preservation, and social responsibility. This commitment is reflected in the company's core values of Taste, Goodness, and Purpose.

Dilmah contributes a significant portion of its profits each year to support humanitarian and environmental initiatives through the MJF Charitable Foundation and Dilmah Conservation. As part of the MJF Group of companies, Dilmah Ceylon Tea Company (DCTC) is 87% owned by MJF Group, which includes MJF Teas (Pvt) Ltd. and MJF Exports (Pvt) Ltd.

## PHILOSOPHY

Business is a Matter of Human Service

## VISION

To present the taste, natural goodness and inspiring variety in the finest tea with the sincerity & passion of an artisan, while aligning our love for tea with our ethical purpose, in this way honouring our Founder's pledge to make our business a matter of human service.

## 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.

## BRAND REACH

Dilmah, a Sri Lankan brand, has established a strong international presence across more than 100 countries, thanks to its extensive network of sales agents and distributors. The global reach of Dilmah is attributed to the proactive engagement by its partners with consumers, actively seeking new opportunities, and staying attuned to emerging consumer preferences. All stakeholders at Dilmah share a common commitment to the brand's ethos of elevating tea beyond a mere beverage, offering a holistic and enriching experience.

## 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.

Continued economic, social, and political crises, locally and globally, since 2019 reverberate through business operations, leading to hyper-inflation and consequent escalations in production costs. The 20% global growth of e-markets and a focus on developing local economies has resulted in redefining and reshaping the tea industry. The Company took proactive measures to help its employees, the business, and surrounding communities eliminate the stress ensued by multiple crises and uncertain times. Dilmah implemented various programs and enhanced benefits aimed at supporting the workforce and reducing their stress levels. These initiatives included the provision of ex-gratia bonuses and the extension of transportation facilities to accommodate more employees who commute using staff transport. Embedding environmental and socially responsible operations into the core business strategy from the inception has helped Dilmah be

resilient in the face of challenges and provided the company a competitive edge.

Dilmah is committed to elevating tea from a mere beverage to a gastronomical and culinary experience. As such, 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 63 Mn**

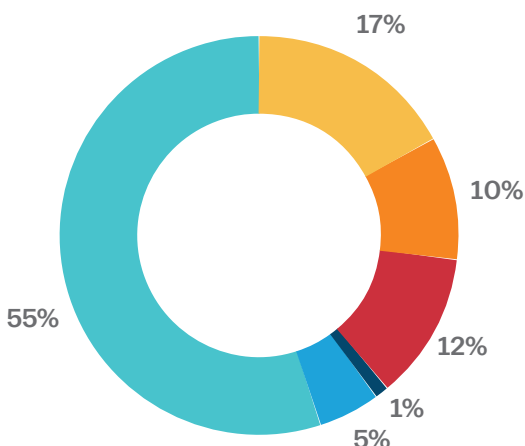
Tax Contributions:  
**Rs. 1,150 Mn**

Employment Generated:  
**643 numbers**

Payments to Employees:  
**Rs. 1,638 Mn**

Payments to Suppliers:  
**Rs. 20,823 Mn**

Market Capitalization:  
**Rs. 21,152Mn**



## VALUE DISTRIBUTION

- To Employees
- To providers of Capital
- To government
- To Lenders
- To development interventions and Environmental Initiatives
- Business expansion and growth



Merrill J. Fe...

## TRIBUTE TO DILMAH FOUNDER MERRILL J FERNANDO

Merrill J. Fernando's passing on 20th July, 2023 is as great a loss to Sri Lanka as to his family and the Dilmah and MJF Group businesses he founded. Born to a humble, rural family in the tiny village of Pallansena, the simplicity of his origins defined Merrill J. Fernando as his dream of making the world a better tea grew beyond his imagination.

He was a unique businessman in wishing to always and uncompromisingly do what is right, rather than what might be expedient or profitable. Even as he protested against the discount culture that challenged his desire for quality and sustainability in tea and imposed a heavy burden on his quality aligned business, he insisted that each of his businesses contribute at least 10% of their pretax profits towards the alleviation of poverty, education, nutrition and to support the least fortunate in our community. So sincere was his desire to ensure that his family business served humanity that he increased that pledge to 15%, generating over Rs 7 billion in direct humanitarian aid in the last two decades of his life.

The young man who ventured so far from his village, did so armed only with a Senior School Certificate - the equivalent of an Advanced Level qualification today - and Rs. 10,000 borrowed from his father. His strength was neither education nor money but in his invincible faith and a determination to align his love for tea with a better future for the industry and its workers.

Merrill J. Fernando devoted his life to tea. His faith drove him to believe possible what lesser men & women

might have considered impossible in the then recently independent Sri Lanka. He relentlessly pursued his wish to offer tea with the promise of quality and integrity while winning the hearts of customers and workers with his determination and sincerity. He met with resistance at every step; and on his knees before God, sought divine intervention, which he was blessed with in abundance.

The man known as the World's Teamaker knew that success was a blessing that came with a request that it be shared. He built kindness at the heart of his business, starting with his personal and spontaneous generosity towards his staff as he started his own business. That grew into a substantial and multi-sectoral humanitarian effort through the Merrill J. Fernando Charitable Foundation that he formed around his wish to be kind, and made binding on future generations of his family. The MJF Foundation formed itself around its Settlor's wish to minimise posturing, and shunned conventional notions of Corporate Social Responsibility to adopt its own methodology linked to impact and dignify its beneficiaries.

Merrill J. Fernando did considerably more than build a pioneering business against all odds; his philosophy of kindness demonstrated decades before it became prudent, the necessity for businesses to deliver social and natural value amidst delivering economic value for owners and shareholders. He rejected as abhorrent the widely accepted notion that businesses should focus solely on profit and shareholder value. He was vociferous in stating his case, as he was always uncompromising where integrity was concerned, and everything he espoused, he practiced.

His insistence that Sri Lanka protect the integrity of Ceylon Tea was vigorously contested by the entire tea trade. He dismissed the ire and criticism his defense of quality attracted, as being motivated by his industry peers not understanding him well. Embracing that direction could have been vastly profitable for his business yet he opposed any dilution of the integrity of Ceylon Tea as it was not the right direction for tea producers in Sri Lanka.

As Dr. Rohan Pethiyagoda writes in a review of his life story, "If Merrill J. Fernando did not exist, it would be necessary to invent him: so consequential has been his contribution. If there ever was a life worth celebrating, this life is that life."

The legacy that Merrill J. Fernando leaves is formidable; it will continue because of its foundation in a sincere and simple wish to offer the world tea that is made with love, and with great kindness. In his lifetime he demonstrated in his tea, spice, leisure, woodcraft and other businesses, the relevance of that principle by example, and in this way embedded it into the hearts and minds of his generations.

As he rests in the arms of his beloved Lord, he will undoubtedly delight in seeing his family and staff nourish and build on his achievements without compromise on the values that form their core. May the soul of Merrill Joseph Fernando: Teamaker, Disrupter and Servant, rest in peace.



## REFLECTIONS BY CHAIRMAN & CHIEF EXECUTIVE

I am pleased to present the Annual Report and Audited Financial Statements of Dilmah Ceylon Tea Company PLC for the year ended 31st March 2023.

The financial year 2022/23 was unprecedented in the challenges it posed for a global enterprise headquartered in Sri Lanka. The company navigated a landscape deeply scarred by residual effects of the pandemic, compounded by domestic economic and political volatility. These affected all aspects of our operations, adding to the inflationary pressure, energy, supply chain & logistics issues connected to conflict in Ukraine, and macroeconomic deterioration on a global scale. These circumstances exerted pressure on revenue generation and the margins of the business. Despite these adversities, your company fulfilled commitments to our valued customers and achieved one of the most robust financial performances in its history.

Consolidated revenue demonstrated remarkable growth, nearly doubling in LKR terms to reach Rs. 22 billion. This achievement was underpinned by a 16% increase in sales volume and the depreciation of the LKR against the US Dollar. The Company's Gross Profit surpassed the milestone of LKR 10 billion for the financial year, with the margin rising to 45.2%, a gain from the previous year's 43.6%. Very effective treasury management yielded an impressive 90% enhancement in other income relative to the preceding financial year. However, the exchange gain observed during this period was less than half of the gain recorded in the previous year.

Administrative expenses witnessed an increase primarily attributed to the company's proactive effort to enhance staff welfare, aiming to alleviate the impact of record high inflation and the impact of fiscal policy. Additionally, utility costs surged by over 100%, contributing to a 34% rise in administrative expenses. Concurrently, Selling and Distribution expenses scaled proportionately with the growth in revenue. Despite an 81% collective increase in Administrative, Sales, and Distribution costs, the Company achieved a Profit Before Tax (PBT) of LKR 5.8 billion, aligning closely with the previous fiscal year's performance. However, the transition from a 14% to a 30% income tax rate in the final quarter of the year resulted in a 10% reduction in Profit After Tax (PAT) compared to the fiscal year 2021/22.

Dilmah Ceylon Tea Company is more than a conventional, commercial entity; your company represents a uniquely sustainable economic model linked to the principle of mutually beneficial co-existence with people and nature. That reality, rooted in the philosophy of our Founder, my father Merrill J. Fernando, comes with the responsibility to always do what is right, and never resort to temporary, expedient or convenient measures that may dilute the long term objective of Dilmah Ceylon Tea Company; to set the standard for Quality and Integrity in the global tea category.

This is the context of our reaction to the combined social, health and economic crisis in Sri Lanka in 2022. Supported by a firm commitment to care for our staff and workers, and ensure their welfare during the period under review, we reaffirmed our commitment to our mission and founding values while the company

continued its operations in spite of political, power, trade and other disruption in the country. This is a tribute to the commitment of our workers and staff.

As during the Covid crisis, we focused on strengthening our relevance to a new generation of tea drinkers, reaffirming our commitment to quality, Ceylon Tea and enhancing the authentic, pure origin tea extract proposition of our MJF Beverages subsidiary. With encouraging signs of awareness and appreciation of quality and authenticity among a new generation of tea drinkers, the continuing regress of the global tea category in the direction of commoditization was disappointing.

The misconception amongst tea buyers that consumers demand more value and cheaper tea is fueling avoidable social inequality while unethically inflating the margins of retailers and some international brands equally. That falsehood should be vigorously opposed by policymakers and producer brands as - in any product category - erosion of quality invariably leads to the decimation of the category as well as livelihoods of producers and the environment.

The emergence of a new generation of tea drinkers offers Sri Lanka the best opportunity yet, to revitalize our ancient tea industry and rightfully secure a place in the sun for Ceylon Tea. Progress in securing Geographic Indication for Ceylon Tea after decades of effort is positive although the stakeholders need to comprehend the value in quality, heritage and diversity of Ceylon Tea, to nurture rather than compromise that value.

## REFLECTIONS BY CHAIRMAN & CHIEF EXECUTIVE

Sri Lanka's economic crisis provoked too many Sri Lankan tea exporters to shift their operations elsewhere. Prudence is always advisable although a short term decision should not create a long term crisis as our great tea industry needs wholehearted and sincere guardians who believe in Ceylon Tea. Only that will help us - as an industry - to embrace the urgency of more genuine value addition and deliver the entrepreneurial solutions that are necessary for social, environmental and economic sustainability of the sector.

The image of Ceylon Tea as a brand is diminished after decades of mismanagement, although the new tea drinker favours natural, plant-based wellness with variety, heritage and authenticity and is open to suggestion whether tea, coffee, cocoa or sodas. Ceylon Tea fulfills every aspect of contemporary, global premium beverage trends except the misconceived notion that we should offer all that at a discount. The opportunity is clear, and while your company will continue to lead where quality is concerned, we need a vibrant, producer led, global speciality tea segment for the social and environmental benefits of the opportunity before us, to be felt.

The forthcoming fiscal year suggests deepening of uncertainties within both the micro and macroeconomic spheres. It is anticipated that the full implementation of the IMF driven Domestic Debt Restructuring program in 2023/24 will contribute to growing complications in the operating environment. The ongoing Russia-Ukraine conflict and the looming global recession are expected to have adverse effects on global trade, perpetuating pressure on revenue generation and margins. The international markets

are grappling with the challenges of high inflation, and the likelihood of a recession in several key markets is increasing. Subdued volumes in tea auctions persist, failing to attain pre-pandemic benchmarks which will have an impact on the input costs and consequently, the gross margin of the company. Exchange rate fluctuations and currency volatility are expected to continue, as the underlying structural issues have yet to be fully resolved. This situation will directly affect packing material imports and expenses denominated in foreign currency, with limited opportunities for hedging.

Despite the convergence of these challenging factors, I am confident that the measures we have implemented, combined with our long and short-term strategies for Environmental, Social, and Governance (ESG), will enable our company to emerge stronger from financial year 2023/24 and continue to take Ceylon Tea to the world in new ways and in new territories.



**Mr. Dilhan C. Fernando**  
Chairman/CEO

# MANAGEMENT DISCUSSION AND ANALYSIS

The global operating environment during the fiscal year 2022/23 presented significant challenges, with most countries experiencing varying degrees of economic decline. Sri Lanka, in particular, faced an economic and political crisis marked by soaring inflation and a foreign exchange shortage, necessitating the implementation of stringent monetary and fiscal policy measures. These circumstances had adverse repercussions for international business operations.

Against this backdrop, your company achieved exceptional results, culminating in one of the most successful years in recent history. Revenue in LKR nearly doubled compared to the previous year, driven by a 16% increase in sales volume and the notable depreciation of the Sri Lankan Rupee. The growth in sales volume was primarily attributed to the gradual recovery of the Food Services sector post-pandemic. Notably, the gross profit exceeded LKR 10 billion, marking a significant milestone. The gross profit margin stood at a robust 45.2%, up from 43.6% in the prior year. This improvement in gross profit margin, while expanding the sales volume, underscores the efficacy of our strategic initiatives and operational efficiencies. Furthermore, the company achieved 185% of the previous year's profit before tax (PBT), before considering exchange gains. Although the exchange gain was less than half of the previous financial year, the PBT for 2022/23 remained nearly the same as the prior year. However, a 10% decline

in profit after tax (PAT) for 2022/23 compared to 2021/22 was primarily due to increased taxation.

## REVENUE

Export revenue for the financial year 2022/23 reached LKR 22.3 Bn, a remarkable 95% increase over the previous financial year. In terms of USD, this translated to an 8% growth, primarily driven by increased sales volumes. Company sold 5.2 Mn kilograms of tea, representing a 16% increase from the prior year. The growth in revenue in LKR terms was also influenced by the depreciation of the currency, in addition to the factors mentioned above.

## GROSS PROFIT

Your company reported a Gross Profit of LKR 10 Bn with a gross margin percentage of 45.2%, compared to LKR 5 Bn (with a gross margin of 43.6%) in the previous financial year. The increase in sales volumes and the depreciation of the Sri Lankan Rupee against the USD had a positive impact on the gross margin. However, this was partially offset by a 7% reduction in USD/kg, an approx. 89% increase in tea costs, an approx. 63% increase in packing material costs, and a more than 100% rise in utility expenses, all of which negatively affected the gross profit.

## PROFIT BEFORE TAX (PBT) / PROFIT AFTER TAX (PAT)

PBT for 2022/23 stood at LKR 5.8 Bn, consistent with the previous financial year's PBT. Non-operating income increased by 92%, underscoring the soundness of our investment strategies in a challenging operating environment. Exchange gains amounted to LKR 2.3 Bn, reflecting a 51% reduction compared to the previous year. Increased administrative expenses in Sri Lankan Rupees were mainly attributable to

USD-denominated expenses and increased staff welfare costs. Sales and distribution costs also increased significantly in LKR terms, in line with the growth in revenue. All these factors contributed to the net PBT position. Furthermore, the applicable income tax rate increased from 14% to 30% in the last quarter of the year, resulting in a 10% decrease in PAT (LKR 536 million) compared to the previous year.

## COMPANY STRATEGIES

Company places a strong emphasis on and adheres rigorously to best practices when executing both long-term and short-term strategies. We continue to direct substantial management attention and investment toward continuous improvements in our business processes and productivity through automation and digitalization.

We are revitalizing our approach to the digital space with significant investments aimed at enhancing the contributions of e-commerce and digital marketing to our company's performance. Selective investments and capital expenditure in cutting-edge, future-proof technology are also planned, as we believe these are essential for long-term survival and to maintain our market leadership and trendsetting position.

Our subsidiary company, MJF Beverages (Pvt) Ltd, which produces Ready-To-Drink (RTD) products, has gained traction and recorded significant improvements in capacity utilization. We have established sustainable and scalable partnerships to further develop markets. The subsidiary is expected to make a substantial contribution to the Group's performance in the near future by establishing itself in the Iced Tea and RTD segment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMMUNITY SERVICE AND SUSTAINABILITY

Our company recognizes that the sustainability of our operations, both environmentally and socially, depends on the health of the broader ecosystem. We have committed LKR 484 million to the MJF Charitable Foundation and LKR 52 million to Dilmah Conservation during the year under review to support social and environmental initiatives. Details of these projects and updates are provided in the Social and Relationship Capital section.

### EMPLOYEE WELFARE

Our employees are our most valuable asset, and their welfare has always been a key area of focus. Accordingly, we have allocated approximately LKR 170 Mn in incremental contributions to alleviate the burden of rising cost of living and to help mitigate the diminishing purchasing power of our employees and their families.

### FUTURE OUTLOOK

The outlook for the fiscal year 2023/24 remains challenging, given the uncertainties in both the micro and macroeconomic environment. Sri Lanka is currently embarking on its 17th IMF program, with the subsequent Domestic Debt Restructuring taking full effect. Ongoing geopolitical conflicts, such as the Russia-Ukraine conflict, and the looming global recession are expected to negatively impact global trade.

International markets are experiencing high inflation, and the diminishing purchasing power of customers will likely affect the demand for premium tea. While auction prices for tea decreased in the first quarter of 2023/24, there is a possibility of prices increasing again and consolidating at higher

levels if the supply does not increase. This could be due to environmental factors (such as droughts or floods) or economic factors affecting agricultural practices, potentially impacting our business. Additionally, further depreciation of the LKR may negatively affect margins due to foreign currency-denominated packing material imports, although this might be fully offset by its impact on the top-line.

Despite the anticipated extremely challenging operating environment, management maintains confidence in our company's resilience in the coming year. Our existing long-term and short-term strategies, aligned with the Environmental, Social, and Governance (ESG) framework, should enable us to navigate one of the most demanding years for businesses.



**MR. MERRILL J. FERNANDO**  
**Chairman (Expired on 20. 07.2023)**

Mr. Merrill J. Fernando was the Founder of Dilmah Tea. He defined business ethics in tea when he launched the first producer owned tea brand in the world in 1988 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 held 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. DILHAN C. FERNANDO**  
**Executive Director / Chief Executive Officer/ Chairman (wef 31.07.2023)**

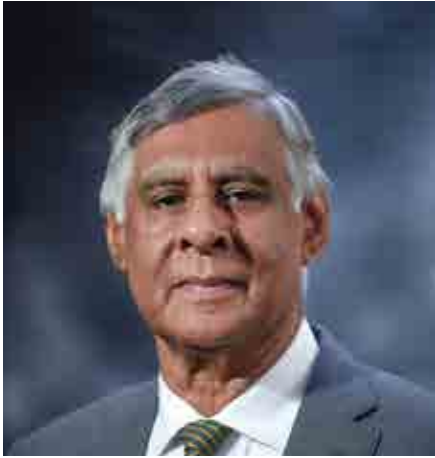
Mr. Dilhan C. Fernando was elected as the new Chairman to the Board of Dilmah Ceylon Tea Company PLC on 31.07.2023 according to the wishes of his father Late Merrill J. Fernando to carry forward his legacy in the tea sector. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director.

Mr. Fernando had his secondary education at Stonyhurst College, England and 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 amongst the Ceylon Chamber of Commerce, IUCN and Dilmah Conservation.

Mr. Fernando is also the Chairman of Kahawatte Plantations PLC, and holds directorship in The Fortress Resorts Plc, Elpitiya Plantations PLC, Talawakelle Tea Estates Plc and several other Private Limited Companies.

## BOARD OF DIRECTORS



### **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. MALIK J. FERNANDO**

#### **Executive Director**

Mr. Malik J. Fernando is the Director Operations 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 was elected as the Chairman of MJF Leisure (Pvt) Ltd which is the holding company

of Resplendent Ceylon (Pvt) Ltd according to the wishes of his father Late Merrill J. Fernando to carry forward his legacy in the leisure sector. Resplendent Ceylon was the first Sri Lankan luxury resort brand to develop 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, Elpitiya Plantations PLC, Talawakelle Tea Estates Plantations 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 the Director Sales 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 over 25 years of International Marketing with Dilmah Tea.



**MR. DARSHANA GUNASEKERA**

**Executive Director**

Mr. Darshana Gunasekera is the Group Finance Director 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. Gunasekera also holds directorship in Kahawatte Plantations PLC and several other Private Limited Companies.



**MS. MINETTE D A PERERA**

**Non-Executive Director**

Ms. Minette D. A. Perera was appointed to the Board of Dilmah Ceylon Tea Company 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.

During the period of her employment with the MJF Group, she was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in some Companies of the MJF Group.

Ms. Perera has over 40 years of working experience in Financial Management having worked in leading local and international companies as the CFO and Finance Director. She is currently an Independent Non Executive Director of several listed and unlisted Companies.

## BOARD OF DIRECTORS



### **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 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.



### **DR. RAVINDRA A. FERNANDO**

#### **Non-Executive, Independent Director**

Dr. Fernando was appointed to the Board of Dilmah Ceylon Tea Company PLC in February 2022 as a Non-Executive Director. He is an Alumni of the University of Cambridge having completed both a Post Graduate Certificate and 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 and Sri Lanka. In February 2023 he published '21st Century Leadership to Fight the Code Red for Business' Archway Publishing.

He is the Chairman/CEO of Global Strategic Corporate Sustainability Pvt. Ltd, which operates in Luxembourg 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 also serves on the Sustainable Development Council of Sri Lanka and the Board of Study at the PIM (Post Graduate Institute of Management) and is a visiting faculty member. He also serves on the Boards of MNC's LOLC Holdings, Ceylon Graphene Technologies Ltd, Aitken Spence Plantations, 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.

## KEY MANAGEMENT PERSONNEL



**First Row** (L to R): Ms. J. K. K. Wegodapola (Legal), Ms. A. C. Jayawardene (Internal Audit), Mr. S.P. Atukorale (Food Service), Ms. J. N. Amaratunga (International Retail), Ms. O. C. N. Perera (Dilmah F&B), Mr. S. D. Jayasundara (Marketing - Dilmah Beverages), Ms. S. L. Chang (Global Marketing), Mr. K. H. M. V. N. Sugathapala (Sales – Sri Lanka and Maldives)

**Second Row** (L to R): Mr. J. W. M. R. C. De Mel (Finance), Ms. S. I. Nanayakkara (Conservation and Sustainability), Mr. C. B. Hathurusinghe (Finance), Dr. A. C. Liyanage (Food Technology), Mrs. A. J. V. Fernando (Logistics & Customer Service), Ms. M. C. Rajanayake (Finance), Ms. D. J. C. D. Jayasinghe (Procurement), Ms. V. Karunathilaka (Quality Assurance), Mr. K. G. C. G. Thilakarathne (Human Resources)






**Third Row** (L to R): Mr. L. S. Manuelpillai (Trade Marketing and Corporate Communication), Mr. B. D. J Mendis (Digital Marketing), Mr. A. N. P. Attanayake (Brand Marketing), Mr. S. M. D. A. T. Samarathunga (Security), Mr. R. N. Malinga (Finance), Mr. K. H. Baduge (Food Service)


**Fourth Row** (L to R): Mr. M. Verage (Brand Marketing), Mr. R. Mahavithana (Transport), Mr. M. D. L. Perera (Production), Mr. D. Alahakoon (Engineering), Mr. R. M. M. Ratnayake (Tea), Mr. H. E. W. A. Peiris (Business Evolution and Innovation), Mr. A. P. Perera (IT)

The driving force behind Dilmah Tea.

# VALUE CREATION AND PRESERVATION MODEL

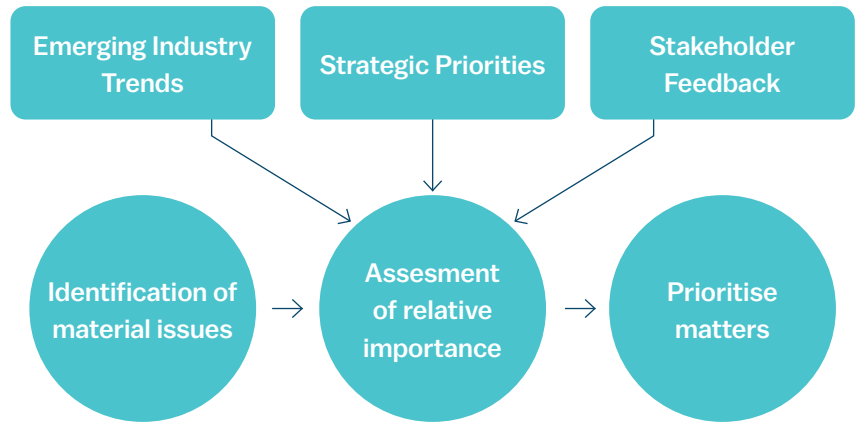
GRI 201-1

Our Capitals	Capital Inputs		Value Delivered	
 <p><b>FINANCIAL CAPITAL</b> See page 51</p>	Shareholder funds <b>Rs.22.7 Bn</b>		Shareholders <b>PAT Rs. 5.03 Bn</b>	
 <p><b>HUMAN CAPITAL</b> See page 55</p>	<p><b>643</b> Employees with Skills, Values and Industry experience</p>	<p><b>Rs. 29 Mn</b> Investment Training 7.3 Mn &amp; 24 Mn worth dry ration packs given to employees and estates 115.7 Mn total additional salary value paid to employees</p>	<p>Employees Value created <b>Rs. 1,638 Mn</b></p>	<p><b>174,672</b> Training Hours</p>
 <p><b>MANUFACTURED CAPITAL</b> See page 67</p>	<p><b>Rs. 5,451 Mn</b> investment in Capex</p>	<p><b>Rs. 4,690 Mn</b> spent on Property, Plant and Equipment</p>	<p>Tea <b>5,243 MT</b></p>	<p>Improved Efficiency ensuring <b>100% Delivery in Full on Time (DIFOT)</b></p>
 <p><b>SOCIAL AND RELATIONSHIP CAPITAL</b> See page 72</p>	<p><b>Dedicated Philanthropic arm:</b> MJF Charitable Foundation</p>	<p>Marketing Tools to promote <b>Tea as an Experience</b></p>	<p><b>Rs. 484 Mn</b> Investment in community engagement initiatives</p>	<p>Developed unique and innovative customer engagement tools</p>
 <p><b>INTELLECTUAL CAPITAL</b> See page 85</p>	<p><b>Rs. 58.3 Mn</b> allocated for Research and Development</p>	<p>Spectrum of product, packaging and culinary innovations</p>	<p>Launch of <b>35 new variants in 5 product ranges, exploring 3 new markets</b></p>	<p>Over <b>350 Tea Standards</b> and over 3,000 products</p>
 <p><b>NATURAL CAPITAL</b> See page 96</p>	<p><b>Dedicated environmental arm:</b> Dilmah Conservation</p>	<p>Renewable energy, water, waste and other natural resources</p>	<p><b>100%</b> Carbon Neutral Facility and product</p>	<p><b>20</b> Research Projects conducted on Climate Change</p>
<p><b>TOP QUALITY VALUE ADDED TEA DELIVERED WITH</b></p>	<p>Leaf evaluation using all sensory impacts including visual, sound, feel and taste</p>		<p>Internal quality control procedures for stringent sample testing guarded with <b>12</b> international certifications and standards</p>	
<p><b>KEY PILLARS OF VALUE CREATION AND PRESERVATION</b></p>	<p><b>Vision</b> See page 12</p>		<p><b>Mission</b> See page 12</p>	

Outcomes		Impact		Value Creation Process	
Financial stability and growth		21% increase in Net Asset Value per Share		<b>Tea Standards</b> 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	<b>57%</b> of the total workforce with more than 5 years of service	<b>85%</b> Retention Rate	Loyal workforce Joint Consultative Committee in all employee level in-place	<b>Grading and Tasting</b> Selection 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, minimizing the defects rate		<b>Collection, Storage, Cleaning and Bulking</b> 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	<b>243,359</b> beneficiaries on community engagement	The World's 1st Consumer and Hospitality Tea School – <b>Dilmah School of Tea</b> with over <b>300 ambassadors globally</b>	<b>Sourcing</b> 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		<b>Production and Packaging</b> Based on the confirmed orders in i-store, production will take place using our high-tech packaging machines	
<b>798,854 kWh</b> of Solar energy production	<b>94.1% of the Total Waste is Recycled/ Repurposed while 5.8% is Reused</b>	One of the most Environmentally integrated tea brands of the World	<b>Over 2,000 beneficiaries</b> influenced on Environmental conservation including other businesses	<b>Marketing and Distributing</b> 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, Continuous virtual and physical awareness raising sessions to improve the tea mixology and gastronomy that covers the customer and market	
<b>Dilmah Values</b> See page 12		<b>Strategy</b> See page 47	<b>Governance</b> See page 110	<b>Risk Management</b> See page 31	

# DETERMINING MATERIAL ISSUES

The concept of materiality has been embraced to decide which significant subjects should be incorporated in this edition of the Annual Report. Through yearly assessments of materiality, the Company has been able to recognize and give importance to the most relevant matters for both the business and stakeholders, within a dynamic and ever-changing business landscape. The outcomes of these assessments are merged with the Risk Management procedure, in order to encompass broader sustainability concerns into the evaluation of risks and opportunities throughout the company. The noteworthy subjects outlined below depict emerging concerns in the sector, factors pertinent to the Group's strategic priorities, and its model for generating value.



The listed significant subjects are viewed as the utmost essential to the Group's operations, while also showcasing the alignment between the Group's chosen substantial themes and those recommended by the GRI standards for their sustainability reporting. The procedure used to identify these important themes also adheres to the guidelines set forth by the IR Framework.

Significance to stakeholders	High	<ul style="list-style-type: none"> <li>● Sustainable growth in earnings</li> <li>● Managing our People</li> <li>● Innovation</li> <li>● Customer Satisfaction</li> <li>● Managing our Distribution Network</li> <li>● Geopolitical Conditions in Buying Markets</li> <li>● Product Responsibility</li> <li>● Managing our Supply Chain</li> <li>● Exchange Rate Fluctuations</li> <li>● Environmental &amp; Socio-economic compliance</li> <li>● Health and safety</li> </ul>		
	Medium	<ul style="list-style-type: none"> <li>● Manufacturing Capabilities</li> <li>● Implications of Climate Change</li> <li>● Brand Image and Reputation</li> <li>● Preserving the Environment</li> <li>● Community Engagement</li> <li>● Information System &amp; Cyber Security</li> <li>● Power and Energy</li> <li>● Cost of production and logistics</li> </ul>		
	Low			
		Low	Medium	High

Significance to the group

● Environment ● Social ● Governance

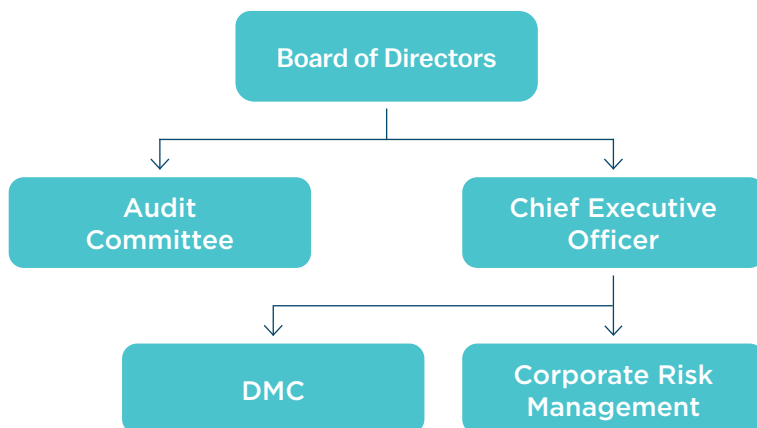
## DETERMINING MATERIAL ISSUES

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 GRI 408: Child labor GRI 409: Forced or Compulsory Labor
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 & Labelling
Brand	Medium			
Managing our Supply Chain	High	R-4		GRI 204: Procurement Practices

## DETERMINING MATERIAL ISSUES

Material Topic	Materiality Impact	Risk and Opportunity	Corresponding SDG	Corresponding GRI
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		

Dilmah 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 of Directors, Audit Committee, Corporate Risk Management Team, and Decentralized Management Council (DMC). Risk identification is a continuous process and involves 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 accountability and focus on mitigation activities.

Key Risks and Rating during the year 2022/23 are as follows,

Key Risks	
Macroeconomic and geopolitical environment	●
Market and customer preferences	●
Health and safety	●
Supply chain, logistics and raising cost of production	●
Product responsibility, quality, power and energy	●
Financial – exchange rates, interest rate and credit risks	●
Human resources and talent management	●
Environment and climate change	●
Information systems and Cyber security	●

● Ultra-high ● High ● Medium ● Low

## RISKS AND OPPORTUNITIES

The following table provides a high-level overview of the Company's key risks in 2022/23.

Risk	Potential impact and developments in 2022/23	Mitigating activities and Opportunities
Macroeconomic and geopolitical conditions in buying markets	<ul style="list-style-type: none"> <li>As an export-oriented company, economic and geopolitical conditions in buying markets have a significant impact on demand and pricing trends.</li> <li>Ongoing international conflict between Russia and Ukraine impacts the demand for Ceylon tea and potential growth in respective regions.</li> </ul>	<ul style="list-style-type: none"> <li>Company's focus and presence in diverse markets limit its dependence on a specific country / region / sector.</li> <li>Monitoring political and economic trends on outlook on an ongoing basis and formulating strategic corporate plans to explore opportunities amidst the crisis.</li> </ul>
Market and changing customer preferences	<ul style="list-style-type: none"> <li>Customer preferences are changing rapidly with the increasing number of health-conscious customers, competition from alternate beverages and more sophisticated customer demands. Inability to cater to these emerging preferences could affect the relevance of company's products, ultimately affecting its competitive edge.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive and ongoing engagement with customers through numerous platforms and certifications and accreditations to drive brand value</li> <li>Continuous monitoring of emerging industry trends and preferences via various platforms and resources such as Euromonitor.</li> <li>Focus on developing new channels such as e-commerce and launching more sustainable products while also looking at opportunities to give more value added lines to make the products more affordable and cost effective to consumers.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>Pandemic related disruptions led to high risk to employees' health and safety.</li> <li>Supply Chain disruptions due to possible lockdowns, border closures, factory shutdowns, logistical challenges, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of stringent COVID 19 health and safety protocols across the organisation, exceeding regulatory requirements.</li> <li>Stringent procedures formulated to adopt in the event of infection. Vaccination program covering all employees.</li> <li>Establishment of a Health and Safety committee to ensure all employee views, suggestions &amp; concerns are understood and addressed as applicable.</li> <li>Close monitoring of suppliers' stock positions and continuous dialogue with suppliers.</li> </ul>
Supply chain, logistics and raising cost of production including tea auction prices	<ul style="list-style-type: none"> <li>As tea is the primary raw material, rise in tea auction prices have a direct impact on the Group's profitability. From 2022 April to 2023 March tea prices have increased by 105.2%.</li> </ul>	<ul style="list-style-type: none"> <li>Planned to increase the inventory levels which enables to secure timely delivery to customers whilst monitoring emerging trends in the shipping industry</li> <li>Tea buying strategy incorporates price fluctuations and seasonal trends</li> </ul>

Risk	Potential impact and developments in 2022/23	Mitigating activities and Opportunities
Product responsibility/ quality related risks	<ul style="list-style-type: none"> <li>• Issues relating to product responsibility and/ or quality will directly impact the Group's brand and reputation, thereby affecting its competitive edge.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance on a range of product quality related certifications.</li> <li>• Training and awareness of quality aspects across the company. Stringent quality assurance across the sourcing, manufacturing and distribution process.</li> <li>• Internal audit program spreading throughout the year.</li> <li>• Trained staff to conduct inspection and testing and well-equipped testing facilities.</li> <li>• Ongoing monitoring of emerging customer preferences.</li> <li>• Strategic focus on product innovation and developing environmentally sustainable packaging.</li> </ul>
Shortage of power and energy	<ul style="list-style-type: none"> <li>• Ongoing power interruptions and shortage of fuel for generators to operate tea bagging machines and factory/office equipment and impact transport vehicles fleet.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase storage capacity for diesel and place fuel orders as necessary.</li> </ul>
Financial risks – exchange rates, interest rate and credit risks	<ul style="list-style-type: none"> <li>• As an export-oriented entity, fluctuations in exchange rates have a direct impact on company's profitability.</li> <li>• The CBSL allowed free float of the Rupee in March 2022, resulting in the Rupee falling sharply against the US Dollar. By December 2022, the LKR declined by 24% against the US Dollar and 12% against Australian Dollar.</li> <li>• 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 2022/23 and managed cash outflows with inward remittances.</li> <li>• Company is exposed to credit risk through potential loss of earnings and constrained cashflow arising from distributors / customers' inability to fulfil their financial obligations.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of exchange rate movements and assessment of the impact on our operations.</li> <li>• The rupee has slightly appreciated in the last quarter of FY 2022/23 and is expected to stabilise over the medium-term supported by the gradual improvement in the country's macro-economic fundamentals.</li> <li>• Company is mostly equity financed and strives to maintain zero exposure to long term debt servicing.</li> <li>• Follow efficient treasury management procedures to take advantage of the positive movements in both interest rates and exchange rates.</li> <li>• Customers profiles are carefully evaluated before credit terms are offered.</li> <li>• 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.</li> <li>• Regular follow up action &amp; continuous and frequent communication with customers.</li> </ul>

## RISKS AND OPPORTUNITIES

Risk	Potential impact and developments in 2022/23	Mitigating activities and Opportunities
Employee attraction and retention	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain close relationship with employees, training &amp; development programmes, remuneration in line or above the industry.</li> <li>Maintain healthy working environment through effective two-way communication system.</li> <li>Provision of hostel facilities</li> <li>Welfare programs</li> </ul>
Environment and climate change	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing from diverse regions and elevations</li> <li>Conducting research through self-owned climate change research station and educating farmers on adaptation methodology.</li> </ul>
Information systems and Cyber security	<ul style="list-style-type: none"> <li>Security of information systems is essential for business continuity. Cyber security risk persists in sharing information particularly with overseas stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Disaster Recovery plan is implemented with hardware infrastructure. All the data backups and recovery are maintained by Group IT. Investments are also made in cybersecurity systems and frameworks which are updated on a regular basis.</li> </ul>

# OPERATING ENVIRONMENT

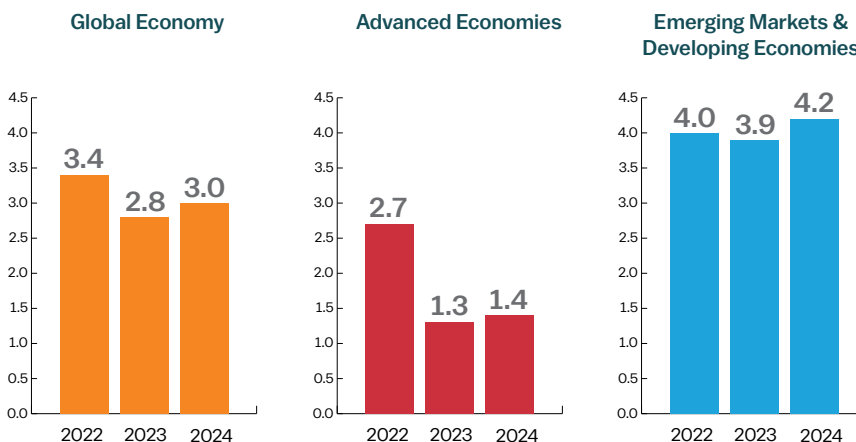
## GLOBAL ECONOMIC OUTLOOK

The Global Economic Outlook is uncertain yet again, amidst financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and post-Covid economic limitations. The baseline forecast is for growth to fall from 3.4% in 2022 to 2.8% in 2023, before settling at 3% in 2024. Advanced economies are expected to see a growth slowdown, from 2.7% in 2022 to 1.3% in 2023. In a reasonable alternative scenario, with further financial sector stress, global growth declines to about 2.5% in 2023 with advanced economy growth falling below 1%.

Global headline inflation is set to fall from 8.7% in 2022 to 7% in 2023 on the back of lower commodity prices, but underlying inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases. Once inflation rates are back to targets, deeper structural drivers will likely reduce interest rates toward pre-pandemic levels.

The other major forces that shaped the world economy in 2022 seem set to continue into 2023 with changed intensities. Debt levels remain high, limiting the ability of fiscal policymakers to respond to new challenges. Commodity prices that rose sharply following Russia's invasion of Ukraine have moderated, but as the conflict continues, geopolitical tensions remain high. COVID-19 strains caused widespread outbreaks in 2022, however economies that were hard-hit, particularly China, appear to be recovering, resulting in less supply-chain disruptions. Despite the boosts provided by decreased food and energy costs as well as enhanced operational efficiency in supply chains, the potential dangers lean towards negative outcomes due to heightened uncertainties stemming

## World Economic Outlook April 2023 Growth Projections (Real GDP growth percent)



Source: International Monetary Fund - IMF.ORG

from the recent upheaval in the financial sector.

Global inflation has been declining since mid 2022. A fall in fuel and energy commodity prices, particularly for the United States, Europe, and Latin America, has contributed to this decline. To reduce demand and underlying inflation, central banks around the world have been raising interest rates since 2021, both at a faster pace and in a more synchronous manner than in the previous global monetary tightening episode, just before the global financial crisis.

The economic impact of the Russia-Ukraine warfare is spreading widely, mainly through commodity markets, trade, and financial linkages. Due to its significant role as a major provider of oil, gas, metals, and along with Ukraine, providing wheat and corn, Russia's reduced and projected supplies of these resources have led to a substantial surge in their prices across various regions including Europe, the Caucasus, Central Asia, the Middle East, North Africa, and sub-Saharan Africa—where the impact is particularly pronounced.

The escalation in costs for both food and fuel will have adverse effects on lower-income households worldwide, spanning across the Americas and Asia as well.

Restoring debt sustainability is a key focus in the global economic footprint. With lower growth and higher cost of the capital, public debt ratios are becoming unsustainable in many countries. It is imperative to take measures that will establish a credible trajectory for these debt ratios. For economies at high risk of debt distress, the primary solution for ensuring debt repayment lies in implementing fiscal consolidation and enacting structural reforms. These actions serve to establish robust policy frameworks and stimulate growth, thus addressing the root causes of debt distress.

In some cases, debt restructuring may be necessary to help reduce fiscal risk. The world is at a critical juncture, and international cooperation is necessary to reduce the likelihood of a snowballing global debt crisis. Progress has been made with respect to nations that have sought debt relief through the G20

## OPERATING ENVIRONMENT

Common Framework. Official and private creditors need to stand by to respond swiftly to requests from a broad set of countries, including the poorest nations that were part of the Debt Service Suspension Initiative, as well as middle-income economies under stress such as Sri Lanka. Further, it is necessary to agree on mechanisms to address debt-restructuring needs for a broader set of economies, including middle-income economies that are not eligible under the current Common Framework. Large creditors, including non-Paris Club and private creditors, have a crucial role to play in ensuring effective, predictable, and timely debt resolution processes.

### GEOECONOMIC FRAGMENTATION

Rising geopolitical tensions and the uneven distribution of the gains from globalization have contributed to increasing skepticism. Brexit, trade tensions between the US and China, and Russia's invasion of Ukraine, pose a challenge to international relations and could lead to policy-driven reversal of global economic integration, a process referred to as 'geoeconomic fragmentation'. This process encompasses different channels, including trade, capital, and migration flows.

A decrease in FDI has been particularly visible, with global FDI declining from 3.3% of GDP in the 2000s to 1.3% between 2018 and 2022. According to the International Monetary Fund's (IMF) report, World Economic Outlook, April 2023: A Rocky Recovery, while a range of factors have contributed to this protracted phase of slowbalization, the fragmentation of capital flows along geopolitical fault lines and the potential emergence of regional geopolitical blocs, are novel elements that could have large

negative spillovers to the global economy. Firms and policymakers are increasingly looking at strategies for moving production processes to trusted countries with aligned political preferences to make supply chains less vulnerable to geopolitical tensions.

### DISRUPTION IS EVERYWHERE

Industry is facing disruption from all sides and leaders need to closely watch three critical drivers of risk: political, technological, and social.

On the political side, businesses need to be aware of the different incentive packages available for 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 been causing businesses to cope with determining how to navigate the upcoming times.

In addition, technological drivers are 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, gamification, and streaming, all underwent unprecedented growth. It has been estimated that worldwide internet usage in 2020 increased by 30%, while e-commerce grew upwards by 20%.

### COMMODITY MARKET DEVELOPMENT

Global Energy prices, especially crude oil prices, retreated by 15% in the year 2022/2023, as the slowing global economy weakened demand. China experienced its first annual

reduction in oil consumption, mainly due to repeated shutdowns in response to COVID-19 outbreaks and low demand in the real estate market. Recession fears were seen due to inflation surpassing expectations and the implementation of stringent monetary policies in many major economies.

With regard to supply, Russian crude oil exports have held steady since implementation of the Group of Seven (G7) price cap and ban on crude oil imports. Russia rerouted its oil, reportedly sold at a major discount to Brent oil prices, to non-sanctioning countries, primarily India and China. Futures markets suggest that crude oil prices will slide by 24.1%, to average \$73.1 a barrel in 2023 (from \$96.4 in 2022), and continue to fall in the coming years, to \$65.4 in 2026.

Agricultural prices continue on a downward trend. Drawdowns of stocks of staple foods in major exporting countries, due to major shocks in the past two years from the pandemic and the conflict in Ukraine, have stopped as supply and demand have reacted to higher prices. Food and beverage prices peaked in May 2022 and are up 1.3% from last August. They remain 22.3% above the past-five-year average and 39.1% above pre-pandemic levels. The supply outlook improved as Ukrainian wheat and other products entered the global market after the Black Sea corridor initiative was renewed last November.

High prices also provided incentives to other regions, such as the European Union and India, to step up wheat production. However, some of the correction has likely come from demand destruction of price-elastic components such as meat and biofuels.

The ongoing conflict in Ukraine has caused major supply disruptions and led to record high prices for several 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 forecasted 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 conflict 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 conflict, 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 labour 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 increase the cost of inputs to agriculture 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.

The role of manufacturing plays a vital role in regaining the economic development in countries. Effects of COVID and lockdowns has had direct, significant, and negative impacts on the manufacturing and service sectors. As pointed out in the UN Industrial Development Report (October 2022) global manufacturing was strongly impacted by the COVID-19 crisis in the first half of 2020, but quickly bounced back in 2021, attaining its highest growth since 2010 with a remarkable 7.2% increase. Higher-tech industries, especially, showed a rapid recovery, led by the manufacture of computers, electronics, and optical products. In fact, this has quickly become the world's largest manufacturing sector.

The report indicated that the manufacturing sector remains the backbone of economic development and that industrial capabilities play a fundamental role in building resilience. However, industrial recovery remains uneven across the world. Countries with stronger capabilities and more diversified industrial sectors have generally weathered both the economic and health impacts of the COVID-19 pandemic better than others.

**SRI LANKAN ECONOMY**

The Sri Lankan economy faced its most burdensome year in its post-independence history in 2022, comprising of severe economic hardship that led to both public anxiety and political instability. The impoverished conditions in the economy warranted immediate and coordinated policy initiatives by the Government and the Central Bank to avoid a further escalation of the situation. Although the corrective measures affected in the near term, they were necessary to safeguard the economy and economic agents from potentially devastating consequences of unrestrained economic instability, such as hyperinflation, collapse of economic activity to a much deeper level, and a complete disconnect of the country from the rest of the world, with far worse consequences to the people and businesses. The outcomes of these efforts have eventuated since late 2022. The country managed to transition to a workable equilibrium in the near term, focused on restoring socio-economic stability, while the envisaged assistance from the international financial institutions begin to materialise.

As per the CBSL report published in April 2023, the real GDP contracted by 7.8% in 2022, compared to the growth of 3.5% in 2021. Longstanding macroeconomic weaknesses, characterised by deeply entrenched twin deficits, due to persistent budget deficits and external current account deficits, worsened during 2022, reflecting the impact of policy delays in addressing these imbalances over the years, (particularly in recent years), delays and ineffective reforms in taxation and agricultural policies, among others. Severe fuel shortages resulting from the depletion of foreign exchange

## OPERATING ENVIRONMENT

reserves had a considerable adverse impact on various activities. This led to disruptions in supply chains, prolonged power outages, a shortage of raw materials due to limited imports, and a notable increase in production costs.

Against this backdrop, the Government and the Central Bank initiated several corrective and remedial policy measures, aimed at improving the economic catastrophe that would otherwise have occurred, leading to hyperinflation and depression in the economy. The substantial tightening of monetary policy, coupled with various measures aimed at managing balance of payments (BOP) pressures, and notable fiscal reforms encompassing taxation and utility prices, along with the implementation of a fuel rationing system, all contributed to mitigating excessive price pressures stemming from the demand side. These efforts also led to enhanced foreign exchange liquidity conditions, a reduction in external and fiscal sector strains, the provision of support to economic activity, and the guiding of the economy towards stability. However, it is important to note that these actions did come with significant adjustment costs

in the short term. Meanwhile, the Government sought assistance from the IMF for a funding arrangement and announced a debt standstill as an interim measure, pending negotiations on debt restructuring with bilateral and commercial creditors. These swift and remedial measures of the Government and Central Bank helped contain the fall of economic activity and instill confidence in the economy.

### TRADE PERFORMANCE

Despite heightened global and domestic challenges, merchandise exports recorded a notable increase and surpassed USD 13 billion during 2022; supported mainly by the favourable exchange rate, priority given for export industries when sourcing imported inputs and the rise of global commodity prices. Accordingly, earnings from merchandise exports reached USD 13,106 million in 2022, compared to USD 12,499 million in 2021, recording a growth of 4.9%.

In 2022, revenue generated from industrial exports, which constituted 80% of the overall merchandise exports, exhibited a growth rate of 7.9%, reaching USD 10,465 million. This marked an increase from the

USD 9,702 million recorded in 2021. Textiles and garments exports continued to be the dominant export earner, accounting for more than 45% of total exports. On the other hand, agricultural exports registered a decline in earnings resulting mainly from the unavailability of fertiliser, with an overall contraction of 5.9% in 2022, compared to 2021. Earnings from tea exports declined due to the larger drop in volumes, despite the increase in prices on average.

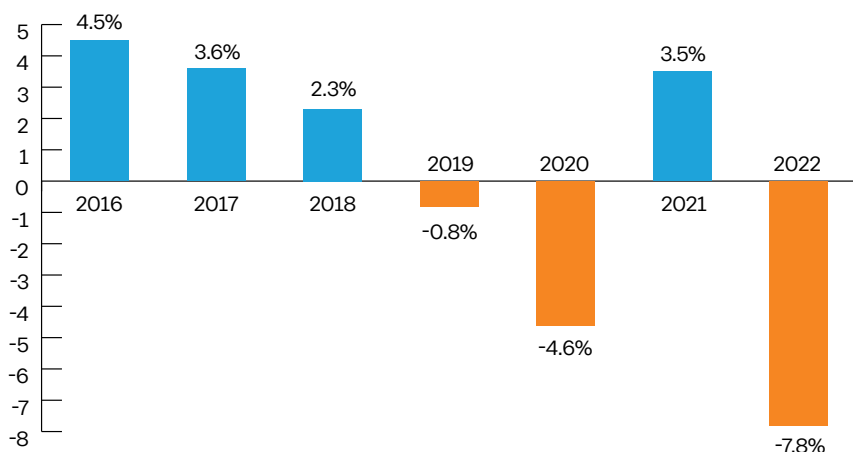
Mainly due to USD shortages and import restrictions laid by the Government of Sri Lanka and the Central Bank, expenditure on non-food consumer goods declined significantly by 44.8%, year-on-year, to USD 1,205 million, led by the considerable decline in the expenditure on medical and pharmaceuticals and telecommunication devices. Expenditure on medical and pharmaceuticals declined significantly, partly reflecting the statistical base effect of higher expenditure on COVID-19 vaccines in 2021.

### TEA – INDUSTRY ENVIRONMENT

The production of tea registered a notable decline of 16%, year-on-year, in 2022, largely due to the lagged effect of acute shortages of fertilisers and agrochemicals domestically. Accordingly, production of high, medium, and low grown tea, which contributed to around 22%, 16%, and 62% of the total production, respectively, declined by 13.8%, 21.2%, and 15.4%, respectively, in 2022.

The tea sector experienced a significant increase in production costs in 2022 due to the high prices of chemical fertilisers and other agricultural inputs coupled

### REAL ECONOMIC GROWTH RATE



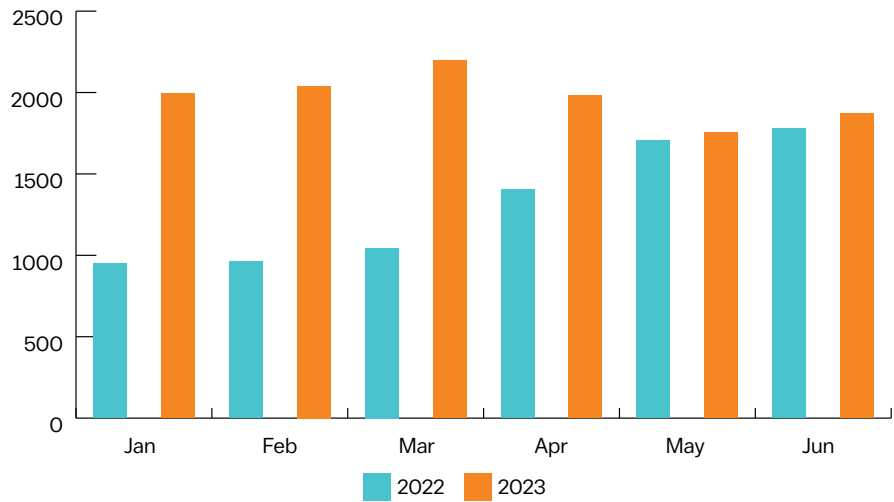
with domestic shortages of those inputs, as well as the upward adjustments in utility prices, including fuel, electricity, and water; thereby hampering the country's competitiveness in global tea markets. Consequently, the estimated cost of tea production per kilogram increased by 20%, reaching LKR 639.00 in 2022, compared to 2021.

In 2022, several counter measures were undertaken by the Government aimed at enhancing the productivity, value addition, and competitiveness of Sri Lanka's tea industry in the global market. The Sri Lanka Tea Board (SLTB) initiated a concessionary loan scheme at an interest rate of 8% enabling tea factories to purchase fertiliser for their green tea leaves suppliers. During the year, SLTB disbursed LKR 16.9 million among 38 tea factories under the Factory Modernisation Subsidy Scheme. Supporting modernisation activities of these factories, aimed at improving the quality of the production process. In addition, SLTB granted LKR 56.4 million through the Replantation Subsidy Programme to enhance the productivity of tea lands.

In 2022, tea prices achieved their highest historical point at the Colombo Tea Auction (CTA) and maintained elevated levels consistently throughout the year. The average price of tea increased sharply by 105.2% to LKR 1,270/Kg during the year under review, from LKR 619/ Kg recorded in 2021.

The average export price (FOB) of tea increased by 8.7% to USD 5.03 per kilogramme during 2022, compared to USD 4.63 per kilogramme recorded in the preceding year. The increase in average tea prices during the year was partly attributed to the decline in the quantity. FOB value of

TEA FOB PRICE (LKR/kg)



USD 6.10 (LKR 2,196/ Kg) in March 2023 records the highest ever FOB value for a calendar month in USD terms surpassing the previous best of USD 5.74 recorded in October 2022. This records a gain of USD 1.97 YoY when compared to USD 4.13 of March 2022.

All the manufacturing activities, except the manufacture of textiles, wearing apparel and leather-related products, which are largely resilient to domestic shocks, contracted during the year due to the adverse impact of extended power cuts, shortages in fuel and key raw materials, logistic issues, and subdued demand conditions. Accordingly, value-added on the overall manufacturing activities reduced by 12.6% in 2022, compared to the 7.4% growth recorded in 2021.

Sri Lanka tea exports from January to December 2022 amounted to 250.2 million kilogrammes, indicating a decrease of 35 million kilogrammes (12%) when compared to the same period in the preceding year, which saw total exports of 286 million kilogrammes from January to December 2021.

Revenue of USD 1,259 million reported from Tea Exports for the period January-December 2022 saw a decline of 5% to USD 1,324 Million.

January-December 2022 cumulative production totalled 251.50 million kilogrammes, recording a significant decline of 47 million kilogrammes compared to the same period 299.49 million kilogrammes of January-December 2021. This reports a 16% drop in tea production mainly due to demand conditions and availability of fertilisers in the island. On a cumulative basis, all elevations high, medium, and low have shown significant decline over the corresponding period of 2021.

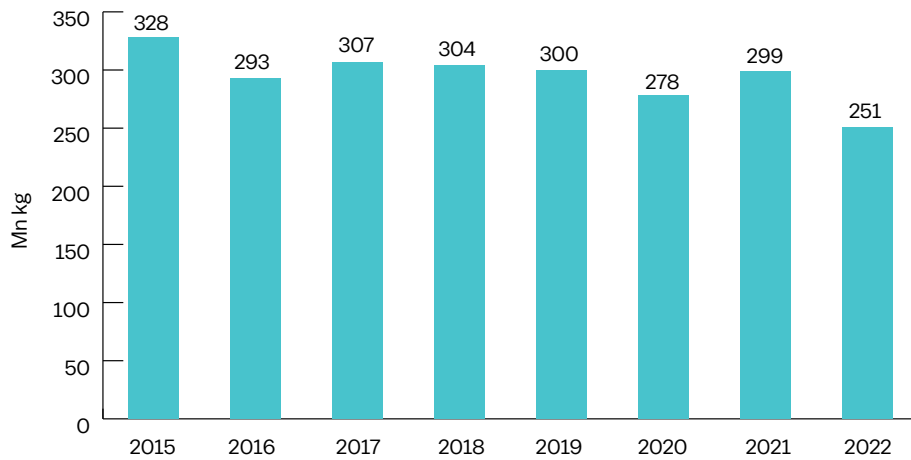
**TEA MARKET OUTLOOK FOR 2022 AND BEYOND**

The commencement of the year 2023 (1st Quarter) would perhaps be much awaited by all stakeholders, particularly from a production point of view with the reversing of the ban imposed on the usage of chemical fertiliser on tea plantations.

In comparison to 2021, the world's tea production shrank in 2022, with Sri Lanka having a year-over-year production decline of 47 million kilos.

## OPERATING ENVIRONMENT

NATIONAL TEA PRODUCTION OUTPUT YOY



Historically, a low production year usually follows with an improvement in crop/ production and therefore, assuming that the output in most producer countries would improve in 2023, the market is projecting stronger growth in global tea production during the forecasted period. However, an area of concern would be the rising input costs, meaning that in inflation adjusted terms, farmer profits would remain under pressure as in the past.

Governments in tea producer countries will no doubt have mechanisms in place to improve efficiency of production, using digital technology to lower production costs, tackling labour shortages, and improving supply chain management. Such would reap dividends in production growth in the medium to long term, as the roll out would be gradual.

The Sri Lanka Tea Board (SLTB) forecasted a revenue of approximately USD 1.2 billion for the year 2022. Looking ahead, it was anticipated that this figure would see an improvement, projected to reach around USD 1.3 to 1.4 billion in the year 2023. SLTB further indicated that while the fertiliser availability

issue has been resolved, fertiliser prices have increased exponentially due to the devaluation of the Sri Lankan Rupee and the increased price of fertiliser in the world market, leading to increased expenditure. However, the prices of tea are set to reduce in 2023 with the recovery of production volumes, given the aforementioned cost escalations and the fact that demand will continue to outweigh supply. Sri Lankan tea would be insulated to an extent from its effects due to the fact that its major markets were Russia and the Middle Eastern countries, such as Iraq. However, a major recession in Europe would have an impact on the target markets for Sri Lankan tea as well.

According to the tea industry performance statement for 2022 and prospects for 2023 prepared by Forbes & Walker, tea prices are unlikely to show a dramatic change from its current levels up until the end of the Q1 2023. Tea prices thereafter will largely depend on the supply scenarios that unfold during Q1 2023.

According to Forbes & Walker, the tea industry can be recognised as one of the country's most thriving

sectors in 2022, with a contribution of 11% of the country's merchandise export earnings for 2022 (as at October 2022).

### GLOBAL TEA INDUSTRY

According to a report published by Allied Market Research in 2023, "Tea Market", the global tea industry generated USD 49 billion in 2021 and is estimated to generate USD 93.2 billion by 2031, with the industry to grow to grow 6.7% from 2022 to 2031.

Following the COVID-19 pandemic, consumers are even more concerned about their health and wellness, which has increased the demand for tea worldwide, and boosted the tea market's growth significantly.

By application, the commercial segment held the highest market share in 2021, contributing to nearly one-fifth of the global tea market revenue and is projected to maintain its lead position during the forecasted period. This is due to significant growth of food chains and restaurants, which is expected to continue in the future, driven by an increase in quick service restaurants. However domestic consumption is expected to showcase the most with a CAGR of 7% during the forecast period. The increase in the overall consumption of caffeinated beverages at home is also fuelling this segment's market growth.

By distribution channel, the supermarkets/hypermarkets segment held the highest market share for tea in 2021, accounting for more than one-third of the global tea market. It's also projected to rule in terms of revenue during the forecast period. The growth of the supermarket/hypermarket segment in the tea market is attributed to the increase in adoption of supermarkets and hypermarkets in both well-established and emerging markets.



Dilmah  
**RESERVE**

LUXURY BLENDING FOR  
**PEPPERMINT  
& CINNAMON**

20

# STAKEHOLDER ENGAGEMENT

GRI 2 - 16,25,29

This issue of the Annual Report is a tribute to our Founder, Merrill J Fernando, who dedicated his life to tea. As we build on his legacy, we also celebrate the expansive network of stakeholders whose collective efforts have been instrumental in preserving and advancing this legacy.

Merrill J Fernando was the Original Disruptor courageously challenging convention to establish a brand that now extends its reach to 108 countries globally. We commemorate his indomitable spirit that propelled Dilmah to unparalleled heights. We remain steadfast in our commitment to nurturing and acknowledging all our stakeholders, from those who grow our tea to those who savour it, recognizing their pivotal role as a cornerstone of our strength and legacy.

Dilmah passionately advocates for and energetically seeks partnerships and collaborations that extend beyond its own sector to encompass various industries, institutional bodies, as well as governmental and non-governmental entities at both national and international levels. The Company places great importance on SDG17, which focuses on fostering partnerships to achieve objectives, and it leverages a multitude of inclusive partnerships to enhance various environmental, social, and governance aspects. As a genuinely sustainable brand, Dilmah places paramount emphasis on both people and the planet in all its undertakings, steadfastly honouring its commitment.

Utilizing stakeholder input serves as the means to comprehend their expectations and identify potential areas where the value provided may fall short. Involvement with stakeholders is a collective duty within the organization, facilitated

through various avenues to gather feedback, which in turn plays a crucial role in shaping Dilmah's strategic planning procedures. The following table offers an overview of the methods through which the Group interacts with its stakeholders, their concerns, and the corresponding actions taken in response.

The Annual Report for the year 2022/23 also serves as an expression of deep gratitude directed towards all the valued stakeholders who have been part of Dilmah's journey from its inception. With heartfelt appreciation, we raise a cuppa to each and every individual who not only embraced and stood by our Founder's visionary ideals but also actively propelled his mission, contributing to the transformation of Dilmah into the world's best tea.

## STAKEHOLDERS ENGAGEMENT CONCERNS

Stakeholders	Engagement	Concerns
<b>Employees</b> Our team comprises of 643 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) Sports and cultural activities (ongoing)	Remuneration Opportunities for skill and career progression Job security Equal opportunities
<b>Customers</b> Our customers comprise of distributors, agents, end-customers and the HORECA channel.	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
<b>Shareholders</b> Our shareholding base consists of 975 individual shareholders and 68 institutional shareholders.	Annual General Meeting Publication of quarterly accounts Press releases (ongoing) Annual Report	Shareholder returns Strategic aspirations Prudent risk management Corporate governance practices

Stakeholders	Engagement	Concerns
<p><b>Suppliers</b> We strengthen livelihoods of thousands of suppliers across our value chain.</p>	<p>Vendor Review (ongoing) Regular dialogue and interactions (ongoing) Visits to ensure compliance(ongoing)</p>	<p>Price and profitability Credit period and ease of transactions Capacity and demand planning Climate change and sustainability Production including responsible sourcing and packaging sustainability</p>
<p><b>Communities</b> We benefit over 243,359 individuals investing 15% of our pre-tax profit on community and environmental initiatives</p>	<p>MJFCF community projects (ongoing) Interactions with local authorities (ongoing) Through NGO interaction (ongoing)</p>	<p>Community Investments Employment Opportunities Environmental Impact Community Support</p>
<p><b>Government and policy makers</b> The government is the regulator of markets and the environment. The government also levies taxes on our products sold and profits.</p>	<p>Statutory audits (ongoing) Meetings with Treasury, TRCSL, BOI, Customs (ongoing) Dialogue through intermediaries (ongoing)</p>	<p>Regulatory &amp; Legal Compliance Timely payment of taxes Product Safety &amp; Quality Profitability and growth</p>

**COLLABORATING FOR SUCCESS**

While expansion and trade are conventional benchmarks of accomplishment, evaluating achievement at Dilmah goes beyond mere charts and figures on a spreadsheet. It encompasses the favorable influence exerted on individuals, communities, and the environment through the Company’s compassionate initiatives.

Throughout its sustainability journey, Dilmah has maintained ongoing collaborations with governmental, national, and global entities to access technical knowledge and guidance, and crucial alliances that contribute to Dilmah’s sustainability endeavors. Joining forces with organizations that share similar principles is deemed essential for tackling intricate sustainability challenges. Dilmah actively participates in consultative and cooperative ventures, promoting collaboration across value chains, funding partnerships at the project level, and establishing industry-wide business coalitions to achieve shared goals, as exemplified with the organizations outlined below.

**DILMAH CEYLON TEA COMPANY PLC**

**Partnerships that strengthen our key business**

- 5 International Organizations
- 2 National Institutes

**Partnerships that strengthen our Humanitarian activities**

- 34 International Organisations and/or Private Sector
- 14 Government & Local Authorities
- 23 Non-Governmental Organizations & others
- 12 Universities and Academic Institutions

**Partnerships that strengthen our activities to safeguard the biosphere**

- 9 International Organisations
- 20 Governmental Authorities
- 5 National Institutes
- 11 Universities



Dilmah's legacy, entwined with a long-standing commitment to serve humanity through kindness to people and planet, ensures the sustainability of both the Brand and the Company. 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.

## OUR COMMITMENT AND APPROACH

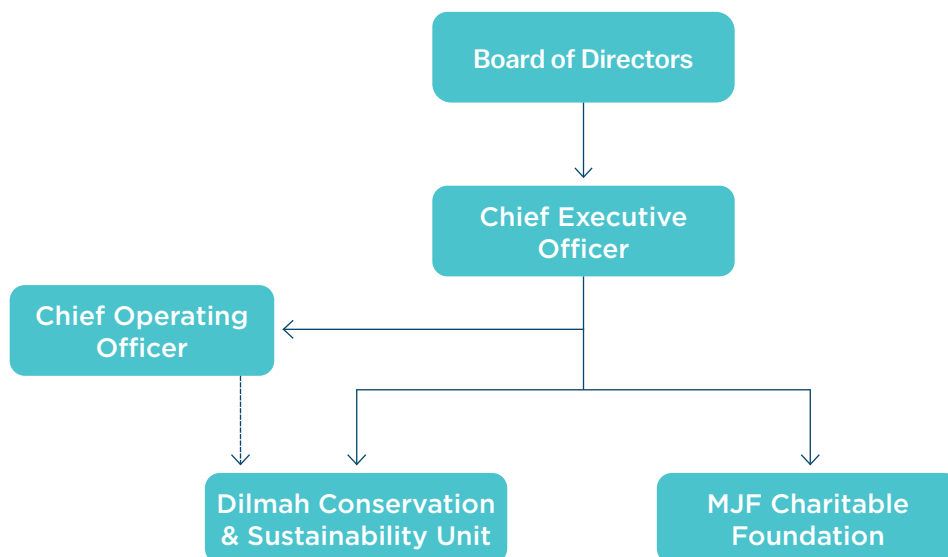
The legacy and sustainability of Dilmah has resulted in long-term positive impact on people, planet, and profit. Dilmah's ability to maintain its operations, profitability and positive impact on the environment and society, despite crippling economic conditions in its home country, is attributed to the sustainable practices adopted. These practices involve minimizing negative environmental effects, promoting social responsibility, and adopting ethical business practices.

In 2022/23 the Group focused on worker health and wellbeing, while promoting mindfulness and a sense of community, to help cope with the economic constraints and political instability. The Group invested in additional transport facilities to help employees commute to work during the fuel crisis, promoting sustainable lifestyles and climate adaptation, safeguarding natural and cultural ecosystems, research & development interventions and stakeholder engagement.

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

**DILMAH CORPORATE SUSTAINABILITY STRATEGY**

<p><b>CORPORATE GOVERNANCE</b></p> <ul style="list-style-type: none"> <li>• G1 Board Oversight</li> <li>• G2 Management Accountability</li> <li>• G3 Corporate Policies and Management Systems</li> <li>• G4 Materiality Assessment</li> <li>• G5 Public Policy</li> </ul>	<p><b>STAKEHOLDER ENGAGEMENT</b></p> <ul style="list-style-type: none"> <li>• S1 Consumer Engagement</li> <li>• S2 Strategic Collaboration</li> <li>• S3 Engagement of Merchants &amp; Ambassadors</li> <li>• S4 Platforms for Stakeholder Dialogue</li> <li>• S5 Sustainability Advocacy Beyond Business Boundaries</li> </ul>	<p><b>PRODUCT AND SERVICES</b></p> <ul style="list-style-type: none"> <li>• P1 Product Design and Packaging Innovations</li> <li>• P2 Business Model Innovation, R&amp;D and Capital</li> </ul>
<p><b>EMPLOYEE EMPOWERMENT</b></p> <ul style="list-style-type: none"> <li>• E1 Training and Development</li> <li>• E2 Diversity</li> <li>• E3 Sustainable Lifestyles</li> </ul>	<p><b>SUPPLY CHAIN SUSTAINABILITY</b></p> <ul style="list-style-type: none"> <li>• SC1 Policies and Codes</li> <li>• SC2 Procurement Practices</li> <li>• SC3 Supplier Engagement</li> <li>• SC4 Verification and Disclosure</li> </ul>	<p><b>RESPONSIBLE OPERATIONS</b></p> <ul style="list-style-type: none"> <li>• R1 Climate Adaptation</li> <li>• R2 Facilities and Buildings</li> <li>• R3 Sustainable Transportations &amp; Logistics</li> <li>• R4 Safeguarding Natural and Cultural Ecosystems</li> <li>• R5 Water Management</li> <li>• R6 Waste Reduction</li> <li>• R7 Human Rights</li> <li>• R8 Development Interventions for a better society</li> </ul>
<p><b>DISCLOSURE AND VERIFICATION</b></p> <p>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</p>		



## SUSTAINABILITY AT DILMAH

### GOOD GOVERNANCE, TRANSPARENCY, AND BUSINESS ETHICS

The family business that Dilmah is today is built on a legacy fueled by good governance, transparency, and business ethics. The dynamic value system set from its inception by the Founder himself, are spelt out in the policies, standards and operational manuals for sustainability of the business for future generations.

Dilmah has adopted a robust Antibribery 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. Constant training of the Board of Directors, Senior Management and Employees of the Group on the ABC policy, evolving best practices and compliance.

All Dilmah's stakeholders, from the management team, employees,

suppliers, and customers, are committed to achieving high standards of integrity, business ethics, transparency and honest behaviour as the underlying principles of business operations.

Performance monitoring measures and reporting systems ensure 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 behaviour and violations they have identified using the whistle blowing mechanisms.

Dilmah was placed third by Transparency International Sri Lanka for Transparency in Corporate Reporting (TRAC) for the year 2022, which assesses the top 100 Public Limited Companies on the Colombo Stock Exchange on their level of

transparency in the disclosure of information.

### SUSTAINABILITY AT THE HEART OF OUR OPERATIONS

Dilmah's legacy is attributed to the enduring impact, reputation, and influence that the brand has imprinted over time. Dilmah believes in the prolonged value generated through integrating sustainability to the heart of its operations.

The Founder's vision of building a truly sustainable tea industry that benefits people and planet, is ingrained into the Company's ethos and organizational culture. The MJF Charitable Foundation (MJFCF) and Dilmah Conservation are respectively 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 island wide.



#### Genesis – Dilmah Centre for a Sustainable Future

Empowering entrepreneurs to forge their own legacies—building upon ours.

Dilmah launched Genesis, the Dilmah Centre for a Sustainable Future, on the 30th of March 2023. Genesis, the facility at 52 Maligawatte Road, is the evolution of the premises at which Dilmah was first tasted, selected, packed and exported from.

The Centre is equipped with the necessary amenities to help agri or nature-based entrepreneurs, and agri-tech startups, build their business from the ground up.

Genesis is a collaborative platform for knowledge sharing, discussion, inspiration and communication. The Centre aims to grow awareness of the importance of nature, its value and ecosystem services, by harnessing the knowledge and commitment of academia, scientists, with the ability and network of businesses and policymakers, while directly nurturing sustainable, agricultural entrepreneurship for better social, economic and gender equality.

#### Objectives



1. Entrepreneur Development



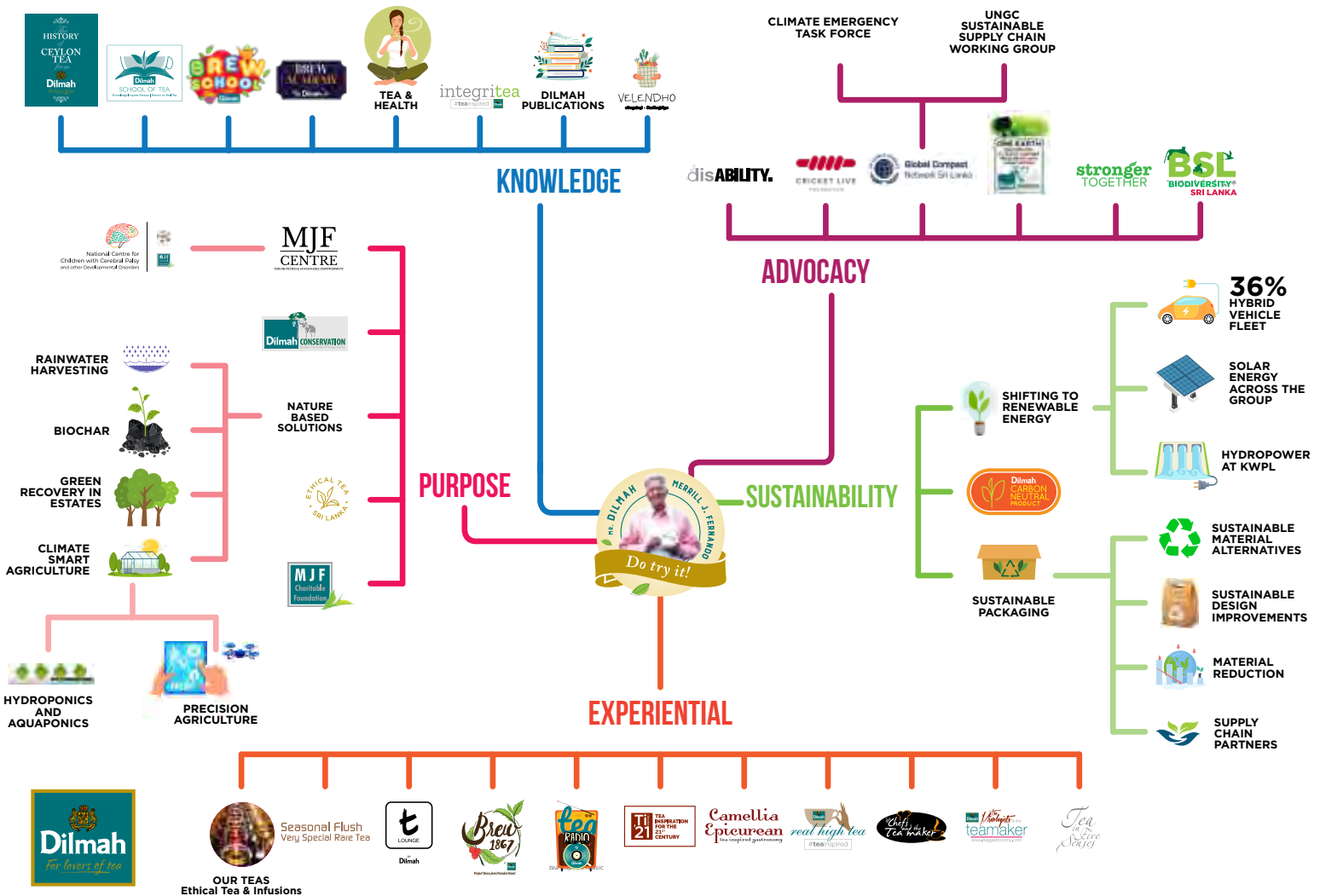
2. Knowledge & Research Hub



3. Knowledge Sharing & Dissemination

**BRAND ECOSYSTEM APPROACH**

Dilmah recognizes that the success of its brand ecosystem depends on the wellbeing of all stakeholders. The company's business strategy is designed to integrate with this ecosystem, fostering better engagement and ensuring that every business action contributes to a sustainable approach.



## SUSTAINABILITY AT DILMAH

### RIPPLE EFFECT IN BUSINESS SUSTAINABILITY

#### Corporate Advocacy

Dilmah, a family business committed to serving humanity and the planet with kindness, places great importance on sustainability advocacy. The company actively works towards the United Nations 2030 Agenda for Sustainable Development and understands the significance of strong partnerships and stakeholder engagement in shaping its Sustainability Strategy. Dilmah Conservation, the company's dedicated environmental arm, played a key role as a founding partner of Biodiversity Sri Lanka (BSL), a national platform led by the private sector. BSL aims to promote corporate sector involvement in biodiversity and environmental conservation in Sri Lanka.

Dilmah actively promotes corporate sustainability as a leading advocate within the United Nations Global Compact. Through Dilmah Conservation, they hold the position of climate leader for UNGC Network Sri Lanka, collaborating on initiatives to raise climate awareness. Dilmah is engaged in UNGC's Sustainable Supply Chain and Climate Action Working Groups, committed to achieving zero emissions in manufacturing by 2030 through the Science Based Target Initiative.

### BIODIVERSITY SRI LANKA



#### ESG Highlights and Contribution to SDGs

Dilmah is dedicated to aligning its sustainability strategy and initiatives with the United Nations Sustainable Development Goals (SDGs). The company focuses on poverty alleviation, promoting prosperity, and environmental protection in its business operations and sustainability endeavors. Dilmah's sustainability initiatives are underpinned by its ESG components, encompassing environmental stewardship, social responsibility, and good governance. Key highlights for the year under review include efforts to reduce carbon emissions and preserve biodiversity. The company is dedicated to improving employee well-being, supporting local communities, and practicing transparency and ethical conduct. These initiatives exemplify Dilmah's commitment to integrating ESG principles for long-term sustainability and positive impact.

## ENVIRONMENT



**100% CARBON NEUTRAL** Facility and Products

### 2% GHG EMISSION REDUCTION

From tea gardens to all the destination ports of our overseas markets



**798,854 kWh** of Solar Energy produced Equivalent to planting **9,347 trees**



**Over 2,000** beneficiaries on Environmental Education

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



**ZERO** Landfill



Supporting **blue economy** and **marine conservation** through **Seaweed** cultivation and Mangrove restoration



Endana Nature Corridor

creating a biological corridor across our tea estate in Endana which borders the Sinharaja Rainforest - a World Heritage Site and a Man & Biosphere Reserve

**SOCIAL**



**243,359** Beneficiaries on Community engagement.



**Rs. 40 Mn** Investment on enhancement of free, national healthcare facilities in Sri Lanka

Dilmah MJF Charitable Foundation and Indra Cancer Trust unite for **Suwa Arana Paediatric Palliative Cancer Centre**



**Equal Opportunity Employer** with 44% female representation



174,671 training hours

**GOVERNANCE**



Dilmah Ranked 3rd in the Transparency in Corporate Reporting (TRAC) assessment organized by Transparency International Sri Lanka (TISL) for the year 2022, which assesses the top 100 Public Limited Companies on the Colombo Stock Exchange.



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

**BCCS AWARDS 2022**



Dilmah was awarded 'Best Corporate Citizen Sustainability' in the category of Businesses with Less than Rs. 15 Billion Annual Turnover, for the 3rd consecutive year.

Evaluated by an independent & expert panel of judges, the awards are Sri Lanka's most prestigious, scrutinizing and recognizing ethical and sustainable businesses. Dilmah was additionally honoured as one of ten 'Best Corporate Citizens' of Sri Lanka and received 'Best Performance in the Environment Beyond Business' Category, for continuous commitment to the environment.

“If you have a good product and refuse to compromise on quality, at a commensurate price, the buyer-consumer will eventually accept the proposition as a fair bargain”

**Merrill J. Fernando** Founder of Dilmah



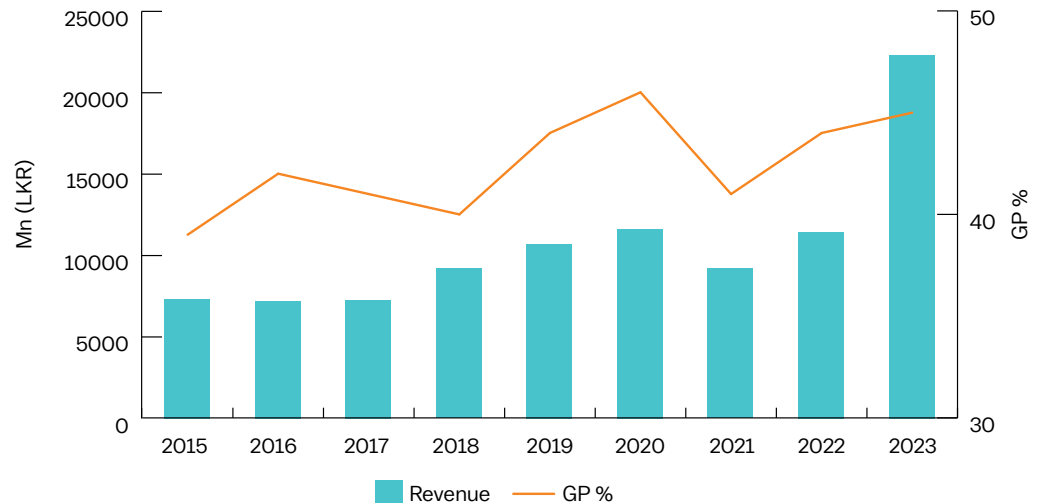
Dilmah Ceylon Tea Company PLC (DCTC) achieved a remarkable result this reporting year with an Export revenue of LKR 22.3 Billion, compared to the LKR 11.4 Bn sales reported in the previous year. This represented a staggering growth of 95% over the last year. Further DCTC achieved a strong profit after tax figure of LKR 5.03 Billion.

Tea export volume for the year in review stood at 5.24Mn kgs, an increase of 16%, compared to last year's export volume of 4.57 Mn kgs. Increase in export volumes emerge in the backdrop of a challenging business climate in the island. Growth in volumes were seen in both the retail and food service segment.

The profit before tax (PBT) for the fiscal year 2022/23 has been maintained at levels similar to the previous year, with a reported PBT figure of LKR 5.8 billion, in comparison to the previous year's financials. Meanwhile, there was a marginal decrease of 10% in earnings per share, bringing it to Rs. 242.77 per share. The company's unwavering and consistent performance has played a pivotal role in the successful execution of the company's long-term strategy.

The Company 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, DCTC continued to maintain its strong brand equity with high quality products. DCTC launched 35 new variants in 5 product ranges, particularly in the segments of Dilmah Iced Tea (RTD), 4g Long

**REVENUE & GP GROWTH**



Leaf tea bags, and Wild Island by Dilmah, to name a few. A total of 31 improvement projects are underway, linked up with four key areas: material reduction at source, production efficiency and process improvement, wastage reduction, and recyclable packaging.

The Company disclosed a gross profit amounting to LKR 10.08 billion, accompanied by an impressive gross profit percentage of 45%, in contrast to the previous fiscal year's gross profit of LKR 4.9 billion (with a GP margin of 44%). Profitability levels remain at the same level as the previous year. As a result the Company was able to maintain its steady profitability, despite the current situation within the country and global economic conditions.

**OPERATING EXPENSES**

Operating expenses reported a sharp increase of 81% for the year in review. Total operating expenses encompassing administrative, selling

and distribution (S&D) expenses, were reported at LKR 7.4 billion, compared to the previous year's figure of LKR 4.1 billion. The rise in S&D expenses can be attributed to the depreciation of the rupee and partly due to volume increase. However, it should be noted that the percentage of sales allocated to operating expenses remained consistent, standing at 33% for the current year and 36% for the preceding year.

Administration Expenses showed a 34% increase from LY figure of LKR 1.97 Bn to LKR 2.6 Bn. The primary contributors to this increase are staff-related costs, expenses associated with overseas representative offices and overheads, as well as a rise in donations due to the heightened profits. Current year donation figure stood at LKR 484 million which represents 18% of operating profits. In general DCTC allocates 15% of pre tax profits towards donation.

## FINANCIAL CAPITAL

Further, marketing & selling expenses increased by 124%, rising to LKR 4.78 Bn from the previous year's figure of LKR 2.13 Bn. The previous year witnessed a globally low-key environment due to the pandemic outbreak, resulting in the closure or downsizing of numerous businesses. In contrast, the current year exhibited improvement, marked by a natural elevation in business activities. Increased business promotions, heightened overseas travel, and participation in exhibitions contributed to the elevation in marketing and selling expenses. Marketing and brand building programmes took place with the distributors internationally in order to increase sales volumes. The Company benefits from an extensive distributor network and a direct customer base, which facilitates the effective implementation of marketing and advertising campaigns.

Group PBT figure stood at LKR 5.83 Bn. The figure has dropped from last year due to rise in operating cost and sharp decline in the FOREX gain amount due to stable LKR/USD rate. Year in review foreign exchange gain showed a reduction from LKR 4.59 Bn to LKR 2.26 Bn. This is partly due to policy implementation from CBSL and aligning recommendation from IMF to stable the country's bleeding economy.

### PBT, TAXATION AND PAT

DCTC's reported PBT figure for 2022/23 stood at LKR 5.83 Bn, compared to last year's figure of LKR 5.84 Bn. While the absolute value remained similar, the PBT margin percentage witnessed a decrease from the previous year's 51% to 26%. This is mainly due to an increase in S&D expenses and a reduction in foreign exchange gains. Foreign exchange gain reduced, from LKR 4.5

Bn to LKR 2.2 Bn, due to more stable exchange rates, in particularly USD/LKR. DCTC's corporate tax amount increased from LKR 273 Mn to LKR 796 Mn, primarily as a result of the tax rate increasing from 14% to 30%. This change was aligned with the Government of Sri Lanka's (GOSL) adherence to IMF recommendations, which led to higher personal income taxes and corporate taxes across various entities.

### INVESTMENT IN PPE

DCTC regularly upgrades equipment to keep abreast of modern manufacturing technology. This strategy aids in improving product quality, flexibility, operational efficiency, and operational environment. During the year in review, the company made investments in various areas, such as tea bagging machinery, factory robotics and automation, and finished goods (FG) end-line automation. The ongoing machinery and factory automation projects are reflected in the capital work in progress, including supplier advances paid for the importation of cutting-edge machinery that aligns with the company's commitment to technological advancement.

### CURRENT ASSETS

Inventories included tea, packing materials, finished goods, and machinery spare parts. These assets showed an increase of 45% reaching LKR 2.78 billion in comparison to the previous year's LKR 1.9 billion. This increase in value is primarily attributed to fluctuations in the USD/LKR exchange rate. DCTC maintained a healthy level of stocks across all categories to be well prepared for any potential surge in short to mid-term demand. finished goods inventory remains at minimal levels due to the company's focus on maintaining product freshness. All

finished goods are crafted to order, ensuring optimal quality.

### TRADE RECEIVABLES

Trade debtors increased from the previous year's figure of LKR 5.87 billion to LKR 6.8 billion, reflecting a 16% increase. This is in line with the increase in revenue and revaluation of the debtors due to exchange rate fluctuations. DCTC maintains a stringent credit policy and periodically reviews the risk profiles of customers to align with the changing business landscape.

### CURRENT LIABILITIES

Overall current liabilities recorded a notable increase of 53% in comparison to the previous year, amounting to LKR 3.9 Bn. This increase is mainly due to rise in advertising and promotion expenses, supplier payments for the ongoing projects and increase in taxes payable. The latter is a result of changes in the tax rate, which escalated from 14% to 30%.

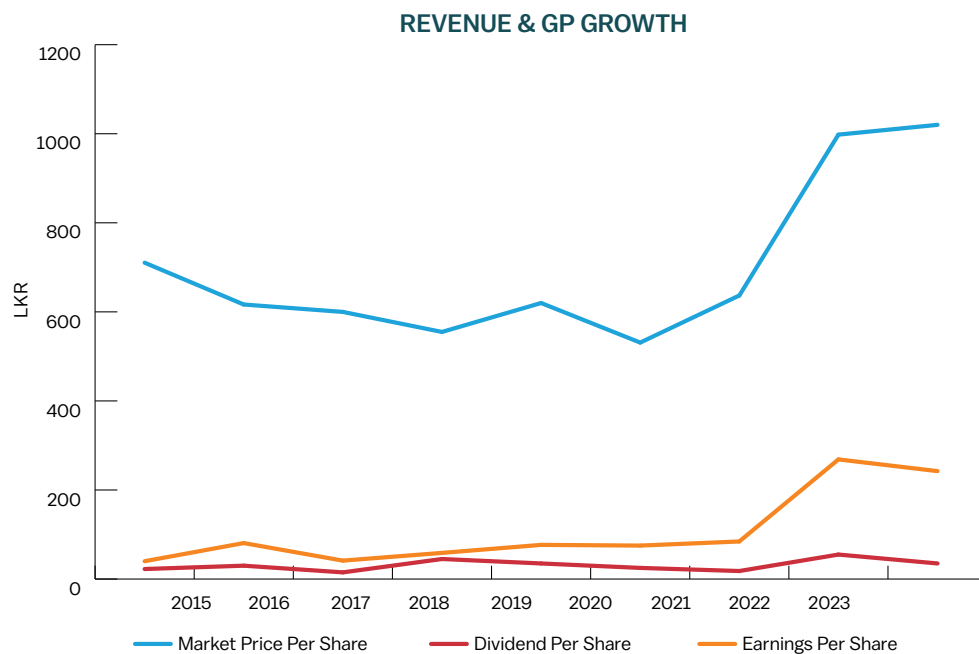
### CAPITAL STRUCTURE

DCTCs consistent, strong, and exceptional performance, in the current year further strengthened the capital structure. Key internal ratios, as well as market indicators, shown below are evidence to DCTCs strong capital structure. The return on equity (ROE) was reported at 25%, showcasing the company's effective utilization of equity. Moreover, DCTC's earnings per share (EPS) stood at 242.77, thereby maintaining a healthy return to its' equity holders.

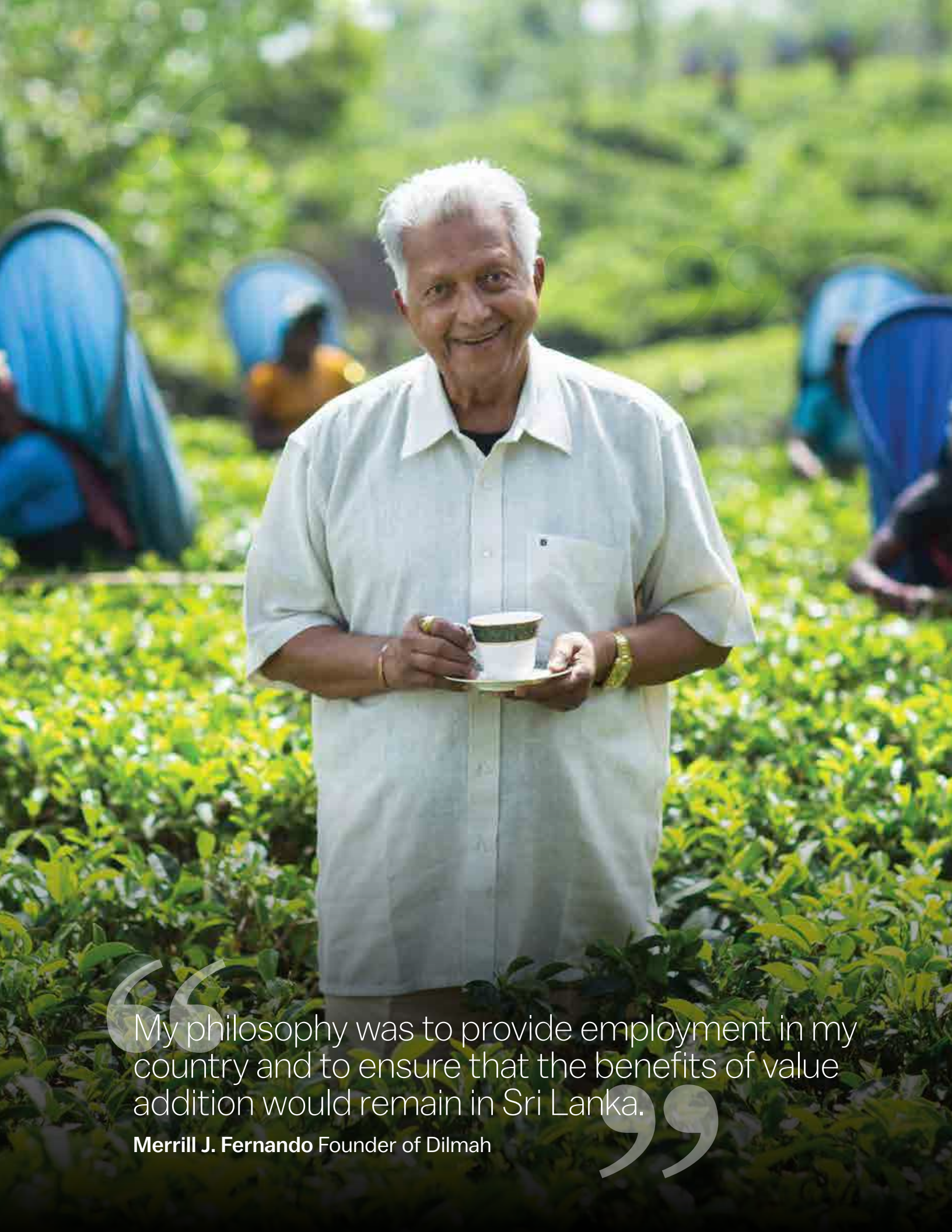
The chart below illustrates the Company's consistency in performance. The Company's share price increased to Rs.1,020/-, indicating the market sentiments towards the Company by investors. The company's ability to uphold a consistent dividend payment figure

has been pivotal in maintaining shareholder confidence, while concurrently reserving ample funds for prospective growth initiatives. The Company invested heavily in a state-of-the-art manufacturing facility enriched with cutting-edge technologies, including artificial intelligence and robotic process automation. This facility is now operational and is expected to yield significant benefits in the forthcoming years.

Current year dividend pay-out was at Rs.50 per share, considering the current year's profits and the upcoming investments.



<b>Return to Shareholders</b>		<b>2022/23</b>	<b>2021/22</b>
No of Shares in Issue	Number	20,737,500	20,737,500
Earnings per Share	Rs.	242.77	268.62
Dividends per Share	Rs.	50.00	55.00
Net Asset Value per Share	Rs.	1,093.89	902.68
Closing Price	Rs.	1,020.00	998.00
Market Capitalization	Rs. Mn	21,152	20,696
P/E Ratio	No. of times	4.20	3.72
Dividend Payout	%	20.63	12.35
Dividend Cover	No. of times	4.85	8.10
Dividend Yield	%	4.90	5.51



“My philosophy was to provide employment in my country and to ensure that the benefits of value addition would remain in Sri Lanka.”

**Merrill J. Fernando** Founder of Dilmah



The legacy of the Dilmah brand extends beyond its products and operations. The company wholeheartedly embraces the talents and dedication of its workforce, recognizing the invaluable contributions made by the individuals working tirelessly behind the scenes to craft the world’s finest tea. By fostering an environment that attracts and retains the best talent in the country, Dilmah ensures a continuous stream of innovative ideas and unwavering commitment to excellence.

Amidst the challenges posed by economically uncertain times within the home country, the Dilmah family remains steadfast in preserving the brand’s equity and position. With a dynamic team of 643 employees, the company’s strategic aspirations are propelled forward, and they create

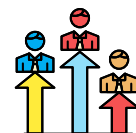
a seamless and enriching customer experience. This exceptional dedication and collaboration among the workforce contribute significantly to the overall growth and success of the business, cementing the legacy of Dilmah as not just a brand, but a symbol of unwavering passion and resilience.

**Our Impact and Key Focus**

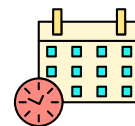
Dilmah is more than just a business; it is a family that values its human capital above all else. As a family-owned enterprise, the company invests heavily in maintaining higher standards to safeguard its workforce. Dilmah emphasizes the importance of building a team with the right attitude and values, as its human resources play a crucial role in driving the family business forward. Capacity building takes center stage as the Company recognizes that the success and evolution of the business are intrinsically linked to the growth and development of its valued employees.



High Level of Employee Engagement



Loyal workforce  
57% of the total workforce with more than 5 years of service



9.5% Absenteeism Cover



Sustainability Ambassadors

## HUMAN CAPITAL

### HIGHLIGHTS OF 2022/23

#### Training & Development Module in the HRIS System

A Newly Developed Skill Evaluation

#### MJF Welfare Shop

Dilmah's extended commitment to the well-being of its employees

**643**  
Employees

**44%**  
Female  
Representation

**85%**  
Retention Rate

#### Our contribution



### VALUE DELIVERED

#### Total Payments to Employees

Rs. **1,638** Mn

#### Training Investment

Rs. **29** Mn

#### Total Training Hours During the Year

**174,672**

### Management Approach

GRI 2-7, 3-3

Dedication, Integrity, Loyalty, Motivation, Authenticity, and Humaneness form the foundation of Dilmah's brand, upheld by its 643-strong workforce. As a family business, the company places great importance on the well-being of its employees and strives to fulfill their personal and professional aspirations through a comprehensive employee value proposition. Despite the challenges posed by the post-pandemic period and adverse economic conditions, Dilmah has embraced digitalization to optimize HR processes, foster sustainable lifestyles, and ensure employee welfare.

### Human Resource Governance & Policies

Dilmah's Human Resource Governance Framework prioritizes the well-being of employees, with resilient HR, Grievance, and Ethics policies ensuring their fair treatment. The framework aims to attract, nurture, develop, and retain the company's human capital. The workforce's talents and capabilities are continuously enhanced through various programs.

Governance policies align employee interests with stakeholder and organizational goals, regularly reviewed by the Board, Remuneration Committee, and Department Heads. Dilmah maintains a comprehensive HR policy framework that is

compliant with local and international regulations and industry best practices. The company maintains a zero-tolerance approach to bribery and corruption, outlined in its Anti-Bribery and Corruption Policy and Code of Business Ethics, with training provided during employee induction.

HR Governance Structure	Regulatory Frameworks	Our Policies
Board	<ul style="list-style-type: none"> <li>The Factories Ordinance, No. 45 of 1942</li> <li>Employees' Provident Fund Act</li> <li>Employees' Trust Fund Act</li> </ul>	<ul style="list-style-type: none"> <li>Human Rights Policy</li> <li>Business Ethics Policy</li> <li>Anti-bribery and Corruption Policy</li> </ul>
Decentralised Management Committee (DMC)	<ul style="list-style-type: none"> <li>Employment of Women, Young Persons and Children Act</li> <li>Convention against Torture and other Cruel, Inhumane or Degrading Treatment or Punishment Act</li> <li>Convention on the Suppression of Terrorist Financing Act</li> </ul>	<ul style="list-style-type: none"> <li>Grievance Policy</li> <li>Human Resource Policy</li> <li>Health &amp; Safety Policy</li> </ul>
HR Department	<ul style="list-style-type: none"> <li>International Covenant on Civil and Political Rights (ICCPR) Act</li> <li>Protection of the Rights of Persons with Disabilities Act</li> </ul>	<p><b>Company Standing orders and Code of Conduct</b></p> <ul style="list-style-type: none"> <li>Conditions of Employment</li> <li>Classification of Employee</li> <li>Employee Security</li> <li>Disciplinary Inquiry Procedure</li> </ul>
Head of Department (HOD)	<ul style="list-style-type: none"> <li>Maternity Benefits Ordinance</li> <li>Shop and Office Employees (Regulation of Employment and Remuneration) Act</li> <li>Workmen's Compensation Ordinance</li> </ul>	



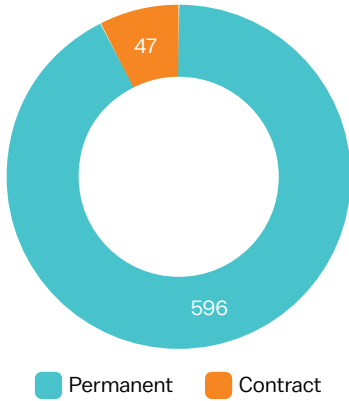
**OUR TEAM**

GRI 401-1. 405-1

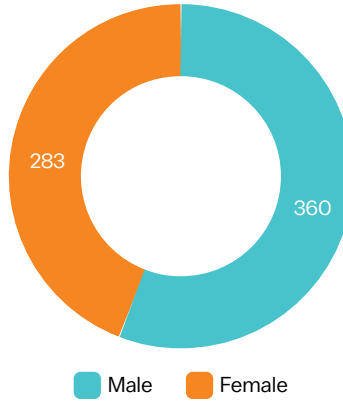
Our team profile embodies the strength of youth and experience. With 57% of our workforce falling between the ages of 19 to 40, we benefit from a dynamic and energetic team. Meanwhile, our more seasoned employees, representing 43% of our workforce, contribute their wisdom and enrich our brand with their deep-rooted values, culture, and traditions. Dilmah embraces diversity and is committed to being an equal opportunity employer. We prioritize attracting, rewarding, and promoting employees based on their skills and abilities, without any form of discrimination based on gender, ethnicity, age, or other forms of diversity.

## HUMAN CAPITAL

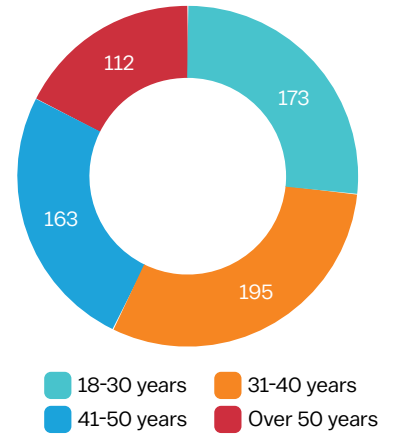
TOTAL EMPLOYEES BY TYPE OF EMPLOYMENT



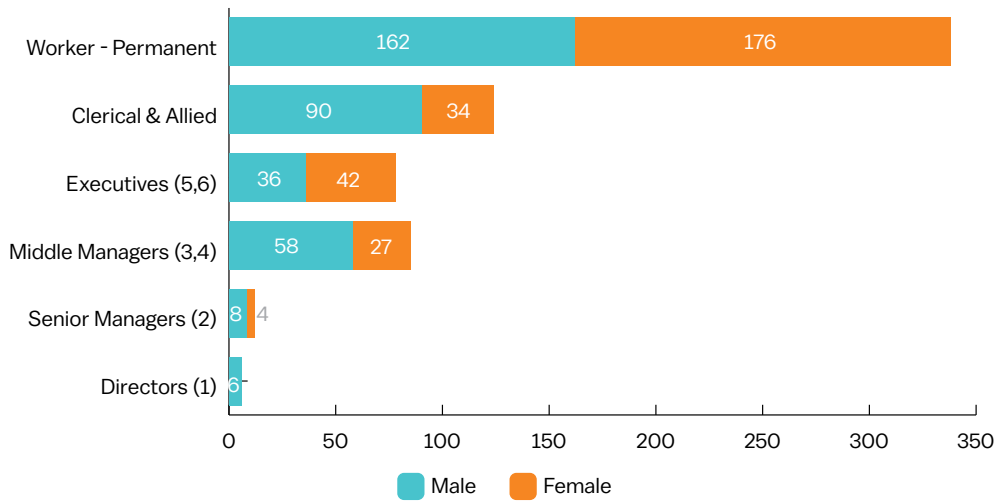
TOTAL EMPLOYEES BY GENDER



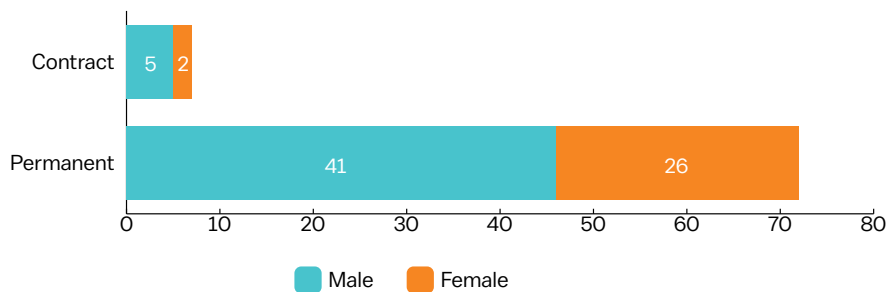
TOTAL EMPLOYEES BY AGE



TEAM PROFILE BY EMPLOYEE CATEGORY



NEW EMPLOYEE HIRES



**SAFETY AND WELL-BEING**

**GRI 3-3, 403-3, 403-4, 403-5, 403-6, 403-9**

Dilmah recognizes that a secure and healthy work environment is essential for fostering employee engagement, productivity, and delivering excellent customer value. As an innovative and accountable employer, Dilmah places utmost importance on the well-being, safety, and health of its workforce. Through consistent safety audits, awareness initiatives, and necessary

precautions, the company strives to establish a zero-risk workplace. Dilmah empowers its employees to adopt a safety-oriented mindset and take ownership of health and safety for themselves and their colleagues.

**Safety Standards**

As a manufacturing company, Dilmah prioritizes employee safety by actively managing and eliminating health and safety risks. The company’s commitment to the Sustainable Development Goals (SDGs) ensures good health (SDG 3)

and decent work (SDG 8). Adhering to Sedex Members Ethical Trade Audit (SMETA) requirements, Dilmah continuously improves health and safety practices. The Peliyagoda packing and bagging factory includes a comprehensive medical facility, with weekly check-ups conducted by specialists. The Health and Safety committee, with worker representation of 25%, conducts monthly reviews.

**Accident Prevention and Reporting**

Dilmah emphasizes accident reporting, prevention, and a culture of safety. Through prompt reporting, investigations, and preventive measures, the company ensures a secure workplace, actively addressing safety concerns and fostering employee accountability. In 2022/23, Dilmah reported zero work-related fatalities. Notably, there were no reported injuries or critical hazards with high consequences during the reviewed year, exemplifying the strength of Dilmah’s Health and Safety policy.

**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.

Complies with all regulatory and statutory provisions, governing health and safety of the individual and the work environment.

Work-related Injuries	Unit	Total	Male	Female
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	3	1
Lost days due to occupational injuries	Days	14	9	5
<b>By Type of Incident</b>				
Falling	No.	19		
Bodily reaction-injury by bending, reaching, standing or climbing	No.	8		
Injury by being struck by/against an object	No.	24		
Car accident	No.	0		
Natural disasters	No.	0		
Exposure to toxic/dangerous material	No.	0		
Other	No.	5		

- 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.

## HUMAN CAPITAL

### Employee Well-being and Sustainable Lifestyles

In addition to prioritizing safety, Dilmah provides its employees with opportunities to enhance their overall health, well-being and sustainable lifestyles. This encompasses company-sponsored contributions for sports and fitness activities, on-site yoga sessions, workshops and staff campaigns aimed at achieving a healthy work-life balance.



Box Fit Sessions



Cycling to Work



Factory Get-together - 2022



Staff Christmas Party -2022



Annual Kid's Party - 2022



Annual Pirith Ceremony - 2022



Long Service Awards - 2022



Eye Clinic by Vision Care - 2022



Healthcare Campaign – 2023



World Down Syndrome Day - 2023



**MJF Welfare Shop**

Being an organization rooted in kindness, the welfare of our team members is always our top priority. To support them amidst the increasing cost of living, the “MJF Welfare Shop” was inaugurated on March 28, 2023, by the Dilmah Tea Chairman/ CEO, Deputy Chairman, Senior Management, and Joint Consultative Committee members. This initiative offers the Dilmah team a chance to obtain essential daily items at discounted prices during these economically challenging times.

**FIND YOUR INSPIRATION AT DILMAH**

for a Sustainable Lifestyle



**“Dilmah Sustainable Christmas Tree” Staff Campaign – 2022**

Dilmah Tea factory employees creatively crafted Christmas trees using factory waste such as packaging inners, foil, empty rolls, waste wood, and more.

**“Nature Paparazzi” Photo Contest for Staff and Public – 2022**



## HUMAN CAPITAL

### FAIR AND ATTRACTIVE EMPLOYER

Dilmah recognizes that engaged and motivated employees embody its core values and play a pivotal role in its enduring success. The company is committed to fostering an inspiring work culture that revolves around its values of Dedication, Integrity, Loyalty, Motivation, Authenticity, and Humaneness. By providing continuous training and development opportunities, Dilmah encourages collaboration, personal growth, and a sense of pride in the work of all its employees. This dedication to values and culture fuels a thriving workforce that drives the company forward.

#### Digitalized HR processes

Dilmah has successfully transformed its HR processes by implementing a comprehensive digitization strategy. This initiative aligns with global standards and has led to improved efficiency, accuracy, and increased employee engagement throughout the organization. Key areas include automated time and attendance processes, cloud-based personal file archiving, automated recruitment processes with real-time feedback and streamlined training and development processes.

Moreover, the Employee Performance Management System (EPMS) incentivizes staff performance aligned with providing real-time feedback while empowering employees to uphold Dilmah's pillars of Culture Excellence, Sustainable Practices, Carbon Neutrality, Taste, Goodness, and Purpose.

### Remuneration and benefits

GRI 401-2, 401-3

Dilmah's Remuneration Committee conducts comprehensive industry salary benchmarks prior to the performance review process, ensuring the retention and attraction of top talent. These benchmarks, along with living cost analysis and performance appraisals, guide remuneration decisions. Salary increments, and promotions are submitted to the CEO and Board for approval, reflecting Dilmah's commitment to recognizing and promoting deserving employees, even amidst challenging national economic conditions.

#### 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 and Parental Leave
- Hospitalisation Insurance
- OPD Reimbursement

### Training and Development

GRI 404-2, 404-3

Aligned with the organization's strategic aspirations, we prioritize the training and development of our workforce. Throughout the year, Dilmah conducted training sessions catering to individual, internal, and external group programs, totaling 174,672 training hours. Our focus extends to technical and soft skill development, benefiting all employees. To address competency gaps, individual development plans are formulated based on evaluations by department heads. Training programs, both internal and external, are offered across all employee categories, complemented by on-the-job training through mentoring and job rotation. These trainings are categorized into 8 clusters.

## 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

174,672

Total Training Hours

### Training on General Health & Safety and Accident Prevention



A comprehensive training session on General Health & Safety and Accident Prevention was held for 165 employees across departments such as Production, Engineering, Transport, Security, and Housekeeping. The session aimed to educate and empower participants with vital knowledge and skills to prioritize their safety and prevent workplace accidents.

### Dilmah Internship Programme

Dilmah's Internship Programme (DIP) provides students with practical experience in the tea industry and corporate exposure, aligning with their studies. Interns contribute fresh perspectives and innovative ideas, closely monitored by the CEO, enhancing their employability and preparing them for future leadership roles.

### Technical Competency Development Program

23 engineering operators developed their technical competencies

### Machine Skill Enhancement Training

883 individuals enhanced their skills on production requirement and process awareness

### Fire Crew Training



90 employees including experienced fire crew members and newly recruited individuals were trained and equipped with firefighting skills and knowledge

### Special Training on Security Staff



60 security officers gathered and refreshed their knowledge on latest security protocols, motivation, and leadership qualities.

### Supervisory Skills Development Program



Two specialized training sessions on "Supervisory Skills Development" aimed at enhancing leadership styles, communication skills, decision-making abilities, and overall professional development for 80 participants from diverse departments.

### First Aid Training



Focused training on Emergency First Aid was conducted exclusively for the First Aid team, consisting of 30 members from diverse departments including Material Stores, Production, Engineering, Security, Tea, Food Technology, Housekeeping, HR, and Quality Assurance. The session covered vital topics including an overview of First Aid, managing unforeseen medical emergencies, the recovery position, and essential skills.

## HUMAN CAPITAL

	Training Hours
General Training	11,114
Machine skill enhancement related training	3,228
Process related training	782
Introduction training for new recruits	608
On the Job Training	158,940

	Number of Trainings conducted	Number of Employees Trained
Internal Group Training	25	1,102
External Group Training	27	1,728
Individual Training	30	30

100% of the employees were reviewed on their performance and career development during the year under review.

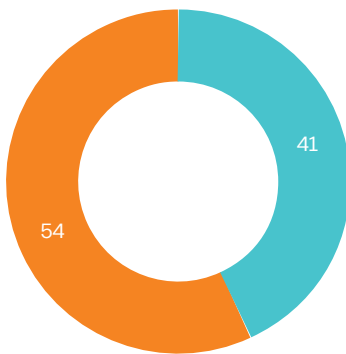
### TRAINING & DEVELOPMENT MODULE IN THE HRIS SYSTEM - NEWLY DEVELOPED SKILL EVALUATION

A dedicated module within the HRIS system was developed exclusively for training and development initiatives. This module specifically targets technical staff and aims to assess their competency skill gaps. Its primary goal is to identify the disparities between their existing skills and the skills required. Subsequently, this module facilitates the implementation of training programs designed to bridge these gaps effectively and enhance their skill set.

### Employee Retention

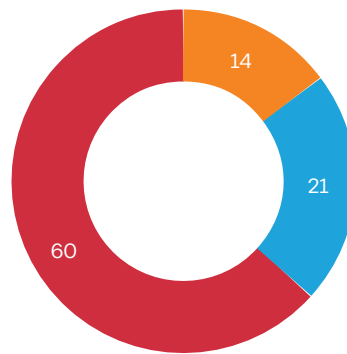
Dilmah values the commitment and loyalty of its employees, which is fostered by its exceptional employee value proposition, including competitive remuneration and a dynamic work environment. This has resulted in an impressive retention rate of 85.2% and a turnover rate of 14.8% during the reviewed period. Executive staff turnover stood at 5.4%, clerical and allied staff and worker turnover at 9.3%.

TURNOVER BY GENDER



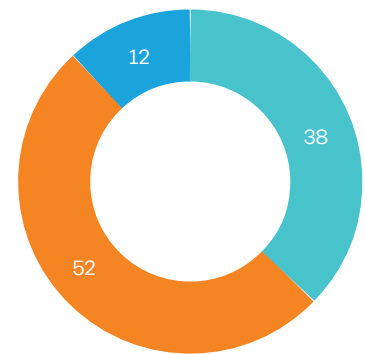
Male Female

TURNOVER BY EMPLOYMENT CATEGORY



Senior Management Middle Management Executives Non-executives

TURNOVER BY AGE



Below 30 Years 30-50 Years Over 50 Years



### Long Service Awards

Dilmah demonstrates its employee loyalty with a significant portion, 57%, of employees having served for over 5 years.

In the reviewed period, the company acknowledged the long-term commitment of its workforce, honoring 35 employees for surpassing 10 years of service, 07 employees for reaching 20 years, and 25 employees for an impressive 25 years.

These recognitions highlight the dedication and enduring partnerships formed between Dilmah and its employees, further solidifying the organization's reputation as a steadfast and supportive employer.

## DIVERSITY AND INCLUSION

### Policy on diversity, engagement and inclusion

Dilmah embraces a robust HR policy promoting diversity, engagement, and inclusion. By fostering an inclusive work environment, valuing diverse perspectives, and ensuring equal opportunities for all, the company cultivates a culture of respect, collaboration, and innovation, empowering employees to thrive and contribute to the organization's success.

### Empowering women

Dilmah believes in providing equal opportunities for women at all levels of the organization, ensuring their voices are heard, and supporting their professional growth and development. Through various initiatives, such as mentorship programs, leadership training, employee feedback and engagement activities, Dilmah strives to create an inclusive and supportive environment that empowers women to thrive and contribute to the company's success. The Company takes pride in having a workforce that promotes gender diversity, with women making up 44% of the employees.

### Workshop on Personality Development & Women empowerment

A session on Personality Development and Women Empowerment was organized for a group of 52 hostellers. The session focused on key elements such as positive thinking, women empowerment, and personality building. Its objective was to foster personal growth and empowerment among the participants by providing valuable insights and tools for self-improvement. Mrs. Ranjanie Wellapilli skillfully guided the session, ensuring the attendees gained valuable knowledge and skills to enhance their overall development.

### Awareness program on Personal hygiene and Reproductive health for Hostellers

In collaboration with "Aya Fems," Dilmah organized an Awareness Session on Personal Hygiene and Reproductive Health for 74 hostellers. The interactive session provided valuable insights and knowledge, equipping the attendees with important information to enhance their personal hygiene and reproductive health. The session proved to be enlightening, benefiting the participants in their future endeavors.

### Women's Development Programme (WDP)

Led by the Merrill J. Fernando Charitable Foundation, the Women's Development Programme is an initiative that challenges stereotypes, aimed at empowering marginalized women by providing skills training, promoting entrepreneurship, and addressing social issues. Through programmes such as sewing, cooking, and sustainable gardening, women acquire valuable skills for their own livelihoods while improving their overall well-being. The program also facilitates group discussions on topics like personal hygiene, gender-based violence, and home management, offering a supportive forum for women to share their experiences and receive guidance.



“ Irrespective of the intensity of the contest and the rewards at stake, Dilmah has not, and will not, compromise on its founding principle of quality and purity.

**Merrill J. Fernando** Founder of Dilmah



The Group's physical infrastructure, comprised of production facilities, manufacturing equipment and other machinery, play a crucial role in the value addition processes practiced at Dilmah. These spaces, equipment, and their up-keep, facilitate the manufacturing of high-quality products in an uninterrupted, efficient, and sustainable manner.

In the last financial year, Dilmah Tea opened a new factory, equipped with artificial intelligence robotic process automation, and trailblazing machinery, demonstrating the Brand's commitment to quality and innovation.

**OUR IMPACT AND KEY FOCUS**

Dilmah is a prominent player in the Value-added sector, where innovation thrives through cutting-edge technology and automation. With a focus on value addition, the brand's state-of-the-art technology complements its core operations. The manufactured capital guarantees the quality that Dilmah promises and consistently delivers to its valued consumers.



**Technological Enhancements** with advanced manufacturing technology



**100%** product customisation based on country/customer requirements

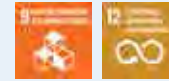
## MANUFACTURED CAPITAL

### HIGHLIGHTS OF 2022/23

**431**  
engineering  
improvements

**An Engineering Innovations Lab**  
New Computer Numerical Control Unit aimed at mitigating logistical complexities, lowering costs, and maximizing efficiency in manufacturing processes

#### Our contribution



### VALUE DELIVERED

**Rs. 4,690 Mn**  
Spent on Property, Plant & Equipment

**Rs. 5,451 Mn**  
Investment in Capex

**79%**  
Overall Equipment  
Efficiency (OEE)

**96.9%**  
Overall Highest Performing  
Equipment Efficiency

**100%**  
Delivery in  
Full on Time (DIFOT)

### MANAGEMENT APPROACH

GRI 3-3

Dilmah's systematic approach focuses on strengthening our manufacturing capital base. We meticulously plan and prioritize major upgrades and improvements to our facilities, considering the company's future business plans and operational requirements. All investments in property, plant, and equipment (PPE) are undertaken in accordance with the Board-approved annual capital expenditure (CAPEX) plan and budget. By aligning our PPE investments with our strategic goals, we ensure a well-coordinated approach to enhancing our manufacturing infrastructure. This enables us to optimize our resources and capabilities, supporting the growth and sustainability of our

operations in a systematic and efficient manner.

The Company is dedicated to keeping pace with the ever-changing landscape of technology adoption. A significant milestone in this regard is the establishment of a state-of-the-art factory that incorporates cutting-edge machinery and AI-driven processes. This new facility showcases Dilmah's commitment to embracing innovative technologies and leveraging them to drive efficiency and excellence in our manufacturing operations. By embracing these trailblazing advancements, Dilmah stays at the forefront of the industry, ensuring that we deliver the highest quality products while continuously pushing the boundaries of technological advancements in the manufacturing sector.

### KEY INDICATORS

Dilmah conducts routine preventive maintenance to enhance machine utilization, ensuring optimal performance on the production floor. During the year under review, the company prioritized engineering improvements with a special focus to enhance process efficiency, resulting in better and more efficient functioning of human capital through which the absenteeism cover remained low at 9.5%. The following indicators provide insights into Dilmah's manufacturing capabilities. In the year 2022/23, a significant reduction of 13% in production wastage was observed compared to the previous year, showcasing improved waste management and resource utilization.

## MANUFACTURED CAPITAL

Indicator	2022/23	2021/22	Y-O-Y Change %
Overall highest performing equipment efficiency ratio	96.9%	97.9%	-1.0%
Production wastage at the factory	2.0%	2.3%	-13.0%
Capacity utilisation	52%	53%	-1.9%
Delivery In Full On Time (DIFOT)	100%	100%	0.0%
Overall Equipment Efficiency (OEE)	79.0%	81.2%	-2.7%

## CAPITAL VALUE ADDITION

The Company invested Rs. 1,547 million as Capex during the year, consisting of new investments and regular maintenance expenditure to its manufactured capital.

	Rs. 000's
Land & Building	248,960
Plant & Machinery	1,194,200
Factory Equipment	119
Furniture & Fittings	4,264
Office & Store Equipment	22,641
Computer Hardware	49,534
Computer Software	6,585
Motor Vehicle	20,586
Total CAPEX	1,546,889

## ENGINEERING IMPROVEMENTS



Dilmah is deeply committed to sustainable production processes and understands the impact that well-maintained equipment can have on its human capital. To this end, the company diligently pursues sustainable production by consistently investing in the upkeep and enhancement of its manufacturing capital through a series of engineering improvements.

## MANUFACTURED CAPITAL

In the ensuing section, we highlight the 431 engineering improvements implemented during the year, encompassing both energy efficiency and process efficiency related projects. These initiatives exemplify Dilmah's unwavering dedication to sustainable practices and continuous improvement.

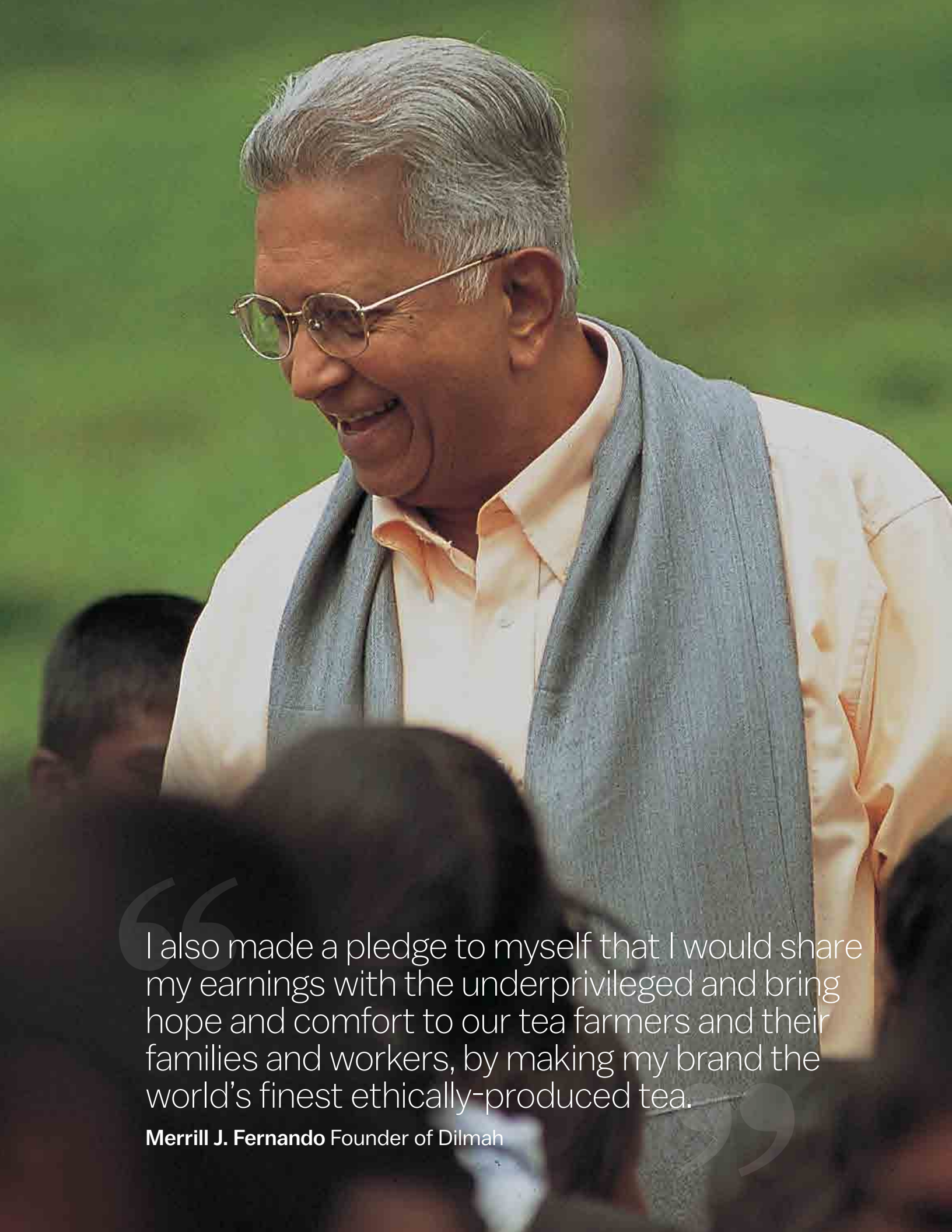
Process Efficiency	Process improvement	170
	Production capacity enhancement	04
	Design modifications	43
	Packing quality	12
	Enhancing Production Speed	39
	Process automation and automation system related	51
Improve the maintenance, innovation and machining capability		197
Energy management and efficiency related		04
Product development		01

### INAUGURATION OF NEW CNC (COMPUTER NUMERICAL CONTROL) UNIT

**GRI 404-2**

Dilmah inaugurated its dedicated facility specifically designed to engineer specialized parts for our factory machines in October 2022. The CNC unit serves as an Engineering Innovations Lab, exemplifying Dilmah's unwavering commitment to technological advancements and the continuous enhancement of our manufacturing capabilities. With the establishment of this facility, our objective is to reduce our reliance on imported specialized parts from foreign manufacturers. This strategic move aims to mitigate logistical complexities, lower costs, and minimize potential delays in our manufacturing processes.





“ I also made a pledge to myself that I would share my earnings with the underprivileged and bring hope and comfort to our tea farmers and their families and workers, by making my brand the world’s finest ethically-produced tea.

**Merrill J. Fernando** Founder of Dilmah

# CAPITAL MANAGEMENT

## SOCIAL & RELATIONSHIP CAPITAL

GRI 2-6, 23,27, 3-3, 204-1, 413-1, 416-1, 417-2



The Founder of Dilmah Tea dedicated his life and business to a noble mission: ensuring that the Company's tea not only adds Taste, and Goodness, to the lives of all involved, from employees to consumers, but also serves a Purpose through kindness extended to the communities in which the Company operates. Tea has long been a symbol of companionship and friendship, and Dilmah embodies this spirit by thriving on the relationships, partnerships, and close-knit networks it fosters among all stakeholders.

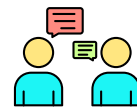
Despite the global and national economic challenges faced this financial year, the Company remained steadfast in its commitment to serve humanity with kindness towards people and nature. Dilmah continued to nurture relationships and connections with its stakeholders, further establishing itself as a

truly sustainable brand. Through unwavering dedication to its values and the well-being of everyone connected to its journey, Dilmah Tea carries forward a legacy of purposeful and meaningful impact on the world.

### OUR IMPACT AND KEY FOCUS

In the world of business, the true measure of success lies in the strength of partnerships and networks. This is especially crucial for a family business that began its journey on the quaint island of Sri Lanka. At the heart of our success are cherished relationships with partners and stakeholders.

As one of the most globally recognized Sri Lankan brands, we embrace the significance of SDG17: Partnership for goals. This goal acknowledges the positive impact we can achieve for people, the planet, and our products through carefully cultivated relationships. These connections are at the core of our commitment to creating a meaningful and sustainable impact on a global scale.



243,359 beneficiaries on community engagement



Sustainability Ambassadors



Livelihood development of over 15,000 families in Plantation community



Enhanced Customer engagement

**HIGHLIGHTS OF 2022/23**

Expanding brand presence by exploring 3 new markets  
**Kazakhstan, Gabon, Botswana**

**The People’s Market**

150 vendors across the country were given the opportunity to display their products and services to a wider audience with our markets held in Moratuwa, Colombo, and Weligama.

**New Cashew Processing and Dehydration project**

from sowing the seeds of hope to a secure livelihood.

Launched a new cashew processing centre for cashew farming women in Eastern Sri Lanka. 10 women are now empowered with new skills and additional livelihood support through our Womens’ Development Programme in the Processing Centre.

**Extending our cup of kindness to every generation**

special therapy and entertainment programs for 150 + senior citizens with their physical and mental wellbeing

**2.3 Bn**

Cups of tea served each year globally

**941**

Suppliers

**90**

Distributors

**Our contribution**



**VALUE DELIVERED**

**Rs. 20,823 Mn**

Payments to Suppliers

Investment in community engagement initiatives

**Rs. 483 Mn**

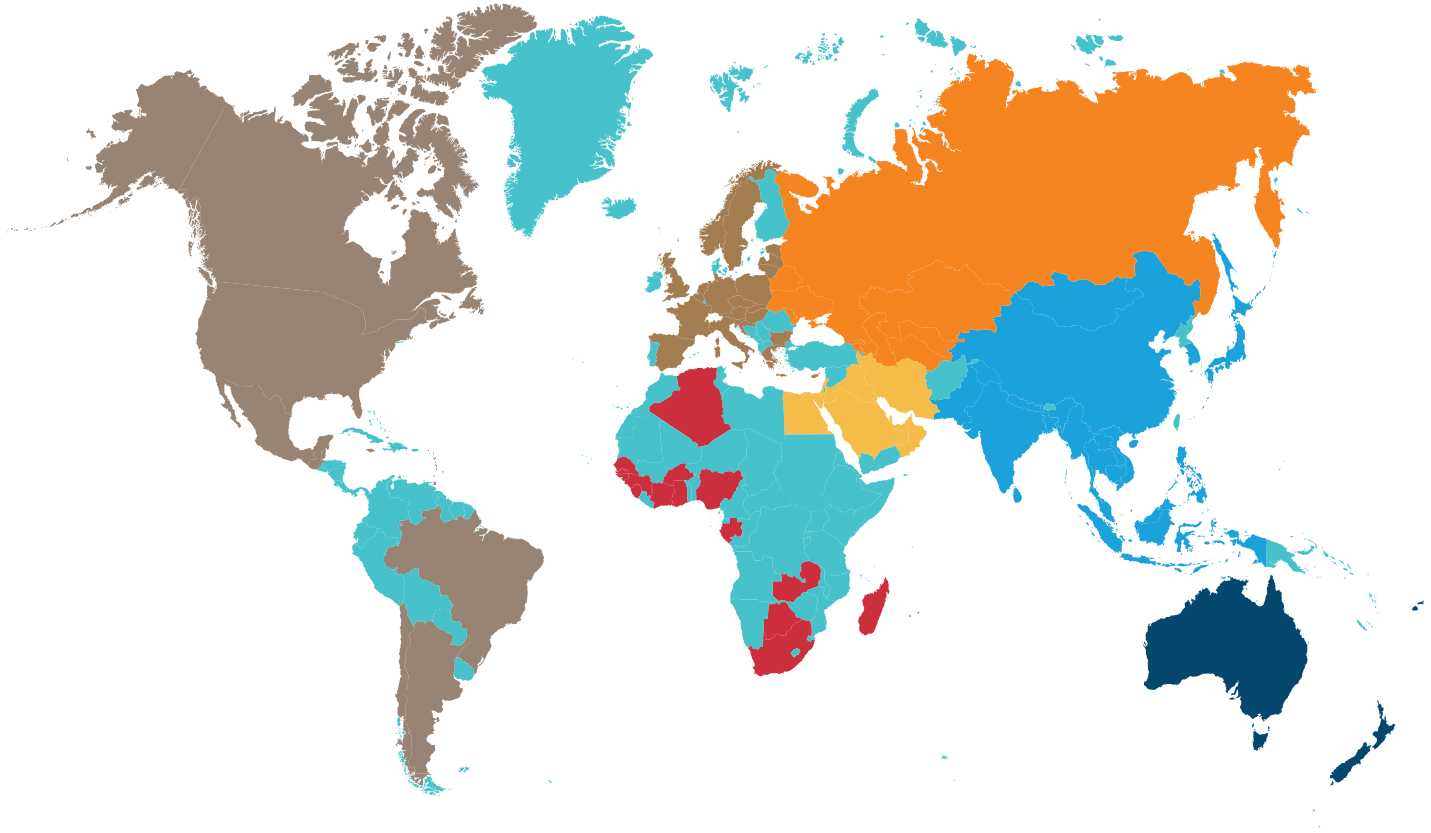
**15** MJFCF Centers spread across the country are dedicated to serving humanity through 70+ projects

**MANAGEMENT APPROACH**

GRI 3-3

At the heart of the brand, Dilmah recognizes the indispensable role of its people. The Company’s core objective is to cultivate shared corporate and ethical values, leading to the development of meaningful and mutually beneficial relationships with a diverse array of stakeholders, including customers, suppliers, business partners, and communities. Embracing this ethos, Dilmah endeavors to create a harmonious and purpose-driven bond that extends beyond mere business transactions, fostering a positive impact on all those connected to its journey.

**SOCIAL & RELATIONSHIP CAPITAL**



- Asia
- CIS Region
- Europe
- Middle East
- America
- Africa
- Oceania

CUSTOMERS

GRI 416-1, 417-2

Dilmah’s legacy is meticulously crafted on the principles of single-origin, authentic, natural, and ethical practices, providing a wholesome tea experience to its cherished customers spread across 108 countries and 8 regions worldwide. The Company’s unwavering commitment to the “no compromise” principle extends to its integrity concerning the product, customers, communities, and the natural environment.

As a responsible global citizen, Dilmah aspires to create a positive impact that transcends the boundaries of business, and this vision is made possible through the loyalty and support of its valued customers. Despite the challenges posed by the economic downturn, Dilmah continues to flourish due to its steadfast dedication to Taste, Goodness, and Purpose. This enduring commitment drives the brand’s continuous growth and success, solidifying its position as a beacon of excellence in the tea industry.

<p><b>Retail</b> </p> <ul style="list-style-type: none"> <li>• Supermarkets</li> <li>• Hypermarkets</li> <li>• Traditional trade</li> <li>• Convenience stores</li> <li>• Online retail</li> </ul> <p><b>HORECA</b> </p> <ul style="list-style-type: none"> <li>• Hotel groups</li> <li>• Restaurants</li> <li>• Cafés</li> <li>• Airlines</li> </ul>	<p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>• Innovative and exciting products catering to emerging customer requirements</li> <li>• <b>35</b> new products introduced in 2022/23</li> <li>• <b>Rs. 58.3 Mn</b> annual investment in R&amp;D</li> </ul>	<p><b>Quality &amp; Product Responsibility</b></p> <ul style="list-style-type: none"> <li>• 1 Quality Management and 2 Food Safety &amp; Management Certifications</li> <li>• 1 environmental Management Certification</li> <li>• First ISO:17025 accredited Chemical and Microbiological laboratory for tea industry in Sri Lanka</li> <li>• 3 Organic Certifications</li> <li>• 4 Ethical Sourcing &amp; Responsible Operations related certifications</li> </ul>	<p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• Numerous customer engagement initiatives, tea promotion events, competitions and publications</li> <li>• Strong social media presence with <b>2.64 million</b> brand followers</li> <li>• Consumer reached through Tea Radio, specialized apps and e-commerce platforms</li> </ul>
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**Quality and Product Responsibility**

The Brand’s operations are rooted in value-addition, constantly striving to enhance the quality of all products. The combination of frugal innovations, a dedicated workforce, and initiatives beyond business to benefit the planet and communities sets our teas apart in terms of quality and product responsibility.

Throughout the end-to-end operations along the value chain, Dilmah diligently adheres to the statutory requirements of the Factories Ordinance, the Tea Control Act, and the Group’s rigorous internal quality standards. During the year under review, there were no instances of non-compliance with any product responsibility or

customer health and safety-related laws or regulations. The company is deeply dedicated to maintaining the utmost standards, which exemplifies its devotion to the health, safety, and well-being of consumers and the environment. This commitment is demonstrated by thoroughly evaluating the effects of Dilmah products at various life cycle stages, including product development, research and development, manufacturing, production, marketing, storage, distribution, as well as post-consumer activities like disposal.

**Engagement**

Dilmah stands among the most coveted Ceylon tea brands, renowned both locally and globally.

Throughout history, tea has been a beverage that fosters connections and cultivates companionship. Dilmah’s continuous and proactive engagement with customers has elevated the Brand beyond being just a beverage, transforming it into a gastronomical delight and an unforgettable experience.

In its quest to bolster its global brand reputation, Dilmah has played a pivotal role in enhancing the overall image of Ceylon Tea. During the reporting year, the Group invests close to Rs. 4.5 Bn in marketing, promotions, and brand-building initiatives, a testament to its unwavering dedication to delivering excellence to its valued customers.

## ENGAGEMENT ACTIVITIES DURING 2022/23 GLOBAL



Love for Sri Lanka event in Sydney Australia



Dilmah Real High Tea at Sir Stamford Hotel



Dilmah Iced Tea Launch in Georgia 9th Sep 2022



Dilmah Iced Tea Launch, Malaysia



Dilmah Tea Pairing event, Malaysia



Dilmah High Tea Nautilus, Maldives



Dilmah High Tea, Milaidhoo, Maldives



Dilmah Camellia Epicurean Raffles Maldives



Dilmah School of Tea, Netherlands



Dilmah Master Class, Poland



Dilmah Iced Tea Launch, Singapore



Dilmah Tea Appreciation, Singapore



**JW Highball Competition, Path Bar School, Dubai, July 2022**



**Partner Convention, Vietnam, October 2022**

## **ENGAGEMENT ACTIVITIES DURING 2022/23**

### **SRI LANKA**



**AOD Australia Sri Lanka 75th Anniversary Competition**



**BBC Business feature, April 24, 2022**



**Bocus d'Or Event, April 27, 2022**



**Annual Pirith September 3 & 4, 2022**



**SEP and Educational Grants to CFINS members June 25, 2022**



**Opening of t-Lounge, Horton Place**



**Partnership of WNPS Lecture with Dr Tempe Adams**

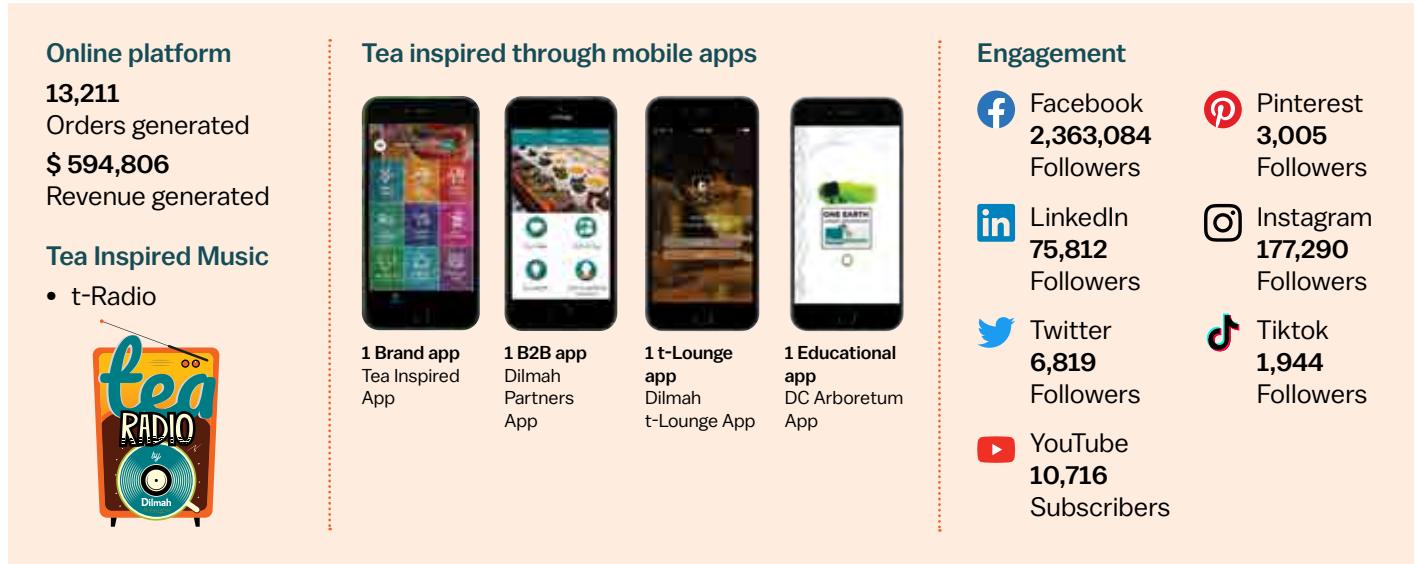


**Right to Information workshop October 25, 2022**

## SOCIAL & RELATIONSHIP CAPITAL

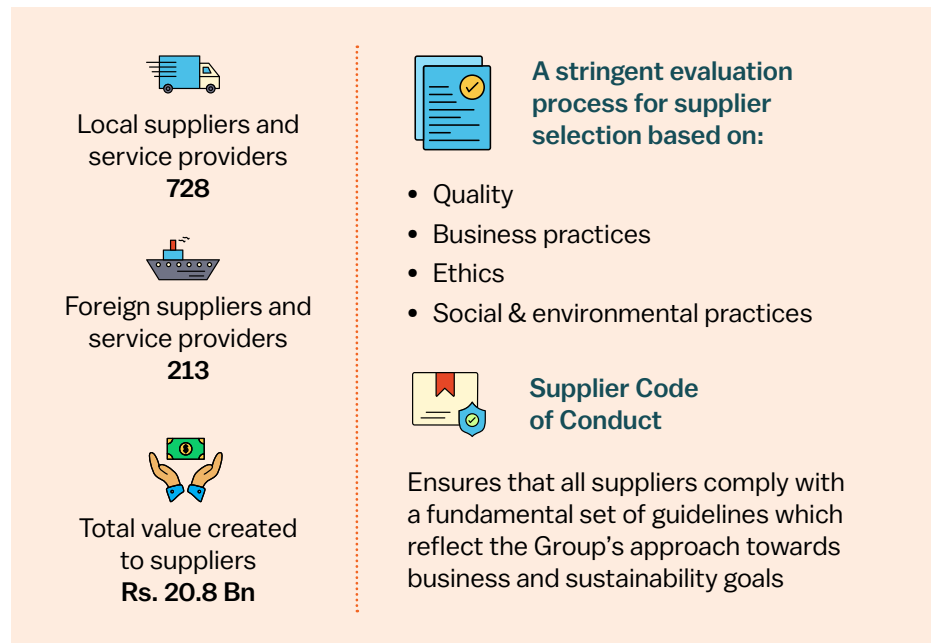
### Tea experiences

#### Digital Engagement



## SUPPLIERS

The delightful taste and exceptional quality of each cup of Dilmah tea originates from a meticulous selection process. The tea is carefully hand-picked from tea gardens and other ingredients are diligently sourced from reliable suppliers. Ethical business practices are at the core of Dilmah's operations, ensuring the integrity of all its suppliers. The Brand deeply values the commitment and hard work of the individuals behind each product. The majority of the Group's suppliers consist of tea smallholders and regional plantation companies, from whom Dilmah procures its tea. During the reviewed financial year, the Company continued to support and collaborate closely with these small and medium-sized enterprises (SMEs). Almost 100% of the tea is procured from the Colombo Tea Auction in accordance with the Tea Control Act. Additionally, a few specialized varieties of tea, such as Darjeeling and Assam, are imported to complement the diverse range of teas offered by the brand.



**BUSINESS PARTNERS**

Dilmah stands out for its unwavering dedication to delivering quality and authentic tea that is ethically produced. This commitment extends beyond the Company itself, as Dilmah ensures its business partners, including distributors, service providers, and regulators, also adhere to the same non-negotiable standards of transparent and ethical business dealings. Rooted in strong family values, Dilmah holds all its partners in the elaborate ecosystem in the highest regard. The brand actively supports and uplifts its partners through awareness and outreach efforts, recognizing their invaluable contributions to the collective success of the Company. This inclusive and supportive approach fosters a harmonious and sustainable ecosystem that further enhances the authenticity and excellence of Dilmah Tea.

**COMMUNITY**

**GRI 413-1**

Dilmah’s purpose, ‘Family Business, Serving Humanity,’ is demonstrated through its extensive community engagement initiatives. The Goodness found in every cup of Dilmah Tea arises not only from its garden-fresh, unblended product with proven health benefits but also from the positive impact it has on over 240,000 beneficiaries across the country. Throughout the last year, the company has worked closely with underprivileged and rural communities that have been severely affected by the challenging economic conditions.

To drive philanthropic efforts, Dilmah channels its initiatives through the MJF Charitable Fund (MJFCF), which is entirely funded by DCTC. These initiatives represent Dilmah’s genuine commitment to giving back to society and making a

**Distributors**

- A network of **90 distributors** spread across **108 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**



meaningful difference in the lives of those in need, embodying the core essence of ‘Family Business, Serving Humanity.’

**MJF Charitable Foundation**

The Merrill J. Fernando Charitable Foundation (MJFCF) was established to honor our Founder’s heartfelt wish to ensure that his business serves humanity, through kindness to people and nature. As one of the region’s most significant private charitable Foundations, its primary focus is on delivering direct, efficient, and impactful assistance to less fortunate communities, differently abled children, and youth. The Foundation also strives to empower women, youth, and men, with dignity through initiatives such as free education, vocational training, entrepreneurship support, nutritional aid, provision of medical infrastructure, care for the elderly, and advocacy.

Dilmah Conservation and the MJF Foundation aligns perfectly with the Founder’s belief that success is meant to be shared. Merrill J. Fernando challenged the conventional norms of the tea industry, which was once tied to a colonial economic system. His lifelong dedication to tea and determination to create a truly ethical product has transformed countless lives. Driven by faith in God and His Grace, this spirit of kindness is extended to those who need it most, underscoring the enduring commitment of Dilmah and the MJF Foundation to create a positive and meaningful impact on society.

During the past 21 years, The Merrill J Fernando Charitable Foundation (MJFCF) has positively impacted Over 1 million lives in marginalized communities of Sri Lanka.

## SOCIAL & RELATIONSHIP CAPITAL

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 **1,400+** 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 **2025+ entrepreneurs** island-wide, including 558 war widows, 330 Prisoners on parole, 92 persons with disabilities.



**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.

## PLANTATION COMMUNITIES



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



Restored **90 Child Development Centres** for the welfare of over **6,600 Children** in tea gardens



**2,300 + children** from less fortunate communities strengthened in child development programmes on our tea gardens.

## MJF KIDS



**3,500 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 **9 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.

## YOUTH



We have different programmes at MJFCF to support youth between 17 and 30 years old 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.



**544 scholarships** awarded to students, supporting secondary and higher education of which **301 children are supported** through MJF Scholarship Programme in the Universities.



**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 1,000 boys & girls** in Sri Lanka.



Vocational training provided for nearly **7,000 youth in carpentry, dress making, IT and Graphics.**

## SOCIAL & RELATIONSHIP CAPITAL

### ENABLING THE DISABLED



Supporting **3,500+** 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.

### IMPROVING MEDICAL INFRASTRUCTURE



Uplifting healthcare facilities for **150,000+** individuals in the plantations and in the northern peninsula.



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



Dilmah MJF Charitable Foundation and Indra Cancer Trust unite for Suwa Arana Paediatric Palliative Cancer Centre

### Extending our cup of kindness to every generation

The Antidote for Loneliness is a Cup of Kindness. Our Centres in Moratuwa and Kalkudah started special therapy and entertainment programs for the elderly who visit our centres for therapy and who are residing in elder-care homes, sharing love, and supporting their physical and mental well-being. During the year we have supported 150 + senior citizens with their physical and mental wellbeing.



### Reviving Dreams and Supporting Small Businesses: The People's Market - A Day of Kindness, Food, Art, Crafts, and Music

The People's Market is a new platform introduced by the MJF Charitable Foundation for small and medium size entrepreneurs whose businesses might have been affected by the pandemic, giving them an opportunity to revive, restart and/or turn a hobby into a business in an entertaining and sustainable environment.

We have been able to give opportunities to more than 150 vendors across the country through our markets held in Moratuwa, Colombo, and Weligama, to display their products and services to a wider audience.

**SOCIAL & RELATIONSHIP CAPITAL**

MJFCF Presence  
2002-2023



“The big picture will take care of itself if you ensure that the little details are in place and the small components work smoothly. The secret to success lies in diligence with principle”

**Merrill J. Fernando** Founder of Dilmah





Dilmah’s intellectual capital fosters a culture of continuous innovation, enabling the development of new tea blends, infusion methods, and packaging innovations that set the Company apart from its competitors. By leveraging deep knowledge of tea and combining it with modern culinary techniques, Dilmah continuously introduces new products and experiences that appeal to the discerning tastes of tea enthusiasts worldwide. This commitment to innovation not only keeps Dilmah ahead of the competition but also positions the Brand as pioneers in the tea industry.

The company’s expertise, accumulated over generations, cannot be easily replicated by other tea producers. The extensive tea library, comprising over 300 unique tea standards, is a testament of dedication to tea research and development, and enables the Company to offer a diverse range of

tea varieties that cater to different preferences. This distinctiveness makes Dilmah a sought-after brand in the global market, bolstering its position as a leader in the tea industry.

**OUR IMPACT AND KEY FOCUS**

With a remarkable global footprint spanning over 100 countries, Dilmah has successfully ventured into two fiercely competitive markets - Fast-Moving Consumer Goods (FMCG) and Hotel, Restaurant, and Catering Equipment (HORECE). At the heart of the journey lies a commitment to creating a strong competitive edge and establishing market leadership through innovation. Dilmah’s dedicated efforts in innovating and adapting to the evolving demands of GenZ and the multitude of consumers have been instrumental in the continued success. The Brand believes in the power of continuous improvement, constantly refining products and services to exceed customer expectations. By embracing innovation as a core value, Dilmah strive to remain at the forefront of the industry, driving growth and solidifying the position as a trusted brand in the global market.



**Sustainable Packaging**

Dilmah Sustainable Premium Ceylon Black Tea 80 pack with no laminate, no plastic over-wrap, less material usage (reduced ink usage) and includes tag-free plant-based tea bags



Building a luxury image of high-quality, ethical tea & venturing into the premium tea market

85 Reserve  
Teamakers Private Reserve  
(Page No. 90)

**38 years** of brand presence led by the World’s most experienced teamaker



Enhanced Product safety and responsibility

## INTELLECTUAL CAPITAL

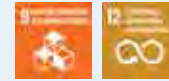
### HIGHLIGHTS OF 2022/23

#### Introducing Genesis

the Dilmah Center for Sustainable Future, aimed at assisting agri-entrepreneurs in exploring and creating innovative, nature-based solutions.

Over 300 Tea Standards and over 3,000 products

#### Our contribution



Launch of Dilmah Sustainable Premium Ceylon Black Tea 80 Pack to Australian Market

The world's only vertically integrated tea brand, overseeing the entire journey from tea plant to teacup.

### VALUE DELIVERED

**Rs. 58.3 Mn**  
investments in R&D efforts

**31 R&D projects**  
on material and waste reduction and packaging improvements

**Launch of 35 new variants in 5 product ranges and exploring 3 new markets**

### MANAGEMENT APPROACH

Dilmah, a renowned tea brand with a global presence in over 100 countries, was founded by Merrill J Fernando, an esteemed tea enthusiast and industry pioneer with more than 73 years of experience. Over the past three decades, Dilmah has established itself as a symbol of authenticity, value addition, and intellectual wealth, particularly in the realm of tea.

The Brand's dedication to excellence is evident in its diverse range of teas, which includes stellar innovations in Western, South Asian, Ayurvedic, and Organic varieties. What sets Dilmah apart is its unwavering commitment to quality and the active involvement of three generations of the Dilmah Family in the innovation process. Every new tea recipe undergoes meticulous formulation and rigorous testing, receiving final approval from

the Group's top management Dilmah Family, ensuring that each Dilmah tea maintains exceptional organoleptic properties, satisfying the discerning palates of consumers.

Dilmah's Research & Development team plays a pivotal role in continuously evolving and enhancing the tea-making process, from plucking the buds to delivering the final product to consumers' cups. This emphasis on continuous improvement allows Dilmah to stay at the forefront of the tea industry.

Being a family business, Dilmah recognizes the significance of serving humanity and acknowledges nature's role in shaping our lives. This awareness drives the Brand to develop new products and improve packaging to minimize wastage, aligning with its commitment to environmental sustainability.

Efficient and effective operations are a result of the proper management of Dilmah's intellectual capital. The brand's focus on innovation and advanced technology streamlines its tea production processes, leading to cost reductions and enhanced efficiency. This advantage enables Dilmah to maintain its competitive edge by delivering premium-quality tea products in a timely and cost-effective manner.

In conclusion, Dilmah's unwavering dedication to exceptional quality, freshness, and authenticity has solidified its position as a global leader in the world of tea. By delivering value to consumers and upholding a commitment to preserving nature, Dilmah continues to stand tall in the competitive tea market.

**Collection of tea standards**

The Group offers an impressive collection of over 300 different tea standards, catering to a wide range of tastes and preferences. Dilmah's diverse selection includes Specialty gourmet and premium teas, herbal infusions, green teas, delightfully flavored teas, aromatic spiced chais, organic teas, and exclusive reserves meticulously curated by the Teamaker.

**Tea Standardization Process**

Tea standards are set based on an evaluation of their alignment with market demands and sensory qualities to meet expectations. The top management conducts a thorough review and confirmation of the organoleptic characteristics of these standards. Following this, the approved tea standards will undergo an approval process before being distributed to the new product development and engineering departments.

**THE DILMAH BRAND**

Dilmah, recognized as one of Sri Lanka's leading brands in the global market, has a widespread presence in over 100 countries. The Brand's core values are embodied in three fundamental pillars: Taste, Goodness, and Purpose, which form

the foundation for authenticity and innovation. This dedication results in the production of unblended, garden-fresh, and pure Ceylon tea, ensuring exceptional quality in the final product.

The Group's philosophy centers around the belief that business should serve humanity, and thus, it places paramount importance on its employees and customers. Beyond maintaining authenticity and uncompromised taste, Dilmah strives to transform tea into an experiential journey that transcends the boundaries of a teacup.



To realize this vision, Dilmah established the Dilmah School of Tea, uniting chefs, hospitality professionals, and customers to ignite a passion for quality, innovation, and creativity. As a result of this initiative, over 5,500 tea-inspired ambassadors were created in 2021/22, showcasing the

brand's commitment to nurturing tea expertise. In 2022/23, Dilmah prepared for the largest partner conference which was held in May 2023; a significant milestone after a two-year break.



One notable contribution to the tea landscape has been competitions like "Tea Inspiration for the 21st Century," which played a pivotal role in redefining tea's role as an essential ingredient in gastronomy and mixology.

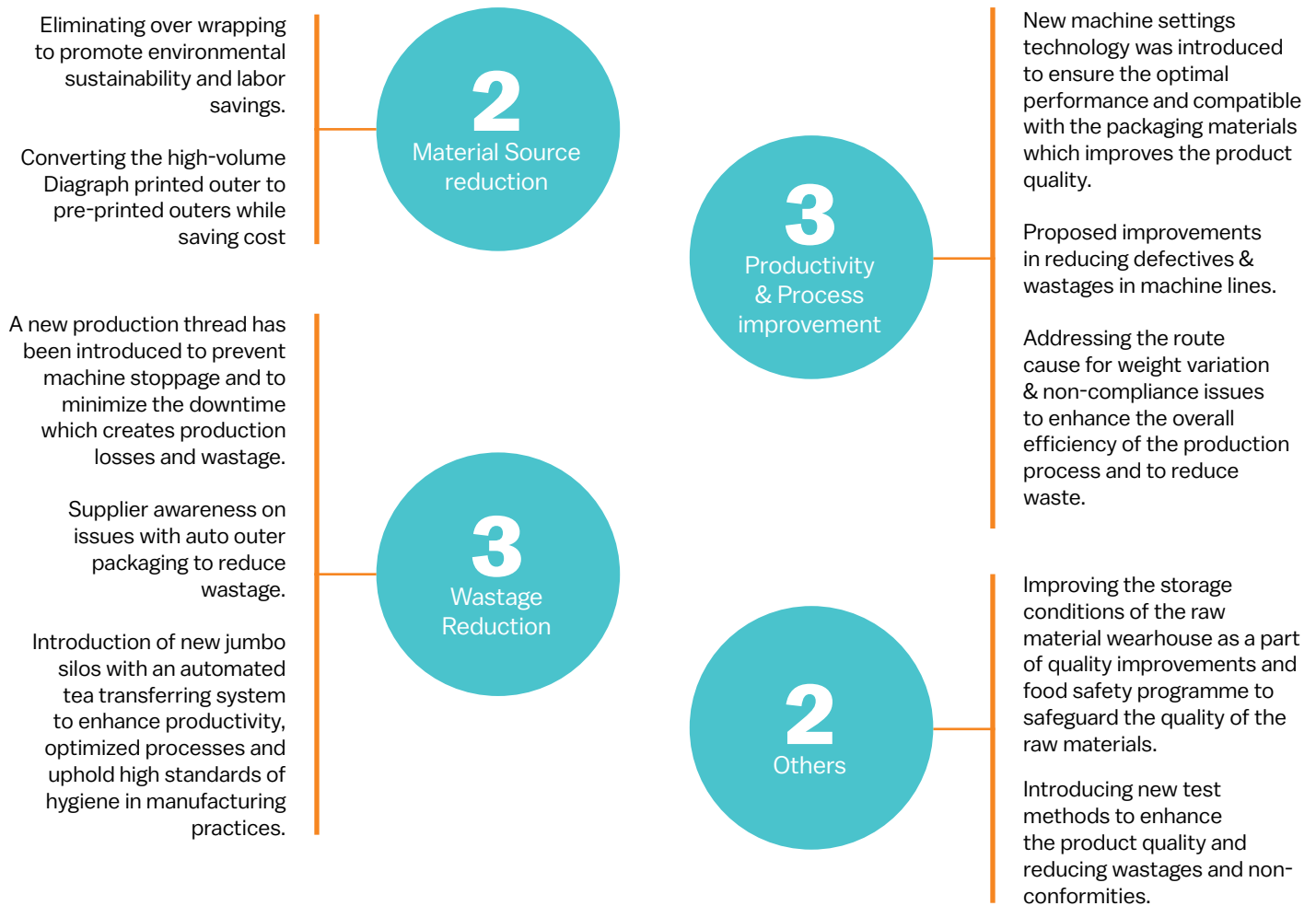
To safeguard and enhance its brand equity, Dilmah consistently employs targeted promotional efforts, customer engagement initiatives, competitions, and various publications to maintain a strong presence and resonate with its audience.



## INTELLECTUAL CAPITAL

### RESEARCH

In 2022-2023, 10 improvement projects have been carried out which linked up with key areas including productivity and process improvements, wastage reduction and material source reduction. Project highlights are as follows:



### INNOVATIONS

At Dilmah, innovation is deeply ingrained in the spirit of renewal and reimagining. The Brand's unwavering commitment to continuous innovation is at the core of delivering the finest teas to consumers. Right from its inception, Dilmah has made substantial investments in embracing innovations that seamlessly blend rich traditions, cultural heritage, local wisdom, and the timeless art of teaming rooted in the Island's heritage. This harmonious

fusion of tradition and cutting-edge technology results in the production of exceptional teas.

As a trailblazer in advocating single-origin tea, Dilmah consistently endeavors to expand its range by introducing exciting and innovative tea products. These innovations are supported by a robust structure within the company, with skilled innovators and passionate individuals driving the brand's growth. The culinary innovations benefit from a dedicated Research and

Development team and a proactive marketing department. Meanwhile, supply chain and industry-related innovations are brought to life through a specialized unit dedicated to Business Evolution and Innovations.

Dilmah's strong emphasis on listening to and understanding the specific needs of its consumers has enabled the brand to tailor and differentiate its offerings accordingly. This customer-centric approach has solidified Dilmah's

leadership in the HORECA segment, earning partnerships with six of the largest international hotel groups. Through its relentless commitment to innovation, Dilmah continues to flourish and surpass expectations, consistently delivering unparalleled tea experiences to its esteemed customers.

**Enhancing the agriculture sector sustainability**

Introducing Genesis, the Dilmah Center for Sustainable Future, dedicated to supporting agri-entrepreneurs in discovering and implementing innovative nature-based solutions to tackle urgent global challenges. With a strong focus on climate resilience, food security, and uplifting vulnerable populations, Genesis aims to make a meaningful impact on the global community.

As a collaborative platform, Genesis fosters knowledge sharing, open discussions, and inspiration, bringing together a pool of academics, scientists, marketers, businesspersons, investors, and policymakers. Through this center, Dilmah strives to raise awareness about the significance of nature, its inherent value, and the crucial ecosystem services it provides.

By harnessing the collective expertise and dedication of various stakeholders, Genesis seeks to empower sustainable agri-entrepreneurship, ultimately leading to improved social, economic, and gender equality outcomes. With a vision for a more sustainable and equitable future, Genesis endeavors to play a significant role in shaping positive change and creating a better world for generations to come.

Refer: page 46 & 97

**NEW PRODUCT DEVELOPMENT**

In an ever-evolving world, Dilmah embraces the significance of adaptation while preserving its unparalleled flavor and core values. Over the past six years, the Group has achieved remarkable success by introducing 339 new products, firmly establishing itself as a pioneering force in the industry’s innovative landscape. With a dedicated focus on new product development, this facet has emerged as a strategic priority for the brand, with substantial annual investments of approximately Rs. 58.3 million committed to research and development endeavors. Below are some noteworthy recent innovations that highlight the brand’s commitment to pushing boundaries in product development.

**Highlights Dilmah's Product Development Timeline**

<b>2005</b>	Dilmah Launches the Tea Gastronomy Revolution with “The Culinaire”.
<b>2007</b>	Launch of the Dilmah Exceptional Range of Teas.
<b>2015</b>	Dilmah tea Lounges overseas.
<b>2018</b>	The total product range of Dilmah becomes Carbon Neutral. Dilmah Launches the first ever tea concentrate - Elixir of Ceylon Tea.
<b>2019</b>	Launch of the Dilmah Inspiration selection and Ceylon Golden Pekoe Leaf Tea Range Dilmah launches the Green Tea Variant of Elixir of Ceylon Tea.
<b>2020</b>	Launch of the Arana, Ayurveda-inspired herbal teas & infusions range Immunita initiative Velendho
<b>2021</b>	Launch of Dilmah Iced Tea Ready-to-drink (RTD) globally and in the local market
<b>2022</b>	Launch of Sustainable Premium Ceylon Black Tea 80 Pack in Australian market Venturing into the premium tea market: 85 Reserve & Teamakers Private Reserve products

In the pursuit of establishing Dilmah as a brand that deeply understands and meets consumer needs and preferences, the company initiated its internal Trends Team. Comprising a dynamic group of young and professional researchers, this team is dedicated to studying current consumer trends and exploring innovative product ideas.

**INTELLECTUAL CAPITAL**

**NEW PRODUCTS OF DILMAH IN 2022/23**



Dilmah 85 Reserve - In 6 flavors



Tea Makers Private Reserve (Existing products in new format) -16 New variant in new format (tin caddies)



80 Sustainable POT bags



Decaff Tea Range Extensions- In 2 flavors



Yum Range (Food Service Extensions): 10 New variant extensions in Sustainable Paper Envelope tea bags

**PACKAGING INNOVATION**

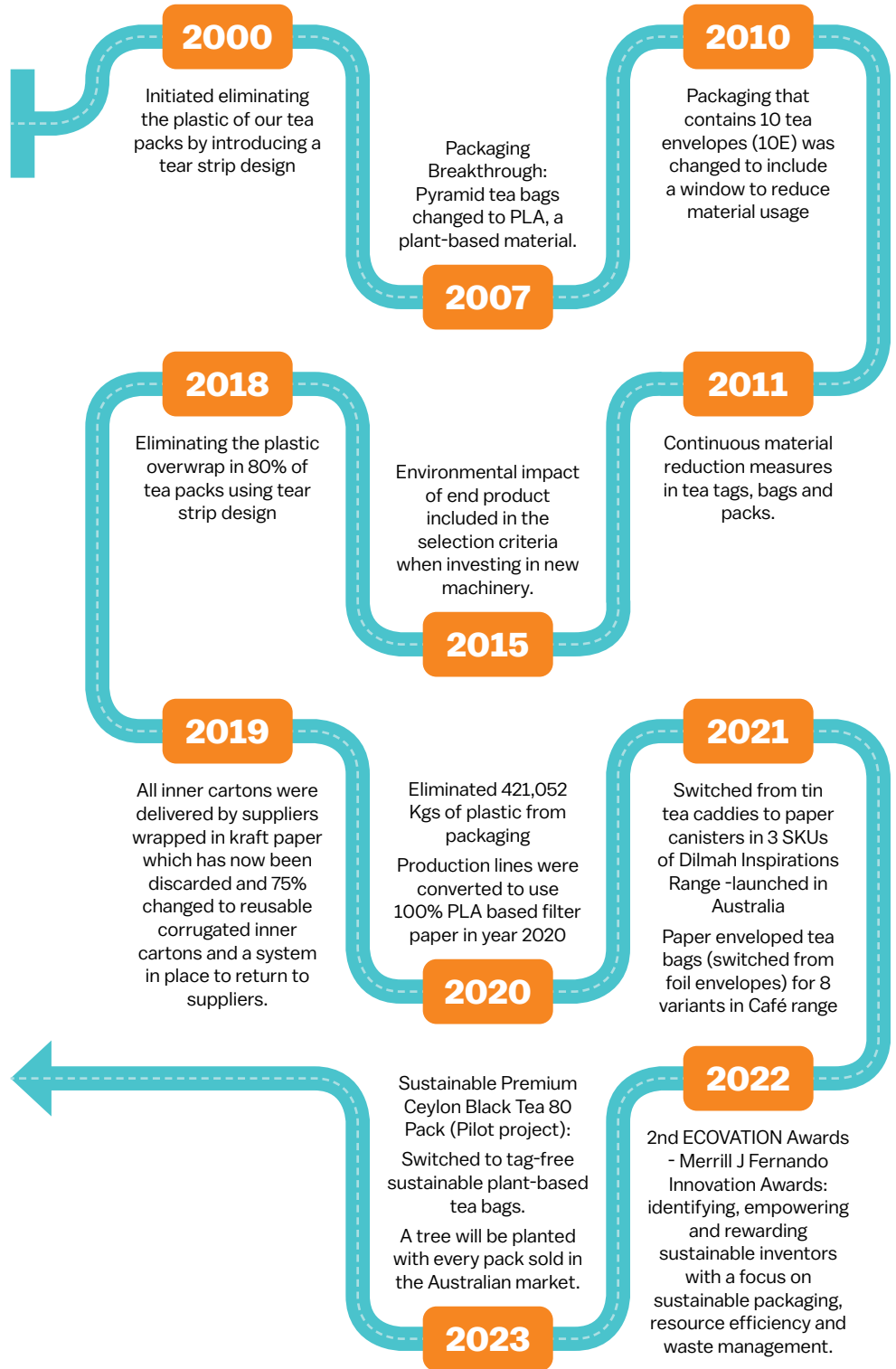
Dilmah holds a firm conviction that innovation is vital for both growth and effectively addressing humanitarian and environmental issues. To reduce the non-recyclable components in its packaging, the company regularly explores alternative packaging materials. Currently, Dilmah employs minimalist packaging designs that adhere to food safety regulations. Notably, 80% of the tea packs feature tear-strips, reducing material usage by weight, resulting in cost-effectiveness and a reduced environmental footprint.

Outlined below are the collaborative efforts with our packaging suppliers to enhance packaging sustainability in the fiscal year.

FOIL POUCH  
RELATED  
**9**  
PROJECTS

ENVELOP  
RELATED  
**11**  
PROJECTS

OTHER  
MATERIALS  
RELATED  
**1**  
PROJECTS



## INTELLECTUAL CAPITAL

### PACKAGING TARGETS

In the year 2022/23, Dilmah made remarkable strides in its sustainability journey, firmly focusing on cutting-edge research, innovative technologies, and abundant resources to achieve a paramount goal: 100% biodegradability across its entire production line. Undeterred by challenges, the Company persisted in its annual research efforts to ensure tea bags and packaging materials could be composted at both home and industrial facilities.

Dilmah hosted the Merrill J Fernando Innovation Awards (ECOVATION) for the second time, celebrating and nurturing groundbreaking ideas related to sustainable packaging and waste management in the previous financial year (2021/22).

In 2022/23 Dilmah launched a market-specific campaign for the Australian market: Sustainable Premium Ceylon Black Tea. For each pack of tea sold, Dilmah pledged to plant a tree, demonstrating its concrete commitment to reforestation and environmental conservation. Moreover, the Company prioritized material reduction at its source, foregoing recycling or reusing concepts, and instead opting for packaging redesign as a proactive measure towards sustainability.

### INNOVATION IN TEA GASTRONOMY AND MIXOLOGY

Dilmah has proactively focused on harnessing the potential of high-quality tea to counter the prevailing trend of commoditization within the industry. By offering consumers unblended tea sourced, perfected, and packaged directly at its origin, Dilmah is dedicated to preserving the essence of a refined tea experience. This commitment is vividly evident in various culinary innovations such as

tea Gastronomy, Mixology, and the pioneering concept of Tea Inspiration for the 21st Century.

The Company's unwavering pursuit of excellence and its dedication to delivering the finest tea experience have earned Dilmah a reputation that extends beyond its products. Dilmah's intellectual capital has played a crucial role in elevating its brand value, instilling trust and loyalty among its customers. The enriching experience provided by Dilmah's teas resonates deeply with consumers, elevating the brand to an iconic status in the realm of tea.

In summary, Dilmah's intellectual capital, comprising creativity, innovation, expertise, and advanced technology, remains the driving force behind its remarkable success. This capital propels the company's ability to outpace the competition, attract top talent and investments, and foster a robust brand reputation. With an unwavering commitment to the art of tea-making and a forward-thinking approach, Dilmah continues to enrich the lives of tea enthusiasts worldwide, solidifying its position as a global leader in the tea industry.

The following section showcases the culinary innovations that emerged during the period of 2022/23.

#### Tea Inspired Culinary Innovations in 2022/23

Dilmah not only engages in in-house innovations but also fosters a platform for innovators to introduce their ideas to the market through organizing and sponsoring a variety of events. The platform is dedicated to young culinary innovators, both nationally and internationally, providing them with opportunities to showcase their talents and ideas.

The brand's commitment to excellence is evident in its role as

a knowledge hub, where various stakeholders are encouraged to actively participate. This collaborative approach yields dual benefits for both the Brand and the participants. Dilmah's approach, embracing external talent extending its reach beyond internal innovations, fosters a sustainable and vibrant ecosystem for culinary excellence.

**Queensberry Estate Seasonal Floral Pekoe**



To mark the first serving of the artisanal single estate teas crafted and presented by two generations of the Dilmah Family was held at Nailboli bar, Maldives on 29th December 2022.

**Johnnie Walker and Dilmah Mixology competition**



Dilmah together with Path Bar School presents an opportunity to serve tea shaken and stirred held on 28th March 2022 at Path Bar School, UAE.

**Bocuse d'Or Sri Lanka**



Dilmah become the principal sponsors at the event which provided the platform for 24 teams to compete on 27th April 2022.



Chamomile Negroni



Berry Club



Vietnamese Spring Rolls, with Green Tea with Jasmine Sweet Chilli Nam Jim



Apple Cinnamon cake paired with Chamomile



Italian Almond tea paired with Lindt Hazelnut

# INTELLECTUAL CAPITAL

## CERTIFICATIONS AND STANDARDS

**GRI 307-1**

By upholding our unwavering dedication to quality and product accountability, we have successfully retained adherence to a variety of international certifications, as detailed below.

### Quality Management Certification      Food Safety Management Certification



**ISO 9001:2015**  
Quality Management System Certification



**FSSC 22000**  
Food Safety System Certification



**ISO 22000:2018**  
Food Safety System



**BRC Global Standard for Food Safety**

### Laboratory Accreditation Certification



**ISO 17025** Chemical and Microbiological Laboratory Certification of Accreditation



**ISO 14001:2015** Environmental Management System Certification

### Organic Certification



**USDA, AMS 7 CFR Part 205, National Organic Programme**

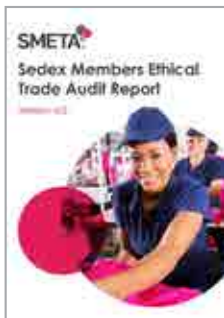


**Regulation (EC) No 834/2007 and Regulation (EC) No 889/2008**

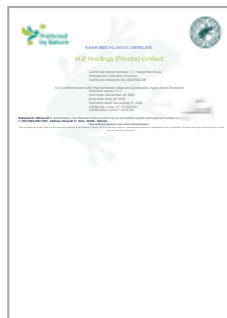


**Japanese Agricultural Standard of Organic Agricultural Products (JAS)**

### Ethical Sourcing and Responsible Operations Related Certifications



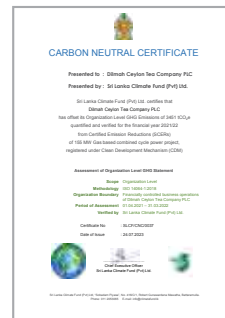
**SMETA – SEDEX Members Ethical Trade Audit**



**Rainforest Alliance Chain of Custody Certification**



**Carbon Neutral Product Certification**



**Carbon Neutral Facility Certification**



“Responsible entrepreneur can no longer ignore the imperative of the symbiosis that must exist between enterprise, and environment.”

**Merrill J. Fernando** Founder of Dilmah

# CAPITAL MANAGEMENT NATURAL CAPITAL

GRI 3-3, 301-1, 302-1,3, 303-1,2,3,4,5, 304-1,2,3, 305-1,2,3,4, 306-1,2,3,4,5, 307-1



Dilmah shares an enduring connection with nature. The strength, texture, fragrance, and flavor of each cup of tea is determined by the environment in which the tea bush grows. Dilmah Conservation, the dedicated environmental arm of Dilmah Tea, furthers Dilmah’s environmental sustainability, biodiversity conservation, and education agendas. Recognizing the inherent value of the planet’s natural resources for both people and profit, and acknowledging the pressing challenges posed by the climate crisis, Dilmah places significant emphasis on managing emissions and addressing the impacts of climate change.

Within the company, Dilmah has implemented a robust environmental management system that aligns with the ISO 14001 certification, demonstrating their commitment

to environmental responsibility. Furthermore, Dilmah takes on a leadership role in advocating for environmental conservation and climate change adaptation, emphasizing the necessity and significance of safeguarding our natural capital.

### OUR IMPACT AND KEY FOCUS

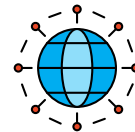
As an agricultural product, Dilmah Tea thrives in harmony with nature, relying on delicate ecosystems that are easily impacted by the climate crisis. Recognizing our responsibility to safeguard these vital natural resources, Dilmah’s Beyond Business environmental initiatives exemplify our unwavering commitment to giving back to the environment—a sincere tribute to the remarkable legacy that nature has bestowed upon us.

Our Beyond Business initiatives foster a profound connection with the environment, seeking innovative solutions to preserve biodiversity, reduce our carbon footprint, and promote responsible farming practices. Through these collective efforts, we strive to nurture and protect the very essence of our product—ensuring a bright and

sustainable future for both Dilmah Tea and the precious ecosystems it depends on.



Over **2,000** beneficiaries on Environmental Education



**94.1%** of the Total Waste is Recycled/ Repurposed while **5.8%** is Reused



**798,854 kWh** of Solar energy production equivalent to planting **9,347 Trees**

**31,776 tCO<sub>2</sub>e** Discharge of Emissions from tea gardens to the destination ports of all overseas markets

**HIGHLIGHTS OF 2022/23**

**Launch of Genesis**

Launch of Genesis – Dilmah Centre for a Sustainable Future

Best Performance in the Environment Beyond Business at the Best Corporate Citizen Sustainability Awards 2022

Achieved 100% carbon neutral status up to the destination ports of all overseas markets

**5,326 Mwh**  
Energy Consumption

**28,239 m<sup>3</sup>**  
Water Consumption

**Our contribution**



**VALUE DELIVERED**

**Rs. 51.7 Mn**  
Investment in Environmental Initiatives

**15** Publications on environmental and heritage conservation

**20** Research projects conducted on climate change

**07** Ongoing biodiversity related projects



**Genesis – Dilmah Centre for a Sustainable Future**

Empowering others to forge their own legacies – building upon ours

Dilmah launched Genesis, the Dilmah Centre for a Sustainable Future, on the 30th of March 2023. Genesis, the facility at 52 Maligawatte Road, is the evolution of the premises at which Dilmah was first tasted, selected, packed and exported from.

Within the three focal areas of Genesis (Ref Page 46), the Kickoff project “Lost Ingredients Lab” took center stage in addressing Entrepreneur Development. Through this initiative, Genesis embraced its commitment to fostering and empowering aspiring entrepreneurs.

## NATURAL CAPITAL



### Lost Ingredients Lab

Igniting Food & Agri Innovation

Lost Ingredients Lab was a collaboration between Dilmah and Good Life X to bring a platform for Sri Lankan organic and regenerative agriculture and food sectors, to integrate their value chains through innovation and collaboration for meaningful growth. The programme focused on 'lost' potential of Sri Lankan ingredients in the international, and even the local, market.

Lost Ingredients Lab ran two programmes in parallel: Garage & Accelerator. Through the Garage program 3 identified manufacturing companies working with green jakfruit, seaweed and gotukola (*Centella asiatica*) were empowered to elevate their businesses. Through the Accelerator program 3 agri & food related tech startups were empowered to integrate innovative and smart solutions with the Food and Agri sector.

The Lost Ingredients Lab is an initiative under the Multi-Donor Action (MDA), 'Support to Small and Medium Enterprises in the Organic Agriculture Sector' Programme jointly co-financed by the European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ), implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

Lak Nature International	Established in 2017	A women-led Sri Lankan company working on a range of natural, organic, and regenerative food products utilising gotukola ( <i>Centella asiatica</i> ).
Plant Based (Silk food Ceylon)	Established in 2020	A Sri Lankan company that offers a range of vegan food products, such as nuggets and burger patties championing jakfruit. In addition, Plant Based produces vegan cheese spread and oat milk.
Ceylon Aqua and Agri	Established in 2020	A Sri Lankan company pioneering a sustainable and regenerative seaweed production system that supports the livelihoods of local coastal communities. Offers a range of seaweed products, such as dried seaweed, seaweed powder, and seaweed extracts.
Niftron		A Blockchain as a Service platform which allows anyone to integrate blockchain with their products or projects easily and efficiently to improve trust by providing transparency, security and ownership.
SenzMate Polar		A traceability platform which ensures the quality & nature of the products in their original state from manufacturing till delivery to the end client.
Saviru Technologies and Services		A premier dryer manufacturer in the country with over 15 years of service and offering the largest range of dryers and dehydrators with capacities from 5 kg to 5 ton.

**ENVIRONMENTAL MANAGEMENT APPROACH**

**GRI 3-3, 307-1**

Dilmah is governed by a comprehensive environmental management policy, fully compliant with the requirements of ISO 14001:2015 Environmental Management Systems (EMS). The Policy in place encompasses various elements, including environmental policy, planning, implementation and operation, checking and corrective action, and management review. EMS 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 Conservation, the environmental arm of Dilmah Tea, executes Dilmah's environmental agenda beyond its business operations through multiple initiatives encompassing biodiversity conservation, climate research and

education, and safeguarding the natural capital of the supply chain.

**EMISSIONS AND CLIMATE CHANGE**

**GRI 305-1, 305-2, 305-3, 305-4**

The climate crisis is possibly the most pressing issue of the 21st century. 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. Dilmah is committed to transitioning toward net zero over the coming years, including setting a Science-Based Target, validated by the Science-Based Targets initiative.

In 2018, Dilmah marked a significant milestone by achieving 100% carbon neutrality for its entire product range. The Company 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 2018, the computation of the carbon footprint was broadened to include the product carbon footprint



## NATURAL CAPITAL

from cradle to gate, in addition to the previously calculated institutional carbon footprint. In 2019, the scope of the product carbon footprint was further expanded to encompass the entire process, starting from raw material acquisition and extending to finished goods manufacturing, distribution up to the local port, as well as storage and distribution in Australia up to retail stores.

In 2020, Dilmah digitized its carbon footprint calculation method and expanded the scope to account for emissions until the destination ports of the countries to which Dilmah exports. The quantification of the carbon footprint continued with the expanded scope, encompassing emissions from tea gardens to the destination ports of all overseas markets during the reviewed period.

Dilmah Ceylon Tea Company committed to the Science Based Targets Initiative and has pledged to achieve net-zero emissions for the Company's manufacturing process by 2030, in line with climate science. 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.

### Journey to Carbon Neutrality

**2017**

**Peliyagoda factory and head office certified as carbon neutral**

ISO 14064-1: 2006

**2018**

**Dilmah achieves carbon neutrality for all products and factories**

ISO 14064-1: 2006

**2019**

**Dilmah achieves carbon neutrality for the facility and all products up to Australia shelf**

ISO 14067:2018

ISO 14064-1:2018

**2020**

**Dilmah achieves carbon neutrality for the event School of Tea**

- Carbon Footprint Calculation mode was Digitalised
- Dilmah achieves carbon neutrality for the facility and all products up to the destination ports of all overseas markets
  - ISO 14067:2018
  - ISO 14064-1:2018

**2021  
/2022**

**Dilmah achieves carbon neutrality for the facility and all products up to the destination ports of all overseas markets**

ISO 14067:2018

ISO 14064-1:2018

## Carbon Footprint of Dilmah

Product Carbon Footprint	2022/23	2021/22	Y-O-Y %
Material acquisitions & pre-processing (tCO <sub>2</sub> e)	20,773	22,732	-9%
Production (tCO <sub>2</sub> e)	3,450	2,684	29%
GHG Emissions (without final product distribution emissions) (tCO <sub>2</sub> e)	24,223	25,416	-5%
<b>Total GHG Emissions (with final product distribution emissions) (tCO<sub>2</sub>e)</b>	<b>31,776</b>	<b>32,361</b>	<b>-2%</b>

Organizational Carbon Footprint	2022/23	2021/22	Y-O-Y %
Direct Emissions (tCO <sub>2</sub> e)	1212	585	107%
Indirect Emissions (tCO <sub>2</sub> e)	2,238	2,098	7%
<b>Total Institutional GHG Emissions (tCO<sub>2</sub>e)</b>	<b>3,450</b>	<b>2,684</b>	<b>29%</b>
<b>Emissions per unit (tCO<sub>2</sub>e/tonne of production)</b>	<b>0.73</b>	<b>0.53</b>	<b>38%</b>
<b>Emissions Intensity (tCO<sub>2</sub>e/ Million Rupees)</b>	<b>0.302</b>	<b>0.291</b>	<b>4%</b>

In 2022/23, the institutional carbon footprint of Dilmah increased by 29% compared to the previous year, due to the higher emissions as a result of the increased usage of diesel generators during the power outages. However, the total product carbon footprint has shown a 2% reduction by the lesser emissions in the material acquisition and pre-processing stage (-9%) and final product distribution stage (-5%), compared to the previous year.

## ENERGY AND FUEL MANAGEMENT

GRI 302-1,3

The Company is committed to increasing the reliance on renewable energy while reducing the dependence on fossil fuel. Measures have been implemented to reduce energy waste, increase energy efficiency, and minimize the environmental impact associated with fuel consumption.

## Energy Consumption by Source

	2022/23	2021/22	Y-O-Y %
<b>Non-renewable energy</b>			
Grid Electricity GJ	13,812	13,125	5%
Diesel GJ	5,363	1,616	232%
<b>Total Energy Consumption (GJ)</b>	<b>19,175</b>	<b>14,741</b>	<b>30%</b>
<b>Renewable energy Production</b>			
Solar - within the production facility (GJ)	1,529	1,469	4%
Solar - other facilities within the MJF Group (GJ)	1,346	1,748	-23%
Hydro - in Plantations (GJ)	1,413	950	49%
<b>Total Renewable Energy production</b>	<b>4,289</b>	<b>4,167</b>	<b>3%</b>
<b>Renewable energy production as a % of total energy consumption</b>	<b>22%</b>	<b>28%</b>	<b>-21%</b>

During the year under review, total renewable energy production has shown a share of 22% in the total energy consumption of the Company's operations. The 232% increase in diesel consumption due to the power outages of the country, and the 5% increase in the grid electricity consumption due to new construction projects involved within the premises, are critically reflected in the 30% increase in the total energy consumption in 2022/23, compared to the previous year (2021/22).

## NATURAL CAPITAL

### 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 1,400kWp.

### 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, 392 MWh of Hydropower was generated collectively from the power stations.

## SAFEGUARDING THE NATURAL CAPITAL OF THE SUPPLY CHAIN

The terroir of each cup of tea is influenced by the specific environmental factors, growing conditions, and geographical location in which the tea is cultivated. Just like in wine production, terroir plays a significant role in shaping the taste, aroma, and quality of tea. As such, safeguarding the natural capital of the supply chain is indisputable.

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.



### Endana Nature Corridor

Connecting 02 isolated forest patches in the vicinity of the Sinharaja Rainforest through a 3 km long nature corridor crosscutting Dilmah's Endana estate

- 10 beekeepers trained
- 02 liters of honey harvested
- 13 threatened species identified for replanting
- 2,114 planted in the nature corridor
- 8,000 saplings maintained in the plant nursery
- Generating an annual ecological wealth of US\$ 382,362

### New Species Discovered: *Gastrodia pushparaga*

A new leafless orchid species called *Gastrodia pushparaga* was discovered in the Sinharaja Biosphere Reserve in Sri Lanka, thanks to Dilmah Conservation's Endana Nature Corridor initiative. The unique yellow flower, with a hint of red and absence of leaves, was confirmed a unique species endemic to Sri Lanka.

Named after a local yellow sapphire gem, *Gastrodia pushparaga* grows in shaded areas of mixed forests and is categorized as vulnerable. This discovery highlights the importance of conserving fragmented forests for biodiversity and genetic diversity protection.



**Bee A Keeper**

Sustainable Apiculture for the Conservation of Bees

- Bee Awareness
- Bee Research
- Beekeeping
- Buzzing Livelihoods

Research Hub @ Kahawatte Plantation’s Queensbury Estate

Project Hub @ Kahawatte Plantation’s Endana Estate

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. Individuals of the plantation community are trained in beekeeping to encourage the practice as a cottage industry and alternative income source.

10 Beekeepers trained at Endana.



**Novel Technologies for Better Conservation Management of Agricultural Landscape**

Dilmah Tea collaborates with Kahawatte Plantations (KWPL) to promote harmonious coexistence between people and animals in tea estates. The pilot project takes place at KWPL’s Queensbury Estate, adjacent to the Rilagala Forest Reserve. Instead of traditional conservation methods, Dilmah Conservation introduces an innovative approach using advanced technology integrated with ecological and environmental assessment techniques to monitor and conserve flora and fauna in the tea plantation sector.

The project employs various technologies such as GPS mapping, drones, and camera traps to track and monitor wildlife, detect and prevent poaching, and enhance our understanding of natural systems. This research empowers communities to protect their natural resources effectively.

The initiative aims to conduct a comprehensive biodiversity assessment, documenting species richness, habitat occupancy, and environmental variables to develop a centralized data collection system. The Tropical Ecosystem Network (TERN) and technical partners from the University of Sabaragamuwa will conduct staff training and community awareness programs to facilitate knowledge sharing and replication.



## NATURAL CAPITAL

### CLIMATE RESEARCH AND ADAPTATION

#### One Earth Climate Change Centre

Dilmah invests in climate change research, 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.



### WATER MANAGEMENT

**GRI 303-1, 303-2, 303-3, 303-4, 303-5**

As the Company's core operations of blending and packing is not largely water-intensive, the Company's water consumption is limited to cleaning of manufacturing and operational units, drinking and sanitation requirements of employees. 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.

#### Water Withdrawal by Source

Source	2022/23	2021/22	Y-O-Y Change %
Municipal Water (m3)	22,764	18,156	25%
Ground Water (Well) (m3)	5,475	5,475	0%
Total Water Withdrawal (m3)	28,239	23,631	19%

During the year under review, water consumption has shown a 19% increase compared to the 2021/22, due to the new construction projects involved.

#### 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

**GRI 306-1, 306-2, 306-3, 306-4, 306-5**

Dilmah's waste primarily originates from production and packaging operations, distinct from general activities. With a strong commitment to sustainable growth and minimizing negative impacts, the company has made substantial progress in reducing the use of plastic in production and packaging, successfully transitioning to plastic-free alternatives in over 80% of its product offerings. To ensure responsible waste management, Dilmah embraces the principles of the 3R approach (Reduce, Reuse, Recycle) and implements additional strategies such as repurposing, treatment, and responsible disposal, striving towards a more circular operational model.

Waste by Method of Disposal

Waste material	Method of Disposal	Volume (MT)	%
Cardboard and paper	Recycle	117.86	32.48%
Food waste	Animal feed	20.50	5.65%
Composite materials	Recycle	49.61	13.67%
Wood waste/ Pallet	Reuse	21.11	5.82%
Polythene/Plastic	Recycle	52.95	14.59%
Metal	Recycle	17.76	4.89%
Tea waste	Reprocessed	82.41	22.71%
Sanitary	Incineration	0.12	0.03%
E-waste	Recycle	0.51	0.14%
<b>Total waste</b>		<b>362.83</b>	
<b>Total re-used</b>		<b>21.11</b>	<b>5.82%</b>
<b>Total recycled/repurposed</b>		<b>341.60</b>	<b>94.15%</b>

MATERIALS MANAGEMENT

GRI 301-1

Dilmah is dedicated to creating tea that is fresh, genuine, and produced in an ethical manner. The company acquires the raw material, tea, through tea auctions and by directly sourcing it from affiliated tea estates. Packaging materials, such as filter paper, inner cartons, envelopes, tags, and corrugated outer cartons, are obtained from various suppliers, including both large and small-to-medium enterprises (SMEs).

Prioritizing the sourcing of packaging materials that are recyclable and biodegradable is one of Dilmah’s key areas of focus in its pursuit of a circular economy and the promotion of product safety and sustainability. One notable example is Dilmah’s Luxury Leaf Tea bags, which are crafted from corn starch-based Polylactic Acid (PLA) material that complies with the safety standards established by the European Commission.

Raw material usage during the year under review is given in the table adjacent.

Material	Quantity (MT)
Cardboard	1,956.3
Paper	256.6
Composites	421.9
Herbs	131.1
Polythene	72.5
Wood	37.6
Tin Caddy	38.6
Porcelain	14.7
Thread	27.7
Flavours	42.4
Plastic	16.1
Glue	11.0
Glass	6.3
Metal	5.3
Aluminium Wire	3.6
Cloth	0.8
Sticker	210.5
Ink	0.3
Rubber	0.1
Paper (Filter)	315.4

## NATURAL CAPITAL

### BIODIVERSITY

**GRI 304-1, 304-2, 304-3**

The Goodness and Taste of Dilmah Tea is dependent on the tea fields from which the two leaves and a bud are freshly picked, and the 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 2022/23

#### 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 2022



together with Embassy of France in Sri Lanka and the Maldives.

The event featured world-renowned scientist, Sri Lankan author, and educator Dr. Rohan Pethiyagoda, as the keynote speaker, who spoke on 'LEVERAGE OR LIABILITY? Conserving Biological Diversity in an Economic Collapse'

#### Kanneliya Restoration Life Project:



Partnership in 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 fifth year

#### BSL AGM Technical session:



BSL held its 7th Annual General Meeting on November 3rd, 2022 at Ramada Colombo.

BSL's Annual Technical Sessions were held on the 2nd and 3rd of November under the theme 'SUSTAINABLE USE – PATHWAYS INTO THE FUTURE'

Thematic areas:

- Innovative Financing mechanisms for SDG implementation in Sri Lanka
- Aligning business action with the Post-2020 Global Biodiversity Framework and 2030 Action Targets
- Building Partnerships for Science-based Ecosystem Restoration

Other projects carried out by Dilmah Conservation on an ongoing basis is mentioned below.

**Dilmah Conservation Projects and Key Events in 2022/23**

**Endana Nature Corridor**



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

- New orchid species, *Gastrodia pushparaga*, discovered at ENC
- 10 Community Beekeepers trained and monitored by experts and provided with beekeeping equipment
- The plant nursery established in 2020/21 now houses over 8000 plants representing 60 regional plant species

**Seaweed Cultivation Project: “Afforest Underwater”**



Creating Blue Carbon Sinks for Community Upliftment

- Cultivated 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.

**Lost Ingredients Lab Programme**



Supporting 03 SMEs working with lost or underutilised ingredients in Sri Lanka, Jakfruit, Gotukola, and Seaweed.

Promoting 03 tech start-ups in Sri Lanka working on blockchain, traceability solutions, and dehydration technology.

Enabling the 06 companies to take their business to the export market.

**Defending Mangroves**



Conserving 25 acres of mangrove forests in Kalpitiya

- Plant Nursery established housing over 1200 saplings
- Two members from the community hired to maintain plant nursery
- Mangrove awareness workshop and tree planting programme conducted for 44 students from St. Anne’s College

## NATURAL CAPITAL

### Marine Conservation



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

- During the year under review there were 75 beach caretakers taking care of 68km of coastline
- Since 2019, over 55,000KG of waste was collected and responsibly discarded

### Bee a Keeper



- Establishing projects and research for bee conservation and education
- Conducted a workshop for 10 community beekeepers at One Earth Climate Change Centre, Nawalapitiya
- 2,100 ml honey extracted from the bee colonies at Endana

### 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 Udawalawe National Park

- Dilmah's adopted elephant, Baby Dilmah, was released to the wild in March 2023
- Collaborated with Wildlife and Nature Protection Society of Sri Lanka (WNPS) to create awareness on Elephant Conservation & Human-Elephant Conflict through a programme conducted by Dr Tempe Adams, Conservation Biologist, Co-Existence and Education Manager, Elephants Without Borders

### Research Opportunities for Undergraduates and Graduates

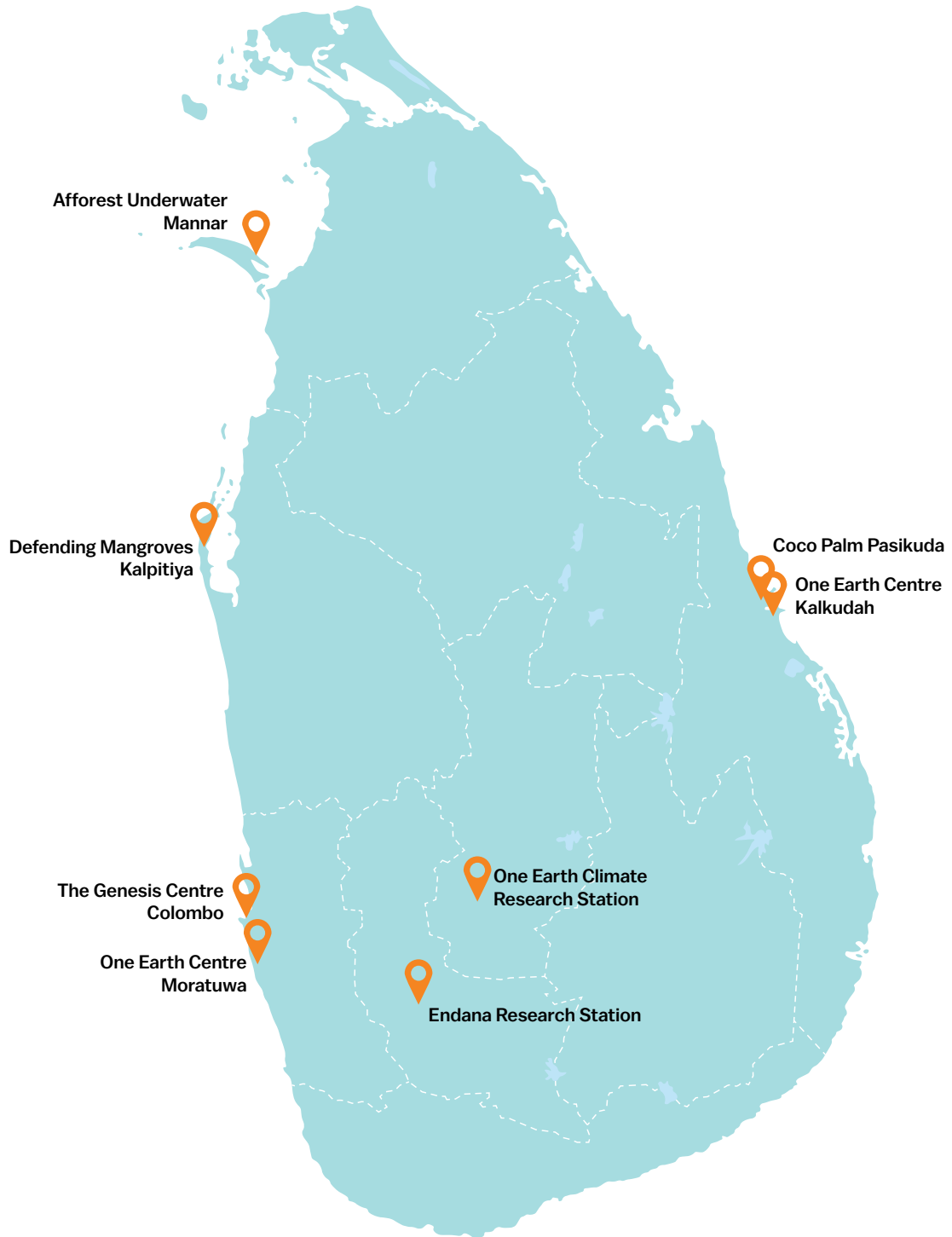


Dilmah Conservation provides undergraduates and graduates a platform to conduct research to complete their thesis requirement

While providing students with an exposure to science-based and community-centered 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



# CORPORATE GOVERNANCE

GRI 2 - 9, 10, 11, 12, 13, 15, 18, 19, 20

## OUR APPROACH TO CORPORATE GOVERNANCE

Dilmah Ceylon Tea Company PLC (DCTC) is listed on the Diri Savi Board of the Colombo Stock Exchange with a public holding of 12.32% 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 are underlying principles in every functionality of the Company. The Company believes that high standards of corporate governance are fundamental to the 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.

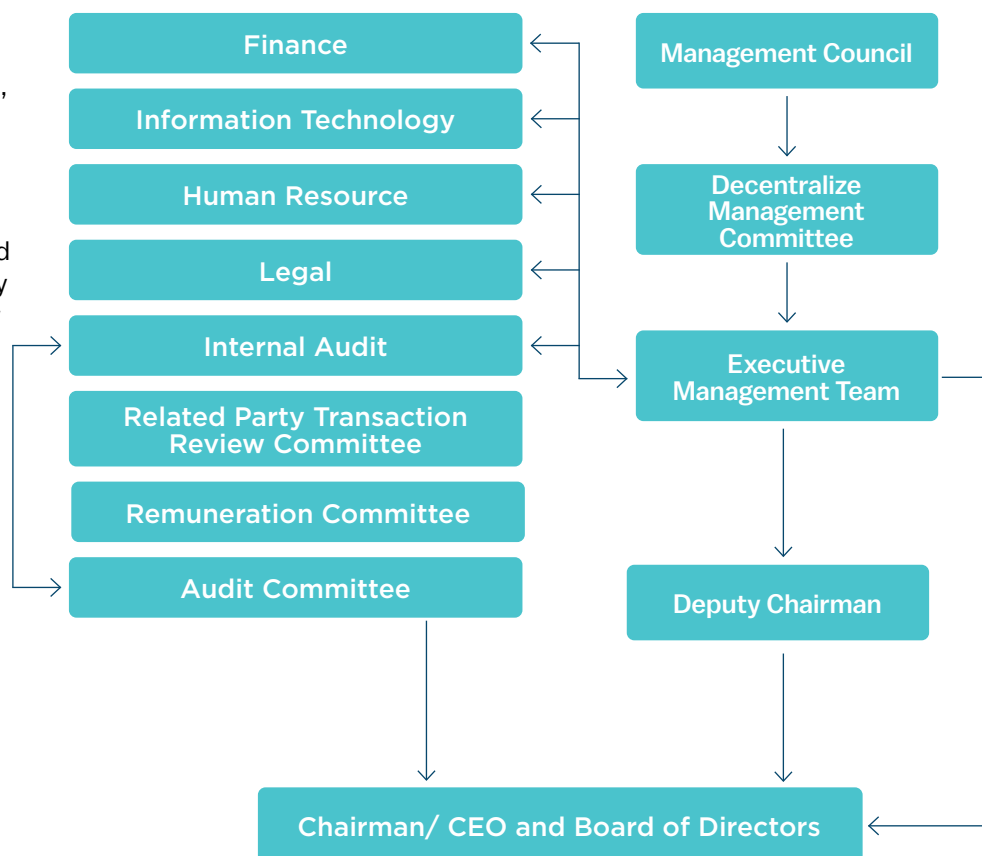
External	Internal
Companies Act	Articles of Association
Listing Rules of the CSE	Code of Business Ethics
Code of Best Practice on Corporate Governance	Anti-Bribery and Corruption Policy
SEC Regulations	Human Rights Policy
Other laws and regulations	Other Procedures and practices

DCTC's Compliance with provisions of the Listing Rules of the Colombo Stock Exchange (CSE) is disclosed on pages 116 to 118.

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/CEO and comprising of the Deputy Chairman 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 Company Secretary attend meetings by invitation.

The Management Council, chaired by General Manager/Chief Operations Officer meets senior management staff monthly to discuss common Group matters, including policy implementation, 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.

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.

### COMPOSITION

The Board comprised of nine (9) members as at March 31, 2023, however with the demise of Founder Late Merrill J. Fernando on July 20, 2023 current board composition stand at eight (8) members comprising of eminent professionals in their respective fields. Three of the Directors are Non-Executive, of whom two are 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 Mr. Dilhan C. Fernando and Mr. Malik J. Fernando are brothers, 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.

Three 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.

### 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, Ms. Minette Perera will retire by rotation in terms of the Articles of Association of the Group and being eligible, offers herself 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.

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.

## CORPORATE GOVERNANCE

### 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 COMMITTEES

The Board has appointed an Audit Committee, Remuneration Committee and Related Party Transactions Review Committee to assist in the discharge of its duties in pursuance of the Listing Rules of the Colombo Stock Exchange. Areas of oversight and the composition of these committees are given below.

Board Committee Reference	Areas of Oversight	Composition	Report
Audit Committee (AC)	Financial Reporting	2 Non-Executive Independent Directors	Page 126
	Internal Controls		
	Internal Audit	1 Non-Executive Director	
	External Audit		
Remuneration Committee (RC)	Formulating Remuneration policy for Directors and Key Management	2 Non-Executive Independent Directors	Page 127
	Personnel (KMP)	1 Non-Executive Director	
	Formulating HR Policy		
Related Party Transactions Review Committee (RPTRC)	Review of Related Party Transactions	2 Non-Executive Independent Directors 1 Non-Executive Director	Page 128

## MEETINGS & MINUTES

### ATTENDANCE AT MEETINGS

Directors	Status	Board	AC	RPTRC	RC
Mr. Merrill J Fernando (expired on 20th July 2023)	E	3	-	-	-
Mr. Himendra S. Ranaweera - Deputy Chairman	E	2	-	-	1
Mr. Dilhan C. Fernando - Chairman (wef 31st July 2023)	E	4	-	-	-
Mr. Malik J. Fernando	E	3	-	-	-
Mr. Roshan C. Tissaaratchy	E	3	-	-	-
Mr. Darshana Gunasekera	E	4	4	4	1
Ms. Minette D. A. Perera	N	4	4	4	1
Mr. Rajanayagam Asirwatham	I	4	4	4	1
Mr. Ravindra A. Fernando	I	4	4	4	1
<b>Total number of meetings</b>		<b>4</b>	<b>4</b>	<b>4</b>	<b>1</b>

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 Group Finance Director 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 pages 177. 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 was separate from that of the CEO/Director until the demise of Founder Chairman. Mr. Dilhan C Fernando was designated the Chairman/CEO wef 31.07.2023. As such he fulfils the role of Chairman by leading the Board, preserving good corporate governance and setting the ethical tone for the Board and Group. In his capacity as the CEO/Director he leads the executive management and is accountable to the Board for the performance of the Group.

## CORPORATE GOVERNANCE

### 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 2023 are disclosed on page 181 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) Rainforest Alliance Sustainable Agriculture

standard, Organic Standards for EU, USDA NOP and JAS, ISO 17025 Laboratory Accreditation and also to verify implementation of internal procedures and system are conducted by trained internal audit team according to the annual audit plan. 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 fifth 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 are committed to acting professionally, fairly and with integrity in all our 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 2022/23, DCTC had 1,043 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.

## CORPORATE GOVERNANCE

### 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 2022/23 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	<input checked="" type="checkbox"/>
7.10.1(a)	<b>Non-Executive Directors (NED) composition</b> At least two or one third of total Directors, whichever is higher	Composition	<input checked="" type="checkbox"/>
7.10.2(a)	<b>Independent Directors Composition</b> Two or one-third of Non-Executive Directors, whichever is higher	Composition	<input checked="" type="checkbox"/>
7.10.2(b)	<b>Independence of Directors</b> Each Non-Executive Director should submit a declaration of Independence/Non-Independence	Directors' Independence	<input checked="" type="checkbox"/>
7.10.3(a)	<b>Disclosure relating to Directors</b> The names of Independent Directors should be disclosed in the Annual Report	Directorate	<input checked="" type="checkbox"/>
7.10.3 (a)/(b)	<b>Independence of Directors</b> The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Directors' Independence	<input checked="" type="checkbox"/>
7.10.3(c)	<b>Disclosure relating to Directors</b> A brief resume of each Director including the Director's areas of expertise.	Board Profiles	<input checked="" type="checkbox"/>
7.10.3(d)	<b>Appointment of new Directors</b> Provide a brief resume of any new Director appointed to the Board	Appointment, Re-Election and Resignation	<input checked="" type="checkbox"/>
7.10.5	<b>Remuneration Committee</b> A listed company shall have a Remuneration Committee	Remuneration Committee Report	<input checked="" type="checkbox"/>
7.10.5(a)	<b>Composition of Remuneration Committee</b> Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	<input checked="" type="checkbox"/>
7.10.5(b)	<b>Functions of Remuneration Committee</b> The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors of the Board, for approval	Remuneration Committee Report	<input checked="" type="checkbox"/>

7.10.5(c)	<b>Disclosure in the Annual Report relating to Remuneration Committee</b> 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	<input checked="" type="checkbox"/>
7.10.6	<b>Audit Committee</b> A listed company shall have an Audit Committee	Audit Committee Report	<input checked="" type="checkbox"/>
7.10.6(a)	<b>Composition of Audit Committee</b> 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	<input checked="" type="checkbox"/>
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10.6(b)	Audit Committee Report	<input checked="" type="checkbox"/>
7.10.6(c)	<b>Disclosure in the Annual Report relating to Audit Committee</b> 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	<input checked="" type="checkbox"/>
9.3.2	<b>Related Party Transactions Review Committee</b> 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	<input checked="" type="checkbox"/>
7.6	<b>Contents of the Annual Report</b>		
i)	Names of Directors of the entity	Board Profile	<input checked="" type="checkbox"/>
ii)	Principal activities of the entity and its subsidiaries during the year under review	About Us	<input checked="" type="checkbox"/>
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Investor Information	<input checked="" type="checkbox"/>
iv)	The Public Holding percentage etc.	Investor Information	<input checked="" type="checkbox"/>
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Directors Interest in Shares and Shareholding	<input checked="" type="checkbox"/>
vi)	Information pertaining to material foreseeable risk factors	Risk Management	<input checked="" type="checkbox"/>
vii)	Details of material issues pertaining to employees and industrial relations	Human Capital	<input checked="" type="checkbox"/>

## CORPORATE GOVERNANCE

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	<input checked="" type="checkbox"/>
xiv)	Number of shares representing the stated capital	Investor Information	<input checked="" type="checkbox"/>
xv)	Distribution schedule of the number of shareholders and the percentage of their total holding	Investor Information	<input checked="" type="checkbox"/>
xvi)	Ratios and market price information	Investor Information	<input checked="" type="checkbox"/>
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	<input checked="" type="checkbox"/>
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 Party Transactions	<input checked="" type="checkbox"/>

## 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 2023, 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 27th July 2023.

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 2023.

## 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

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	140
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 31st March 2023.	133 to 139
Auditor's Report on the Financial Statements of the Company	Section 168 (1) (c)	Independent Auditors' Report	130 to 132
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	141
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 no changes to the Directors' shareholding during the financial year.	187
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	181
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	169

## REPORT OF THE BOARD OF DIRECTORS

Rule No.	Disclosure Requirements	Reference to the Companies Act No. 07 of 2007	Disclosure Reference for
	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. Founder Merrill J Fernando expired on 20th July 2023. In terms of Article 24 of the Articles of Association of DCTC, Ms. Minette Perera retires by rotation and being eligible, offers herself for re- election.	21 to 24
	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	169
	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	116
	Signed on behalf of the board by two Directors and the Company Secretary	Section 168 (1) (k)	125

### 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 17 to 18 ) and Financial Capital Report (pages 51 to 53).

### FUTURE DEVELOPMENTS

An overview of the future developments of the Group is given in the Chairman’s Message (pages 17 to 18).

### 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 2023 duly signed by the Sector Financial Controller and two Directors of the Company, are given in pages 133 to 188.

### 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 LKASs), 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 129.

### 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	2023	2022
	Rs. '000	Rs. '000
Revenue	22,313,009	11,435,775
Profit for the Year	5,034,354	5,570,600
Other Comprehensive Income Net of Tax	(32,297)	(42,893)
Total Comprehensive Income Net of Tax	5,002,057	5,527,707
1st and 2nd Interim Dividend for the Current Year	725,813	829, 500
Proposed Final Dividend	311,063	311,063

**DIVIDENDS**

Two interim dividends totalling Rs.35/- were paid during the year ended 31st March 2023. the Directors recommend paying a final dividend of Rs.15/- per share for the year ended 31st March 2023.

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. 483 million (2021/2022 Rs. 520 million) to the MJF Charitable Foundation. The activities of the Foundation are given on the pages 72 to 83. Other Donations by the Company during the year amounted to Rs. 96,200/- (2021/ 22 - Rs. 249,524/-).

**TAXATION**

The taxable Income is determined according to the provisions of the Inland Revenue Act No.24 of 2007 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. In addition to the aforesaid, the company decided to assist employees with the extra financial burdens (Tax absorption + additional monthly ex-gratia payment for the employees who earn below Rs. 100,000 salary).

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 2023, 643 persons were employed by the Company (31st March 2022 - 634)

**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. 1,545 million and Rs. 1,547 million respectively (2022/23 Company: Rs. 500 million and Group: Rs. 502 million). Details are given in Note 4 of the Notes to the Financial Statements on pages 152 to 155.

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 176.

**PROPERTY, PLANT AND EQUIPMENT (PPE)**

Details of property, plant and equipment are given in Note 4 to

## REPORT OF THE BOARD OF DIRECTORS

the Financial Statements on pages 152 to 155. The net book values of freehold properties owned by the Company and the Group as at 31st March 2023 are included in the accounts at Rs.4,855.3 million and Rs. 4,862.6 million respectively (2022/23 Company: Rs. 3,373.6 million and Group: Rs. 3,425 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 2023, there were 1,043 (1,007 as at 31st March 2022) registered shareholders and their distribution is given on page 187. The twenty major shareholders as at 31st March 2023 and the number of shares held and their percentage shareholding are disclosed on page 188.

### RESERVES

The total reserves as at 31st March 2023 stand at Rs. 22,041 million (2021/22 - Rs. 17,689 million) including the FVOCI Reserve of Rs. 37 million (2021/22- Rs. 70 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 31 to 34. 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 and the Independent Auditors' Report thereon are given on pages 127 to 132.

### 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 44 to 49.

### DIRECTORATE

The following Directors held office as at the Statement of Financial Position date and their brief profiles appear on pages 21 to 24 of the Annual Report.

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.

Ms. Minette Perera retires by rotation in terms of Section 24 of the Articles of Association of the Company, and being eligible offers herself for re-election at the Annual General Meeting.

Name of the Director	Status
Mr. Merrill J. Fernando – Founder Chairman (expired on 20.07.2023)	ED
Mr. Himendra S. Ranaweera - Deputy Chairman	ED
Mr. Dilhan C. Fernando – Chairman (wef 31.07.2023)/ Chief Executive Officer	ED
Mr. Malik J. Fernando	ED
Mr. Roshan C. Tissaaratchy	ED
Mr. Darshana Gunasekera	ED
Ms. Minette D. A. Perera	NED
Mr. Rajanayagam Asirwatham	IND
Dr. Ravindra A. Fernando	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 (expired on 20.07.2023)	ED
Mr. Himendra S. Ranaweera - Deputy Chairman	ED
Mr. Dilhan C. Fernando - Chairman (wef 31.07.2023)	ED
Mr. Malik J. Fernando	ED
Mr. Roshan C. Tissaarachy	ED
Mr. Daya Prabath Wickramatunga	IND

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

**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 Ms. Minette D. A. Perera Dr. Ravindra A. Fernando	Report of the Audit Committee is given on page 126
Remuneration Committee	Ms. Minette D. A. Perera - Chairperson Mr. Rajanayagam Asirwatham Dr. Ravindra A. Fernando	Report of the Remuneration Committee is given on page 127
Related Party Transactions Review Committee	Mr. Rajanayagam Asirwatham - Chairman Ms. Minette D. A. Perera Dr. Ravindra A. Fernando	Report of the Related Party Transaction Review Committee is given on page 128

**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 page 177 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 128.

**DIRECTORS EMOLUMENTS**

During the year under review, total remuneration of the Executive Directors amounted to Rs. 240,862,325/- and Non-Executive Directors amounted to Rs. 3,930,000/- (2022/23 - Executive Directors Rs. 203,778,527/- and Non-Executive Directors Rs. 2,300,000/-)

## REPORT OF THE BOARD OF DIRECTORS

### 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	2023	2022
Mr. Merrill J. Fernando	8,200	8,200
Mr. Malik J. Fernando	24,200	24,200
Mr. Dilhan C. Fernando	60,400	60,400
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. 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	2023	2022
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 110 to 118 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 AUDITOR

Ernst & Young, Chartered Accountants, served as the Group Auditors during the year under review and the Auditors' Report is given on pages 130 to 132 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. 1,292,600/- (2021/22 - Rs. 1,183,871/-). Fees payable for other services rendered Rs.1,081,631/- (2021/22 - Rs. 1,940,860/-). 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 01.04.2022 to 31.03.2023 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 42nd Annual General Meeting of Dilmah Ceylon Tea Company PLC is to be convened on 27th September 2023 at 10.30 a.m. at 111, Negombo Road, Peliyagoda via a virtual platform. Notice of the Annual General Meeting appears on page 193.

**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

On this 31st day of August 2023

# 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), Ms. Minette Perera and Dr. Ravindra A Fernando. 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, Ms. Minette and Dr. Ravindra attended all four meetings. Group Finance Director 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. Our internal audit function is outsourced to KPMG who are an internationally recognized team of accounting professionals. 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 2024 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

31st August 2023

# REPORT OF THE REMUNERATION COMMITTEE

The Committee is responsible for setting the Company's policy on remuneration and to review significant Human Resource policies that influence the Company's performance.

## COMMITTEE COMPOSITION

The Committee, appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, 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 Ms. Minette D A Perera (Chairperson) Mr. Rajan Asirwatham, and Dr. Ravindra A. Fernando.

## COMMITTEE MEETINGS

The Committee held one meeting during the year under review with the attendance of Ms. Minette, Mr. Asirwatham and Dr. Ravindra. The Deputy Chairman, Group Finance Director and the Company Secretary 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 to optimize long term shareholder value creation.

## SCOPE

The Committee lays down guidelines and parameters for the compensation structure of the Chief Executive Officer, Executive Directors and other key Management Staff. 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

31st August 2023

# 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), Ms. Minette D. A. Perera and Dr. Ravindra A. Fernando.

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 with the attendance of Mr. Asirwatham, Ms. Minette and Dr. Ravindra. Group Finance Director 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.

## RELATED PARTY TRANSACTIONS DURING THE YEAR 2022/23.

The Committee has reviewed the related party transactions during the financial year 2022/23 and 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.



**Mr. Rajan Asirwatham**  
Chairman – Related Party  
Transactions Review Committee

31st August 2023

# 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 130 to 132 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 31.03.2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then 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 2023
- 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 133 to 139 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 page 130 to 132 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 133 to 139 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  
31st August 2023

# 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 7389  
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[ey.com](http://ey.com)

## 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 2023, 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 2023, 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.

Key audit matter	How our audit addressed the key audit matter
<b>REVENUE RECOGNITION</b> Revenue from Contracts with Customers The Group derived its revenue of Rs. 22.313 Bn as disclosed in Notes 2.18 & 17 to the financial statements. Revenue was a key audit matter due to; The materiality of reported revenue coupled with the significant increase (95%) in revenue recorded by the Group during the year; and Consideration of terms of sales arrangements affecting the transfer of control of goods sold and the related timing of revenue recognition.	Our audit procedures included the following; <ul style="list-style-type: none"> <li>Evaluated the design and tested the operating effectiveness of relevant key controls over the recognition of revenue.</li> <li>performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues.</li> <li>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.</li> </ul> We also assessed the adequacy of disclosures made in relation to revenue in Notes 2.18 & 17 to the financial statements.

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Partners: D.K. Hasingamulla FCA FCMA LL.B (Hons), A.P.A. Gunawardena FCA FCMA, M. V. A. De Silva FCA, M. G. G. Manjitha FCA, W.K.B.S.P. Fernando FCA FCMA, B.F. Wijesuriya FCA FCMA, R.N. de Saram ACA FCMA, H.G. N.R. de Silva FCA, N.M. Sumanthala ACA FCMA, M.L.K.H.L. Fernando FCA, M.L.K.B.H. Fernando FCA FCMA, M.P.V.K.N. Rajesekari FCA, A.A.J.R. Perera ACA FCMA, N.V.R.L. Fernando ACA, O.N. Gamage ACA FCMA, C.A. Yalagala ACA FCMA

Principals: T.P.M. Renuka FCA FCMA MBA (US) LL.M., G.G. Gouthan ACA, M.P.S. Perumuduru ACA FCMA LLB (Colomb), G.L.B. Karunathilaka ACA, W.S.J. De Silva B.Com (Hons) - MSc (Tax) - IT, Y. Shasthri B.Com (Sgt)

a member firm of Ernst & Young Global Limited

**Other information included in the 2023 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.

## INDEPENDENT AUDITOR'S REPORT

- 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 2471.



31 August 2023

Colombo

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2023	Note	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	4,690,230	3,512,925	4,639,158	3,459,568
Investment Property	5	628,123	637,921	628,123	637,921
Intangible Assets	6	132,660	152,407	132,660	152,407
Right of Use Asset	7	1,054,937	1,084,729	1,044,767	1,074,117
Deferred Tax Asset	23	41,277	-	53,713	-
Other Non-Current Financial Assets	8	270,805	303,492	270,805	303,492
<b>Total Non-Current Assets</b>		<b>6,818,032</b>	<b>5,691,474</b>	<b>6,769,226</b>	<b>5,627,505</b>
<b>Current Assets</b>					
Inventories	9	2,780,029	1,919,742	2,729,844	1,895,379
Trade and Other Receivables	10	6,799,456	5,877,985	6,766,780	5,839,953
Advances and Prepayments		731,582	999,665	714,179	991,614
Amounts Due from Related Party	11	-	-	90,394	79,282
Other Current Financial Assets	12	971,042	-	971,042	-
Cash and Cash Equivalents	13	9,920,878	8,434,585	9,907,305	8,429,430
<b>Total Current Assets</b>		<b>21,202,987</b>	<b>17,231,977</b>	<b>21,179,544</b>	<b>17,235,658</b>
<b>Total Assets</b>		<b>28,021,019</b>	<b>22,923,451</b>	<b>27,948,770</b>	<b>22,863,163</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	14	642,500	642,500	642,500	642,500
Other Components of Equity		36,997	69,676	36,997	69,676
Retained Earnings		22,004,594	18,006,733	21,960,569	17,971,136
<b>Total Equity</b>		<b>22,684,091</b>	<b>18,718,909</b>	<b>22,640,066</b>	<b>18,683,312</b>
<b>Non-Current Liabilities</b>					
Lease Liability	7	1,132,041	1,112,092	1,121,418	1,102,225
Deferred Tax Liabilities	23	-	266,361	-	260,685
Retirement Benefit Obligations	15	300,393	273,331	296,441	270,349
		<b>1,432,434</b>	<b>1,651,784</b>	<b>1,417,859</b>	<b>1,633,259</b>
<b>Current Liabilities</b>					
Trade and Other Payables	16	1,247,182	767,697	1,242,107	765,938
Provisions and Accrued Expenses		1,634,753	1,578,007	1,630,191	1,575,386
Lease Liability	7	79,528	89,540	78,656	87,754
Income Tax Payable	23	943,031	117,514	939,891	117,514
		<b>3,904,494</b>	<b>2,552,758</b>	<b>3,890,845</b>	<b>2,546,592</b>
<b>Total Liabilities</b>		<b>5,336,928</b>	<b>4,204,542</b>	<b>5,308,704</b>	<b>4,179,851</b>
<b>Total Equity and Liabilities</b>		<b>28,021,019</b>	<b>22,923,451</b>	<b>27,948,770</b>	<b>22,863,163</b>

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;



**Himendra S. Ranaweera**  
Deputy Chairman/Director



**Darshana Gunasekera**  
Group Finance Director

31st August 2023

The accounting policies and notes on pages 140 through 185 form an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 MARCH 2023	Note	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue from Contracts with Customers</b>	17	22,313,009	11,435,775	22,186,053	11,350,390
Cost of Sales		(12,223,914)	(6,444,285)	(12,124,993)	(6,375,237)
Gross Profit		10,089,095	4,991,490	10,061,060	4,975,153
Other Income	18	49,611	23,190	49,611	23,166
Administrative Expenses		(2,649,525)	(1,978,938)	(2,640,084)	(1,981,911)
Selling and Distribution Costs		(4,781,278)	(2,130,657)	(4,780,987)	(2,130,644)
Foreign Exchange Gain	19	2,269,566	4,592,433	2,267,540	4,580,312
Finance Costs	20	(142,779)	(171,505)	(141,322)	(170,048)
Finance Income	21	995,949	517,980	995,949	517,980
<b>Profit Before tax</b>	22	5,830,639	5,843,993	5,811,767	5,814,008
Income Tax Expense	23	(796,285)	(273,393)	(786,221)	(272,105)
<b>Profit for the year</b>		5,034,354	5,570,600	5,025,546	5,541,903
Earnings per Share (Rs.)	24	242.77	268.62	242.34	267.23
Dividend per Share (Rs.)	25	50.00	33.00	50.00	33.00

The accounting policies and notes on pages 140 through 185 form an integral part of these financial statements.

## STATEMENT OF OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2023	Notes	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Profit for the year</b>		5,034,354	5,570,600	5,025,546	5,541,903
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	(32,679)	(75,503)	(32,679)	(75,503)
<b>Net Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;</b>		<b>(32,679)</b>	<b>(75,503)</b>	<b>(32,679)</b>	<b>(75,503)</b>
<b>Other Comprehensive Income not to be classified to profit or loss in subsequent periods:</b>					
Re-measurement Gain / (Loss) on Employee Retirement Benefit Obligation	15	546	37,919	1,089	36,714
Deferred Tax attributable to re-measurement Gain / (Loss) on Employee Retirement Benefit Obligation	23	(164)	(5,309)	(327)	(5,140)
<b>Net Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent periods;</b>		<b>382</b>	<b>32,610</b>	<b>762</b>	<b>31,574</b>
<b>Other Comprehensive Income for the year, Net of Tax</b>		<b>(32,297)</b>	<b>(42,893)</b>	<b>(31,917)</b>	<b>(43,929)</b>
<b>Total Comprehensive Income for the year, Net of Tax</b>		<b>5,002,057</b>	<b>5,527,707</b>	<b>4,993,629</b>	<b>5,497,974</b>

The accounting policies and notes on pages 140 through 185 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY GROUP

	Notes	Other Components of Equity			Total
		Stated Capital	FVOCI Reserve	Retained Earnings	
<b>YEAR ENDED 31 MARCH 2023</b>		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01 April 2021</b>		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)
<b>As at 31 March 2022</b>		642,500	69,676	18,006,733	18,718,909
Profit for the Year		-	-	5,034,354	5,034,354
Other Comprehensive Income		-	(32,679)	382	(32,297)
Total Comprehensive Income for the year		-	(32,679)	5,034,736	5,002,057
2nd Interim Dividend - 2021/22	25			(518,438)	(518,438)
Final Dividend - 2021/22	25			(311,062)	(311,062)
1st Interim Dividend - 2022/23	25			(207,375)	(207,375)
<b>As at 31 March 2023</b>		642,500	36,997	22,004,594	22,684,091

## STATEMENT OF CHANGES IN EQUITY COMPANY

	Other Components of Equity			
	Stated Capital	FVOCI Reserve	Retained Earnings	Total
<b>YEAR ENDED 31 MARCH 2023</b>	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01 April 2021</b>	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)
<b>As at 31 March 2022</b>	642,500	69,676	17,971,136	18,683,312
Profit for the Year	-	-	5,025,546	5,025,546
Other Comprehensive Income, Net of Tax	-	(32,679)	762	(31,917)
Total Comprehensive Income for the year	-	(32,679)	5,026,308	4,993,629
2nd Interim Dividend - 2021/22	25	-	(518,438)	(518,438)
Final Dividend - 2021/22	25	-	(311,062)	(311,062)
1st Interim Dividend - 2022/23	25	-	(207,375)	(207,375)
<b>As at 31 March 2023</b>	642,500	36,997	21,960,569	22,640,066

The accounting policies and notes on pages 140 through 185 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2023	GROUP		COMPANY		
	2023	2022	2023	2022	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
<b>Cash Flows From / (Used in) Operating Activities</b>					
Profit before Income Tax Expense		5,830,639	5,843,993	5,811,767	5,814,008
<b>Adjustments for</b>					
Depreciation	22	370,634	324,915	366,968	321,531
Amortisation of Intangible Assets	22	26,332	26,272	26,332	26,272
Depreciation on Right of Use Asset	7	29,792	29,795	29,350	29,350
Interest Expense on Lease Liability	20	142,779	142,448	141,322	140,991
Unrealised Foreign Exchange (Gain) / Loss		(147,914)	(4,273,683)	(152,494)	(4,264,070)
Interest Expenses	20	-	29,057	-	29,057
Dividend Income	18	(44)	(4)	(44)	(4)
Interest Income	21	(995,949)	(517,980)	(995,949)	(517,980)
Profit on disposal of Property, Plant and Equipment		(440)	(11)	(440)	(11)
Profit on disposal of Investment		(44)	(21)	(44)	(21)
Provision for Impairment of Receivables		108,172	8,160	108,172	8,160
Provision for Defined Benefit Plans	15	63,616	37,818	62,806	37,151
Impairment Loss on Amounts due from Related Party		-	-	(11,112)	5,820
<b>Operating Profit before Working Capital Changes</b>		<b>5,427,573</b>	<b>1,650,759</b>	<b>5,386,634</b>	<b>1,630,254</b>
<b>Working Capital Changes:</b>					
Inventories		(860,287)	(372,767)	(834,465)	(365,019)
Trade and Other Receivables		(1,577,040)	322,608	(1,579,224)	329,615
Advances and Prepayments		268,082	(757,587)	277,435	(751,616)
Trade and Other Payables		443,859	226,138	440,735	224,387
Provisions and Accrued Expenses		56,746	1,011,597	54,807	1,010,959
<b>Cash Flows from Operations</b>		<b>3,758,933</b>	<b>2,080,748</b>	<b>3,745,922</b>	<b>2,078,580</b>
Retirement Benefit Obligation Paid	15	(36,008)	(12,606)	(35,625)	(9,702)
Interest Paid		-	(29,057)	-	(29,057)
Income Tax Paid		(278,735)	(273,988)	(278,570)	(273,988)
<b>Net Cash Flows from Operating Activities</b>		<b>3,444,189</b>	<b>1,765,097</b>	<b>3,431,727</b>	<b>1,765,833</b>

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2023	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Investing Activities</b>				
Acquisition of Property, Plant and Equipment	(1,539,445)	(498,689)	(1,538,064)	(496,829)
Acquisition of Investment Properties	(859)	(635)	(859)	(635)
Acquisition of Intangible Assets	(6,585)	(2,594)	(6,585)	(2,594)
Acquisition of Other Current Financial Assets	(971,042)	-	(971,042)	-
Proceeds from disposal of Property, Plant and Equipment	2,602	29	2,602	29
Proceed from Disposal of Investment	52	-	52	-
Proceeds from disposal of Other Current Financial Assets	-	1,543,601	-	1,543,601
Dividend Received	44	4	44	4
Interest Received	995,949	517,980	995,949	517,980
<b>Net Cash Flows used in Investing Activities</b>	<b>(1,519,284)</b>	<b>1,559,696</b>	<b>(1,517,903)</b>	<b>1,561,556</b>
<b>Financing Activities</b>				
Repayment of Lease Liability	(132,841)	(132,840)	(131,227)	(131,227)
Dividends Paid	(1,036,875)	(684,338)	(1,036,875)	(684,338)
<b>Net Cash Flows used in from Financing Activities</b>	<b>(1,169,716)</b>	<b>(817,178)</b>	<b>(1,168,102)</b>	<b>(815,565)</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	731,104	2,756,143	732,153	2,755,426
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>1,486,293</b>	<b>5,263,758</b>	<b>1,477,875</b>	<b>5,267,250</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>8,434,585</b>	<b>3,170,827</b>	<b>8,429,430</b>	<b>3,162,180</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>13 9,920,878</b>	<b>8,434,585</b>	<b>9,907,305</b>	<b>8,429,430</b>

The accounting policies and notes on pages 140 through 185 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 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 31st August 2023.

## 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](http://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	MJF Beverages (Private) Limited
Country of incorporation	Sri Lanka
Effective shareholding	
2023	100%
2022	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 2023. 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 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-

## NOTES TO THE FINANCIAL STATEMENTS

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 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.

A summary of the policies applied to the Group’s intangible assets is as follows:

	Software
Useful lives	Finite
Amortisation method used	10 years
Internally generated or acquired	Acquired

**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-

## NOTES TO THE FINANCIAL STATEMENTS

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 different 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 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;

- a. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b. 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,

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial essential assets
- b. 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

## NOTES TO THE FINANCIAL STATEMENTS

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 and workers act No.28 of 2021.

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 2023. The liability is not externally funded. The gratuity 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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 includes Value Added Tax. The Group pay such tax 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.

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 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. 6,891 million (2022 - Rs. 5,872 million) with allowance for impairment of trade receivables amounting to Rs.359 million (2022 – Rs. 240 million) and gross trade receivables of the Company were Rs. 6,858 million (2022 - Rs. 5,839 million) with allowance for impairment of trade receivables amounting to Rs. 355 million (2022 – Rs.236 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.

**Going Concern**

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the existing and anticipated effects current economic conditions on the Group and the appropriateness of the use of the going concern basis. In March 2023, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

#### SLFRS 17 - Insurance 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. The Group does not expect to have a significant impact on the Group's financial statements on the adoption of this standard. 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 2025, 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 8 - Definition of Accounting Estimates

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 2023. Earlier application is permitted.

#### Amendments to LKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and

interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

**Amendments to LKAS 1 -  
Classification of Liabilities as  
Current or Non-current**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT AND EQUIPMENT

#### 4.1 Group

Gross Carrying Amounts	Balance as at	Additions	Transfers	Disposals	Balance as at
	01.04.2022				31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost</b>					
Land	702,444	162,850		-	865,294
Buildings on Leasehold Land	67,474	617		-	68,091
Buildings	779,241	16,080			795,321
Plant and Machinery	3,685,958	1,194,200	402,266		5,282,424
Factory Equipment	12,131	119			12,250
Furniture and Fittings	63,667	4,264			67,931
Office and Store Equipment	152,485	22,641		(2,351)	172,775
Computer Hardware	136,292	49,534	2,594	(845)	187,575
Motor Vehicle	230,926	20,586		-	251,512
<b>Total Value of Depreciable Assets</b>	<b>5,830,618</b>	<b>1,470,891</b>	<b>404,860</b>	<b>(3,196)</b>	<b>7,703,173</b>
<b>In the Course of Construction</b>					
Capital Work In Progress	567,624	68,554	(404,860)		231,318
	567,624	68,554	(404,860)	-	231,318
<b>Total Gross Carrying Amount</b>	<b>6,398,242</b>	<b>1,539,445</b>	<b>-</b>	<b>(3,196)</b>	<b>7,934,491</b>
<b>Accumulated Depreciation</b>	<b>Balance as at</b>	<b>Charge for the year</b>	<b>Transfers</b>	<b>Disposals</b>	<b>Balance as at</b>
	01.04.2022				31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost</b>					
Buildings on Leasehold Land	24,154	1,826	-		25,980
Buildings	-	19,534	-		19,534
Plant and Machinery	2,423,810	265,139	-		2,688,949
Factory Equipment	7,625	539	-		8,164
Furniture and Fittings	28,982	8,295	-		37,277
Office and Store Equipment	105,205	21,217	-	(353)	126,069
Computer Hardware	110,952	24,350	-	(680)	134,622
Motor Vehicle	184,589	19,077	-		203,666
<b>Total Depreciation</b>	<b>2,885,317</b>	<b>359,977</b>	<b>-</b>	<b>(1,033)</b>	<b>3,244,261</b>

Net Carrying Amounts	2023	2022
	Rs.'000	Rs.'000
Land	865,294	702,444
Buildings on Leasehold Land	42,111	43,320
Buildings	775,787	779,241
Plant and Machinery	2,593,475	1,262,148
Factory Equipment	4,086	4,506
Furniture and Fittings	30,654	34,685
Office and Store Equipment	46,706	47,280
Computer Hardware	52,953	25,340
Motor Vehicle	47,846	46,337
	4,458,912	2,945,301
Capital Work In Progress	231,318	567,624
	231,318	567,624
Total Net Carrying Amount	4,690,230	3,512,925

#### 4.1.1

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.1,539,444,232/- (2022-Rs. 498,689,307/-). Cash payments amounting to Rs.1,539,444,232/- (2022 - Rs.498,689,307/-) 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. 2,106,437,703/- (2022 - Rs. 611,197,125/-) 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, 115/A, 147, 147 1/1, 147/2, 147/3, 167, 179 Negombo Road, Peliyagoda.	295.01 P

##### Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01
Rilhena, Palmadulla, Rathnapura	01

## NOTES TO THE FINANCIAL STATEMENTS

### 4.2 Company

Gross Carrying Amounts	Balance as at	Additions	Transfers	Disposals	Balance as at
	01.04.2022				31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost</b>					
Land	702,444	162,850	-		865,294
Building	779,241	16,080	-		795,321
Plant and Machinery	3,506,284	1,193,814	402,266		5,102,364
Furniture and Fittings	63,219	4,005	-		67,224
Office and Stores Equipment	154,455	22,641	-	(2,351)	174,745
Computer Hardware	135,703	49,534	2,594	(845)	186,986
Motor Vehicles	230,930	20,586	-	-	251,516
<b>Total Value of Depreciable Assets</b>	<b>5,572,276</b>	<b>1,469,510</b>	<b>404,860</b>	<b>(3,196)</b>	<b>7,443,450</b>
<b>In the Course of Construction</b>					
Capital Work In Progress	567,624	68,554	(404,860)	-	231,318
	567,624	68,554	(404,860)	-	231,318
<b>Total Gross Carrying Amount</b>	<b>6,139,900</b>	<b>1,538,064</b>	<b>-</b>	<b>(3,196)</b>	<b>7,674,768</b>
<b>Accumulated Depreciation</b>					
Accumulated Depreciation	Balance as at	Charge for the year	Transfers	Disposals	Balance as at
	01.04.2022				31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost</b>					
Building	-	19,534	-	-	19,534
Plant and Machinery	2,252,249	263,989	-	-	2,516,238
Furniture and Fittings	28,554	8,269	-	-	36,823
Office and Stores Equipment	104,492	21,139	-	(353)	125,278
Computer Hardware	110,444	24,303	-	(680)	134,067
Motor Vehicles	184,593	19,077	-	-	203,670
<b>Total Depreciation</b>	<b>2,680,332</b>	<b>356,311</b>	<b>-</b>	<b>(1,033)</b>	<b>3,035,610</b>

## NOTES TO THE FINANCIAL STATEMENTS

Net Carrying Amounts	2023	2022
	Rs.'000	Rs.'000
Land	865,294	702,444
Building	775,787	779,241
Plant and Machinery	2,586,126	1,254,035
Furniture and Fittings	30,401	34,665
Office and Stores Equipment	49,467	49,963
Computer Hardware	52,919	25,259
Motor Vehicles	47,846	46,337
	4,407,840	2,891,944
Capital Work In Progress	231,318	567,624
	231,318	567,624
Total Net Carrying Amount	4,639,158	3,459,568

### 4.2.1

During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,538,063,848 /- (2022 - Rs.496,828,409/-). Cash payments amounting to Rs. 1,538,063,848/- (2022 - Rs. 496,828,409/-) 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. 1,930,035,355/- (2022 - Rs. 434,829,176/-) 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, 115/A, 147, 147 1/1, 147/2, 147/3, 167, 179 Negombo Road, Peliyagoda.	295.01 P

#### Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INVESTMENT PROPERTY

#### Group/Company

Gross Carrying Amounts	Balance as at	Additions	Disposals	Balance as at
	01.04.2022			31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost</b>				
Land	234,064	-	-	234,064
Building	426,943	859	-	427,802
Total Value of Investment Property	661,007	859	-	661,866
<b>Total Gross Carrying Amount</b>	<b>661,007</b>	<b>859</b>	<b>-</b>	<b>661,866</b>

Accumulated Depreciation	Balance as at	Charge for the year	Disposals	Balance as at
	01.04.2022			31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>At Cost</b>				
Building	23,086	10,657	-	33,743
Total Depreciation	23,086	10,657	-	33,743

Net Carrying Amounts	2023	2022
	Rs.'000	Rs.'000
Land	234,064	234,064
Building	394,059	403,857
<b>Total Net Carrying Amount</b>	<b>628,123</b>	<b>637,921</b>

#### 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 2023 is estimated to be Rs. 601,900,000/- (2022 - 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. 1,300,000/- (2022 - 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 2023 is estimated at Rs.427,801,692/- (2022 Rs.426,943,092/-).

#### 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. 30,783,802/- (2022 - 14,173,974/-). The operational expenses of the property had been limited to brokerage charges and General maintenance expenses amounting to Rs. 2,891,863/- (2022 - Rs. 3,034,162/-) for the year.

6. INTANGIBLE ASSETS (GROUP/COMPANY)

Computer Software	2023	2022
	Rs.'000	Rs.'000
<b>At Cost</b>		
As at 1 April	689,461	686,867
Acquired during the year	6,585	2,594
As at 31 March	696,046	689,461
<b>Amortization</b>		
As at 1 April	537,054	510,782
Amortization for the year	26,332	26,272
As at 31 March	563,386	537,054
<b>Net Book Value</b>	<b>132,660</b>	<b>152,407</b>

6.1

During the financial year, the Group/Company acquired Intangible Assets to the aggregate value of Rs.6,584,965/- (2022 - Rs.2,593,797/-). Cash payments amounting to Rs.6,584,965/- (2022- Rs.2,593,797/-) were made by the Group/Company during the year for purchase of Intangible Assets.

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

At Gross Value	Balance as at	Additions	Advance Payment for leases	Balance as at
	01.04.2022			31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	789,341	-	-	789,341
Buildings and installations	384,795	-	-	384,795
	1,174,136	-	-	1,174,136

## NOTES TO THE FINANCIAL STATEMENTS

Depreciation	Balance as at	Charge for the Year	De-recognition	Balance as at
	01.04.2022			31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	59,803	20,376	-	80,179
Buildings and installations	29,604	9,416	-	39,020
	89,407	29,792	-	119,199

Net book values	2023	2022
	Rs.'000	Rs.'000
Land	709,162	729,538
Buildings and installations	345,775	355,191
	1,054,937	1,084,729

### 7.1.2 Company

At Gross Value	Balance as at	Additions	Advance Payments for Leases	Balance as at
	01.04.2022			31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	789,341	-	-	789,341
Buildings and installations	372,824	-	-	372,824
	1,162,165	-	-	1,162,165

Depreciation	Balance as at	Charge for the Year	De-recognition	Balance as at
	01.04.2022			31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	59,803	19,934	-	79,737
Buildings and installations	28,245	9,416	-	37,661
	88,048	29,350	-	117,398

Net book values	2023	2022
	Rs.'000	Rs.'000
Land	709,604	729,538
Buildings and installations	335,163	344,579
	1,044,767	1,074,117

**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 01.04.2022	Additions	Accretion of Interest	Repayment -During the Year	Balance As at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	808,124	-	96,882	(90,020)	814,986
Buildings and installations	393,508	-	45,896	(42,821)	396,583
	1,201,632	-	142,778	(132,841)	1,211,569

	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.'000	Rs.'000	Rs.'000
Lease Liability/Lease Creditor	79,528	1,132,041	1,211,569
	79,528	1,132,041	1,211,569

**7.2.2 Company**

	Balance As at 01.04.2022	Additions	Accretion of Interest	Repayment -During the Year	Balance As at 31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	808,124	-	96,882	(90,020)	814,986
Buildings and installations	381,855	-	44,440	(41,207)	385,088
	1,189,979	-	141,322	(131,227)	1,200,074

	Amount repayable within 1 year	Amount repayable after 1 year	Total
	Rs.'000	Rs.'000	Rs.'000
Lease Liability/Lease Creditor	78,656	1,121,418	1,200,074
	78,656	1,121,418	1,200,074

## NOTES TO THE FINANCIAL STATEMENTS

### 7.2.3 Maturity analysis of lease liability as follows,

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Payable within one year</b>				
Gross liability	136,703	136,061	135,204	133,865
Finance cost allocated to future periods	(57,175)	(46,521)	(56,548)	(46,111)
Net liability transferred to current liabilities	79,528	89,540	78,656	87,754
<b>Payable within two to five years</b>				
Gross liability	560,471	419,833	554,471	416,833
Finance cost allocated to future periods	(316,758)	(202,721)	(313,371)	(201,576)
Net liability	243,713	217,112	241,100	215,257
<b>Payable after five years</b>				
Gross liability	5,160,360	5,439,786	5,134,485	5,407,490
Finance cost allocated to future periods	(4,272,032)	(4,544,806)	(4,254,167)	(4,520,522)
Net liability	888,328	894,980	880,318	886,968
Net liability payable after one year	1,132,041	1,112,092	1,121,418	1,102,225

## 8. OTHER NON-CURRENT FINANCIAL ASSETS

		Group/Company	
		2023	2022
		Rs.'000	Rs.'000
Equity Securities designated as FVOCI	- Quoted Investments	259,103	291,790
	- Unquoted Investments	11,702	11,702
		270,805	303,492

8.1

Non-quoted	HOLDING %		COMPANY	
	2023	2022	2023	2022
			Rs.'000	Rs.'000
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 2023. Based on that assessment, the investment has been fully provided for as at 31 March 2023.

8.3 Group/Company	QUOTED INVESTMENTS		UNQUOTED INVESTMENTS		TOTAL	
	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Equity Securities designated as FVOCI</b>						
At the beginning of the year	291,790	367,512	11,702	11,702	303,492	379,214
Gain/(Loss) on Change in Fair Value	(32,679)	(75,503)	-	-	(32,679)	(75,503)
Disposals	(8)	(219)	-	-	(8)	(219)
At the end of the year	259,103	291,790	11,702	11,702	270,805	303,492

8.4 Quoted Investments	NO. OF SHARES		COMPANY	
	2023	2022	2023	2022
			Rs.'000	Rs.'000
Kahawatte Plantation PLC	12,571,800	12,571,800	252,694	286,637
Renuka City Hotels PLC	17,500	17,500	6,409	5,145
Maskeliya Plantation PLC	-	800	-	8
			259,103	291,790

The Group/Company mainly holds a non-controlling interests of 15.74% (2022 - 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.

## NOTES TO THE FINANCIAL STATEMENTS

8.5 Unquoted Investments	NO. OF SHARES		COMPANY	
	2023	2022	2023	2022
			Rs.'000	Rs.'000
Rainforest Ecolodge (Private) Limited	2,500,000	2,500,000	11,702	11,702

The Group/Company holds a non-controlling interest of 5.25% (2022 - 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 2023 and potential returns expected through its future operations.

## 9. INVENTORIES

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw Materials	1,236,077	736,988	1,233,758	733,085
Packing Materials	677,894	501,486	647,757	486,919
Finished Goods	317,546	373,789	304,738	372,416
Consumables and Spares	548,512	307,479	543,591	302,959
	2,780,029	1,919,742	2,729,844	1,895,379

## 10. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Debtors	- Related Party (Note 10.1)	1,863,073	1,651,610	1,854,775	1,638,827
	- Others	5,028,635	4,220,672	5,003,423	4,201,171
		6,891,708	5,872,282	6,858,198	5,839,998
Less: Provision for Bad and Doubtful Debts (10.2)		(359,664)	(240,487)	(355,033)	(236,240)
		6,532,044	5,631,795	6,503,165	5,603,758
Other Receivables	- Related Party (Note 10.3)	50,108	45,459	50,108	45,459
	- Other	217,304	200,731	213,507	190,736
		6,799,456	5,877,985	6,766,780	5,839,953

10.1 Trade Receivables - Related Party

	Relationship	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dilmah Australia (Private) Limited	Fellow Subsidiary	1,526,163	1,501,192	1,524,404	1,489,576
Dilmah Europe B.V (MJF Group Europe Holding B.V.)	Fellow Subsidiary	290,600	130,918	285,073	129,751
M.J.F. Exports (Private) Limited	Fellow Subsidiary	1,012	-	-	-
MJF Exports Limited - Coimbatore	Fellow Subsidiary	45,298	19,500	45,298	19,500
		1,863,073	1,651,610	1,854,775	1,638,827

10.2 Movement of Provisions for Bad and Doubtful Debts

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April	240,487	164,129	236,240	159,962
Impairment Reversal on Trade Receivables	(56)	(11,340)	-	(11,340)
Impairment Provision on Trade Receivables	106,241	19,500	106,241	19,500
Exchange Loss on impairment on Trade Receivables	12,992	68,198	12,552	68,118
As at 31 March	359,664	240,487	355,033	236,240

10.3 Other Receivables - Related Party

	Relationship	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
MJF Exports Ltd (Coimbatore)	Fellow Subsidiary	50,108	45,459	50,108	45,459
		50,108	45,459	50,108	45,459

10.4 Trade Receivables - Age Analysis

	TOTAL	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED				
			0 -60 days	61-90 days	91-120 days	121-360 days	>360 days
			Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>							
At 31 March 23	6,532,044	5,154,049	743,553	150,591	42,289	101,031	340,531
At 31 March 22	5,631,795	4,987,232	327,495	31,866	24,933	33,298	226,971
<b>Company</b>							
At 31 March 23	6,503,165	5,134,898	736,965	150,611	42,285	97,875	340,531
At 31 March 22	5,603,758	4,980,766	325,913	24,850	17,916	30,605	223,708

Above figures are after considering the impairment.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. AMOUNTS DUE FROM RELATED PARTY

Company	Relationship	2023	2022
		Rs.'000	Rs.'000
MJF Beverages (Private) Limited	Subsidiary	171,140	160,028
Provision for Impairment of Amounts due from Related Party		(80,746)	(80,746)
		90,394	79,282

### 12. OTHER CURRENT FINANCIAL ASSETS

Group/Company	GROUP/COMPANY	
	2023	2022
	Rs.'000	Rs.'000
Fixed Deposits	971,042	-
	971,042	-

### 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statement of Cash Flows include the following Statement of Financial Position amounts:

Favorable Cash and Cash Equivalents Balances	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash on Hand	1,027	1,176	833	1,079
Bank Balances	769,739	754,199	756,360	749,141
Short-term Deposits	9,150,112	7,679,210	9,150,112	7,679,210
	9,920,878	8,434,585	9,907,305	8,429,430

### 14. STATED CAPITAL

Favorable Cash and Cash Equivalents Balances	GROUP/COMPANY			
	2023		2022	
	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**

Favorable Cash and Cash Equivalents Balances	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April	273,331	286,037	270,349	279,614
Current Service Cost	22,594	21,942	22,254	21,641
Past Service Cost	-	(4,178)	-	(4,063)
Interest Cost	41,022	20,055	40,552	19,573
Actuarial (Gain)/Loss	(546)	(37,919)	(1,089)	(36,714)
Benefits Paid	(36,008)	(12,606)	(35,625)	(9,702)
As at 31 March	300,393	273,331	296,441	270,349

The Retirement benefit plan of the company is amended due to the increasing retirement age inacted 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 (2022 - Smiles Global (Private) Limited), Independent actuarial specialists as at 31 March 2023. The principal assumptions used are as follows:

	Group/Company	
	2023	2022
Discount Rate	20%	15%
Future Salary Increment rate	15%	12%
Expected future working life time	5 - 6 Years	5 - 6 Years

**Sensitivity of Principal Assumptions used**

A one percentage change in the assumptions would have the following effects:

Favorable Cash and Cash Equivalents Balances	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Discount Rate</b>				
1% increase	(8,059)	(8,162)	(7,871)	(7,946)
1% decrease	8,656	8,843	8,448	8,598
<b>Salary Increment Rate</b>				
1% increase	10,260	10,152	10,028	9,886
1% decrease	(9,694)	(9,520)	(9,481)	(9,284)

## NOTES TO THE FINANCIAL STATEMENTS

### 16. TRADE AND OTHER PAYABLES

	Relationship	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Payables	- Related Party (Note 16.1)	129,266	104,208	126,709	104,228
	- Other	989,551	578,875	987,208	577,244
		1,118,817	683,083	1,113,917	681,472
Other Payables		128,365	84,614	128,190	84,466
		1,247,182	767,697	1,242,107	765,938

16.1 Trade Payables - Related Party	Relationship				
Printcare Universal (Private) Limited	Affiliate Company	29,616	46,724	29,616	46,724
Packages Lanka (Private) Limited	Affiliate Company	21,756	9,892	21,756	9,892
Timber Concepts (Private) Limited	Fellow Subsidiary	8,580	9,291	8,580	9,291
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	17,517	3,128	17,267	3,128
Print Care PLC	Affiliate Company	41,187	30,578	41,187	30,578
Ceylon Tea Farmers (Pvt) Ltd	Fellow Subsidiary	804	-	-	-
PCL Solutions (Private) Limited	Fellow Subsidiary	-	1,894	-	1,894
Dilmah Rus LLC	Fellow Subsidiary	-	2,691	-	2,691
Kahawatte Plantation PLC	Fellow Subsidiary	1,787	-	284	-
MJF Beverages (Private) Limited	Subsidiary	-	-	-	20
The Ceylon Spice Co. (Pvt) Ltd	Fellow Subsidiary	688	-	688	-
Dilmah SEA (Pte) Limited	Fellow Subsidiary	7,320	-	7,320	-
MJF Group Europe Holding BV	Fellow Subsidiary	11	10	11	10
		129,266	104,208	126,709	104,228

**17. REVENUE FROM CONTRACTS WITH CUSTOMERS**

	Relationship	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Export Sales	- Related Party (Note 17.1)	4,983,442	2,880,626	4,950,322	2,860,973
	- Other	17,317,582	8,551,888	17,235,731	8,489,417
		22,301,024	11,432,514	22,186,053	11,350,390
Local Sales		11,985	3,261	-	-
		22,313,009	11,435,775	22,186,053	11,350,390

**17.1 Export Sales - Related Party**

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dilmah Australia PTY Ltd	4,746,167	2,765,797	4,719,100	2,747,760
Dilmah Europe B.V (MJF Group Europe Holding B.V.)	187,281	101,726	181,228	100,110
MJF Exports Limited - Coimbatore	49,994	13,103	49,994	13,103
	4,983,442	2,880,626	4,950,322	2,860,973

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**

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit on Disposal of Property, Plant and Equipment	440	11	440	11
Income on Hire of Vehicles	5,697	3,283	5,697	3,283
Income from Disposal of Investments	44	-	44	-
Dividend from Equity Securities	44	4	44	4
Income Rent	30,784	14,174	30,784	14,174
Sundry Income	10,737	4,430	10,737	4,406
Service Fees	1,865	1,288	1,865	1,288
	49,611	23,190	49,611	23,166

## NOTES TO THE FINANCIAL STATEMENTS

### 19. EXCHANGE GAIN

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exchange Gain for the Year	2,282,558	4,661,886	2,280,092	4,648,430
(-) Exchange Loss on Impairment of Trade Receivables	(12,992)	(69,453)	(12,552)	(68,118)
	2,269,566	4,592,433	2,267,540	4,580,312

### 20. FINANCE COSTS

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Expense on Short Term Loans	-	29,057	-	29,057
Interest Expense on Lease Liability	142,779	142,448	141,322	140,991
	142,779	171,505	141,322	170,048

### 21. FINANCE INCOME

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on Deposits and Saving Accounts	898,835	415,202	898,835	415,202
Interest on Bonds	-	102,765	-	102,765
Interest on REPO Deposits/Others	97,114	13	97,114	13
	995,949	517,980	995,949	517,980

**22. PROFIT BEFORE TAX**

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Included in Cost of Sales:				
Consumption of Tea and Packing Material	10,701,304	5,261,820	10,652,046	5,235,015
Employee Benefits including the following;	710,167	616,459	682,685	591,368
- Defined Benefit Plan Costs - Gratuity	808	1,229	-	-
- Defined Contribution Plan Costs - EPF and ETF	49,673	44,732	47,831	42,431
Depreciation	299,828	268,666	296,313	265,400
Included in Administrative Expenses:				
Employee Benefits including the following;	928,262	697,253	928,262	697,253
- Defined Benefit Plan Costs - Gratuity	62,807	37,151	62,807	37,151
- Defined Contribution Plan Costs - EPF and ETF	46,501	41,070	46,501	41,070
Directors' Fee and Emoluments	244,792	206,078	244,792	206,078
Donations	483,596	520,250	483,096	520,250
Amortisation of Intangible Assets	26,332	26,272	26,332	26,272
Depreciation	70,806	56,249	70,655	56,131
Impairment Loss on Trade Receivables	108,172	19,500	108,172	19,500
Statutory Audit Fees	1,372	1,107	1,254	1,023
Other Audit Fees	2,123	1,055	2,123	1,055
Included in Selling and Distribution Costs:				
Export Promotion	4,019,547	1,864,506	4,019,547	1,864,506

## NOTES TO THE FINANCIAL STATEMENTS

### 23. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows :

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Statement of Profit or Loss</b>				
<b>Current Income Tax</b>				
Current Income Tax Expense	1,104,088	199,371	1,100,947	199,354
Over Provision of Current Income Tax in respect of prior years	-	396	-	28
	1,104,088	199,767	1,100,947	199,382
<b>Deferred Income Tax</b>				
Deferred Taxation Charge (Reversed)	(307,803)	73,626	(314,726)	72,723
<b>Income Tax Expense recognised in Statement of Profit or Loss</b>	<b>796,285</b>	<b>273,393</b>	<b>786,221</b>	<b>272,105</b>
<b>Statement of Comprehensive Income</b>				
Deferred Tax attributable to re-measurement Gain on Employee Defined Benefit Liabilities	164	5,309	327	5,140
<b>Deferred Tax Charge recognised in Statement of Comprehensive Income</b>	<b>164</b>	<b>5,309</b>	<b>327</b>	<b>5,140</b>

**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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before Tax	5,830,639	5,843,993	5,811,767	5,814,008
Adjusted accounting profit/(loss) chargeable to Income Tax	5,830,639	5,843,993	5,811,767	5,814,008
Disallowable Expenses	1,852,799	1,190,940	1,848,526	1,191,599
Allowable Expenses	(1,245,380)	(845,108)	(1,237,669)	(826,156)
Allowable Income	(2,558,363)	(4,805,216)	(2,558,363)	(4,805,216)
Investment Income-other than dividend	928,925	29,006	928,925	29,006
(Utilisation)/un-utilisation of tax losses	(17,117)	(10,157)	-	-
Taxable Profit	4,791,503	1,403,458	4,793,186	1,403,241
<b>Income tax charged at</b>				
Standard rate 24%	111,471	6,960	111,471	6,960
Standard rate 30%	721,902	-	718,978	-
Standard rate 14%	270,498	192,394	270,498	192,394
Standard rate 18%	217	17	-	-
Current Tax charge	1,104,088	199,371	1,100,947	199,354

## NOTES TO THE FINANCIAL STATEMENTS

### Reconciliation between Current Tax Expense and the product of Accounting Profit

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before Tax	5,830,639	5,843,993	5,811,767	5,814,008
Accounting profit/(loss) chargeable to Income Tax	5,830,639	5,843,993	5,811,767	5,814,008

	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Tax effect on chargeable profits/losses	1,283,118	818,159	1,278,589	813,961
Tax effect on non deductible expenses	407,137	165,664	406,676	166,824
Tax effect on deduction claimed	(274,137)	(118,315)	(272,288)	(115,662)
Tax effect of non taxable income	(562,840)	(672,730)	(562,840)	(672,730)
Tax effect on Investment Income -other than dividend	250,810	6,961	250,810	6,961
Net tax effect of deferred tax for prior years	(307,803)	73,626	(314,726)	72,723
(Over)/under provision for previous years	-	28	-	28
	796,285	273,393	786,221	272,105

23.2 Income Tax (Receivable) / Payable	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	117,514	191,750	117,514	192,119
Current Income Tax Expense	1,104,088	199,371	1,100,947	199,354
Over Provision of Current Income Tax in respect of prior years	164	396	-	28
Income tax paid / Set off	(278,735)	(274,003)	(278,570)	(273,987)
At the end of the year	943,031	117,514	939,891	117,514
Income tax Payable	943,031	117,514	939,891	117,514

23.3 Tax Losses	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	11,347	21,801	-	-
Adjustment for tax losses brought forward	5,770	(297)	-	-
Loss incurred during the year	-	-	-	-
Loss set-off for the current year	(17,117)	(10,157)	-	-
At the end of the year	-	11,347	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

Group	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF OTHER COMPREHENSIVE INCOME	
	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes	378,233	143,788	234,445	(117,682)	-	-
Unrealized Exchange Gain	-	211,210	(211,210)	211,210	-	-
<b>Deferred Tax Assets</b>						
Unclaimed Right of Use Asset Rentals	(46,990)	(16,366)	(30,624)	(5,424)	-	-
Defined Benefit Plans	(90,118)	(38,266)	(52,015)	(3,529)	164	5,309
Provision for Doubtful Debt	(106,510)	(33,074)	(73,436)	(10,678)	-	-
Provision for Slow Moving Inventory	(1,994)	(931)	(1,065)	(269)	-	-
Unrealized Exchange Loss	(173,898)	-	(173,898)	-	-	-
Deferred Income Tax Charge	-	-	(307,803)	73,628	164	5,309
Net Deferred Tax Liability	(41,277)	266,361				

Company	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF OTHER COMPREHENSIVE INCOME	
	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes	364,213	137,550	226,664	(118,417)	-	-
Unrealized Exchange Gain	-	211,210	(211,210)	211,210	-	-
<b>Deferred Tax Assets</b>						
Unclaimed Right of Use Asset Rentals	(46,592)	(16,221)	(30,372)	(5,279)	-	-
Defined Benefit Plans	(88,932)	(37,849)	(51,410)	(3,843)	327	5,140
Provision for Doubtful Debt	(106,510)	(33,074)	(73,436)	(10,678)	-	-
Provision for Slow Moving Inventory	(1,994)	(931)	(1,064)	(269)	-	-
Unrealized Exchange Loss	(173,898)	-	(173,898)	-	-	-
Deferred Income Tax Charge	-	-	(314,726)	72,724	327	5,140
Net Deferred Tax Liability	(53,713)	260,685				

## NOTES TO THE FINANCIAL STATEMENTS

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax (Assets) / Liability has been computed taking into consideration the effective tax rate which is 30% (2022 – 14%) for the company.

Due to the changes in rate of taxes applicable to the Group/Company an additional deferred tax reversal of Rs. 21,802,017 and Rs.28,646,982/- respectively has been recognized for the current period.

### 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.

	Group	
	2023	2022
	Rs.'000	Rs.'000
Given below is the computation of earning per share:		
Amount Used as the Numerator:		
Profit for the year	5,034,354	5,570,600
	Number	Number
Number of Ordinary Shares Used as the Denominator:	'000	'000
Weighted Average Number of Ordinary Shares	20,738	20,738
Earning per Share (Rs.)	242.77	268.62
	Company	
	2023	2022
	Rs.'000	Rs.'000
Given below is the computation of earning per share:		
Amount Used as the Numerator:		
Profit for the year	5,025,546	5,541,903
	Number	Number
Number of Ordinary Shares Used as the Denominator:	'000	'000
Weighted Average Number of Ordinary Shares	20,738	20,738
Earning per Share (Rs.)	242.34	267.23

**25. DIVIDEND PER SHARE**

		Group/Company	
		2023	2022
		Rs.'000	Rs.'000
<b>Dividend paid on Ordinary Shares during the year</b>	<b>Per Share</b>		
2nd Interim Dividend for 2022	Rs. 25/-	518,438	-
Final Dividend for 2022	Rs. 15/-	311,062	-
1st Interim Dividend for 2023	Rs. 10/-	207,375	-
Final Dividend for 2021	Rs. 18/-	-	373,275
1st Interim Dividend for 2022	Rs. 15/-	-	311,063
		1,036,875	684,338
Dividend per Share (Rs.)*		50.00	33.00

\*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	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	17,939,801	9,725,724	4,075,037	1,539,599	298,171	170,452	22,313,009	11,435,775
Cost of Sales	(9,804,254)	(5,462,701)	(2,227,042)	(864,755)	(192,618)	(116,829)	(12,223,914)	(6,444,285)
Segment Gross Profit	8,135,547	4,263,023	1,847,995	674,844	105,553	53,623	10,089,095	4,991,490

**26.2 Business Segment - Company**

	TEA BAGS		TEA PACKETS		OTHER*		TOTAL	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	17,939,801	9,725,724	4,075,037	1,539,599	171,215	85,067	22,186,053	11,350,390
Cost of Sales	(9,804,254)	(5,462,701)	(2,227,042)	(864,755)	(93,697)	(47,781)	(12,124,993)	(6,375,237)
Segment Gross Profit	8,135,547	4,263,023	1,847,995	674,844	77,518	37,286	10,061,060	4,975,153

\*Other Sales include Bulk Tea and Other Value Added Teas.

## NOTES TO THE FINANCIAL STATEMENTS

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.

27.1 Capital Expenditure Commitments	Group/Company	
	2023	2022
	Rs.'000	Rs.'000
Estimated capital expenditure contracted but not provided for;		
Tea Bagging Machines	-	45,732
Factory Automation Project	204,549	269,100
Bank Reconciliation Automation Project	764	2,860
	205,313	317,692

### 27.2 Contingencies

#### 27.2.1 The Company has given corporate guarantees to the following Affiliate and Subsidiary Companies

	Relationship	Bank	Group/Company	
			2023	2022
			Rs.'000	Rs.'000
Cape Weligama (Pvt) Ltd	Fellow Subsidiaries	Honkong Shanghai Banking Corporation	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 19th June'2023. Further, the Directors have recommended a Final Dividend of Rs.15/- per ordinary share for the year ended 31st March 2023 subject to approval at the forthcoming Annual General Meeting.

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	
	2023	2022
	Rs.'000	Rs.'000
<b>Recurrent Transactions exceeds 10% of Revenue</b>		
<b>Name of the Company</b>	<b>Relationship</b>	<b>Nature of Transaction</b>
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales
As a % of revenue	21%	24%

Note - Export sales to Dilmah Australia (Pty) Limited was made on commercial terms.

## NOTES TO THE FINANCIAL STATEMENTS

Group				Transaction Value	
				2023	2022
				Rs.'000	Rs.'000
<b>Recurrent Transactions not exceeds 10% of Revenue</b>					
Name of the Company	Relationship	Nature of Transaction			
Dilmah Europe B.V (MJF Group Europe Holding B.V.)	Fellow Subsidiary	Export Sales	187,281	101,726	
MJF Exports Limited - Coimbatore	Fellow Subsidiary	Export Sales	49,994	13,103	
MJF Teas (Private) Limited	Parent Company	Rent Expenses	(40,563)	(40,563)	
		Dividend Paid	(669,925)	(455,825)	
MJF Exports (Private) Limited	Fellow Subsidiary	Local Sales	11,984	3,073	
		Transfer of Tea and Packing Materials	767,577	370,203	
		Vehicles Hire Income	2,643	1,107	
		Dividend Paid	(206,451)	(140,471)	
MJF Sons (Pvt) Ltd	Fellow Subsidiary	Dividend Paid	(835)	(1,227)	
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials	(702,585)	(428,783)	
Printcare PLC	Affiliate Company	Purchase of Packing Materials	(718,749)	(276,804)	
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(188,766)	(77,708)	
		Vehicles Hire Income	205	10	
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(9)	(5,970)	
		Vehicles Hire Income	522	426	
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials	(641,244)	(327,549)	
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses	(90,665)	(90,665)	
Kahawatte Plantations PLC	Fellow Subsidiary	Rent Expenses	(2,197)	(1,500)	
		Vehicles Hire Income	166	152	
Forbes and Walker Warehousing (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	1,410	960	
MJF Properties (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	30	-	
Ceylon Tea Farmers (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	26	-	
		Tea Purchases	50,227	-	
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income	-	22	
		Packing Material Purchases	3,270	-	
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income	388	70	
		Donations	(483,500)	(520,000)	

## NOTES TO THE FINANCIAL STATEMENTS

Company	Transaction Value			
	2023	2022		
	Rs.'000	Rs.'000		
<b>Recurrent Transactions exceeds 10% of Revenue</b>				
Name of the Company	Relationship	Nature of Transaction		
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	4,719,100	2,747,760
As a % of revenue			21%	24%
Note - Export sales to Dilmah Australia (Pty) Limited was made on commercial terms.				

## NOTES TO THE FINANCIAL STATEMENTS

Company			Transaction Value	
			2023	2022
			Rs.'000	Rs.'000
<b>Recurrent Transactions not exceeds 10% of Revenue</b>				
Name of the Company	Relationship	Nature of Transaction		
Dilmah Europe B.V (MJF Group Europe Holding B.V.)	Fellow Subsidiary	Export Sales	181,228	100,110
MJF Exports Limited - Coimbatore	Fellow Subsidiary	Export Sales	49,994	13,103
MJF Teas (Private) Limited	Parent Company	Rent Expenses	(40,563)	(40,563)
		Dividend Paid	(669,925)	(455,825)
MJF Exports (Private) Limited	Fellow Subsidiary	Transfer of Tea and Packing Materials	767,577	370,203
		Vehicles Hire Income	2,643	1,107
		Dividend Paid	(206,451)	(140,471)
MJF Sons (Pvt) Ltd	Affiliate Company	Dividend Paid	(835)	(1,227)
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials	(702,585)	(428,783)
Print care PLC	Affiliate Company	Purchase of Packing Materials	(718,749)	(276,804)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(188,766)	(77,708)
		Vehicles Hire Income	205	10
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(9)	(5,970)
		Vehicles Hire Income	522	426
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials	(641,244)	(327,549)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses	(90,665)	(90,665)
Forbes and Walker Warehousing (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	1,410	960
Kahawatte Plantaions PLC	Fellow Subsidiary	Vehicles Hire Income	166	152
MJF Properties (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	30	-
Ceylon Tea Farmers (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	26	-
		Tea Purchases	50,227	-
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income	-	22
		Purchase of Packing Materials	3,270	-
MJF Charitable Foundation	Affiliate Oraganisation	Vehicles Hire Income	388	70
		Donations	(483,000)	(520,000)

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	
	2023	2022
	Rs.'000	Rs.'000
<b>Key Management Personnel Compensation</b>		
Short-term Employee Benefits	244,792	206,079
Post Employment Benefits	34,940	19,687
	279,732	225,766

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.

### 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 of 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.4,669 Mn (2022 - Rs. 3,980 Mn) and the Company include an amount of Rs.4,648 Mn (2022 - Rs. 3,965 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

## NOTES TO THE FINANCIAL STATEMENTS

Bank balances of the Group include an amount of Rs. 770 Mn (2022 - Rs. 754 Mn) and the Company include an amount of Rs. 756 Mn (2022 - Rs. 749 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Short-term deposits of the Group include an amount of Rs. 9,150 Mn (2022 - Rs. 7,679 Mn) and the Company include an amount of Rs. 9,150 Mn (2022 - Rs. 7,679 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Amount due to related parties of the group include an Amount of Rs. 1,913 Mn (2022-Rs. 1,697 Mn) and the company include an Amount Rs. 1,905 Mn (2022- 1,684 Mn) due to the foreign currencies mainly in United States Dollars, 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	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
United States Dollars	20%	(2,639,053)	(13,223,606)	(2,630,426)	(13,219,086)
	15%	(1,979,290)	(9,917,714)	(1,972,819)	(9,914,324)
	10%	(1,319,527)	(6,611,803)	(1,315,213)	(6,609,543)
Australian Dollars	20%	(380,390)	(365,617)	(380,038)	(363,294)
	15%	(285,293)	(274,213)	(285,029)	(272,470)
	10%	(190,195)	(182,808)	(190,019)	(181,647)

### 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 (2022 - 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 2023 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	Effect on	Change in	Effect on
	Equity Price	Equity	Equity Price	Equity
	2023	2023	2022	2022
	2023	Rs. '000	2022	Rs. '000
Fair Value Through Other Comprehensive Income Investments				
Quoted Investments	+10%	25,143	+10%	29,179

**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.

As at 31 March 2023, short term deposits and bank balances comprise 100% (2022 - 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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	4,668,971	3,980,185	4,648,390	3,964,931
Other Receivables	217,304	200,731	213,507	190,736
Amounts due from Related Parties	1,913,182	1,697,069	1,904,883	1,684,286
Short-term Deposits	9,150,112	7,679,210	9,150,112	7,679,210
Bank Balances	769,739	754,199	756,360	749,141
	16,719,308	14,311,394	15,673,252	14,268,304

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.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2023	On Demand	Less than 3	3 to 12	Total
		Months	Months	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>				
Trade Payables	6,967	638,864	343,720	989,551
Amounts due to Related Parties	-	129,266	-	129,266
Other Payables	-	11,635	116,730	128,365
	6,967	779,765	460,450	1,247,182
<b>Company</b>				
Trade Payables	6,091	637,397	343,720	987,208
Amounts due to Related Parties	-	126,709	-	126,709
Other Payables	-	11,460	116,730	128,190
	6,091	775,566	460,450	1,242,107
As at 31st March 2022	On Demand	Less than 3	3 to 12	Total
		Months	Months	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>				
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
<b>Company</b>				
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

Management has assessed the existing and anticipated effect of current economic conditions in the country 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.

### 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 2023 and 2022.

Capital, which includes stated capital, fair value through other comprehensive income reserve and retained earnings of the Group is measured at Rs.22,684 million as at 31 March 2023 (2022 - Rs. 18,718 million) and the Company is measured at Rs.22,640 million as at 31 March 2023 (2022 - Rs. 18,683 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			
Date of valuation		Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
		Total	(Level 1)	(Level 2)	(Level 3)
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets measured at fair value:					
<b>As at 31 March 2023</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2023	259,103	259,103	-	-
Unquoted Investments	31 March 2023	11,702	-	-	11,702
<b>Fair Value Through Other Comprehensive Income Investments as at 31 March 2023</b>		<b>270,805</b>	<b>259,103</b>	<b>-</b>	<b>11,702</b>
<b>As at 31 March 2022</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2022	291,790	291,790	-	-
Unquoted Investments	31 March 2022	11,702	-	-	11,702
<b>Fair Value Through Other Comprehensive Income Investments as at 31 March 2022</b>		<b>303,492</b>	<b>291,790</b>	<b>-</b>	<b>11,702</b>

The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2023 and potential returns expected through its future operations.

During the reporting period ending 31 March 2023, 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 FOR THE YEAR ENDED 31 MARCH

	2023	2022	2021	2020	2019
<b>TRADING RESULTS</b>	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Turnover	22,186,053	11,350,390	9,175,653	11,555,335	10,676,761
Operating Expenses	19,546,064	10,487,792	8,719,655	9,988,218	9,843,218
Other Income	3,313,100	5,121,458	1,654,561	603,696	875,360
Interest Expense	141,322	170,048	195,954	181,925	14,451
Profit before Income Tax	5,811,767	5,814,008	1,914,605	1,988,887	1,694,452
Income Tax on Profits	786,221	272,105	164,494	429,143	110,638
Profit for the Year	5,025,546	5,541,903	1,750,111	1,559,744	1,583,814
<b>SHAREHOLDERS' FUNDS</b>					
Stated Capital	642,500	642,500	642,500	642,500	642,500
Reserves	21,997,566	18,040,812	13,227,176	11,686,886	10,872,927
<b>NET ASSETS</b>	<b>22,640,066</b>	<b>18,683,312</b>	<b>13,869,676</b>	<b>12,329,386</b>	<b>11,515,427</b>
<b>ASSETS</b>					
Property , Plant & Equipment	4,639,158	3,459,568	3,273,610	3,188,118	2,943,485
Investment Property	628,123	637,921	647,946	658,528	640,838
Intangible Assets	132,660	152,407	176,085	195,978	308,601
Right of Use Assets	1,044,767	1,074,117	1,103,467	1,144,619	-
Other Financial Assets / Investments	270,805	303,492	379,214	469,709	512,294
Deferred Tax Asset	53,713	-	-	-	-
Current Assets	21,179,544	17,235,658	11,178,152	11,613,492	8,377,277
<b>LIABILITIES</b>					
Non-current Liabilities	1,417,859	1,633,259	1,544,748	1,551,583	395,182
Current Liabilities	3,890,845	2,546,592	1,344,050	3,389,476	871,886
<b>NET ASSETS</b>	<b>22,640,066</b>	<b>18,683,312</b>	<b>13,869,676</b>	<b>12,329,386</b>	<b>11,515,427</b>
Market Price Per Share (Rs.)	1,020.00	998.00	636.75	531.00	619.90
Dividend Per Share (Rs.)	50.00	55.00	18.00	25.00	20.00
Total Dividend Rs. 000s (Gross)	1,036,875	1,140,563	373,275	518,438	414,750
No of Shares	20,737,500	20,737,500	20,737,500	20,737,500	20,737,500
<b>RATIOS</b>					
Return on Average Shareholders Funds (%)	24.32	34.05	13.36	13.08	14.50
Earnings Per Share (Rs)	242.34	267.23	84.39	75.21	76.37
Dividend Cover (times)	4.85	4.86	4.69	3.01	2.18
Liquidity (times)	5.44	6.77	8.32	3.43	9.61

# INFORMATION TO INVESTORS

## AS AT 31ST MARCH 2023

### 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	927	55,094	0.27%
1,001 - 5,000	74	177,394	0.86%
5,001 - 10,000	12	85,899	0.41%
10,001 - 50,000	23	507,865	2.45%
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	94.74%
<b>Total</b>	<b>1,043</b>	<b>20,737,500</b>	<b>100.00%</b>

### 3. ANALYSIS OF SHAREHOLDERS

Number of Shares	Number of Shareholders	Total Holding	% Holding
Individuals	975	920,334	4.44%
Institutions	68	19,817,166	95.56%
<b>Total</b>	<b>1,043</b>	<b>20,737,500</b>	<b>100.00%</b>

Number of Public Shareholders as at 31st March 2023 was 1033

2,517,822 (12.14%) shares were held by the public as at 31st March 2023

The float adjusted market capitalization is Rs. 2,567,883,150/-

### 4. SHARE TRADING

	2023	2022	2021	2020	2019
No of Transactions	1,838	1,376	1,376	532	319
No of Shares Traded	61,288	113,182	36,813	16,553	18,317
Value of Shares Traded	75,615,478	88,602,136	25,066,297	9,258,053	11,001,198

### 5. DIVIDENDS

	2023	2022	2021	2020	2019
Interim	35/-	40/-	-	20/-	20/-
Final	15/-	15/-	18/-	5/-	15/-
Amount (Rs.000's) Gross	1,036,875	1,140,563	373,275	518,437	725,813

### 6. EARNINGS

	2023	2022	2021	2020	2019
Earnings/share Rs.	242.77	268.62	84.38	75.19	76.71
P/E Ratio	4.20	3.72	7.55	7.06	8.08

## 7. MARKET VALUES (RS.)

	2023	2022	2021	2020	2019
Highest	1,800.00	1,300.00	799.00	605.00	630.00
Lowest	700.00	632.25	500.50	480.00	530.00
Year End	1,020.00	998.00	636.75	531.00	619.90

The weighted average trading price for the year was Rs. 1,233.77

## 8. MARKET CAPITALIZATION (RS.MILLION)

	2023	2022	2021	2020	2019
Capital & Reserves	22,640	18,683	13,870	12,329	11,312
Market Capitalization	21,152	20,696	13,205	11,012	12,855

## 9. TOP 20 SHAREHOLDINGS AS AT 31ST MARCH 2023

	31.03.2023		31.03.2022	
	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	60,400	0.29
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
Mr. D.Ortiz	42,864	0.21	42,864	0.21
Mr. A.W.Athukorala	36,870	0.18	36,825	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
	20,282,968	97.83	20,282,923	97.83

# GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number	Omission
<b>GRI 1: Foundation 2021 (does not include any disclosures)</b>			
<b>GENERAL DISCLOSURES</b>			
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	8,140	
	2-2 Entities included in the organization's sustainability reporting	8	
	2-3 Reporting period, frequency and contact point	9	
	2-4 Restatements of information	9	
	2-5 External assurance	9	
	2-6 Activities, value chain and other business relationships	26-27,72-79,119,187 &188	
	2-7 Employees	55-58	
	2-8 Workers who are not employees	58	
	2-9 Governance structure and composition	110	
	2-10 Nomination and selection of the highest governance body	111	
	2-11 Chair of the highest governance body	17,111	
	2-12 Role of the highest governance body in overseeing the management of impacts	113	
	2-13 Delegation of responsibility for managing impacts	111-113	
	2-14 Role of the highest governance body in sustainability reporting	45,122	
	2-15 Conflicts of interest	113,122-124, 187,188	
	2-16 Communication of critical concerns	28-30,42&43	
	2-17 Collective knowledge of the highest governance body	21-24	
	2-18 Evaluation of the performance of the highest governance body	114,115,192	
	2-19 Remuneration policies	112, 114,119,127	
	2-20 Process to determine remuneration	114,115,127	
	2-22 Statement on sustainable development strategy	12,13,44	
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	2-24 Embedding policy commitments	114,55-57	
	2-25 Processes to remediate negative impacts	42-43, 55-57	
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	2-27 Compliance with laws and regulations	75,94,115	
	2-28 Membership associations	43,47,48	
	2-29 Approach to stakeholder engagement	42-43	
	2-30 Collective bargaining agreements	55,57	

GRI Standard	Disclosure	Page Number	Omission
<b>GRI 3: MATERIAL TOPICS 2021</b>			
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	8,9,28-30	
	3-2 List of material topics	29-30	
<b>ECONOMIC PERFORMANCE</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10,51-53	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	13,26,51-53	
	201-2 Financial implications and other risks and opportunities due to climate change	31-34,181	
	201-3 Defined benefit plan obligations and other retirement plans	146,165,55-57	
	201-4 Financial assistance received from government	39	
<b>PROCUREMENT PRACTICES</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	73	
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	10,78,79	
<b>Materials</b>			
GRI 3: Material topics 2021	3-3 Management of material topics	96,97,105	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	105	
<b>Energy</b>			
GRI 3: Material topics 2021	3-3 Management of material topics	96,97	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	11,101	
	302-3 Energy intensity	11	
<b>Water and effluents</b>			
GRI 3: Material topics 2021	3-3 Management of material topics	96,97	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	11,104	
	303-2 Management of water discharge-related impacts	104	
	303-3 Water withdrawal	104	
	303-4 Water discharge	104	
	303-5 Water consumption	11,104	
<b>BIODIVERSITY</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	96,97	
GRI 304: BIODIVERSITY 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	106-108	
	304-2 Significant impacts of activities, products, and services on biodiversity	106-108	
	304-3 Habitats protected or restored	106-108	

GRI Standard	Disclosure	Page Number	Omission
<b>EMISSIONS</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	96,97	
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	101	
	305-2 Energy indirect greenhouse gas (GHG) emissions	101	
	305-3 Other indirect greenhouse gas (GHG) emissions	101	
	305-4 GHG emission intensity	101	
<b>WASTE</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	96,97	
GRI 306: Waste 2020	306-1 Waste generation and significant wasterelated impacts	104,105	
	306-2 Management of significant waste-related impacts	104,105	
	306-3 Waste generated	11,104,105	
	306-4 Waste diverted from disposal	104,105	
	306-5 Waste directed to disposal	104,105	
<b>ENVIRONMENTAL COMPLIANCE</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	96,97	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	94,96	
<b>EMPLOYMENT</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	56	
GRI 401: Employment 2016	401-1 Employee hires and turnover	58,64	
	401-2 Benefits provided to full time employees that are not provided to temporary or part-time employees	62	
	401-3 Parental leave	62	
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	59	
GRI 403: Occupational Health and Safety 2018	403-3 Occupational health services	59-61	
	403-4 Worker participation, consultation, and communication on occupational health and safety	59,63	
	403-5 Worker training on occupational health and safety	63	
	403-6 Promotion of worker health	60,62	
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<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	62,67,68	
GRI 404: Training and education 2016	404-2 Programs for upgrading skills and transition assistance programmes	62-64,67,70	
	404-3 Percentage of employees receiving regular performance and career development reviews	62-64	

GRI Standard	Disclosure	Page Number	Omission
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	55	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	44,55-58,65	
<b>LOCAL COMMUNITIES</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	73	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	79-83	
<b>CUSTOMER HEALTH AND SAFETY</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	73	
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	75	
<b>Marketing and labelling</b>			
<b>GRI 3: Material topics 2021</b>	3-3 Management of material topics	73	
GRI 417: Marketing and labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	75,78	

## NOTICE OF MEETING OF THE ANNUAL GENERAL MEETING DILMAH CEYLON TEA COMPANY PLC (PQ209)

Notice is hereby given that the 42nd Annual General Meeting of Dilmah Ceylon Tea Company PLC to be convened on 27th September 2023 at 10.30 am as a fully virtual meeting from the broadcast venue of the Board Room of the Company at No. 111, Negombo Road, Peliyagoda through the Microsoft Teams to take the matters under the agenda of the meeting as follows;

1. To pay tribute to late Mr. Merrill J Fernando, the Founder Chairman of the Company.
2. 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 2023 along with the Report of the Auditors thereon.
3. To declare a final dividend of Rs. 15/- per share as recommended by the Board of Directors.
4. To re-appoint as a Director, Mr. Himendra S. Ranaweera who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution

"IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Himendra S. Ranaweera and Mr. Himendra S. Ranaweera be and is hereby re-appointed a Director of the Company as provided for in Section 211 (1) of the Companies Act No. 07 of 2007."

5. To re-appoint as a Director, Mr. Rajanayagam Asirwatham who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution

"IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Rajanayagam Asirwatham and Mr. Rajanayagam Asirwatham be and is hereby re-appointed a Director of the Company as provided for in Section 211 (1) of the Companies Act No. 07 of 2007."

6. To re-elect as a Director, Ms. Minette D. A. Perera who retires by rotation under Article 24 of the Articles of Association.
7. To re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.
8. To authorize the Directors to determined and make donations and contributions to charities.

By order of the Board,

DILMAH CEYLON TEA COMPANY PLC



**Ms. Jayanga Wegodapola**  
Company Secretary

At Colombo

On this 31st day of August 2023

Notes:

- A Shareholder is entitled to appoint a Proxy to virtually participate and vote at the meeting on his/her behalf.
- A Proxy need not be a shareholder of the Company.
- The completed Proxy should be delivered to 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](mailto:legal@dilmahtea.com) on or before 10.30 a.m. on 25.09.2023.

# 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. Dilhan Crishantha Fernando of Colombo or failing him

Mr. Himendra Somasiri Ranaweera of Colombo or failing him

Mr. Malik Joseph Fernando 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 virtually and vote for me / us on my / our behalf at the 42nd Annual General Meeting of the Company to be held virtually on the 27th September 2023 10.30 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 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 2023 along with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To pass the ordinary resolution set out under item 3 of the Notice of Meeting to declare a final dividend of Rs. 15/- per share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3 To pass the ordinary resolution set out under item 4 of the Notice of Meeting for the re-appointment Mr. Himendra S. Ranaweera as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4 To pass the ordinary resolution set out under item 5 of the Notice of Meeting for the re-appoint Mr. Rajanayagam Asirwatham, as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5 To pass the ordinary resolution set out under item 6 of the Notice of Meeting to re-elect as a Director, Ms. Minette D A Perera who retires by rotation under section 24 of the Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>
6 To pass the ordinary resolution set out under item 7 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.	<input type="checkbox"/>	<input type="checkbox"/>
7 To pass the ordinary resolution set out under item 8 of the Notice of Meeting to authorize the Directors to determine and make donations and contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

As Witness my hand / our hands this ..... day ..... of 2023

Signature: .....

N.B.

1. Please delete the inappropriate words
2. Instructions as to completion are noted on the reverse hereof.
3. A Proxy need not be a member of the Company.

#### **Instructions as to Completion**

Kindly perfect the Proxy by filling legibly your full name and address and by signing in the space provided and filling in the date of signature.

In the case of corporate members, the proxy form must be under the seal or hand of an authorized officer or attorney.

If the proxy form is signed by an attorney, the relevant Power of Attorney should accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.

The completed proxy form should be deposited at the registered office of the Company at the address given below not less than 48 hours before the time appointed for the Meeting.

#### **Dilmah Ceylon Tea Company PLC**

111, Negombo Road  
Peliyagoda







## **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/CEO - Dilhan C. Fernando - B.Sc.  
Deputy Chairman - Himendra S. Ranaweera

### **Directors**

Malik J. Fernando - B.Sc.  
Roshan C. Tissaaratchy – B.A, MBA, DipM, FCIM  
Minette D. A. 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
- People's Bank
- 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

☎ +94 11 482 2000 [info@dilmahtea.com](mailto:info@dilmahtea.com) [www.dilmahtea.com](http://www.dilmahtea.com)