ANNUAL REPORT 2025/26

Browns
PLANTATIONS
TSFL

For over three decades, our journey has been defined by a simple belief — that every cup of tea should carry the essence of quality, care and excellence. From the first tender leaf to the final brew, we have remained committed to nurturing our teas with responsible agricultural practices and uncompromising quality standards.

This year marked a new chapter in that journey. With a change in management came new perspectives, renewed energy and a shared ambition to take our business forward. Amid changing climatic and economic conditions, our resilience remained unwavering, enabling us to deliver higher levels of production and continue creating value across our stakeholder community.

As we step into the future, we carry with us the strength of our heritage and the confidence to embrace what lies ahead. Through product diversification, operational excellence and sustainable growth, we are shaping a business that is ready not only to respond to change, but to lead it.

Because while the leaves may be rooted in tradition, our vision reaches far beyond it.

Greatness begins here - where heritage meets ambition,
and every leaf holds the promise of something extraordinary.

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"The financial year ended 31st March 2026 was characterised by a challenging operating environment for the Sri Lankan tea industry, marked by softer auction prices, volatile weather conditions, elevated production costs, labour related cost pressures and uncertainty across key export markets. Against this backdrop, Tea Smallholder Factories PLC (TSFL) maintained its focus on operational resilience, factory utilisation, green leaf procurement, product quality and disciplined cost management......."

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INTRODUCTION TO THE REPORT

The Board of Directors, together with Management, is pleased to present the Annual Report of Tea Smallholder Factories PLC (TSFL) for the financial year ended 31 March 2026.

This report is designed as a key communication tool to strengthen transparency, build stakeholder confidence, and support informed decision-making. It provides a balanced assessment of the Company's long-term value creation capacity, supported by disclosures relating to our business model, governance framework, operational and financial performance, and risk management practices.

All information contained herein has been subject to appropriate review by the Board of Directors, the Board Audit Committee, the Independent External Auditors, and the Management Committee, ensuring integrity, accuracy, and reliability of disclosures.

Scope and Boundaries

This report covers the operations of TSFL, including its tea factories located in the low-grown regions of Sri Lanka and its corporate office based in Colombo, for the twelve-month period from 1 April 2025 to 31 March 2026.

The Management Discussion and Analysis section, presented on pages 14 to 55, provides a detailed review of operational performance, key developments, and overall business outcomes during the reporting period.

The Financial Statements and related notes, set out on pages 99 to 138, have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. These statements define the financial reporting boundary of the Company.

Independent assurance has been provided by M/s Ernst & Young, Chartered Accountants.

In addition, the Company continues to align its reporting practices with internationally recognised sustainability frameworks, including the Global Reporting Initiative (GRI) Standards. Where applicable, disclosures have been prepared with reference to the GRI Universal Standards 2021.

STANDARDS, PRINCIPLES AND FRAMEWORKS

Governance, Risk Management and Operations

- Laws and Regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars
- Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lankas
- Code of Best Practices on Related Party Transactions (2013) advocated by SEC

Financial Reporting

- Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka

Feedback

We are committed to consistently enhancing the quality and readability of our Annual Report and welcome your feedback, suggestions, and other comments. Please direct your feedback to,

Mr. Sisira Pushpakumara
Head of Finance
Tea Smallholder Factories PLC
Level 11, Browns Capital Building, No19, Dudley Senanayake Mawatha, Colombo 08.
E-mail: SisiraP@brownsplantations.com

ABOUT US

Tea Smallholder Factories PLC is a public limited liability company incorporated in Sri Lanka under the Companies Act No. 17 of 1982 and subsequently re-registered under the Companies Act No. 07 of 2007. The Company is listed on the Colombo Stock Exchange under the "Food, Beverage and Tobacco" sector.

The Company operates as a subsidiary of Udapussellawa Plantations PLC (UPL) and is managed by Browns Power Holdings (Private) Limited following the acquisition of shares from John Keells Holdings PLC on 03 April 2025. The registered office of the Company is located at Level 11, Browns Capital Building, No. 19, Dudley Senanayake Mawatha, Colombo 08, Sri Lanka.

Tea Smallholder Factories PLC operates a network of tea processing facilities located across Sri Lanka's low-grown tea region, with factories situated in Galle and Ginigathhena. The Company's operations are centred around the procurement of freshly harvested green leaves from a diverse network of tea smallholders and green leaf suppliers, followed by the manufacture of high-quality black tea.

The manufactured teas are marketed through the Colombo Tea Auction, conducted under the guidance of the Colombo Tea Traders' Association (CTTA), operating under the auspices of the Ceylon Chamber of Commerce.

During the financial year 2025/2026, the Company continued to strengthen its operational capabilities while maintaining strong relationships with its supplier network. The factories procured green leaf from a supplier base comprising approximately 8,463 tea smallholders and green leaf collectors, contributing towards sustaining the livelihoods of smallholder communities and supporting the growth of Sri Lanka's tea industry.

Our Vision

To be the best managed bought leaf processing company in Sri Lanka and to contribute to the socio-economic growth of the country

Our Mission

To be recognized as a leading manufacturer and seller of quality tea, to improve the economic well-being of tea smallholders and to make a positive contribution to all our stakeholders

Our Goals

- Enhancing the quality of the product, to achieve the best gross sale averages in the respective regions as well as nationally
- To introduce / improve machinery components in the manufacture, which while reducing costs, will ensure better management in key areas of the process.
- To automate selected processes in manufacture
- To increase productivity of our workforce in order to reduce cost of manufacture
- Training of the workforce in order to improve their knowledge, skills and attitudes
- To improve Management Information Systems of the Company

MILESTONES

1991
Incorporation of Tea Smallholder Factories Limited under the provisions of the Conversion of Public Corporations and Government Owned Business Undertakings to Public Companies Act No. 23 of 1987.

1994
Divesting 51% of the shares of TSFL by secretary to the Treasury to a consortium comprising of John Keells Holdings Limited, Central Finance Company Limited and National Development Bank of Sri Lanka

1996
Divesting of 19% and 20% shares to registered tea smallholders of the Company and the general public respectively. Gifting of the balance 10% of the shares to the employees of the Company

1999
Construction of a new automated Tea Factory

2000
Construction of a Warehouse at Peliyagoda

2003
Hingalgoda Tea Factory was awarded the "Specialty Tea of the Year" Award for manufacturing quality CTC teas by the Colombo Tea Traders' Association.

2006
The Company received two awards of "Excellence for Outstanding Performance" at the Specialty Tea of the Year 2006 conducted by the Colombo Tea Traders' Association

2008
The Company was honoured at the launch of the 2008 - 2012 National Plantations Development Programme in recognition of achieving ISO 22000 : 2005 / HACCP certification for its factories

2010
The Company won the Silver Flame Award in the Manufacturing Sector at the Sri Lanka National Energy Efficiency Awards.

2011
A project was launched to assist tea smallholders to replant their lands which continues to date.

Milestones (cont....)

2012

Hingalgoda Tea Factory was adjudged "Best Tea Factory (Medium Scale)" in the Galle Region at the National Plantation Awards

2015

The Company recorded the highest price per kilogram at the Colombo Tea Auction in comparison with all institutions in the category of sale "Low Grown".

2016

The Company invested in automating the green leaf and fired tea weighing process at New Panawenna and Karawita tea factories.

2017

Hingalgoda and Neluwa factories were adjudged second and third best factories (Medium Scale) in the Galle Region for their performances at the National Tea Awards Ceremony organised by the Sri Lanka Tea Board.

2018

In 2018, the Hingalgoda Tea Factory achieved the highest average for CTC teas, while Tea Smallholder Factories PLC recorded the second highest sale average in the low grown category, as reported by the Sri Lanka Tea Board.

2019

Hingalgoda Tea Factory was adjudged as the best CTC (Crush Tear and Curl) Producer Island wide in 2019 at the Annual General Meeting of the Tea Exporters Association of Sri Lanka.

Hingalgoda Tea Factory achieved an all-time record price at the weekly tea auction on 10th December 2019 by securing an attractive price of Rs.1,100 per kg for a PF1 grade in the Low Grown CTC category.

2020

The Company invested on a new CTC line at Neluwa Tea Factory

2023

The Company launched a website and social medial pages.

2025

Hingalgoda Tea Factory was recognized as the best CTC Producer Island wide at the "Ceylon Specialty Estate Tea of the Year Competition - 2025" organized by the Sri Lanka Tea Board in collaboration with the Colombo Tea Traders' Association.

Acquiring of 37.59% shares of the Company by Udapussellawa Plantations PLC from John Keells Holdings PLC on 3 April 2025 and subsequently upto 75.27% from other shareholders.

2026

The company invested in two colour sorters for the Hingalgoda and Broadlands factories to improve operational efficiency, resulting in a 23% increase in production.

PERFORMANCE HIGHLIGHTS

Financial Highlights		2026	2025	2024
Key Performance Indicators				
Production	Kg. '000	2,710	2,212	2,394
Net Sale Average	Rs. / kg	1,250.51	1,315.17	1,226.34
Premium over Low Grown Elevation Average	%	3.64	5.45	1.65
Result of the Year				
Revenue from Contracts with Customers	Rs.000s	3,315,968	2,797,104	3,055,960
Profit / (Loss) from Operations	Rs.000s	50,854	24,881	(47,491)
Net Finance Income (Expense)	Rs.000s	2,701	(899)	(14,411)
Profit Before Tax (PBT)	Rs.000s	236,353	31,922	(19,688)
Profit After Tax (PAT)	Rs.000s	165,684	21,598	6,229
Earnings per Share (EPS)	Rs.	5.52	0.72	0.21
Dividend Paid	Rs.000s	-	6,300	-
Return on Assets	%	6.48	0.95	0.28
EPS Growth	%	667	247	(98)
Price Earning Ratio	times	7.0	55.7	199.9
Interest Cover	times	42.1	5.3	0.1
Pre-tax Return on Capital Employed (Pre-tax ROCE)	%	12.8	1.44	(2.50)
Return on Equity (ROE)	%	9.23	1.28	0.38
Financial Position at the Year End				
Total Assets	Rs.000s	2,799,517	2,313,766	2,220,447
Total Equity	Rs.000s	1,878,446	1,712,836	1,673,329
Net Current Assets	Rs.000s	324,108	268,674	241,029
Current Liabilities	Rs.000s	487,749	237,417	200,061
Non Current Liabilities	Rs.000s	433,321	363,513	347,054
Capital Employed	Rs.000s	1,903,490	1,733,448	1,697,588
Market / Shareholder Information				
No. of Shares in Issue	000s	30,000	30,000	30,000
Net Assets per Share	Rs.	62.61	57.09	55.78
Market Price per Share - End March	Rs.	38.90	40.10	41.50
Debt / Equity	times	0.01	0.01	0.01
Market Capitalisation	Rs.000s	1,167,000	1,203,000	1,245,000
Annual Turnover Growth	%	18.55	(8.47)	(18.38)
Current Ratio	times	1.66	2.13	2.21
Quick Asset Ratio	times	0.65	0.40	0.51
Gross Turnover per Employee	Rs.000s	8,068	9,052	9,461
Dividend per Share	Rs.	-	0.21	-
Dividend Payout	%	-	29.2	-
Dividend Yield	%	-	0.52	-
Market Value Added	Rs.000s	(711,446)	(509,836)	(428,332)

Performance Highlights (Cont.....)

FINANCIAL CAPITAL

REVENUE

2025	2026
Rs.2,797Mn	Rs.3,316Mn

PAT

2025	2026
Rs.21.6Mn	Rs.166Mn

HUMAN CAPITAL

NUMBER OF EMPLOYEES

2025	2026
309	411

FEMALE PARTICIPATION

2025	2026
42%	55%

SOCIAL AND RELATIONSHIP CAPITAL

LEAF SUPPLIERS

2025	2026
8,295	8,463

CSR EXPENSES

2025	2026
Rs.1.9Mn	Rs..06Mn

NATURAL CAPITAL

ENERGY CONSUMPTION

2025	2026
58,529GJ	63,700GJ

ENERGY INTENSITY (GJ/MT Made Tea)

2025	2026
26.46	23.5

MANUFACTURED AND INTELLECTUAL CAPITAL

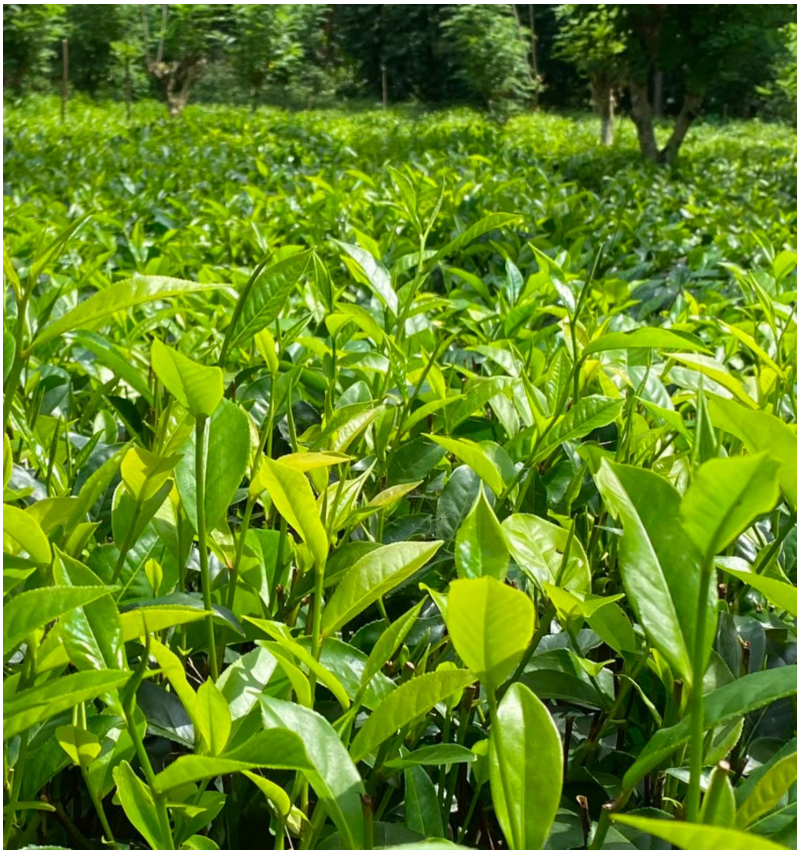
CAPITAL EXPENDITURE

2025	2026
Rs.68Mn	Rs.71Mn

PREMIUM OVER ELEVATION AVERAGE

2025	2026
5.43%	3.64%

CHAIRMAN'S REVIEW



Dear Shareholders,

I am pleased to present the Annual Integrated Report and Financial Statements of Tea Smallholder Factories PLC (TSFL) for the financial year ending 31st March 2026. In line with our commitment to holistic and transparent corporate reporting, we have continued to incorporate performance indicators aligned with the Global Reporting Initiative (GRI) Index Universal Standards 2021. This approach ensures that our stakeholders receive a clear and comprehensive view of our performance, strategy, and value creation across financial, operational, environmental, and social dimensions.

The financial year under review presented both challenges and opportunities for TSFL and Sri Lanka's tea industry, set against a backdrop of gradual macroeconomic recovery, shifting global market dynamics, and the significant impact of Cyclone Ditwah in November 2025.

Despite these complexities, our team remained committed to our strategic objectives and to creating sustainable value for all stakeholders.

Sri Lanka's Economic Performance

GDP Growth: Sri Lanka's economy continued its positive trajectory in 2025, recording a GDP growth rate of 5.0%, as estimated by the Department of Census and Statistics. This follows the 5.5% growth recorded in 2024 and represents the ninth consecutive quarter of positive economic expansion since the third quarter of 2023. All three major economic sectors, Agriculture (1.4%), Industry (7.8%), and Services (3.3%), recorded growth during 2025, reflecting the steady progress made across the economy during the recovery period.

Inflation and Monetary Policy: Inflation continued to evolve during the year under review. The CCPI-based headline inflation (year-on-year) remained in deflationary territory in the first half of 2025, gradually returning to positive territory, reaching 2.1% by December 2025. The Central Bank maintained a prudent monetary policy stance, supporting price stability while enabling credit growth in the private sector.

External Sector and Exchange Rate: The external sector demonstrated continued resilience. Gross official reserves reached USD 6.1 billion at end-September 2025, reflecting sustained foreign exchange accumulation. The Sri Lankan Rupee remained broadly stable against the US Dollar during the year, currently trading at approximately LKR 330-340 per USD. While exchange rate stability provided some relief on import costs, it continued to pose competitiveness challenges for tea exporters.

IMF-EFF Programme and Debt Restructuring: Sri Lanka's macroeconomic reform programme continued to progress well during the year. The IMF completed the Fourth Review of the 48-month Extended Fund Facility (EFF) Arrangement in July 2025, enabling a disbursement of approximately USD 350 million. The Fifth and Sixth Reviews were subsequently completed, with all key quantitative performance criteria met. Sri Lanka's debt restructuring process is nearing completion, with substantial relief delivered, placing public debt on a path towards sustainability.

Cyclone Ditwah: Sri Lanka was severely impacted by Cyclone Ditwah on 28th November 2025, which claimed over 600 lives, displaced more than 100,000 people, and caused extensive damage to infrastructure, agricultural land, and communities. Reconstruction and relief needs were estimated at approximately LKR 500 billion. This natural disaster created additional headwinds for the economy and the tea industry in the final quarter of the financial year, particularly in affected plantation regions.

Sri Lanka's Tea Industry

Production and Exports: Despite the challenging operating environment, Sri Lanka's national tea production in 2025 reached 264.12 million kg, a marginal increase of 1.43 million kg over the 262.69 million kg recorded in 2024. However, tea production experienced an 8.1% volume contraction in the third quarter of 2025 due to supply-side disruptions, including rising input costs, labour shortages, and the adverse effects of Cyclone Ditwah.

Tea export volumes showed a stronger recovery, reaching 257.44 million kg in 2025, an increase of 11.65 million kg compared to 245.79 million kg in 2024. Total tea export revenue grew by 4.8% to USD 1.51 billion, compared to USD 1.43 billion in 2024. Iraq remained the largest import market for Ceylon Tea, followed by Russia and Turkey.

Tea Prices: The national average tea price for 2025 declined to Rs. 1,167.72 per kg (USD 3.88 per kg), from Rs. 1,225.17 per kg (USD 4.06 per kg) in 2024. The average FOB export price remained broadly stable at USD 5.85 per kg. The combination of a stronger LKR and softening auction prices continued to exert pressure on producer margins.

Labour Costs: Labour costs remained a significant challenge. Tea and rubber plantation workers continue to receive a basic daily wage of Rs. 1,350, rising to Rs. 1,750 with allowances, following the 35% wage increase gazetted in September 2024. In addition, the national minimum daily wage was further increased to Rs. 1,200 from January 2026, maintaining upward pressure on the cost base across the industry.

Operational Performance

Amidst these external challenges, TSFL delivered a commendable operational performance for the year under review. The Company produced 2.71 million kg of made tea, reflecting our continued focus on operational efficiency and quality enhancement across all factory locations.

Green Leaf Procurement: The Company purchased 13.08 million kg of green leaf from its smallholder supplier network during the year. Of these, 5,842 were direct suppliers and 2,621 were indirect suppliers, totalling 8,463 green leaf smallholder partners. Suppliers received a total payment of Rs. 2.57 billion. The average price paid for green leaf was Rs. 196.61 per kg, with the highest purchase price of Rs. 203.77 per kg recorded at the Neluwa Tea Factory.

Auction Performance: TSFL's commitment to quality continued to be recognised at the Colombo Tea Auction. The Company achieved 72 top prices during the year under review, 71 by Hingalgoda Tea Factory and 1 by Halwitigala Tea Factory, demonstrating the consistent calibre of our teas.

Price Premium: The Company consistently achieved a premium over the national low-grown combined average throughout the financial year. The Company's gross sales average of Rs. 1283.06 per kg represented a premium of 3.64% over the national low-grown average of Rs. 1,238.05 per kg for the period, affirming the quality positioning of TSFL's teas in the market.

Financial Performance

TSFL delivered a significantly improved financial performance for the year under review, reflecting the Company's operational resilience and commitment to efficiency.

Revenue: The Company's Net Sales Average (NSA) for the year was Rs. 1,250.51 per kg. Total tea sales volume for the year amounted to 2.65 million kg, generating total revenue of Rs. 3.315 billion for the financial year under review.

Profitability: The Company recorded a profit before taxation of Rs. 236.35 million for the year under review, representing a substantial improvement in profitability compared to the previous financial year. This reflects the positive impact of our operational improvements, quality-driven strategies, and disciplined cost management.

Capital Expenditure: Total capital expenditure for the year amounted to Rs. 71.2 million, directed towards strategic investments in factory infrastructure and operational capability to ensure the continued efficiency and sustainability of our operations.

Sustaining Partnerships with Smallholder Suppliers

The Company remains firmly committed to strengthening its partnerships with our tea smallholder supplier community, recognising them as the cornerstone of our value chain. TSFL continued to adopt a collaborative approach, providing technical guidance, promoting sustainable agricultural practices, and extending financial support where necessary.

Extension Programmes: During the year under review, we conducted 8,494 extension programmes, comprising workshops and training sessions, benefiting 19,188 tea smallholders. These programmes focused on cost-efficient production methods, best agricultural practices, and quality improvements.

Replanting Initiatives: The Company successfully continued its replanting programme in collaboration with smallholder partners. The 13th replanting project, which commenced during 2025/26, was completed by end-March 2026, covering 14.25 acres and benefiting 13 smallholders. The 14th replanting project has been initiated, with land identification underway from April 2026, with planting expected to be completed by the end of March 2027.

Block Infilling: TSFL continued to expand its block infilling initiative as a faster route to income generation for smallholder partners. During the year under review, a total of 28,075 tea plants were infilled across 63 smallholder blocks. This initiative continues to demonstrate success in promoting sustainable plantation operations while providing shared growth opportunities for both TSFL and our smallholder partners.

Creating Shared Value for Stakeholders

TSFL continued to undertake initiatives that deliver meaningful and lasting value across our people, communities, and the environment.

Environmental Stewardship: Rainwater harvesting initiatives were maintained at Neluwa and Hingalgoda Tea Factories, enabling the successful harvesting of 200 cubic metres of rainwater during the year, supporting water sustainability across operations. The Company's Plastic Recycling Programme continued across five factories covering 12 sub-locations, collecting a total of 145 kg of recyclable plastic

Chairman's Review (Cont....)

for supply to authorised recycling centres. Approximately 1,650 trees planted under previous programmes at New Panawenna, Halwitigala, and Kurupanawa factory locations were maintained and monitored, enhancing biodiversity and green cover. The Company continues to promote the 5R principles — Reduce, Reuse, Recycle, Refuse, and Repurpose — and maintains rigorous effluent management practices to prevent environmental contamination.

Community Development: TSFL continued to invest in community upliftment through meaningful infrastructure and relief support. Key initiatives during the year included contributions towards road repair and maintenance projects in communities surrounding our factories, notably the Udawela Road repair project benefiting approximately 5,000 villagers, as well as infrastructure support to local government health offices. In the aftermath of Cyclone Ditwah, our factory teams at Halwitigala, Kurupanawa, Hingalgoda, and Neluwa Tea Factories contributed dry rations and relief to affected communities in the Badulla Passara and Nuwara Eliya regions, reflecting our deep commitment to the resilience of the communities we serve.

Commitment to Governance and Transparency

TSFL remains committed to the highest standards of corporate governance and transparency. The Company continues to integrate sustainability and governance considerations into every aspect of its operations, effectively managing risks and promoting sustainable business practices.

Change in Management

Following the acquisition of a controlling interest by Udapussellawa Plantations PLC, the Board of Directors underwent significant reconstitution during the year under review. Udapussellawa Plantations PLC currently holds a 75.27% equity interest in the Company as at 31st March 2026, following the completion of a mandatory offer subsequent to its initial acquisition of a 37.59% equity stake from John Keells Holdings PLC on 3rd April 2025.

We acknowledge with gratitude the contributions of Mr. K. N. J. Balendra, Mr. J. G. A. Cooray, Mr. A. Z. Hashim, Mr. C. S. Hettiarachchi, Mr. A. K. Gunaratne, Ms. S. W. F. Jameel, and Mr. P. Priyan Edirisinghe, who served the Board with distinction before stepping down during the year. We also acknowledge Ms. A. Goonethileke's continued service and commitment as a member of the Board.

We warmly welcome Mr. D. S. K. Amarasekera, Mr. G. D. V. Perera, Mr. A. S. Perera (Executive Director), Mr. T. Dharmarajah, Mr. U. H. E. Silva, and most recently Mr. N. R. Nanayakkara (Executive Director, with effect from 2nd April 2026) and Mr. K. Sivanesan (Independent Non-executive Director, with effect from 7th August 2026) to the Board. Their experience and expertise, particularly in the plantation sector, will further strengthen the Board and contribute meaningfully to TSFL's strategic direction.

Paving the Path for the Future

Looking ahead, TSFL is well-positioned to navigate an evolving market landscape with a clear focus on long-term value creation. The Company will continue to pursue quality-driven growth, deepen smallholder partnerships, and strengthen operational efficiency across all factory locations. We remain committed to embracing innovation, responsible stewardship, and collaborative engagement with all our stakeholders.

As Sri Lanka's tea industry adapts to global demand shifts, currency dynamics, and climate-related challenges, TSFL's agility and strong foundation of ethical leadership will be key enablers of sustainable success. We are confident of the future progress of our Company and the enduring value of Ceylon Tea in global markets.

Acknowledgements and Appreciation

I wish to express my sincere gratitude to the Board of Directors for their invaluable guidance and support during the year under review. I also extend my appreciation to the management team and all employees of TSFL for their unwavering dedication and commitment in navigating the challenges of this year. On behalf of the Board, I thank our smallholder partners, green leaf suppliers, buyers, brokers, bankers, regulators, and shareholders for their continued trust, loyalty, and support, which remain fundamental to TSFL's sustained growth and resilience.

Dr. P. S. H. Uluwaduge
Chairman
28th August 2026

YEAR AT A GLANCE

April

- Replanting project No. 13 commenced with the participation of 17 smallholders covering 15.75 acres.
- Top prices- 8

May

- Top prices-6

June

- Top prices-6

July

- Top prices- 9

August

- Top Prices- 7

September

- Successfully completed 3 days residential training programme for the superintendents at Hanthana TSHDA training center
- Top prices -7

October

- Top Prices- 6

November

- Top Prices- 5

December

- The staff and workers of Neluwa, Halwitigala, Hingalgoda, Kurupanawa, and Broadlands Tea Factories organized a dry-ration collection programme to support plantation communities affected by the recent adverse conditions in the Nuwara Eliya and Passara areas, including communities belonging to Browns Plantations estates
- Top prices- 3

January

- Hingalgoda Tea Factory successfully organized a health camp on January 23rd, at the factory premises. The event saw the participation of over 180 smallholders and community members
- Top prices- 4

February

- Rs. 50 Mn was invested in brand new colour separators for the Broadlands and Hingalgoda Tea Factories to enhance operational efficiency
- Top prices-6

March

- Replanting project No. 13 was completed with the participation of 13 smallholders covering 14.25 acres
- Top prices - 5

OUR VALUE CREATION MODEL

CAPITAL INPUT

Financial Capital

- Shareholders' Funds
  Rs. 1,878 Mn
- Bank Overdraft Facilities
  Rs. 250 Mn

Manufactured Capital

- Property, Plant and Equipment
  Rs. 982 Mn
- Investment in Capex
  Rs. 71 Mn
- Infrastructure facilities

Human Capital

- The Workforce : 411
- Experience, Values and Skills of our Employees

Social and Relationship Capital

- Empowering Smallholder Partnerships
- Community Engagement & Upliftment
- Health, Safety & Well-being
- Building Trust through Stakeholder Communication

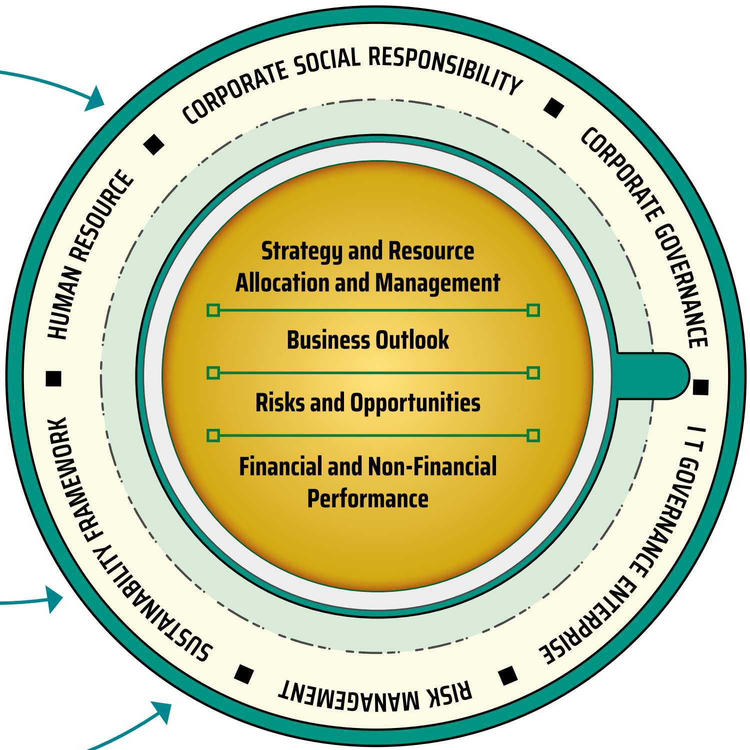
Intellectual Capital

- Knowledge/Experience on quality tea productions
- Corporate Brand Image
- Top Selling Marks

Natural Capital

- Green leaf: 13.08 Mn kg
- Biomass 15,181 M^3
- Water Consumption 33,862 M^3

VALUE CREATION PROCESS



Our Value creation Model (cont...)

KEY OUTPUTS	KEY OUTCOMES
• PBT Rs.236.35Mn • Earnings Per Share Rs. 5.52 • Current Ratio: 1.66	• Financial stability and growth • Sustainable growth in shareholder earnings
• Manufacture of CTC and Orthodox black tea.	• Production of quality tea grades which attracts premium prices • Reduction in energy cost and carbon footprint
• Staff motivation • Talented and efficient workforce • Job Satisfaction • Career Progression • Safe work environment	• Enhancing Workforce Productivity • Creating Employment Opportunities • Fostering an Inclusive and Supportive Work Environment • Facilitating Skill and Career Growth
• Supplier commitment & loyalty • Well informed and Sound investment decisions	• Enhanced Supply Chain Efficiency • Commitment to Product Quality and Competitive Pricing • Empowering Rural Communities
• Top / Record prices • Customer and supplier response and feedback • Premium over elevation	• Enhanced brand value and shareholder returns • Premium for Tea
• Reduced utility consumption • Efficient disposal of industrial and domestic waste • Reduction of carbon footprint • Energy Intensity: 23.50 (GJ/MT of made tea) • Water Consumption:12.49 (M3/MT of made tea)	• Reduction in Energy Costs • Enhanced Raw Material Output • Sustainable Use of Natural Resources • Preservation of Biodiversity

MANAGING STAKEHOLDER ENGAGEMENT

Fostering Trust and Sustainable Success Through Stakeholder Engagement

At Tea Smallholder Factories PLC (TSFL), our continued performance in FY 2025/26 was underpinned by our ability to nurture and strengthen relationships with all those who influence, and are influenced by, our business. The financial year under review was marked by significant organisational transition - following the acquisition of a controlling interest by Udapussellawa Plantations PLC - alongside the challenges posed by Cyclone Ditwah and a demanding plantation sector environment. In this context, our stakeholder engagement framework proved more important than ever as a mechanism for maintaining trust, managing expectations, and ensuring continuity of value for all stakeholders.

We recognise that creating long-term value requires an inclusive and proactive stakeholder engagement approach that aligns with our strategic priorities and sustainability commitments. TSFL's engagement framework centres on the unique interests of our seven key stakeholder groups. Through consistent, open, and transparent communication - ranging from informal dialogue and operational touchpoints to structured forums such as Annual General Meetings and partner consultations - we strive to understand evolving expectations, respond meaningfully, and build shared value.

Three core principles continued to guide our approach during FY 2025/26:

Understanding	the needs, concerns, and aspirations of each stakeholder group;
Responsiveness	to ensure stakeholder inputs are integrated into decision-making; and
Open Communication	to foster mutual trust and timely feedback.

Throughout the year under review, we focused on stakeholders most materially impacted by our operations, including smallholder suppliers, employees, regulatory authorities, and local communities. Their feedback was actively considered in shaping decisions on operational efficiency, sustainable sourcing, community development, climate resilience, and the management of the ownership transition.

Stakeholder Engagement: The Foundation of Materiality

Engaging meaningfully with stakeholders is central to our materiality process. Through continuous dialogue, we capture valuable insights into the issues they deem most significant. In FY 2025/26, the materiality process was informed by stakeholder concerns relating to: the implications of the change in controlling shareholder; the impact of Cyclone Ditwah on supply chains and community well-being; smallholder income and green leaf pricing; tea auction price pressures; and environmental conservation. These perspectives shaped our material priorities, ensuring that our strategy, operations, and reporting remained relevant and responsive.

Strengthening Partnerships Through Tailored Engagement

TSFL understands that each stakeholder group is different and that a one-size-fits-all approach is neither effective nor appropriate. During FY 2025/26, TSFL continued to adopt customised engagement strategies to meet group-specific priorities — whether supporting the livelihoods of smallholder farmers through improved training and resources, deepening collaboration with regulatory bodies on compliance and sustainability reporting, or communicating proactively with shareholders on the implications of the ownership transition. Our engagement was built on mutual respect and long-term partnership.

By embedding stakeholder engagement at the heart of our operations, TSFL continues to reinforce its position as Sri Lanka's leading producer of quality tea, committed not only to operational excellence but also to delivering inclusive, sustainable value for all.

Stakeholder Engagement Overview

The table below summarises TSFL's engagement with its seven key stakeholder groups during FY 2025/26.

Stakeholder Group	Engagement Focus (FY 2025/26)
Shareholders and Providers of Capital	Ensured timely and transparent communication through financial and non-financial reporting. Maintained governance continuity during the ownership transition to Udapussellawa Plantations PLC. Emphasised responsible growth, sustainable returns, and long-term value creation.
Employees	Continued training and leadership development programmes across all five factories. Enhanced safety and well-being initiatives. Promoted open communication and an inclusive workplace culture during a year of significant organisational transition.
Green Leaf Suppliers	Maintained fair and transparent pricing, achieving a 3.64% premium over the national low-grown average. Provided technical assistance through 8,494 extension programmes benefiting 19,188 smallholders. Continued replanting and block infilling support programmes.

Stakeholder Engagement Overview (Cont...)

Stakeholder Group	Engagement Focus (FY 2025/26)
Suppliers and Service Providers	Conducted performance evaluations and planning sessions. Strengthened supplier partnerships through consistent quality and ethical standards. Promoted local sourcing where feasible.
Customers and Tea Brokers	Engaged in regular quality feedback and achieved 72 top auction prices at the Colombo Auction. Promoted traceability, ethical sourcing, and consistently high-quality output. Maintained NSA of Rs. 1250.51 per kg with a 3.64% premium over the national average.
Government and Regulatory Bodies	Ensured full regulatory compliance. Contributed to policy discussions and industry sustainability initiatives. Participated in government-led replanting programmes and sectoral development forums.
Communities	Invested in road infrastructure, health services, and disaster relief in communities surrounding factory locations. Responded proactively to Cyclone Ditwah through ration distribution and recovery support. Promoted environmental conservation through the 5R principles.

Stakeholder Engagement Matrix

The following matrix outlines how TSFL engaged with key stakeholder groups during the financial year ended 31st March 2026, highlighting the importance of each group, methods and frequency of engagement, key concerns raised, and how the Company responded to meet their expectations.

Key Stakeholders	Importance of Engagement	Method & Frequency	Key Topics & Concerns	Addressing Concerns & Meeting Expectations
Shareholders and Providers of Capital	Investors provide the financial resources required for TSFL's operations and future growth. With Udapussellawa Plantations PLC now holding a 75.27% controlling interest, transparent communication with all shareholders — including minority investors — is paramount.	• Annual General Meeting (AGM) • Quarterly results updates • Annual Integrated Report • CSE website disclosures • Open door policy	• Maximise return on investment • Sustainable growth and continuity • Corporate governance and ethics • Transparency of operations • Impact of ownership transition	• PBT of Rs. 236.35 Mn achieved for FY 2025/26 • Exemplary governance standards maintained during ownership transition • GRI Universal Standards 2021 integrated reporting • Strategic investments to support long-term market positioning
Employees	Our dedicated workforce is the backbone of TSFL's operations and supports us in achieving our strategic objectives across all five factory locations.	• Open door policy • Staff meetings and joint consultative committees • Annual performance appraisal • Annual employee survey	• Job security during ownership transition • Performance management • Training and development • Health and safety • Workplace culture and inclusion	• Continuous training needs identification and programme delivery • Health and safety awareness enforced at all factory locations • ISO Health and Safety certification maintained • Performance tracking to identify and reward high performers • Salaries aligned to industry norms
Green Leaf Suppliers	Consistent and reliable green leaf supply is critical to maintaining efficient operations	• Extension services and daily field visits • Open door policy • Personal interaction with management • Frequent seminars and pocket meetings • 8,494 extension programmes conducted	• Green leaf rate and quality of service • Crop production and productivity • Labour shortages and climate change • Ease of transactions and timely payments • Replanting and infilling support	• Average green leaf price Rs. 196.61/kg; highest Rs. 203.77/kg (Neluwa) • 3.64% premium over national low-grown average maintained • 13th replanting project completed; 14th project initiated • 28,075 plants infilled across 63 smallholder blocks • 19,188 smallholders benefited from extension programmes

Stakeholder Engagement Matrix (Cont...)

Key Stakeholders	Importance of Engagement	Method & Frequency	Key Topics & Concerns	Addressing Concerns & Meeting Expectations
Suppliers and Service Providers	Numerous suppliers provide materials, products, and services that support our manufacturing and ensure uninterrupted factory operations.	• Open door policy • One-to-one communication • Group sessions and ceremonies • Performance evaluations and planning sessions	• Ease of transactions • Prompt payments • New business opportunities • Quality and ethical standards	• Timely payments maintained throughout the year • Transparent and ethical communications fostered • Local sourcing promoted where feasible • Supplier feedback actively welcomed
Customers and Tea Brokers	Understanding customer preferences is key to TSFL's commercial success. Tea brokers connect us with buyers at the Colombo Auction and promote the quality of our teas.	• Regular meetings and broker interactions • Weekly broker visits • Digital engagement and communication	• Product quality and food safety • NSA performance and price competitiveness • Production consistency and traceability • Ethical and sustainable sourcing	• NSA of Rs. 1,250.51/kg - 3.64% above national average • 72 top auction prices (71 by Hingalgoda; 1 by Halwitigala) • ISO quality management standards upheld • Full product traceability and ethical operations ensured
Government and Regulatory Bodies	A supportive regulatory environment is essential for TSFL's operations as a listed company and a key participant in Sri Lanka's tea smallholder sector.	• Written communications • Annual and quarterly reports • CSE results updates • Participation in industry forums and government programmes	• Tax revenues and compliance • Regulatory compliance • Job creation and community impact • Environmental protection	• Timely and complete tax payments made • Full CSE listing requirements and environmental laws complied with • Active engagement in government-led replanting and sustainability programmes • Employees hired from communities surrounding factory locations
Communities	Local communities surrounding TSFL's five factory locations are integral to the Company's long-term sustainability, providing a talent pool, a stable operating environment, and direct beneficiaries of our social investments.	• Livelihood development programmes • CSR and awareness programmes • Community meetings • Post-Cyclone Ditwah disaster relief initiatives	• Employment opportunities • Environmental conservation • Road and infrastructure improvements • Disaster preparedness and relief • Service to the community	• Local workers hired as a priority across all locations • Udawela Road repair project completed (benefiting ~5,000 villagers) • Dry rations and relief provided to Cyclone Ditwah victims (Badulla, Passara, Nuwara Eliya) • Rainwater harvesting (200m³), plastic recycling (145 kg), and 1,650 trees maintained • 5R environmental principles promoted across all factory locations

MATERIALITY ANALYSIS

At TSFL, we remain committed to conducting regular materiality assessments to identify, evaluate, and prioritise the issues that significantly influence our operational performance, industry positioning, stakeholder relationships, and long-term sustainability.

Our materiality assessment enables us to align our business strategies, sustainability initiatives, and disclosures with the expectations of our stakeholders while responding effectively to evolving economic, environmental, social, and governance (EESG) challenges.

Through this process, TSFL identifies matters that have the greatest influence on our ability to create sustainable value while ensuring that resources are directed towards areas of highest importance to our stakeholders and business operations.

Why Materiality Matters

Materiality assessments enable TSFL to focus on issues that have the greatest impact on long-term value creation. By understanding the significance of key EESG matters, we are better positioned to:

- Develop strategic plans and establish impact-driven objectives.
- Allocate resources effectively towards areas of greatest importance.
- Identify emerging risks and opportunities in a changing operating environment.
- Strengthen stakeholder trust through transparent and responsible disclosures.
- Enhance operational resilience through proactive risk management.

This approach reinforces TSFL's accountability and ensures alignment between stakeholder expectations, business priorities, and sustainability objectives.

Our Materiality Process

TSFL follows a structured materiality assessment process to identify, assess, prioritise, and monitor material topics relevant to the Company and its stakeholders. The process consists of the following key stages:

Material Topics Identification	**Gathering internal and external data to compile a list of potential material topics based on industry trends, regulatory developments, stakeholder feedback, and business risks.**
Stakeholder Consultation	**Engaging stakeholders through surveys, interviews, and discussions to assess the relevance and impact of identified issues.**
Prioritisation	**Evaluating and ranking issues based on their significance to stakeholders and their influence on TSFL's ability to create long-term value.**
Validation	**Reviewing the prioritised issues with senior management and the Board to ensure alignment with strategic goals and business realities.**
Integration and Reporting	**Embedding material topics into our strategy, decision-making processes, and sustainability disclosures.**
Monitoring and Continuous Improvement	**Ongoing process to monitor the relevance and impact of identified material topics to respond proactively to shifts in stakeholder expectations, regulatory developments, market dynamics, and emerging risks or opportunities.**

This dynamic process ensures that TSFL stays attuned to evolving expectations and remains resilient and responsive in a complex operating landscape.

Materiality Matrix and Priority Topics

Following the materiality assessment conducted for the financial year ended 31 March 2026, TSFL identified nine high-priority material topics that influence the Company's ability to create sustainable value — one more than the eight reaffirmed in 2024/25 — reflecting the addition of Geopolitical Risks and Global Market Resilience as a new material topic for the year.

The assessment reflects the changing dynamics of the tea industry, including operational efficiency requirements, evolving customer expectations, sustainability considerations, and increasing exposure to global economic and geopolitical uncertainties.

The identified material topics have been categorised into:

- **High-Priority Material Topics –** Areas requiring strategic focus due to significant impact on business performance and stakeholder expectations.
- **Medium-Priority Material Topics –** Important areas managed through ongoing policies, procedures, and operational initiatives.
- **Emerging Topics Under Monitoring –** Developing issues that may increase in significance and require continued assessment.

High-Priority Material Topics for 2025/26

1. Sustained Financial Performance	Ensuring financial resilience through effective cost management, operational efficiency improvements, revenue optimisation, and strategic decision-making remains fundamental to TSFL's long-term value creation. The Company continues to focus on strengthening profitability, improving cash flow management, maintaining financial discipline, and enhancing operational sustainability.
2. Production and Productivity	Optimising factory utilisation, improving production efficiency, and enhancing productivity remain key priorities for maintaining competitiveness within the tea industry. TSFL continues to focus on process improvements, capacity utilisation, cost optimisation, and operational excellence initiatives.
3. Product Quality	Maintaining consistent product quality is essential to preserving customer confidence, strengthening market positioning, and supporting value creation. TSFL continues to enhance quality management practices through improved manufacturing controls, monitoring processes, and compliance with customer requirements.
4. Product Responsibility	Upholding health and safety standards through safe, compliant manufacturing practices that protect end consumers.
5. Responsible Manufacturing Operations	TSFL remains committed to responsible manufacturing practices by improving operational efficiency, adopting appropriate technologies, optimising resource utilisation, and strengthening manufacturing controls. Continuous improvement initiatives support improved productivity, quality enhancement, and sustainable operational performance.
6. Responsible Sourcing and Supplier Development	Smallholder suppliers remain a critical component of TSFL's value chain. The Company continues to strengthen supplier relationships through responsible sourcing practices, engagement initiatives, and support towards improving supplier productivity and sustainability.
7. Energy Management	Energy management remains a significant priority due to its influence on operational costs, efficiency, and environmental performance. TSFL continues to focus on improving energy efficiency, optimising consumption, and implementing responsible energy management practices.
8. Compliance and Good Governance	Strong governance remains fundamental to maintaining stakeholder confidence and ensuring sustainable business operations. TSFL continues to strengthen compliance practices, internal controls, ethical conduct, and responsible corporate governance.

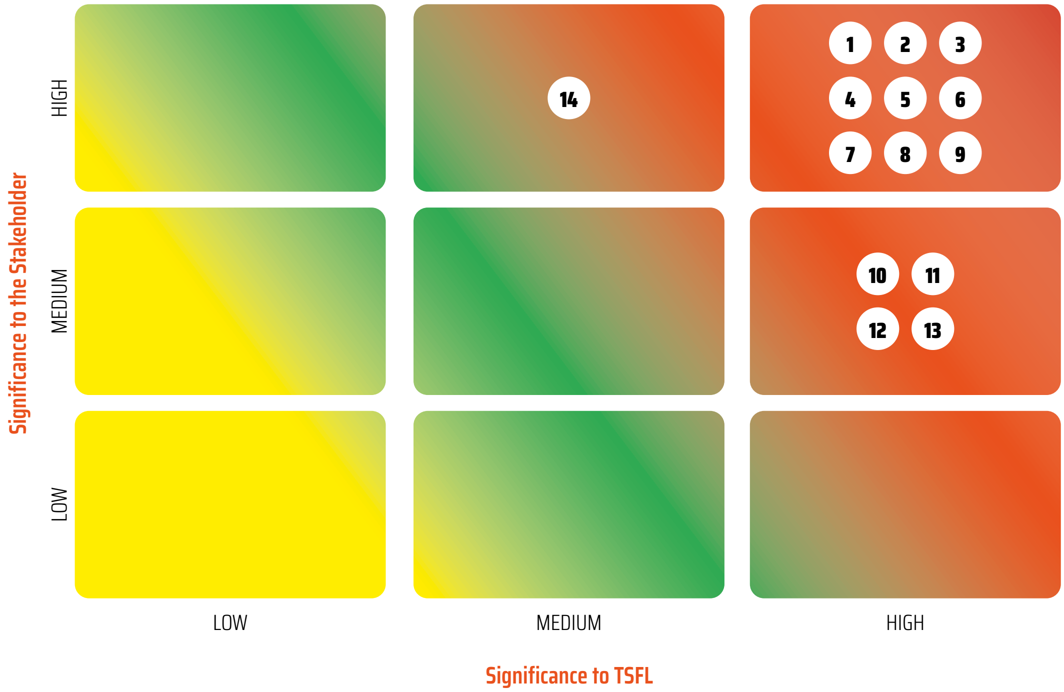
9. New Material Topic for 2025/26 - Geopolitical Risks and Global Market Resilience

The global operating environment during FY2025/26 continued to experience heightened uncertainty due to geopolitical tensions and disruptions affecting international trade. The escalation of conflicts in key regions, including the US-Iran conflict and related Middle East instability, has increased concerns surrounding global trade flows, shipping route disruptions, freight and insurance costs, energy price volatility, market uncertainty, and customer demand fluctuations.

As a tea manufacturing company operating within an internationally connected industry, TSFL remains exposed to indirect impacts arising from global disruptions, including changes in tea market demand, auction price volatility, increased logistics costs, supply chain challenges, and customer market uncertainty.

Accordingly, TSFL has identified Geopolitical Risks and Global Market Resilience as an emerging high-priority material topic. The Company continues to strengthen risk monitoring processes, improve operational flexibility, maintain cost discipline, and engage with stakeholders to mitigate potential impacts arising from global uncertainties.

The continued focus on these material topics enables TSFL to align its strategy and sustainability efforts with stakeholder expectations while addressing key operational, environmental, and governance challenges.



Material Topics and their Corresponding GRI Standards

The table below presents a comprehensive list of material topics identified for the financial year ending 31 March 2026.

Material Topic	Impacted Stakeholders	Corresponding GRI Standard Topic(s)	Relevant GRI Disclosures
1. Sustained Financial Performance	Shareholders and Providers of Capital; Employees; Smallholder Partners; Government and Regulatory Bodies; Communities	GRI 201 Economic Performance; GRI 202 Market Presence; GRI 203 Indirect Economic Impacts; GRI 207 Tax	201-1 to 201-4; 202-1, 202-2; 203-1, 203-2; 207-1 to 207-4
2. Production and Productivity	Shareholders and Providers of Capital; Employees; Smallholder Partners; Suppliers; Customers and Tea Brokers	GRI 203 Indirect Economic Impacts; GRI 204 Procurement Practices	203-1, 203-2; 204-1
3. Product Quality	Smallholder Partners; Customers; Tea Brokers; Government and Regulatory Bodies	GRI 416 Customer Health and Safety; GRI 417 Marketing and Labelling	416-1, 416-2; 417-1 to 417-3
4. Product Responsibility	Customers; Tea Brokers; Government and Regulatory Bodies	GRI 416 Customer Health and Safety	416-1
5. Responsible Manufacturing Operations	Shareholders and Providers of Capital; Employees; Customers; Government; Communities	GRI 302 Energy; GRI 305 Emissions; GRI 416 Customer Health and Safety	302-1 to 302-5; 305-1 to 305-7, 416-1
6. Responsible Sourcing and Supplier Development	Smallholder Partners; Suppliers; Customers; Communities	GRI 204 Procurement Practices; GRI 308 Supplier Environmental Assessment; GRI 414 Supplier Social Assessment	204-1; 308-1; 414-1, 414-2
7. Energy Management	Shareholders and Providers of Capital; Employees; Customers; Government; Communities	GRI 302 Energy; GRI 305 Emissions	302-1 to 302-5; 305-1 to 305-7

Material Topics and their Corresponding GRI Standards (Cont...)

Material Topic	Impacted Stakeholders	Corresponding GRI Standard Topic(s)	Relevant GRI Disclosures
8. Compliance and Good Governance	Shareholders and Providers of Capital; Employees; Government and Regulatory Bodies	GRI 205 Anti-Corruption; GRI 408: Child Labor; GRI 409: Forced or Compulsory Labor; GRI 410: Security Practices; GRI 418: Customer Privacy; GRI 206 Anti-Competitive Behaviour; GRI 307 Environmental Compliance; GRI 2 General Disclosures	205-1 to 205-3; 206-1; 307-1; 2-27; 408-1; 409-1;410-1;418-1
9. Geopolitical Risks and Global Market Resilience	Shareholders and Providers of Capital; Customers; Tea Brokers; Smallholder Partners; Suppliers; Government and Regulatory Bodies	GRI 201 Economic Performance; GRI 203 Indirect Economic Impacts; GRI 204 Procurement Practices	201-1 to 201-4; 203-1, 203-2; 204-1
10. Protecting Natural Resources and the Environment	Employees; Smallholder Partners; Customers; Government; Communities	GRI 301 Materials; GRI 303 Water; GRI 304 Biodiversity; GRI 306 Waste; GRI 307 Environmental Compliance; GRI 308 Supplier Environmental Assessment	301-1 to 301-3; 303-1 to 303-5; 304-1 to 304-4; 306-1 to 306-5; 307-1; 308-1
11. Occupational Health and Safety	Employees; Government; Communities	GRI 403 Occupational Health and Safety	403-1 to 403-10
12. Remuneration and Benefits	Employees; Government and Regulatory Bodies	GRI 401 Employment; GRI 402 Labour/ Management Relations	401-2, 401-3; 402-1
13. Managing Human Resources	Employees; Government; Communities	GRI 401 Employment; GRI 402 Labour/ Management Relations; GRI 404 Training and Education; GRI 405 Diversity; GRI 406 Non-discrimination; GRI 407 Freedom of Association	401-1 to 401-3; 402-1; 404-1 to 404-3; 405-1, 405-2; 406-1; 407-1
14. Community Engagement and Development	Employees; Government; Communities	GRI 405: Diversity and Equal Opportunity; GRI 413 Local Communities; GRI 419 Socioeconomic Compliance	405-1; 413-1, 413-2; 419-1

ECONOMIC OVERVIEW

Global Economic Review

The global economic landscape for FY 2025/26 was shaped by a complex interplay of resilient economic performance, persistent trade policy disruptions, geopolitical tensions, and the gradual moderation of inflation. The year was characterised by sweeping shifts in U.S. trade policy — including the imposition of broad-based tariffs from early 2025 — which reverberated through global supply chains, investment decisions, and commodity markets. Despite these headwinds, the global economy demonstrated a degree of tenuous resilience, underpinned by front-loading of trade activity, accommodative monetary conditions in several major economies, and continued fiscal support.

Global Growth: The IMF's October 2025 World Economic Outlook (WEO) projected global growth to moderate from 3.3% in 2024 to 3.2% in 2025 and 3.1% in 2026. The January 2026 WEO Update revised the 2026 outlook slightly upward to 3.3%, citing technology-driven investment, fiscal and monetary support, and private sector adaptability as partial offsets to trade headwinds. The OECD's June 2025 Economic Outlook projected a slower path, with global growth easing to 2.9% in both 2025 and 2026. The United States is projected to see GDP growth slow from 2.8% in 2024 to 1.5%-2.0% in 2025/26, while the Euro area is expected to register subdued growth of 0.7%-1.2%. China is forecast to grow at 4.3%-4.7% in 2025/26, as its economy continues to normalise. These divergent regional trajectories underscore the uneven and uncertain nature of the global recovery.

Inflation and Monetary Policy: Global inflation continued its gradual decline. The IMF projected global headline inflation to moderate to 4.2% in 2025 and 3.7% in 2026, down from 5.8% in 2024. However, the path was uneven. In the United States, tariff-induced price pressures kept inflation above target, constraining the Federal Reserve's ability to ease policy. Elsewhere, in the Euro area and many emerging markets, more subdued inflation allowed for greater monetary accommodation. The OECD noted that inflationary pressures had resurfaced in some economies due to higher trade costs, complicating the global disinflation narrative. Central banks globally thus faced difficult trade-offs between managing residual inflation risks and supporting slowing growth.

Global Trade and Tariff Disruptions: Trade policy uncertainty emerged as perhaps the defining challenge for the global economy during the year. The United States' imposition of sweeping tariffs — driving the effective U.S. tariff rate to its highest levels in decades — disrupted supply chains, elevated import costs, and triggered retaliatory measures from trading partners. According to UNCTAD, trade policy uncertainty reached record levels in 2025, with firms front-loading shipments ahead of tariff deadlines, followed by a sharp contraction in subsequent quarters. The IMF noted that while trade policy front-loading temporarily boosted growth in H1 2025, the full dampening effect of higher tariff rates was expected to be felt from H2 2025 onwards. Global trade growth was projected at 3.0%-3.2% in 2025 but remained subject to significant downside risk. Sri Lanka, as an open, export-oriented economy, was not immune to these dynamics, particularly given the indirect significance of the United States as a trading partner.

Key Risks and Policy Considerations: The global economy faces a confluence of risks as FY 2025/26 draws to a close: further escalation of trade barriers; geopolitical impact of the ongoing Middle East conflict and associated energy price volatility; tariff pass-through reigniting inflation; tightening of global financial conditions; and the near-term reconstruction burden from Cyclone Ditwah across South Asia. The IMF estimated that resolving trade policy uncertainty and reducing tariffs to pre-2025 levels could boost global output by approximately 0.7% in the near term, underscoring the significant opportunity cost of current trade fragmentation. Structural reforms — enhancing productivity, addressing fiscal imbalances, and supporting green and digital transitions — remain critical for sustainable long-term growth across both advanced and developing economies.

Sri Lankan Economic Review

Sri Lanka's economy continued its impressive recovery trajectory during FY 2025/26, building on the stabilisation achieved in 2024 and demonstrating resilience in the face of a complex domestic and global environment. The period was marked by sustained GDP growth, continued macroeconomic stabilisation under the IMF-EFF programme, the near-completion of external debt restructuring, and the devastating impact of Cyclone Ditwah in November 2025 — which tested but did not derail the country's recovery momentum.

GDP Growth and Sectoral Performance

According to the Central Bank of Sri Lanka's (CBSL) Annual Economic Review 2025, Sri Lanka's real GDP grew by 5.0% in 2025, marking the second consecutive year of robust positive growth and the ninth consecutive quarter of positive expansion since Q3 2023. All three major sectors contributed positively: Agriculture (1.4%), Industry (7.8%), and Services (3.3%), reflecting the breadth of the recovery. Nominal GDP rose to approximately Rs. 32.75 trillion (USD 108.8 billion), and GDP per capita reached a record USD 5,003 — up from USD 4,546 in 2024. The recovery was supported by recovering domestic demand, rising consumption, increased gross fixed capital formation, and continued strong external inflows including workers' remittances and tourism receipts.

Inflation and Monetary Policy

Following a period of deflation from late 2024 into mid-2025, headline inflation turned positive in August 2025, gradually normalising thereafter. CCPI-based headline inflation (year-on-year) reached 2.1% by December 2025, with the full-year annual average at approximately -0.5%. The NCPI reached 2.9% year-on-year at year-end. Core inflation remained contained at 2.7% (CCPI) and 2.6% (NCPI). The Central Bank maintained an accommodative stance throughout, supported by its Flexible Inflation Targeting (FIT) framework, which enabled lower market interest rates and strong private sector credit expansion. Early 2026 saw CCPI inflation at 2.3% (January), 1.6% (February), and 2.2% (March), indicating a gradual and stable normalisation consistent with the CBSL's target band.

External Sector and Exchange Rate

Sri Lanka's external sector strengthened further during the period. The current account recorded a surplus for the third consecutive year, supported by historically high workers' remittances and improved services exports, despite a widening merchandise trade deficit partly reflecting the removal of import restrictions. Gross official foreign reserves reached USD 6.1 billion at end-September 2025. The Sri Lankan Rupee recorded a modest depreciation against the US Dollar during 2025 under the flexible exchange rate regime, with the average annual rate moving to approximately LKR 300–306 per USD, compared to LKR 300.89 in 2024. By mid-2026, the Rupee had depreciated further to approximately LKR 333–336 per USD, reflecting global US Dollar strengthening. While this depreciation provided partial relief for export earnings in LKR terms, it also increased the cost of imported inputs, creating a mixed impact for plantation companies.

IMF Programme and Debt Restructuring

Sri Lanka's macroeconomic reform programme under the IMF's Extended Fund Facility (EFF) continued to progress strongly. The Fourth Review was completed in July 2025, enabling a disbursement of approximately USD 350 million. The combined Fifth and Sixth Reviews were subsequently completed, with all end-December 2025 quantitative performance criteria met. External debt restructuring advanced towards completion, with substantial relief delivered, placing Sri Lanka's public debt on a path towards sustainability. Sustained compliance with IMF programme benchmarks continued to improve investor confidence and Sri Lanka's international credit standing.

Cyclone Ditwah and Its Economic Impact

Cyclone Ditwah struck Sri Lanka on 28th November 2025, causing the most severe natural disaster to affect the country in decades. It claimed over 600 lives, displaced more than 100,000 people, and caused estimated direct physical damage of approximately USD 4.1 billion (approximately 4% of GDP), according to World Bank preliminary assessments. Reconstruction needs were estimated at approximately LKR 500 billion. Plantation regions in the High and Mid Grown sectors were particularly affected, with significant damage to infrastructure, worker housing, and agricultural land. While the cyclone caused substantial disruption in Q4 2025, the full-year GDP growth of 5.0% remained intact, supported by policy responses and reconstruction momentum. The disaster underscored Sri Lanka's vulnerability to climate events and reinforced the urgency of building climate resilience into the national development agenda.

Challenges and Future Outlook

Despite significant progress, Sri Lanka faces ongoing challenges as it enters FY 2026/27. The continued recovery from Cyclone Ditwah, the external headwinds from U.S. tariff policies and global trade fragmentation, elevated debt service obligations, and the imperative to sustain structural reforms represent the primary near-term risks. The IMF and World Bank both project Sri Lanka's growth to moderate to approximately 3.1% in 2026, reflecting reconstruction needs and global uncertainty. Sustained commitment to structural reforms - including fiscal consolidation, improvements to the business environment, trade diversification, and social safety net strengthening — will be essential for transitioning Sri Lanka to a higher, more inclusive, and more resilient long-term growth trajectory.

OVERVIEW OF THE GLOBAL TEA INDUSTRY IN 2025/26

The global tea industry continued its steady long-term expansion through 2025 and into the first half of 2026, even as producing regions absorbed a series of climatic and economic shocks. Market-size estimates continued to vary widely across research houses, from around USD 18.4 billion to USD 69.5 billion for 2025, reflecting differing methodologies and market scopes, with most forecasters projecting a compound annual growth rate (CAGR) of between 4.4% and 7.8% over the next five to ten years.

Black tea remained the dominant category globally, accounting for roughly half of market value, though green, herbal, and functional teas continued to gain share on the back of rising health consciousness. China remained the world's largest tea market by both production and consumption, while Turkey, Ireland, and Sri Lanka continued to lead in per-capita consumption.

Key Trends and Innovations

Consumer demand continued to shift toward green, herbal, and functional teas valued for antioxidant, digestive, and stress-relief properties. Ingredients such as turmeric, ginger, and chamomile remained popular, reinforcing the diversification of blends on offer as brands balanced wellness positioning with more adventurous flavour profiles.

The ready-to-drink (RTD) segment continued its strong growth trajectory, with cold brews and RTD herbal teas gaining traction among younger, convenience-oriented consumers. Premium and speciality teas, including single-origin and artisanal variants, also continued to command growing shelf space.

Sustainability remained a top industry priority, with continued growth in demand for organic, fair trade, and ethically sourced teas, alongside further innovation in eco-friendly and biodegradable packaging.

Online and direct-to-consumer channels continued to expand tea brands' global reach, with major e-commerce platforms actively building out dedicated tea categories during the year. Novel formats — tea-based snacks, sparkling teas, and ready-to-drink lattes — continued to capture new consumer occasions.

Global Tea Industry Challenges in 2025/26

Climate change remained the industry's most persistent structural challenge. Producing regions across Asia and East Africa experienced erratic rainfall, prolonged dry spells, and, in Sri Lanka's case, catastrophic flooding, all of which continued to disrupt both the quantity and quality of tea yields.

Geopolitical and trade disruptions also weighed on the industry through the year. The Red Sea shipping crisis, which began in late 2023, persisted through 2025 with continued vessel rerouting via the Cape of Good Hope, elevated freight and insurance costs, and longer transit times. This was compounded by renewed instability in the Middle East, including the escalation of the US–Iran conflict, which added further uncertainty to shipping routes, energy prices, and demand from key Middle Eastern tea markets. The Russia-Ukraine conflict also continued to affect both supply and demand dynamics, given Russia's dual role as a major tea importer and fertiliser exporter.

Major Tea-Producing Nations

Global tea production reached approximately 7.27 million metric tonnes in 2025, a 2.5% increase over 2024's 7.09 million tonnes, according to preliminary International Tea Committee (ITC) data. Production remained heavily concentrated in Asia and Africa.

China retained its position as the world's largest producer, with output reaching approximately 3.92 million tonnes in 2025, up 4.8% year-on-year and representing nearly 54% of global production. India remained the second-largest producer, with output estimated at approximately 1.39 million tonnes for 2025, a modest increase on 2024's 1.38 million tonnes, though production trends varied through the year — a strong first half gave way to a weaker second half, with August 2025 output down year-on-year amid mixed weather across Assam and West Bengal.

Kenya, the world's third-largest producer, recorded a decline in output to approximately 550.4 million kilograms in 2025 (2024: approximately 598.5 million kilograms), a fall of around 8% attributed to erratic rainfall. Despite the lower harvest, Kenya's tea exports rose by around 4.4% to 652,792 tonnes, aided by the clearance of carried-over stock, generating export revenue of approximately KES 186.9 billion (US$ 1.44 billion). During the year, Kenya also launched its first Orthodox tea auction at Mombasa, part of a broader push to grow higher-value speciality production from around 15 million kilograms in 2024 toward a targeted 200 million kilograms by 2030.

Turkey and Sri Lanka continued to round out the top five global producers. Sri Lanka's total tea production reached approximately 264.6 million kilograms in 2025 (2024: 262.2 million kilograms), a modest recovery discussed further below.

Other notable producers included Vietnam, Indonesia, and Bangladesh, which together with the leading five nations continued to account for the substantial majority of global output. On a regional basis, Asia continued to lead global production, followed by Africa and, at a much smaller scale, South America.

World Auction Centres

The Mombasa Tea Auction remained a key global trading hub for teas from ten East African countries, including Kenya, Uganda, and Rwanda. Full-year 2025 volumes sold through the auction were reported at approximately 437.3 million kilograms, down from around 462.1 million kilograms in 2024, while the average auction price eased slightly to approximately US$ 2.15 per kilogram (2024: US$ 2.19 per kilogram), reflecting continued softness in bulk CTC pricing even as the market absorbed the launch of Kenya's new Orthodox tea auction stream.

India's regional auction centres continued to see healthy volume growth during the year. The Guwahati Auction Centre, India's largest by volume, sold a record 169.13 million kilograms of tea in financial year 2024/25 at an average price of Rs. 227.70 per kilogram, generating a record turnover of Rs. 3,850 million — up from Rs. 3,048 million in the prior financial year. Growth continued into the 2025/26 season, with April–August 2025 sales of 76.94 million kilograms, comprising 72.70 million kilograms of CTC and dust at Rs. 223.30 per kilogram and 4.24 million kilograms of Orthodox tea at Rs. 279.08 per kilogram, the latter posting particularly strong price appreciation. Kolkata, Siliguri, and the South Indian centres (Coonoor, Coimbatore, and Cochin) also continued to trade, with market commentary through the year describing broadly steady average prices at Kolkata and Guwahati against a backdrop of elevated carry-over stock.

Sri Lanka Tea Industry Review 2025/26

Sri Lanka's tea industry, one of the country's most iconic and economically significant sectors, delivered a stronger overall performance in 2025 before ending the year contending with the aftermath of Cyclone Ditwah, one of the country's worst natural disasters in decades. Export volumes and earnings both recorded year-on-year growth, underpinned by a continued structural shift toward value-added products, even as the sector absorbed a further wage increase and, from late November 2025, severe cyclone-related disruption.

Industry Developments

Sri Lanka's tea export sector continued its shift toward higher-margin, value-added products during the year. Value-added selections — including tea bags, instant tea, and green tea — reached a record 11-year high of approximately 59% of total exports for 2025, up from around 52-56% in the comparable periods of 2024, driven by strong growth in packeted tea and tea bag exports even as bulk tea volumes contracted.

A significant new initiative during the year was the launch of a Geographical Indication (GI) protection programme for Ceylon Tea, backed by a €1 million French-funded programme delivered through the Agence Française de Développement (AFD) in partnership with France's CIRAD research centre. The Sri Lanka Tea Board described the initiative as a major step toward safeguarding the authenticity of Ceylon Tea, combating counterfeiting, and securing higher export prices for producers and rural communities.

The Sri Lanka Tea Board also continued its global promotional campaigns during the year, participating in trade fairs and exhibitions across China and other key markets — including the "Made in Sri Lanka - 8 Products, 8 Themes" exhibition in Beijing in September 2025 — to reinforce the "Ceylon Tea - Symbol of Quality" branding and the Lion Logo mark of origin. Re-export activity and ready-to-drink (RTD) tea exports also grew strongly during the year, with RTD export volumes up around 540% year-on-year, underscoring Sri Lanka's continued evolution into a broader regional hub for tea processing, blending, and branding, alongside its role as a producer.

Key Challenges

Despite these positive developments, Sri Lanka's tea industry continued to contend with persistent structural and environmental pressures during the year. Escalating input and labour costs, an ageing workforce, and mounting climate risk continued to test the resilience of both estate producers and smallholders, culminating in the severe disruption caused by Cyclone Ditwah toward the end of the calendar year.

Rising Production Costs and Labour

Following the government-mandated wage increase from Rs. 1,350 to Rs. 1,550 per day, the daily wage for plantation workers was raised further to Rs. 1,750, effective 1 January 2026, with the government subsidising Rs. 200 of the increase per worker per day to help offset the cost impact on Regional Plantation Companies. Wages continued to represent around 70% of the overall cost of production for tea and rubber, and industry bodies continued to flag the disconnect between wage increases and productivity gains as a significant ongoing risk to competitiveness, particularly given that close to 45% of Sri Lanka's tea export revenue — around US$ 680 million of the US$ 1.5 billion total — depends on Middle Eastern markets exposed to the region's ongoing instability.

Environmental and Climate Risks - Cyclone Ditwah

Cyclone Ditwah made landfall on Sri Lanka's east coast on 28 November 2025, triggering the country's worst flooding and landslide disaster in two decades. Central Sri Lanka — the heart of the country's tea-growing region — was among the areas worst affected, with Uva, Badulla, and Nuwara Eliya districts sustaining significant damage to estate roads, worker housing, and infrastructure. National-level impact estimates varied: the World Bank estimated direct physical damage across the country at approximately US$ 4.1 billion, while some early industry commentary suggested tea output could fall by as much as 35% in the most severely affected areas.

Industry bodies offered a somewhat more measured initial assessment of manufacturing impact specifically: the Colombo Tea Traders' Association reported that core tea factory manufacturing capacity remained largely intact, with the immediate disruption concentrated in transport and estate access roads rather than processing infrastructure, and that recovery of access routes was already under way within weeks of the storm. At the same time, reporting from labour and human-rights organisations highlighted severe and continuing hardship for plantation worker communities, including destroyed and damaged worker housing (line rooms), and called for stronger support from both government and industry as part of the recovery effort.

Sustainability and Worker Welfare

The devastation caused by Cyclone Ditwah sharpened existing concerns around structural vulnerabilities in plantation communities, including insecure housing and land tenure, gaps between wages and living-wage standards, and heavy reliance on daily-wage and informal labour arrangements that left many workers without income or protection when operations were suspended. International buyers and brands continued to face pressure to strengthen supply chain transparency and purchasing practices in response, while continuing to expect progress on housing, healthcare, and education for estate communities more broadly.

Production Performance

Sri Lanka's total tea production reached approximately 264.6 million kilograms in 2025, compared to 262.2 million kilograms in 2024, a modest increase of around 1%. Production growth was recorded in the first three quarters of the year — including a 6% increase in the first quarter to 62 million kilograms — before Cyclone Ditwah disrupted harvesting and manufacturing activity in the final weeks of the year. By grade, low-grown quality tea continued to account for the majority of national output, at around 61% of 2025 production, with medium-grown and high-grown quality tea accounting for approximately 18% and 21%, respectively.

Into 2026, production for the first five months reached approximately 108.95 million kilograms, with an improved average FOB value of Rs. 1,797.58 per kilogram reflecting continued demand for premium Ceylon Tea, though this period will also need to reflect any residual disruption from the cyclone recovery.

Export Performance

Sri Lanka's tea exports totalled approximately 257.44 million kilograms in 2025, an increase of 11.65 million kilograms over the 245.79 million kilograms exported in 2024. Total export earnings rose by approximately 6% to a record US$ 1.51 billion, according to Forbes & Walker Research, despite continued pressure on average prices. Growth was driven primarily by packeted tea, tea bags, instant tea, and green tea, while bulk tea exports continued to contract, falling by 4.27 million kilograms to 106.8 million kilograms — consistent with the broader shift toward value-added exports discussed above.

Iraq retained its position as Ceylon Tea's top export market, with imports rising approximately 15% year-on-year to 39.36 million kilograms. Libya recorded the strongest growth among major markets, while Russia, the UAE, and Turkey also remained key destinations, together with continued demand from re-export and RTD channels. The overall average FOB export value for the year was approximately Rs. 1,760.70 per kilogram, broadly stable in rupee terms and marginally higher in US dollar terms than 2024, with December 2025 alone — despite lower shipped volumes following the cyclone — recording a notably higher average FOB value of Rs. 1,831.11 per kilogram.

Sri Lanka Tea Auction Prices

Sri Lanka's tea export sector continued to command a price premium in global markets during 2025, supported by the continued shift toward value-added product mix and the branding initiatives discussed above. As noted, the average FOB export value for the year was approximately Rs. 1,760.70 per kilogram, with the trend continuing into 2026: the first five months of the year recorded an average FOB value of Rs. 1,797.58 per kilogram, indicating sustained demand for premium Ceylon Tea despite the disruption caused by Cyclone Ditwah toward the end of 2025.

OPERATIONAL REVIEW

The financial year ended 31st March 2026 was characterised by a challenging operating environment for the Sri Lankan tea industry, marked by softer auction prices, volatile weather conditions, elevated production costs, labour related cost pressures and uncertainty across key export markets. Against this backdrop, Tea Smallholder Factories PLC (TSFL) maintained its focus on operational resilience, factory utilisation, green leaf procurement, product quality and disciplined cost management. These measures enabled the Company to achieve a significant improvement in production volumes and operating performance despite the prevailing industry headwinds.

Challenges Faced

The year under review was shaped by a combination of external industry pressures and operational challenges. While market conditions remained volatile, the Company continued to strengthen its manufacturing base and supplier relationships, while implementing measures to improve factory utilisation and contain the cost of production.

Global and Industry Factors

Market and Price Volatility – The Sri Lankan tea industry experienced continued pressure on auction prices during the year. For the period January to December 2025, the national tea sale average declined to Rs. 1,167.72 per kg from Rs. 1,225.17 per kg in 2024, while Low Growns, which represent the largest share of national production, averaged Rs. 1,235.26 per kg. The softer price environment placed pressure on producer margins and required greater focus on quality, product differentiation and cost efficiency.

Weather and Climate Variability – Weather remained a significant influence on tea production during the year. The Company's operational data showed considerable month-to-month variation in rainfall compared with historical averages, affecting green leaf availability and factory throughput. At national level, tea production for the April 2025 to March 2026 period declined by approximately 1% to 263.17 Mn kilograms, compared with 266.34 Mn kilograms in the preceding corresponding period.

Export and Geopolitical Uncertainty – Demand and supply conditions in major international markets continued to influence the Colombo Tea Auction. The Company remained exposed to developments in key markets, including the Middle East, Russia and other traditional destinations. During the first quarter of 2026, Sri Lanka's tea exports declined to 60.36 Mn kilograms from 63.21 Mn kilograms in the corresponding period of 2025, while the national auction average also declined. These conditions reinforced the need for prudent inventory, quality and cost management.

Local Factors

Labour and Operating Costs – Labour remains a significant component of tea manufacturing costs. The sector continued to experience cost pressures following the revised wage arrangements for tea, alongside increases in energy, maintenance, transport and other operating costs. The Company therefore continued to focus on productivity improvement, engineering efficiency and tighter cost control.

Green Leaf Supply and Smallholder affordability – As a bought-leaf manufacturer, TSFL's performance is closely linked to the availability and quality of green leaf supplied by smallholders and collectors. Maintaining a reliable supplier base, supporting leaf quality and ensuring timely procurement remained important priorities during the year, particularly amid fluctuating weather conditions and pressure on smallholder financial scale.

Foreign Exchange and Market Competitiveness – Movements in the Sri Lankan Rupee, together with changing international demand and auction dynamics, continued to influence the competitiveness of Ceylon Tea. The Company remained focused on improving tea quality and securing premiums over the relevant elevation averages to mitigate the impact of broader market pressures.

Performance Overview

TSFL recorded a substantial improvement in production during the year under review. Total production increased by 23% to 2.71 Mn kilograms from 2.21 Mn kilograms in 2024/25, exceeding the annual production budget of 2.41 Mn kilograms by 12%. This performance reflects the Company's continued focus on strengthening green leaf procurement, improving factory utilisation and enhancing manufacturing efficiency.

All five factories, other than Broadlands, recorded year-on-year production growth. Neluwa produced 477,856 kilograms, an increase of 48%; Halwitigala produced 479,662 kilograms, an increase of 43%; Hingalgoda produced 581,628 kilograms, an increase of 22%; and Kurupanawa produced 437,417 kilograms, an increase of 40%. Broadlands recorded 733,915 kilograms, a decline of 4%, reflecting the comparatively higher production base achieved in the previous year.

Factory utilisation also improved significantly, increasing to 59% from 47% in the previous financial year. Neluwa and Halwitigala each reached 54% utilisation, Hingalgoda reached 54%, Kurupanawa 49%, and Broadlands 77%.

Despite the weaker market environment, the Company achieved an improvement in core operating performance. Revenue has increased by 19% to Rs. 3,315.97 Mn from Rs. 2,797.10 Mn, while earnings before interest and tax increased by 104% to Rs. 50.85 Mn from Rs. 24.88 Mn. The improvement was supported by higher production volumes and disciplined cost management. The cost of production declined to Rs. 1,242.23 per kilogram from Rs. 1,283.16 per kilogram in the previous year and was Rs. 82.47 per kilogram below the budgeted level.

Tea quality and market positioning remained key priorities. During the year, TSFL sold a net quantity of 2.59 Mn kilograms of tea at an gross average of Rs. 1,283.06 per kilogram, compared with Rs. 1,350.99 per kilogram in the previous year. Although the average remained below the prior-year level and the annual estimate, the Company achieved a premium of Rs. 45.01 per kilogram over the relevant elevation average. Hingalgoda recorded the strongest performance against the elevation benchmark, achieving a premium of Rs. 90.68 per kilogram. The Company continued to focus on quality improvement and manufacturing consistency to protect market positioning in a challenging auction environment.

Operational Excellence and Investments

TSFL continued to invest in manufacturing infrastructure and technology to strengthen operational efficiency, product quality and long-term competitiveness. During the year, total capital expenditure amounted to Rs. 71.20 Mn. Key investments included a five-stage colour sorter with a 45KW screw compressor at Broadlands and a four-stage colour sorter with a 22KW screw compressor at Hingalgoda. The Company also undertook the rehabilitation of withering troughs, dryers, heaters and other critical machinery across the factory network, together with the installation of an automated humidification system at Hingalgoda.

The Company also strengthened its approach to cost management through greater utilisation of in-house engineering capabilities and proactive machinery rehabilitation. These initiatives supported lower maintenance and production costs, improved machinery reliability and reduced the risk of operational downtime. The focus on automation and process improvement is expected to further enhance product quality, productivity and manufacturing efficiency.

The Way Forward

Looking ahead, TSFL will continue to prioritise factory utilisation, green leaf procurement, quality enhancement and cost efficiency. The Company will strengthen engagement with smallholder suppliers and collectors, while expanding extension and field-level support to improve green leaf availability and quality. Greater emphasis will also be placed on mechanisation and automation where commercially viable, particularly in areas affected by labour availability and rising operating costs.

The Company will continue to optimise the utilisation of its existing manufacturing capacity through targeted machinery upgrades, preventive maintenance and process improvements. Investments in colour sorting, withering, drying, humidification and other critical manufacturing processes will be evaluated based on their potential to improve product quality, productivity, energy efficiency and long-term cost competitiveness.

TSFL will also remain focused on strengthening the resilience of its supplier network and supporting the sustainability of the smallholder base that underpins the Company's bought-leaf manufacturing model. Through disciplined execution, quality-led manufacturing, prudent capital allocation and continuous operational improvement, the Company aims to convert its manufacturing capacity and supplier relationships into sustainable value for shareholders and other stakeholders.

FINANCIAL CAPITAL

From Performance to Prosperity

Financial Capital is the foundation that enables TSFL to turn its operational capabilities into tangible economic value. This section follows that journey — from generating revenue through our operations, managing the costs of doing business and converting performance into profitability, to generating cash, investing in productive assets and maintaining financial resilience. It provides stakeholders with a connected view of the Company's financial performance, financial position and resource allocation, while explaining the key factors behind the year's results. Together, these insights show how TSFL is managing its financial resources today while building the capacity to create sustainable value in the future.

Rs.236.35Mn	Rs.5.52	Rs.166.30Mn
Profit Before Taxation	**Earnings Per Share**	**Other Operating Income**

Management Approach

During the financial year under review, Tea Smallholder Factories PLC (TSFL) continued to strengthen its strategic focus on enhancing financial capital through operational excellence, disciplined cost management, and optimized resource utilization. Following the transformational shift in ownership, the Company adopted a more performance-driven operating model aimed at improving profitability, increasing capacity utilization, and maximizing returns from its asset base.

A key focus during the year was the optimization of factory operations, which resulted in a marked improvement in capacity utilization compared to previous levels. This improvement was supported by stronger engagement with smallholder suppliers, enhanced coordination in green leaf sourcing, and improved production planning. As a result, production volumes increased significantly, contributing directly to revenue growth.

The Company maintained a strong focus on cost efficiency and operational discipline, particularly in managing direct production costs and administrative expenses. Continuous monitoring of key cost drivers enabled better expenditure control, while productivity improvements helped mitigate inflationary pressures across major cost components. These initiatives were complemented by targeted investments in plant and machinery, aimed at improving operational efficiency and sustaining product quality standards.

In addition, TSFL continued to strengthen its financial management practices through prudent allocation of resources and effective working capital management. The Company maintained a robust financial governance framework, ensuring compliance with accounting standards, internal control requirements, and risk management policies. Transparency and accountability were further reinforced through independent external audits and assurance processes.

The Company also focused on diversifying income streams and enhancing asset productivity through the strategic utilization of non-core assets, including rental income and investment properties. This contributed to strengthening financial resilience and improving overall value creation.

Revenue

During the financial year under review, the Company recorded a revenue of Rs. 3.32 Bn, reflecting a 19% increase from Rs. 2.80 Bn in the previous financial year. This growth was primarily driven by a 25% increase in sales volume, which rose to 2.65 Mn kilograms from 2.13 Mn kilograms.

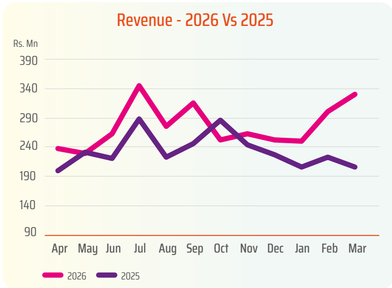
However, the Net Sales Average (NSA) per kilogram declined by 5% to Rs. 1,250.51, reflecting pricing pressure in the market. Despite this decline, the strong increase in sales volume more than offset the reduction in unit price, resulting in robust overall revenue growth.

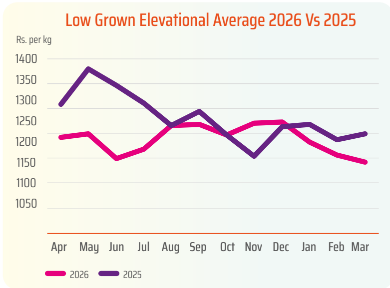
REVENUE

Rs.3.32Bn 19%

SALES VOLUME

2.65Mn Kg 25%





Revenue by Segment

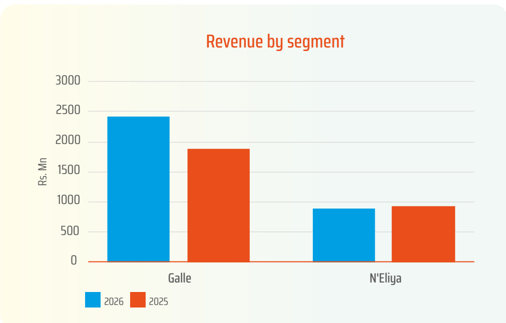
During the year under review, all operational regions recorded year-on-year growth in sales volumes, reflecting improved operational performance and stronger market engagement.

The Galle segment, which comprises four factories, delivered an exceptional performance, making a significant contribution to the Company's overall revenue with a notable 29% increase compared to the previous year.

The Nuwara Eliya segment also recorded volume growth during the year, however, the decline in Net Sales Average (NSA) impacted revenue generation, resulting in a marginal reduction in overall performance despite higher volumes.

The Rathnapura segment ceased revenue-generating activities following the leasing of its factory in February 2024 and the subsequent reclassification of the property as an investment asset.

Overall, the Company demonstrated resilience, achieving strong volume growth across key regions while navigating price-driven challenges in selected markets.

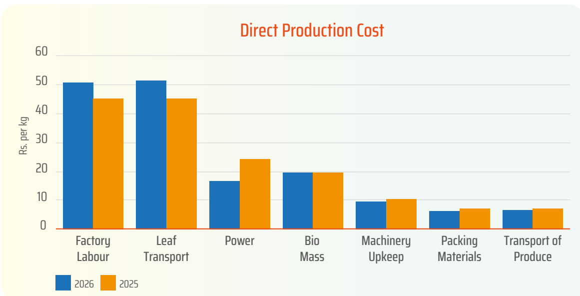


Cost of Sales

Cost of Bought Leaf

The cost of bought leaf remains the largest component of cost of sales and increased by 16% compared to the previous year, primarily driven by higher production volumes. During the year, the Company procured 13.08 Mn kilograms of green leaf, resulting in payments of Rs. 2.57 Bn to suppliers. In comparison, Rs. 2.22 Bn was incurred in the previous year for 10.93 Mn kilograms. The pricing of green leaf continues to be determined by the Tea Board under the formula set by the Tea Commissioner.

Direct Production Cost



During the financial year, direct production cost per kg recorded an overall increase, primarily driven by upward movement in key labour-related and logistics components, while certain input costs, notably power, showed a downward correction.

Factory labour cost per kg increased from Rs. 45.36 to Rs. 50.56, reflecting an increase of approximately 11.5% YoY. This was mainly attributable to higher production activity levels and associated workforce deployment requirements. Despite the increase, the cost movement also reflects ongoing productivity management initiatives, which helped contain what would otherwise have been a steeper escalation.

Leaf transport cost also increased by 14.3% YoY, in line with higher green leaf intake volumes and elevated fuel-related cost pressures, mirroring the trend observed in factory labour. Together, these two components remained the primary drivers of the overall increase in direct production cost during the year.

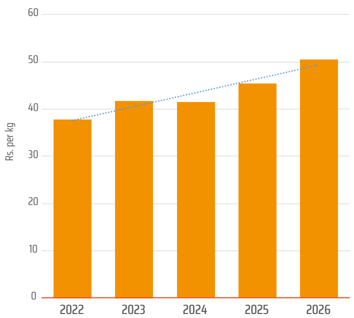
In contrast, power cost reduced significantly from approximately Rs. 24 per kg to Rs. 16 per kgs compared to the previous year, indicating improved energy utilisation efficiency during the period. This decline partially offset the upward pressure from labour and transport-related costs.

Biomass-related costs remained broadly stable at around Rs. 19 per kilogram, reflecting consistent consumption patterns aligned with production levels. Machinery upkeep and transport of produce costs also remained largely stable, indicating disciplined operational planning and controlled variability.

Packing material costs recorded a decline of approximately 14%, reflecting improved consumption efficiency and better alignment of usage with production output. Transport of produce costs remained broadly stable, with only marginal year-on-year variation, reflecting consistent logistical execution.

Overall, the cost structure reflects a volume-driven cost environment, where increases in labour and logistics were largely linked to higher production throughput, while efficiency gains in energy usage helped moderate the total impact on direct production cost per kg.

Cost of labour

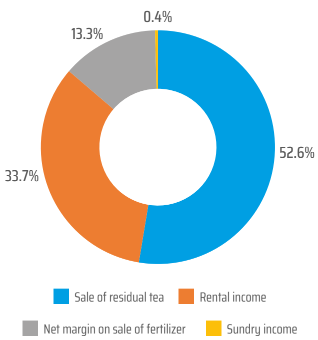


Other operating income

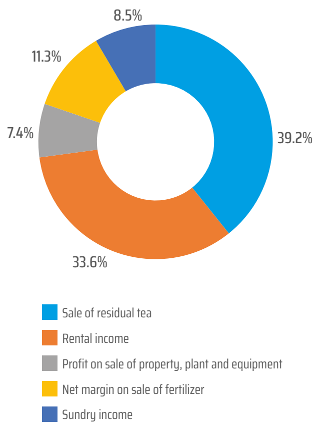
Other operating income increased by 10% to Rs. 166.30 Mn compared to the previous year. The sale of residual tea remained the largest contributor, accounting for 53% of total other income and amounting to Rs. 87.49 Mn, reflecting higher residual tea volumes.

Rental income recorded an increase to Rs. 55.98 Mn, supported by contractual revisions and steady asset utilization. In addition, the net margin from fertilizer sales increased by 30% year-on-year, contributing 13% of total other operating income. This improvement was primarily driven by higher green leaf intake, which resulted in increased fertilizer demand.

Other Operating Income - 2026



Other Operating Income-2025



Administration and Other Expenses

During the year under review, administrative expenses increased by 12% from Rs. 138.46 Mn to Rs. 155.08 Mn. This increase was mainly driven by the prevailing inflationary conditions in the country, which resulted in higher cost across expenses. It also reflects the broader impact of inflation alongside the company's continued focus on strengthening operational and management support functions.

The management fee, as per the contractual agreement between the Company and its managing agent, increased from Rs. 20.83 Mn to Rs. 29.15 Mn. This increase is mainly attributable to the improved financial performance of the Company compared to previous year, as the management fee is directly linked to profitability and overall business performance.

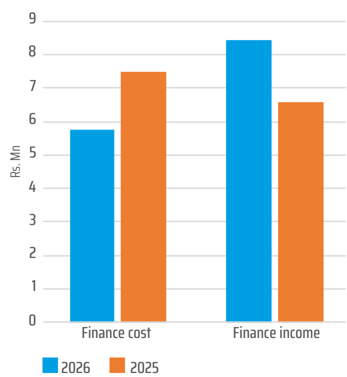
Finance Income vs Finance Cost

The company's finance income is primarily derived from interest earned on loan extended to green leaf suppliers and interest income on short term investments.

During the year under review, finance income increased by 28%, rising from Rs. 6.58 Mn to Rs. 8.45 Mn. This growth was mainly driven by increased lending to green leaf suppliers, which rose from 4.46 Mn to 6.03 Mn, reflecting higher financing activity during the year.

In contrast, finance costs declined significantly from Rs. 7.48 Mn to Rs. 5.75 Mn. This reduction reflects the Company's strategic efforts to minimize reliance on short-term borrowings, resulting in lower interest expenses compared to the previous year.

Finance Income Vs Finance Cost



Profitability

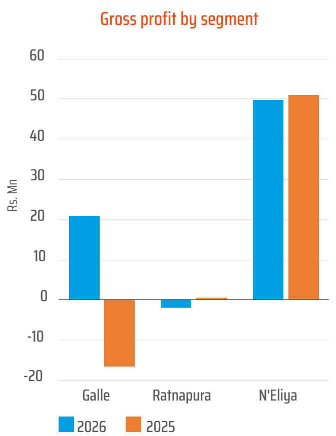
The Company recorded a strong turnaround in gross profitability during the financial year, with gross profit increasing by 112% to Rs. 68.78 Mn compared to Rs. 32.47 Mn in the previous year. This improvement was primarily driven by higher sales volumes resulting from enhanced capacity utilization.

Despite operating with a single factory, the Nuwara Eliya segment remained the largest contributor to gross profit, recording Rs. 49.75 Mn. However, this reflects a slight decline of 3% compared to Rs. 51.12 Mn in the previous year.

The Galle segment demonstrated a strong recovery, reporting a gross profit of Rs. 20.95 Mn, marking a significant turnaround of 226% from a loss of Rs. 16.57 Mn in the previous year.

Meanwhile, the Rathnapura segment did not contribute to revenue or gross profit following the leasing of its factory operations. In addition, this segment was impacted by inventory write-offs relating to long-outstanding stocks at Karawita and New Panawenna factories, which further affected overall profitability.

As a result of these improvements, the Company reported a Profit Before Tax (PBT) of Rs. 236.35 Mn, representing a significant turnaround from the previous year's Rs. 31.92 Mn, reflecting strong operational leverage and improved cost efficiency.



Change in the Fair Value of Investment Property

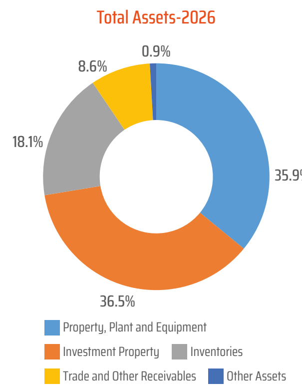
During the year under review, investment properties located at Karawita, New Panawenna, and Peliyagoda recorded a fair value increase of Rs. 182.80 Mn, raising the total valuation from Rs. 813.20 Mn to Rs. 996.00 Mn. The respective increases attributable to Karawita, New Panawenna, and Peliyagoda were Rs. 70.53 Mn, Rs. 90.27 Mn, and Rs. 22.00 Mn.

The fair value gain has been recognized in the income statement in accordance with Sri Lanka Accounting Standards. The valuation was determined based on independent assessments conducted by Mr. W. M. Chandrasena RICS-Chartered Valuers as at 31 December 2025, ensuring an objective and reliable measurement of market value.

Taxation

Income tax and deferred tax provisions for the year were computed in accordance with the Inland Revenue (Amendment) Act No. 45 of 2022. The Company recorded a tax expense of Rs. 70.67 Mn compared to Rs. 10.32 Mn in the previous year. The applicable corporate income tax and deferred tax rates remain at 30%, in line with prevailing regulations.

Financial Position Review

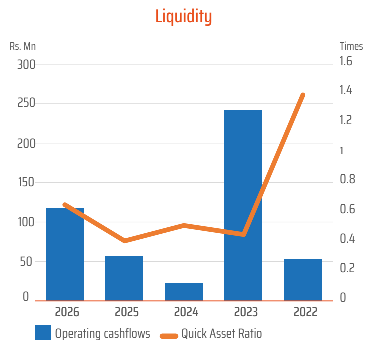


As at 31 March 2026, the Company's total asset base increased by 21% to Rs. 2.80 Bn compared to Rs. 2.31 Bn in the previous year. This growth was primarily driven by higher trade and other receivables, reflecting increased business activity and improved revenue generation.

Property, plant and equipment accounted for 35.9% of total assets, while investment property represented 36.5%. Within property, plant and equipment, land and buildings accounted for 73%, while plant and machinery represented 24%. During the year, the Company invested Rs. 71.2 Mn in capital expenditure, of which Rs. 64 Mn was allocated to plant and machinery, supporting operational efficiency, capacity optimization, and product quality enhancement.

Inventory, primarily consisting of made tea, stood at Rs. 495.45 Mn compared to Rs. 410.06 Mn in the previous year. This increase reflects higher production volumes and a structured approach to inventory management to ensure market responsiveness and supply continuity.

Cash Flow Generation



Operating cash flows remained a key source of funding for capital expenditure and tax obligations. The Company generated Rs. 117.5 Mn from operating activities, compared to Rs. 57.11 Mn in the previous year, reflecting improved operational performance and stronger working capital management.

To support working capital requirements, the Company utilized overdraft facilities during the year. Despite this, liquidity remained stable, with a current ratio of 1.66 times and a quick ratio of 0.65 times, indicating a manageable short-term financial position.

Capital expenditure during the year amounted to Rs. 71.2 Mn, with the majority invested in plant and machinery to enhance production efficiency and product quality.

MANUFACTURED CAPITAL

From Assets to Advantage

Manufactured Capital represents the physical and technological resources that enable TSFL to transform green leaf into quality made tea, sustain efficient operations and create long-term value. It encompasses the Company's factories, buildings, machinery, equipment, employee facilities, vehicles and information technology infrastructure, together forming the foundation of its manufacturing and operational capabilities. The effective management of these assets through strategic investment, rehabilitation, automation and preventive maintenance supports higher productivity, improved product quality, greater cost efficiency and operational resilience. By continuously modernising its manufacturing infrastructure and embracing new technologies, TSFL is strengthening the reliability, efficiency and sustainability of its operations while building the capabilities required to support future growth.

Rs.182.8Mn	Rs.3.66Mn	Rs.64.14Mn
Fair Value Gain	Investment in Land and Buildings	Investment in Plant and Machinery

Management Approach

Manufactured capital is a key enabler of TSFL's ability to create long-term value and maintain operational excellence. The Company continues to invest in developing, maintaining, and enhancing its physical infrastructure and production capabilities to support efficient manufacturing operations, improve productivity, and deliver high-quality tea to the market.

To sustain operational efficiency and reliability, TSFL undertakes regular maintenance programmes and strategic capital investments in the modernization, refurbishment, and replacement of critical assets. These initiatives not only enhance operational performance but also support environmental sustainability, resource efficiency, and the Company's long-term growth objectives.

TSFL's manufactured capital comprises a diverse portfolio of assets that support every stage of its operations. These include factory buildings, office premises, tea manufacturing machinery and equipment, transportation vehicles, water treatment facilities, employee accommodation, office furniture and fittings, and information technology infrastructure. Together, these assets provide the foundation for efficient production processes, effective business operations, and a safe and productive working environment for employees.

The Company also continues to strengthen its digital capabilities through ongoing investments in modern information systems and technology solutions, enabling greater operational efficiency, improved decision-making, and enhanced business resilience.

Details of the Company's land holdings, including investment properties, together with information on its buildings and other significant manufactured assets, are presented in the following sections.

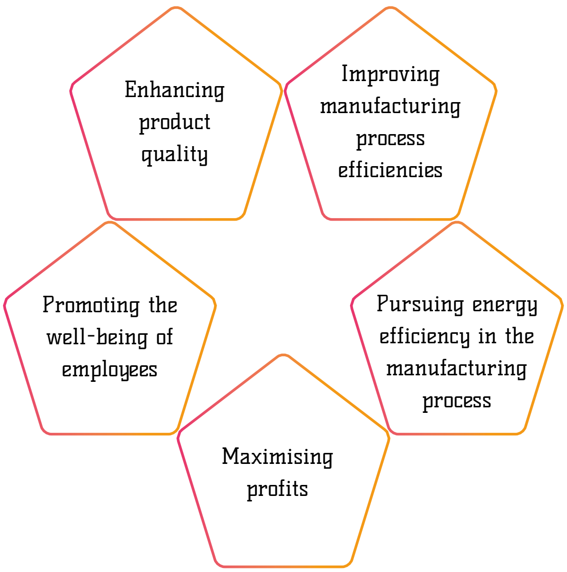
Factory/Site	Location	District	Extent of Land						Buildings		NBV	NBV
			Freehold			Leasehold			No of Buildings	Square Feet	As at 31.03.26	As at 31.03.25
			A	R	P	A	R	P			Rs'000	Rs'000
Neluwa	Neluwa	Galle	3	2	38	-	-	-	18	53,266	123,219	127,833
Halwitigala	Thawalama	Galle	9	2	18	-	-	-	14	53,999	120,512	125,113
Hingalgoda	Hiniduma	Galle	12	-	6	-	-	-	26	65,686	158,688	164,211
Kurupanawa	Nagoda	Galle	12	-	19	-	-	-	22	55,728	161,518	164,072
Broadlands	Nuwara Eliya	Nuwara Eliya	4	-	35	-	-	-	14	62,765	148,488	153,960

Investment Property

Factory/Site	Location	District	Extent of Land						Buildings		NBV	NBV
			Freehold			Leasehold			No of Buildings	Square Feet	As at 31.03.26	As at 31.03.25
			A	R	P	A	R	P			Rs'000	Rs'000
Warehouse	Peliyagoda	Gampaha	-	-	-	-	3	37	1	31,269	546,000	524,000
Karawita	Uda Karawita	Rathnapura	-	-	-	4	3	37	12	79,244	213,000	142,474
New Panawenna	Kahawaththa	Rathnapura	10	2	14	-	-	-	7	46,389	237,000	146,728

Strategic Objectives for Leveraging Manufactured Capital

During the year under review, the Company strategically invested in initiatives aligned with its five key objectives, aimed at maximizing value creation through its manufactured capital assets.



Investment in manufactured capital in 2025/26	(Rs. Mn)
Land and buildings	3.66
Plant and machinery	64.14
Furniture, fittings, and equipment	1.19
Motor Vehicles	2.21
Total	**71.20**

Investments on Land and Buildings

During the financial year 2025/26, land development activities were carried out on the acquired property at the Broadland factory site for the construction of a firewood shed, at a cost of Rs. 0.28 million. The Company invested Rs. 3.38 Mn in building renovations and infrastructure improvements during the year, enhancing operational capabilities and supporting greater efficiency across its operations.

Factory Infrastructure

During the financial year 2025/26, the Company invested in the rehabilitation of the staff quarters at Kurupanawa Tea Factory, reaffirming its commitment to providing a safe, comfortable, and sustainable living environment for its employees.

Employee Facilities

Recognizing the importance of employee welfare, TSFL continued to invest in upgrading company-provided accommodation situated within its factory premises. These improvements were aimed at enhancing the quality of living conditions for employees while supporting their overall well-being and quality of life.

Focus on Automation and Machinery Upgrades

During the year, significant efforts have been made to enhance the efficiency, durability, and safety of our factory operations, contributing to improved production capabilities and operational cost savings.

To further enhance made tea quality, improve operational efficiency, and strengthen competitiveness at the Colombo Tea Auction, the Company plans to invest in advanced colour sorting technology at both Broadlands and Hingalgoda Tea Factories. The proposed procurement of modern colour sorter machines is expected to improve product uniformity, increase sorting capacity, reduce manual intervention, and support better price realization through enhanced tea quality. This investment aligns with TSFL's ongoing commitment to modernization, automation, and value creation through strategic upgrades to its manufacturing infrastructure.

During the year, the Company successfully rehabilitated 11 withering troughs across its four tea factories as part of its continuous manufacturing improvement programme. This initiative was undertaken to enhance withering efficiency, improve airflow distribution, and ensure consistent leaf processing conditions. The rehabilitation has contributed to improved made tea quality, optimized production output, reduced energy consumption, and enhanced operational reliability. These improvements support TSFL's commitment to increasing manufacturing efficiency while achieving long-term cost savings and sustainable factory operations and product quality.

The Company continued its proactive machinery rehabilitation programme during the year, investing in the refurbishment of key production equipment across its factory network. Particular attention was given to the rehabilitation of tea dryers at Kurupanawa and Halwitigala Tea Factories, aimed at enhancing drying efficiency, improving product quality, and ensuring reliable factory operations.

These rehabilitation initiatives have contributed to improved production performance, reduced energy consumption, minimized maintenance-related downtime, and extended the useful life of critical manufacturing assets. The investments reflect TSFL's commitment to maintaining efficient and sustainable manufacturing processes while optimizing long-term operational costs.

In line with our ongoing commitment to cost efficiency, the company strengthened its engineering operations by recruiting pool mechanics and undertaking in- house engineering work, resulting in a cash saving of Rs. 4 million in machinery maintenance costs for the year.

Notably, our factory infrastructure was significantly upgraded with the Installation of Automated Humidification system to Hingalgoda Tea Factory. This initiative not only improved operational efficiency but also enhanced the quality of the product. These developments reflect our continuous dedication to enhancing production capabilities, improving safety, and achieving long-term operational efficiency.

As part of our ongoing commitment to sustainability and environmental stewardship, rainwater harvesting tanks were constructed at Hingalgoda to promote efficient water management and conservation. In addition, plastic collection bins were placed at selected public locations to facilitate responsible waste segregation and collection. The collected plastic waste is subsequently handed over to authorised recycling processes, supporting the reduction of plastic waste and promoting a circular approach to resource management.

These developments reflect our continuous dedication to enhancing production capabilities, improving safety, and achieving long-term operational efficiency.

Information Technology

During the year, the organization successfully migrated its systems to the Browns platform without any downtime, ensuring uninterrupted business operations and a seamless transition for users. Several infrastructure and device upgrades were also carried out to enhance performance and align with the latest technological advancements. Furthermore, the ERM system was upgraded to support mobile device access, enabling greater flexibility, improved accessibility, and enhanced productivity for users across the organization.

Furthermore, in our efforts to streamline information management and promote organizational transparency, all critical IT documentation, procedures, and user guidelines have been centralized and made accessible via the company's SharePoint platform. This ensures that all users have consistent, up-to-date access to essential IT resources from a single, secure location.

Routine Maintenance

TSFL places strong emphasis on the upkeep and reliability of its machinery, equipment, and infrastructure to ensure seamless and efficient operations. The Company has established a structured maintenance framework that includes regular servicing, preventive inspections, and scheduled maintenance activities carried out in collaboration with qualified vendors and service providers.

This proactive maintenance approach enables the timely identification and resolution of potential issues, thereby minimizing operational disruptions and enhancing equipment reliability. In parallel, the Company undertakes periodic repairs, refurbishments, and upgrades to its buildings and facilities, ensuring that all physical assets are maintained in optimal condition.Through these ongoing efforts, TSFL continues to safeguard operational continuity, improve efficiency, and provide a safe and well-maintained working environment for its employees across the company.

Way Forward

Investments in manufactured capital will continue to be a key strategic priority for TSFL, as they play a critical role in driving long-term value creation, operational excellence, and sustainable growth for the business and its stakeholders as a bought-leaf manufacturing company within Browns Plantations.

In the coming financial year, the Company plans to invest in new machinery and equipment across its factories to further enhance the quality of made tea and strengthen production capabilities. In parallel, targeted upgrades to existing machinery will be undertaken to improve operational efficiency and achieve cost optimization in key areas such as labour, energy consumption, and maintenance, while accommodating the planned increase in production

The Company will also continue its planned programme of renovations and refurbishments to office buildings and employee accommodation facilities, ensuring that these assets are maintained in line with established maintenance standards and remain conducive to efficient operations and employee well-being.

In addition, TSFL remains committed to exploring and adopting advanced technologies that enhance business process efficiency and operational effectiveness. Continuous evaluation of new machinery and production technologies will be undertaken with a focus on improving product quality, increasing productivity, and supporting innovation across manufacturing processes.

Sustainability will remain central to all capital investment decisions. The Company will prioritize investments in equipment and systems that support environmentally responsible operations, reduce resource consumption, and minimize environmental impact.

Through these forward-looking initiatives, TSFL continues to reinforce its commitment to innovation, quality enhancement, operational efficiency, and sustainable value creation in the tea industry as a well-established bought-leaf manufacturing company.

GALLE REGION

4 factories | Total annual capacity of 3.7 Million Kilograms | Caters to a total of 4,442 green leaf suppliers

Neluwa Tea Factory

Annual Production Capacity 883,000 kg

Registered green leaf suppliers 1,001

Type of Manufacture - Low Grown Orthodox

Halwitigala Tea Factory

Annual Production Capacity 888,000 kg

Registered green leaf suppliers 1,752

Type of Manufacture - Low Grown Orthodox

Hingalgoda Tea Factory

Annual Production Capacity 1,075,000 kg

Registered green leaf suppliers 858

Type of Manufacture - Low Grown Orthodox and CTCs

Kurupanawa Tea Factory

Annual Production Capacity 888,000 kg

Registered green leaf suppliers 831

Type of Manufacture - Low Grown Orthodox

RATHNAPURA REGION

2 factories | Total annual capacity of 2.41 Million Kilograms

Karawita Tea Factory

Annual Production Capacity 1,294,000 kg

Leased out on 08th November 2021

Type of Manufacture - Low Grown Orthodox and CTC

New Panawenna Tea Factory

Annual Production Capacity 1,115,000 kg

Leased out on 01st February 2024

Type of Manufacture - Low Grown Orthodox

NUWARA ELIYA REGION

1 factories | Total annual capacity of 0.95 Million Kilograms

Caters to a total of 4,021 green leaf suppliers

Broadlands Tea Factory

Annual Production Capacity 952,000 kg

Registered green leaf suppliers 4,021

Type of Manufacture - Low Grown Orthodox

HUMAN CAPITAL

From People to Potential

Human Capital represents the knowledge, skills, experience, wellbeing and collective potential of the people who drive TSFL's performance and shape its future. The Company's people strategy focuses on attracting and retaining talent, developing capabilities, rewarding performance, fostering an inclusive and respectful workplace, and protecting the health, safety and wellbeing of employees. Through learning and development, employee engagement, open communication, recognition and equal opportunity, TSFL seeks to build a workforce that is capable, motivated and resilient. By investing in its people and creating an environment where individuals can contribute, grow and thrive, the Company strengthens its organisational capability and builds the human foundation for sustainable value creation.

Management Approach

Human capital continues to be the foundation on which TSFL builds its operational performance and long-term resilience. Our approach to people management is anchored in merit — recruitment, retention, and advancement decisions are made on the basis of qualification, experience, and demonstrated values, rather than any other consideration. We continue to refine our compensation structures and career pathways so that employees see a clear and fair link between their contribution and their growth within the Company.

Recognising that capability is built, not assumed, we continued to invest in structured learning interventions this year, designed around the specific needs of different roles and levels. Internal mobility remains a priority: where talent exists within our own ranks, we look to develop and promote it ahead of external recruitment, and our recognition systems are designed to reward both consistent performance and future potential.

Safety and wellbeing remained non-negotiable priorities through the year. TSFL's manufacturing sites continued to operate under ISO 45001:2018 certification for Occupational Health and Safety Management, and this standard shaped how we approached everything from routine operations to emergency preparedness. Alongside formal compliance, we placed continued emphasis on building a workplace where employees feel genuinely heard, regardless of role or level.

Beyond the workplace, TSFL maintained its focus on responsible business conduct, guided by an internal code of ethics that extends our standards of integrity into the communities we operate in. Employee-led participation in community and environmental initiatives remained a feature of the year, reinforcing a sense of shared purpose that runs through the organisation.

Profile of Our Team

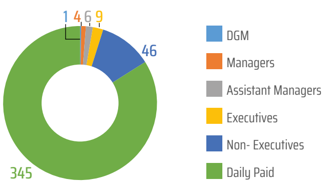
As at the close of the financial year, TSFL's workforce stood at 411 employees. Equal opportunity remains a baseline expectation rather than an aspiration at TSFL — discrimination on any ground, including gender, age, race, or religion, has no place in our operations, and our internal Diversity, Equity and Inclusion (DE&I) framework is the mechanism through which this is enforced day to day.

That framework governs more than hiring; it shapes how we structure teams, set policy, and design facilities, with the explicit goal of ensuring that people of different backgrounds and abilities are not just present in the organisation but able to contribute and progress on equal terms. Preventing discrimination, enabling equal participation, and building inclusive supply and value chains all sit within this mandate.

Geography continues to shape our workforce profile. With a large share of our operations based in the Galle and Nuwara Eliya Districts, TSFL deliberately sources talent from the surrounding communities. This is both a practical recruitment strategy and a contribution to local economic development, giving people in these regions a route into stable, skilled employment.

	Total	Male	Female
Total -Exe	20	15	5
Total -Non Exe	391	170	221
Total	411	185	226

Employement by Category



Governance

Our Human Resource governance model is structured around four commitments: inclusion, equity, productivity, and dignity. These are not abstract principles — they are translated into a defined set of internal policies that collectively govern how we manage our people, from recruitment through to exit.

This governance extends to all stakeholders connected to our operations, not only direct employees. Smallholder partners, suppliers, and the communities surrounding our operations are all covered by our commitment to fair treatment, non-discrimination, and freedom of association.

TSFL Human Rights Policies

TSFL maintains a zero-tolerance position on child labour, forced labour, and any form of degrading treatment of workers. This is enforced through strict adherence to minimum working age laws and active support for the broader elimination of child labour across the sectors we operate in.

Employees retain the unrestricted right to organise or seek representation in line with applicable law, and this right is actively protected rather than merely permitted. Our equal opportunity stance extends to every dimension of identity — gender, race, class, and sexual orientation among them — with any form of discrimination treated as a direct breach of Company policy.

Rewards & Recognition

TSFL's remuneration structure is benchmarked against market data, shaped by applicable labour laws, and built to remain compliant with minimum wage regulation at all times. The underlying intent is straightforward: attract strong talent, retain it, and sustain a culture where performance is consistently rewarded.

Pay decisions reflect a combination of qualification, competency, and demonstrated performance, with periodic benchmarking exercises keeping our structures aligned to the market. Every permanent employee goes through a formal annual appraisal, and the outcomes of that process feed directly into both reward decisions and development planning.

Beyond base pay, our benefits structure this year included:

- Annual ex gratia payments
- Free medical screenings
- Retirement benefit plan
- Medical and life insurance coverage
- Vehicle loans for Assistant Manager grade and above
- Transport facilities where operationally required
- Enhanced workplace safety and security measures
- Mobile devices and IT access where role-relevant
- Gender-specific restroom facilities

- Residential facilities with water and electricity for factory-based staff
- Meals, tea allowance, and uniforms
- Access to on-site welfare facilities

We also continued to operate internal recognition mechanisms that single out employees for sustained alignment with Company values and standout contribution, including formal certificates of recognition tied to specific projects or achievements.

Building and Fortifying Skills

Our position on employee development hasn't changed: capability is something we deliberately build, not something we wait to find. Training investment this year continued to be informed primarily by the bi annual appraisal cycles, which surfaces both individual and role-specific gaps that we then design programs around.

Where new equipment, systems, or automation were introduced, this was paired with focused technical training rather than assuming employees would adapt unaided. Our broader training calendar spanned both hard skills and soft skills, delivered through a mix of internal facilitation, external partners, workshops, and hands-on sessions — with new joiners receiving structured on-the-job training as part of onboarding.

Training priorities for the year included:

- Health and occupational safety
- Fire safety and first aid
- Food safety and energy efficiency
- Sustainable agricultural practices
- Advisory and extension services
- pH testing and IT systems
- Business continuity planning
- General workplace safety and female hygiene awareness

These programs ran across all operational sites, reflecting a deliberate effort to keep learning consistent regardless of location

Employee Engagement

TSFL's engagement model rests on three things: diversity of people, integrity in dealings, and mutual respect in how teams interact. These aren't separate from our human capital strategy — they're what makes the rest of it functional in practice.

We maintain an open-door approach to communication, meaning employees at any level can raise issues directly with management or supervisors rather than working through layers of process. This keeps feedback loops short and concerns addressed before they escalate.

Collective representation also remains a protected part of our engagement model — employees are free to participate in labour unions and collective bargaining processes, consistent with our broader commitment to labour law and employee voice.

Through the year, engagement activities included:

- International Women's Day and World Children's Day observances
- Blood donation drives
- Sports tournaments and wellness events
- Staff outings and religious observances

Employee participation in Company-led CSR work — health camps, reforestation drives, and community outreach — continued alongside these internal activities, reinforcing a shared sense of purpose beyond day-to-day operations.

Communicative & Open Culture

Open communication at TSFL is not left informal — it runs through a set of defined channels, each designed for a specific employee category.

Skip-Level Meetings (Executive and above) give employees direct access to senior leadership without going through their immediate reporting line. These sessions double as a talent-assessment and mentoring opportunity for leadership, while giving junior staff visibility into strategic thinking they wouldn't otherwise get.

Joint Consultative Committee (JCC) Meetings (Non-Executive category) bring non-executive staff together with the Head of HR on a regular basis, creating a structured forum for concerns and suggestions outside the formal grievance process.

Grievance Handling

TSFL's grievance process is built to be accessible and predictable — employees know where to take a concern and what happens to it once they do. Confidentiality and fairness are treated as non-negotiable through every stage.

For sensitive or ethics-related matters, the Direct Channel provides employees with a way to escalate concerns regarding violations of values directly, without going through their reporting line. Authorized personnel will review these concerns and take appropriate action accordingly.

Occupational Health & Safety

Safety performance remained a tracked, managed metric through the year rather than a background assumption. All TSFL manufacturing sites operated under ISO 45001:2018 certification, giving us a consistent framework for hazard prevention and continual improvement in safety outcomes.

Supporting wellness activity — health camps, vision screening, dental clinics — ran across operational sites alongside routine safety monitoring and incident reporting.

This financial year, TSFL recorded 04 workplace accidents or injuries across its factory locations. Each was investigated on a case-by-case basis, with corrective action taken to address root causes and reduce recurrence risk.

	2026	2025	2024	2023	2022
No. of work-related injuries	4	12	4	4	5
Loss of days due to work-related injuries	19	116	23	53	33
Injury rate	1.02%	3.80%	1.24%	0.97%	1.24%
No. of work-related fatalities	Nil	Nil	Nil	Nil	Nil
Incidents of Occupational Diseases	Nil	Nil	Nil	Nil	Nil

Employee Wellbeing

Our wellbeing approach this year stayed focused on the practical rather than the symbolic — flexible work arrangements, defined health benefits, scheduled breaks, and growth opportunities, underpinned by a culture that allows people to raise issues without friction.

Accommodation support is continued for employees working away from home, along with allowances and uniforms for non-executive staff. Continuous health camps are also conducted to ensure employees' well-being.

All these measures are intended to keep employees engaged not just functionally but personally — addressing physical, emotional, and mental wellbeing as connected parts of the same picture.

Way Forward

Looking ahead, TSFL's HR priorities centre on deepening employee welfare and sharpening organisational performance in parallel, rather than treating the two as separate tracks. Health, safety, and wellbeing remain the baseline; diversity and inclusion remain the lens through which new initiatives are designed.

On development, the coming year will see an expanded training portfolio addressing both operational and administrative needs, with added focus on outbound programs, motivational workshops, and targeted skill-building.

Engagement will get renewed attention through new initiatives aimed at lifting motivation and strengthening internal collaboration, all tied back to the Company's broader vision and values.

We also plan to begin exploring automation and digital tools for routine HR administration — not to remove the human element from HR, but to free up capacity for the parts of the function that genuinely need human judgement.

Recognising the evolving nature of work, the Company also plans to explore the integration of automated systems and digital solutions for routine HRM functions. This strategic shift will enhance efficiency, reduce administrative burden, and empower employees to focus on value-added responsibilities—ultimately supporting a culture of innovation, growth, and continuous improvement.

SOCIAL AND RELATIONSHIP CAPITAL

From Connections to Shared Value

Social and Relationship Capital reflects the trust, collaboration and mutual value created through TSFL's relationships with the people and organisations connected to its business. Strong relationships with smallholder growers, suppliers, customers, tea brokers, employees, communities, regulators and industry partners are fundamental to the resilience of the Company's value chain. Through transparent engagement, extension services, financial assistance, responsible procurement, customer collaboration and community initiatives, TSFL works to strengthen these relationships and create shared benefits. By listening to stakeholders, responding to their needs and building partnerships based on trust and mutual respect, the Company strengthens its supply chain, supports livelihoods and communities, enhances customer confidence and contributes to the long-term sustainability of the tea industry.

Rs.14.95 Mn

Financial Assistance extended

8,494

Extension programmes

19,188

Smallholder Participation in Extension programmes

Management Approach

Social and relationship capital remains a key component of TSFL's value creation model. The Company actively cultivates strong and mutually beneficial relationships with its stakeholders through ongoing engagement, transparency, and responsible business practices.

By maintaining open communication channels and encouraging stakeholder participation, TSFL gains valuable insights into stakeholder needs, market developments, and industry expectations. These interactions support informed decision-making, strengthen stakeholder confidence, and enable the Company to align its operations with evolving business and sustainability priorities. Through a commitment to collaboration, trust, and shared success, TSFL continues to enhance stakeholder relationships and generate sustainable value for its business and the wider community.

Supplier Relationships

TSFL recognizes its suppliers as key partners in creating sustainable value and driving long-term business growth. The Company places significant importance on maintaining strong and mutually beneficial relationships with its supplier network, particularly tea smallholders and other growers who provide the green leaf that serves as the primary raw material for tea production.

When engaging new suppliers, TSFL conducts comprehensive evaluations to ensure they meet the Company's operational, ethical, and compliance requirements. This rigorous assessment process helps maintain high standards across the supply chain while ensuring alignment with the Company's policies and business practices.

TSFL is committed to fostering fair and transparent partnerships by providing competitive market prices for the goods and services supplied. Through responsible supplier management, timely payments, and collaborative engagement, the Company strives to build lasting relationships founded on trust, integrity, and shared success.

Small holder Supplier base of TSFL for the financial year 2025/2026

In addition to its primary supplier network, the Company collaborates with a diverse range of business partners, including fertilizer suppliers, logistics providers, agents, and other service providers who support the smooth functioning of its operations. These partnerships contribute significantly to operational efficiency, supply chain continuity, and the timely delivery of products and services.

By leveraging the expertise and capabilities of these partners, the Company strengthens its value chain, enhances operational resilience, and supports the achievement of its long-term business and sustainability objectives.

Factory	Suppliers
Hingalgoda T.F	858
Kurupanawa T.F	831
Broadlands T.F	4,021
Neluwa T.F	1,001
Halwitigala T.F	1,752

Procurement

TSFL remains dedicated to supporting local enterprise development and strengthening domestic supply chains through responsible procurement practices. The Company prioritizes sourcing goods and services locally wherever feasible, thereby contributing to economic growth and value creation within the communities and regions in which it operates.

During the financial year, TSFL continued to make significant investments in locally sourced inputs that are critical to its operations. Expenditure on green leaf procurement amounted to Rs. 2,572.40 Mn, while leaf transportation costs totaled Rs. 139.56 Mn. In addition, the Company invested Rs. 52.81 Mn in biomass and Rs. 16.79 Mn in packaging materials sourced from local suppliers.

Through its commitment to local sourcing, TSFL supports the livelihoods of suppliers, service providers, and smallholder growers while enhancing the sustainability and resilience of its value chain.

Supplier Screening

TSFL is committed to maintaining a responsible and sustainable supply chain through a comprehensive supplier assessment framework. Prospective and existing suppliers are evaluated against a range of criteria, including operational capability, service reliability, regulatory compliance, occupational health and safety practices, respect for human rights, labour standards, and environmental stewardship.

This rigorous evaluation process enables the Company to engage with business partners who share its values and uphold the ethical standards. During the financial year under review, no instances of non-compliance with the Company's supplier requirements or applicable policies were identified among its suppliers.

Key Supplier Certification and Environmental Assessments

Suppliers Category	Environment Assessment / Standard Achieved
Fertiliser and Agro-Chemicals Suppliers	ISO 9001:2015, ISO 14001:2015 ISO 9001:2008, ISO 14001:2008
Packing Materials suppliers	SLS 1492:2014, SLS 1473: 2013 ISO 9001, ISO 22000, ISO 14001: 2015 ISO 22000: 2005
Smallholders Partners, Firewood Suppliers & Local Suppliers	Periodic evaluations by the Company on their practices and compliance with legal and environmental requirements

Supplier Engagement

TSFL places significant importance on building and maintaining strong relationships with its suppliers through regular and meaningful engagement. The Company fosters open communication and collaboration by interacting with suppliers through various channels, including meetings, factory visits, consultations, and stakeholder forums.

These engagements provide opportunities to discuss operational requirements, address challenges, share best practices, and align expectations. By promoting transparency and constructive dialogue, TSFL strengthens partnerships across its supply chain, enhances mutual trust, and supports the achievement of shared business objectives.

Seminars
No. of Programs- 04
No. of Participants- 545

Mini Crop Clinics
No. of Programs- 40
No. of Participants- 976

Replanting Monitoring Visits
1 visit each for
387 blocks

Leaf Route Visits
1 visit each for
1,641 leaf routes

Conducted pH Tests
1 test each for
851 fields

Pocket Meetings
No. of Programs- 201
No. of Participants-3,665

Field Days/Demonstrations
No. of Programs- 404
No. of Participants-2,719

Advisory Visits
1 visit each for
2,459 blocks

Small Holder Visits
1 visit each for
7,845 Smallholders

Providing outreach services to small holder partners

TSFL remains committed to empowering its network of green leaf suppliers through a range of extension and capacity-building initiatives. By supporting the development and sustainability of smallholder tea growers, the Company strengthens its supply chain while promoting improved productivity, quality, and long-term livelihoods within the tea-growing community.

During the financial year, TSFL implemented several initiatives aimed at enhancing the capabilities and resilience of its smallholder partners:

- Facilitated access to subsidy schemes administered by the TSHDA, enabling growers to benefit from programs related to replanting and nursery development.
- Assisted growers in obtaining support through Tea Board subsidy programs, providing access to essential inputs and resources such as fertilizer, leaf crates, transport bags, irrigation systems, soil conservation measures, and field mechanization initiatives.
- Strengthened knowledge transfer by connecting smallholders with the Tea Research Institute (TRI), enabling them to benefit from the latest advancements, research findings, and best practices in tea cultivation.
- Organized educational exposure programs for green leaf suppliers to enhance their understanding of international market requirements, buyer expectations, and Ceylon Tea quality standards, thereby improving their ability to meet evolving industry demands.

Through these initiatives, TSFL continues to foster sustainable growth within its smallholder network while ensuring a reliable supply of quality green leaf for its manufacturing operations.

The table below provides a summary of the long-term initiatives and projects within the extension services program.

Extension Service	Programme/Project Structure	Update 2025/26
Special Projects		
Development Assistance to Tea Smallholders		
Launched in 2010, this is the Company's primary extension project aimed at encouraging Smallholders to rehabilitate and replant unproductive land	The company provides financial assistance to smallholder farmers at discounted rates, coupled with expert advice on land preparation for replanting, soil enhancement techniques, and crop management practices. Moreover, concessional rates are offered for fertilizer blends and a range of high-yielding, drought-resistant, and pest-resistant crop varieties.	Project 1, 2, 3,4 and 5 comprising of 161.25 acres with the participation of 234 Smallholders have been completed and harvesting of these lands are in progress. Project 6 – comprising of 24 acres with the participation of 34 small holders. Planting was completed during 2019. Selective harvesting commenced and due for 1st formative pruning. Project 7 - commenced in 2018/19, where 19 acres has been identified for replanting with the participation of 28 small holders. Planting was completed by end March 2021. This is in the 3rd year upkeep phase. Project 8 - commenced in 2019/20, where 21 acres have been identified for replanting with the participation of 25 small holders. Planting was completed by end of March 2022. This is in the 2nd year upkeep phase. Project 9 – commenced in 2021/22, where 19 acres have been identified with 18 small holders. Planting was completed by end of March 2023. Project 10 – commenced in 2022/23, where 23 acres have been identified with 27 smallholders. Planting has been completed by the end of March 2024. Project 11 – commenced in 2023/24, this was completed by the end March 2025 with 25 smallholders covering 20.5 acres. Project 12- This was commenced in 2024/2025 and completed by end March 2025 with 17 smallholders covering 15.75 acres. Project 13- This was commenced in 2025/2026 and planting was completed by the end March 2026 with 13 smallholders covering 14.25 acres. Project 14 - Is in progress with land identifying from April 2026 and it will be completed with planting by end March 2027.
Infilling Programme		
Launched in 2015 to complement the replanting programme, the aim of the programme is to infill tea plants to the vacant blocks of land in the tea fields and bring into bearing in a shorter period	The Company offers smallholder farmers nursery plants through a convenient payment plan to populate vacant areas. This initiative aims to enhance the productivity of smallholder tea blocks.	A total of 28,075 plants have been infilled at 63 smallholder blocks in 2025/26. The extent planted was 6.23 acres.
Soil Testing Services		
Launched in 2008/09 the aim of this service is to help Smallholders to maintain soil health and manage land in a sustainable manner	The Company's extension team regularly analyses soil pH levels on smallholder properties and subsequently distributes Dolomite to enhance soil enrichment as needed.	851 soil samples were tested, and 71.23 MT of Dolomite was distributed towards correcting the PH values

Extension Service	Programme/Project Structure	Update 2025/26
Crop Clinics		
Launched in 2011/12 the aim of this service is to transfer expert knowledge on good agricultural practices in collaboration with the Tea Research Institute (TRI), Tea Small Holdings Development Authority and suppliers of fertilizer	The Company's extension team conducts regular soil pH analyses on smallholder lands, followed by dolomite distribution to ensure sufficient soil enrichment.	40 mini crop clinics were conducted for 976 green leaf suppliers
Financial Assistance		
Launched in 2010, the aim is to support long standing green leaf suppliers / Smallholders to develop their lands or expand their operations	The Company extends financial support through loans for land rehabilitation and the acquisition of planting materials, while also offering grants specifically for fertilizer procurement.	Following loans were granted during the year Replanting Loans - Rs. 0.48 Mn Short Term Loans - Rs. 14.16 Mn Infilling Loans - Rs. 0.31 Mn

Handling grievances of small holder partners

TSFL is committed to maintaining transparent and constructive relationships with its smallholder partners. To support this commitment, the Company has established a structured grievance management mechanism that enables growers to raise concerns, seek clarification, and resolve issues in a timely and fair manner.

The grievance handling process when smallholders contact the Extension coordinator is explained below.

- Extension Coordinator assesses if the problem can be resolved at their level.
- If further attention is required, the issue is escalated to the Superintendent or Manager Extension.
- The Superintendent has the authority to provide the final solution.
- If the matter exceeds their authority, the Superintendent seeks guidance from the Head Office for providing a resolution.

The grievance process when smallholder partners directly contact the Company is as follows.

- Evaluation of the complaint by the Extension Manager
- Arrange a site visit with relevant Company personnel depending on the nature of the problem.
- Company personnel involved collaborate to resolve the grievance promptly and efficiently.

Through these established procedures, TSFL ensures that concerns raised by smallholder partners are addressed promptly, fairly, and effectively. This approach strengthens stakeholder trust, enhances communication, and fosters long-term, mutually beneficial relationships with its supplier community.

Customer Relationships

TSFL places significant emphasis on building strong, long-term relationships with its customers and tea brokers, recognizing them as key stakeholders in the Company's value creation process. Tea brokers play an essential role in connecting TSFL with the marketplace by providing valuable market intelligence, identifying emerging consumer trends, and promoting the unique qualities and strengths of the Company's tea products. The Company is committed to fostering these relationships through transparency, integrity, and consistent engagement. Product traceability and responsible business practices remain integral to maintaining customer confidence and ensuring accountability throughout the supply chain.

Delivering superior quality continues to be a core priority for TSFL. Stringent quality assurance processes and adherence to internationally recognized manufacturing standards enable the Company to consistently meet customer expectations while safeguarding the reputation of Ceylon Tea. At the same time, TSFL remains committed to sustainable business practices that align with the evolving preferences of environmentally and socially conscious consumers, by combining quality, reliability, ethical business conduct, and value-driven partnerships, TSFL continues to strengthen stakeholder trust, enhance customer satisfaction, and reinforce its position as a trusted manufacturer within the tea industry.

Customer value propositions

TSFL is committed to delivering exceptional value to its customers through a combination of quality, reliability, transparency, and sustainability. The Company's value proposition is built upon several key pillars:

- Ethical and transparent business practices
- Product traceability
- Product quality
- Responsible and efficient manufacturing processes
- Commitment to sustainable tea production

In addition to its strong partnerships with tea brokers, TSFL maintains close relationships with local customers who market and distribute its teas within the domestic market. These relationships are strengthened through regular engagement and collaborative initiatives that enhance trust and deepen customer understanding of the Company's operations.

During the year under review, TSFL facilitated factory visits for customers and tea brokers, providing them with firsthand exposure to its manufacturing processes, quality assurance practices, and operational standards. Long-standing business partners were also given the opportunity to visit multiple factories within the network, reinforcing confidence in the Company's commitment to quality, consistency, and responsible production.

The Company continues to enhance stakeholder engagement through a structured customer relationship management approach, enabling regular interaction with customers and brokers to better understand their requirements and expectations. These engagements support continuous improvement in product quality, service delivery, and customer satisfaction while strengthening the Company's ability to maintain long-term business relationships.

By maintaining open communication channels and responding promptly to customer needs, TSFL is able to offer tailored solutions, including customized tea blends, packaging options, and value-added services. Ongoing dialogue with customers and brokers also provides valuable market intelligence, enabling the Company to identify emerging trends, respond to changing consumer preferences, and remain competitive in an evolving marketplace.

Through its customer-centric approach, TSFL continues to build lasting partnerships, enhance brand reputation, and create sustainable value for customers and other stakeholders across the tea value chain.

Customer Health and Safety

Ensuring the safety and quality of our products remains a fundamental priority at TSFL. During the financial year ended 31 March 2026, all TSFL factories successfully maintained certification under the ISO 22000:2018 Food Safety Management System, demonstrating the Company's continued commitment to internationally recognized food safety standards. Robust quality assurance procedures, stringent hygiene controls, and responsible manufacturing practices are embedded throughout our operations to safeguard product integrity and consumer well-being. During the year under review, no incidents of non-compliance relating to the health and safety impacts of our products were reported.

Customer Privacy

TSFL recognizes the importance of protecting customer information and maintaining the confidentiality of business relationships. The Company continues to implement appropriate controls and safeguards to ensure the secure handling of customer data.

During the reporting period, no substantiated complaints relating to breaches of customer privacy, data security incidents, or loss of customer information were recorded, reflecting the effectiveness of the Company's data protection practices and its commitment to maintaining stakeholder trust.

Community Engagement

TSFL believes that sustainable business success is closely linked to the well-being and prosperity of the communities in which it operates. As such, the Company remains committed to creating shared value for its stakeholders, including employees, suppliers, smallholder partners, business associates, and local communities.

Guided by its corporate social responsibility (CSR) framework, TSFL undertakes initiatives that address social development, environmental stewardship, and economic empowerment. The Company's community engagement efforts are aligned with stakeholder expectations and contribute to the advancement of sustainable agricultural practices, environmental conservation, and inclusive growth.

As part of its commitment to community development, TSFL continued to support local employment opportunities during the year. Eight interns from communities surrounding the Company's factories, including individuals from smallholder families, were provided with practical exposure to tea manufacturing operations. Through this initiative, participants gained valuable industry knowledge, technical skills, and professional experience, helping to strengthen future employment prospects while supporting local talent development.

Community Initiatives and Involvement

During the year under review, TSFL implemented numerous community-focused initiatives aimed at enhancing the quality of life of individuals and communities surrounding its operations. These programmes contributed to sustainable social and economic development while reinforcing the Company's commitment to responsible corporate citizenship.

The Company's community investments reflect its long-standing commitment to enhancing livelihoods, supporting rural development, and contributing positively to the social and economic progress of the communities that form an integral part of its value chain.

Relations with Government and Regulators

TSFL maintains positive and collaborative relationships with government institutions, regulatory authorities, and industry bodies that play a vital role in the development of the tea sector. The Company is committed to operating in full compliance with applicable laws, regulations, and industry standards while upholding the highest levels of integrity and corporate responsibility.

Through active engagement with relevant stakeholders, TSFL contributes to industry discussions and consultations aimed at strengthening the sustainability, competitiveness, and long-term resilience of the tea industry. The Company also works closely with government agencies and industry organizations on initiatives that promote environmental stewardship, sustainable agricultural practices, and sector-wide development.

These partnerships enable TSFL to remain aligned with evolving regulatory requirements and national priorities while contributing to the advancement of a responsible and sustainable tea industry.

Way Forward

TSFL recognizes that strong stakeholder relationships are fundamental to creating long-term value and achieving sustainable growth. As the Company looks ahead, it will continue to strengthen engagement with key stakeholder groups, including smallholder suppliers, customers, communities, regulators, and industry partners.

A key focus area will be enhancing support for green leaf suppliers through knowledge-sharing initiatives, access to industry resources, and the promotion of sustainable farming practices that improve productivity, quality, and long-term livelihoods. Simultaneously, the Company will continue to deepen customer relationships by maintaining high product quality standards, improving service excellence, and responding effectively to changing market requirements.

Community development will remain an integral part of TSFL's sustainability agenda. The Company intends to expand initiatives that support local economic development, skills enhancement, employment opportunities, and social well-being, thereby creating positive and lasting impacts within the communities surrounding its operations.

TSFL also acknowledges the importance of ongoing collaboration with government institutions, regulatory bodies, and industry associations in addressing emerging challenges and identifying opportunities for sectoral growth. By fostering strong partnerships and maintaining a stakeholder-centric approach, the Company aims to contribute to a more resilient, sustainable, and inclusive future for the tea industry while delivering enduring value to all stakeholders.

A five-day training programme was conducted at the Halwitigala Tea Factory premises for the new generation of tea growers who have returned from overseas employment or are planning to migrate overseas. The programme was conducted in collaboration with the Tea Board, Tea Research Institute, and National Institute of Plantation Management.

Donations of dry rations were made by all five factories to support communities in the Udapussellawa area affected by Cyclone "Ditwah."

Organized a medical camp at the Halwitigala Tea Factory focusing on the screening and prevention of non-communicable diseases (NCDs).

Kurupanawa Tea Factory conducted an awareness programme for students of Gonadeniya College to provide practical insights into factory operations and the tea production process.

The programme aimed to enhance students' understanding of the tea industry by introducing them to the various stages involved in tea manufacturing, from the receipt of green leaf to the production of finished tea.

A health camp was conducted at the Hingalgoda Tea Factory on 27th January 2026, benefiting tea smallholders, members of the surrounding community, and the factory workforce.

The initiative was organized with the sponsorship and support of Browns Plantations PLC, in collaboration with John Keells PLC, as part of their ongoing community welfare and social responsibility initiatives.

Tea and refreshments were provided on 19th October 2025 at the Kurupanawa Tea factory for devotees who participated in the Perahara of Mulana Anandaramaya Temple.

INTELLECTUAL CAPITAL

From Knowledge to Competitive Edge

Intellectual Capital represents the knowledge, expertise, systems, processes, brands, organisational capabilities and innovations that enable TSFL to continuously improve and remain competitive. The Company builds this capital through the experience and expertise of its people, a culture of learning and innovation, strong governance and risk management, digitalisation, process excellence and robust quality and food safety systems. These capabilities enable TSFL to preserve institutional knowledge, strengthen decision-making, improve operational efficiency, safeguard product quality and respond to changing market requirements. By continuously developing what the organisation knows and how it applies that knowledge, TSFL strengthens its brands, processes and organisational resilience, creating a platform for innovation and sustainable competitive advantage.

MANAGEMENT APPROACH

During the financial year 2025/26, Tea Smallholder Factories PLC (TSFL) continued to strengthen its intellectual capital as a key driver of sustainable value creation and long-term competitiveness. Our intellectual capital comprises the collective knowledge, expertise, systems, processes, brands, stakeholder relationships, governance practices, and innovative capabilities that support the Company's strategic objectives.

TSFL's approach to intellectual capital focuses on preserving and enhancing the knowledge embedded within our people, operational processes, quality systems, and stakeholder networks. Through continuous investment in technology, process improvements, employee development, and brand enhancement, we have reinforced our ability to deliver superior value to smallholder farmers, customers, shareholders, and other stakeholders.

Throughout the year, the Company continued its efforts to strengthen organizational capabilities, improve operational resilience, and accelerate digital transformation initiatives. These efforts have enabled TSFL to enhance efficiency, improve decision-making, and maintain its reputation as a trusted producer of high-quality Ceylon Tea while creating a strong foundation for future growth.

CORPORATE VALUES AND CULTURE

TSFL's corporate culture remains firmly anchored on integrity, accountability, innovation, collaboration, and stakeholder-centricity. These values guide our decision-making processes and shape the way we engage with employees, smallholder tea farmers, customers, suppliers, regulators, and the communities in which we operate.

The Company continued to foster a culture of continuous improvement and knowledge sharing across all levels of the organization.

Our employees play a critical role in sustaining the quality and reputation of our garden marks, while our close partnerships with smallholder tea growers contribute significantly to maintaining high production standards and improving leaf quality.

During the year, we further strengthened employee engagement and encouraged greater participation in operational and quality improvement initiatives. By nurturing a culture that values innovation, teamwork, and learning, TSFL continues to enhance its intellectual capital and organizational effectiveness.

PROCESS EXCELLENCE

Operational excellence remains a key pillar of TSFL's intellectual capital strategy. During the year, the Company continued to invest in technology, automation, process optimization, and digital solutions to improve productivity, quality, and operational efficiency across its factory network.

The successful utilization and enhancement of digital platforms and enterprise systems have strengthened data availability, operational visibility, and decision-making capabilities. Continuous improvements in factory operations, quality monitoring mechanisms, and production planning have further enhanced process reliability and consistency.

TSFL also continued to leverage its digital presence through its corporate website and social media platforms, enabling greater engagement with stakeholders and enhancing the visibility of its brands and operations. These channels provide timely information, facilitate stakeholder interaction, and support the Company's broader marketing and communication objectives.

As the business environment continues to evolve, TSFL remains committed to adopting innovative technologies and best practices that strengthen operational resilience and support sustainable growth.

PRODUCT RESPONSIBILITY FRAMEWORK

Maintaining the highest standards of product quality, food safety, and occupational health and safety remains a fundamental responsibility of TSFL. The Company continues to implement robust quality assurance systems and stringent operational controls throughout the tea manufacturing process to ensure that all products consistently meet customer expectations and regulatory requirements while safeguarding employee well-being.

Our factories continue to operate under internationally recognized management systems, including ISO 22000:2018 Food Safety Management System certification, demonstrating our commitment to quality, traceability, hygiene, and product integrity. During the year, the Company further strengthened its management systems through the implementation and maintenance of ISO 45001:2018 Occupational Health and Safety Management System standards, reinforcing our commitment to providing a safe and healthy workplace for all employees and stakeholders.

Through regular monitoring, internal audits, risk assessments, employee awareness programmes, and certification reviews, TSFL maintains compliance with applicable food safety and occupational health and safety requirements. The adoption of ISO 45001:2018 has enhanced our ability to proactively identify workplace hazards, minimize occupational risks, and promote a culture of safety across all operational locations.

The Company remains committed to the implementation of Hazard Analysis and Critical Control Point (HACCP) principles and rigorous quality assurance procedures to ensure that all teas manufactured meet the required standards of quality and safety. Our products continue to comply with relevant local and international requirements, reinforcing confidence among buyers and consumers.

By maintaining strong product responsibility and workplace safety practices, TSFL safeguards its reputation, strengthens stakeholder trust, and enhances the long-term value of its brands.

COGNITIVE WORTH

The knowledge, expertise, and experience of our employees and management team represent one of TSFL's most valuable intellectual assets. The Company's success continues to be driven by the collective capabilities of its workforce, accumulated industry knowledge, and the practical experience gained through decades of serving the tea sector.

During the year, TSFL continued to promote learning and professional development across the organization. Training initiatives focused on operational excellence, quality management, technology adoption, compliance, leadership development, and industry best practices.

The Company's leadership team continues to provide strategic direction and industry insight, while employees contribute specialized knowledge and operational expertise that support continuous improvement and innovation. Through effective knowledge-sharing mechanisms and employee development initiatives, TSFL seeks to preserve institutional knowledge while building future capabilities.

GOVERNANCE AND RISK MANAGEMENT FRAMEWORKS

Strong governance and effective risk management remain integral components of TSFL's intellectual capital framework. The Company maintains a comprehensive governance structure designed to promote accountability, transparency, ethical conduct, and sustainable value creation.

Our governance framework incorporates regulatory requirements, industry best practices, and robust internal controls that support effective oversight and decision-making. The Board and management continue to monitor emerging risks and opportunities, ensuring that appropriate mitigation strategies are implemented to protect the Company's assets, reputation, and stakeholder interests.

The integration of risk management into strategic planning and operational decision-making enables TSFL to proactively respond to changing market conditions, regulatory developments, technological advancements, and environmental challenges. These governance practices strengthen organizational resilience and contribute to long-term sustainability.

For further details, please refer to the Corporate Governance Report and the Enterprise Risk Management section of this Annual Report.

BEST PRACTICES

TSFL remains committed to embedding best practices throughout its operations and value chain. The Company actively promotes knowledge transfer, continuous improvement, and industry collaboration to enhance operational performance and sustainability outcomes.

Our engagement with smallholder tea farmers continues through extension services, technical guidance, training programs, and knowledge-sharing initiatives aimed at improving agricultural practices, leaf quality, productivity, and environmental stewardship.

We also maintain close collaboration with tea brokers, industry stakeholders, certification bodies, and service providers to remain informed of emerging trends, technological developments, and market requirements. These partnerships support innovation, enhance operational effectiveness, and strengthen our competitive position within the industry.

PRODUCT LABELLING

TSFL continues to maintain strict compliance with all applicable product labelling requirements issued by the Sri Lanka Tea Board and the Colombo Tea Traders' Association. Product packaging and related documentation provide accurate and transparent information regarding quality grades, manufacturing details, invoice references, net weight, gross weight, certifications, and other required disclosures.

These practices support product traceability, regulatory compliance, customer confidence, and the integrity of TSFL's brands in domestic and international markets.

WAY FORWARD

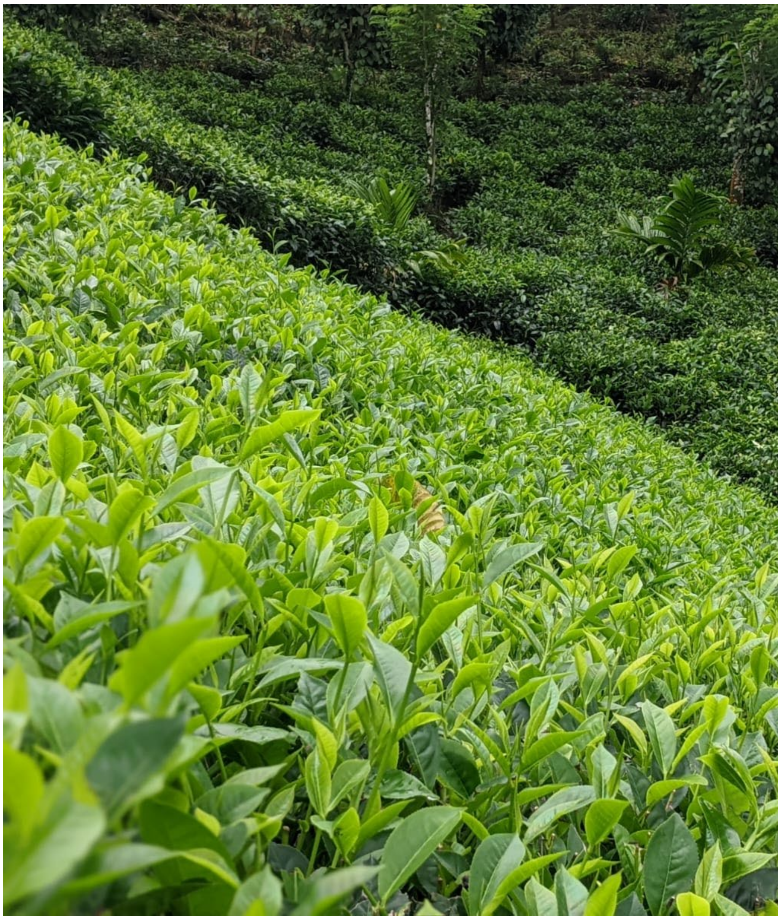
Looking ahead, TSFL will continue to strengthen its intellectual capital by investing in people, technology, innovation, governance, and stakeholder relationships. The Company will further enhance its digital capabilities, optimize manufacturing processes, and strengthen knowledge management practices to improve operational efficiency and decision-making.

Efforts to promote and enhance the value of our garden marks will continue through targeted marketing initiatives, greater stakeholder engagement, and expanded market outreach activities. We will also explore opportunities to strengthen direct market access and develop stronger relationships with buyers seeking premium single-origin teas.

The Company remains committed to supporting smallholder tea farmers through enhanced extension services, knowledge-sharing programs, and sustainability-focused initiatives aimed at improving productivity and quality standards. Technology adoption and digitalization will continue to play an increasingly important role in driving efficiency, collaboration, and innovation across the organization.

By leveraging its intellectual capital and fostering a culture of continuous improvement, TSFL is well-positioned to create sustainable value for all stakeholders and achieve long-term growth in an evolving business environment.

NATURAL CAPITAL



From Nature to Resilience

Natural Capital represents the environmental resources and ecosystems that support TSFL's operations and the wider tea value chain. The Company's ability to manufacture tea and support smallholder livelihoods is fundamentally connected to the availability of natural resources, including water, energy, biomass, soil and biodiversity. TSFL therefore focuses on using these resources responsibly while reducing environmental impacts through energy efficiency, water conservation, responsible waste and effluent management, emissions control and climate resilience initiatives. Support for sustainable agricultural practices among smallholder partners further strengthens the environmental resilience of the value chain. By protecting the resources on which its operations depend and continuously improving environmental performance, TSFL seeks to build a more resilient business while contributing to the long-term sustainability of the ecosystems and communities connected to its operations.

Management Approach

Under the guidance of Browns Plantations Management, TSFL continues to create long-term value through responsible natural capital management by integrating environmental sustainability into business operations and strategic decision-making. The Company operates in line with its Environmental Management Policy (EMP), applicable regulatory requirements, to continuously improve environmental performance and resource efficiency.

TSFL remains committed to minimizing environmental impacts through efficient resource utilization, environmental conservation, and continual improvement initiatives across factory operations.

Environmental Management Framework

TSFL's environmental sustainability approach focuses on efficient resource utilization, reducing water consumption, minimizing dependency on non-renewable resources, optimizing waste management practices, and lowering the overall carbon footprint of operations.

Over the reporting period, the Company strengthened energy management practices through renovation of withering troughs to improve energy efficiency and product quality, introduction of an amalgamated screw compressor system, continuous Energy KPI monitoring and evaluation, employee awareness programmes, and optimization of boiler, furnace, drier, and compressed air systems through preventive maintenance and operational improvements.

TSFL remains committed to international best practices, environmental standards, and continual environmental improvement while promoting biodiversity conservation and responsible resource management across operations.

Emissions Control Measures

TSFL continues implementing measures to minimize emissions generated through manufacturing operations and reduce environmental impacts across tea production processes.

Control measures include efficient process management, regular maintenance of production equipment, monitoring of energy use and emissions, waste management practices, and promoting sustainable agricultural practices among smallholder partners. These initiatives support lower environmental impacts and improved environmental performance.

Monitoring Energy Intensity

The Company maintains monitoring procedures to evaluate energy consumption across all factories, focusing on electricity, firewood, and fuel usage.

Continuous monitoring of energy intensity enables effective resource utilization and supports sustainable manufacturing practices. These efforts contributed to maintaining improved energy performance, including achieving 23.5 MJ per kg of made tea, demonstrating TSFL's commitment to energy efficiency and operational excellence.

Material Consumption

TSFL's black tea manufacturing process primarily depends on green leaf procured from smallholder partners as the key raw material. Responsible sourcing practices aligned with promote sustainable agriculture and biodiversity conservation.

Green leaf procurement increased to 15.93 Mn kilograms from smallholders compared to 10.93 Mn kilograms in 2024/25, while procurement practices continued to emphasize sustainable plantation principles and responsible resource management.

TSFL continued supporting smallholder partners through extension services promoting Good Agricultural Practices (GAP), soil improvement, and responsible agrochemical management. The Company also prioritizes environmentally responsible packaging materials and continues evaluating sustainable alternatives for tea drying operations, including biomass briquettes, to reduce dependence on traditional firewood and support long-term energy sustainability.

Management of Water

TSFL remains committed to responsible water stewardship and efficient water utilization across operations.

Water used in manufacturing remains limited and is primarily allocated for operational requirements, employee use, and cleaning activities. The Company sources water through approved groundwater extraction methods while continuously promoting water conservation and efficient water management practices.

Rainwater harvesting initiatives established in previous years continued to be maintained and utilized at Neluwa Tea Factory and Hingalgoda Tea Factory to strengthen water sustainability across operations. Through these initiatives, TSFL successfully harvested 200 m3 of rainwater. Building on the outcomes achieved, the Company remains committed to strengthening water conservation practices and evaluating opportunities to expand similar initiatives across additional factory locations.

Through continuous monitoring, employee awareness, and resource optimization initiatives, TSFL continues improving water efficiency and supporting sustainable manufacturing practices.

Management of Waste and Effluents

TSFL continues strengthening responsible waste and effluent management practices to minimize environmental impacts and support sustainable manufacturing operations.

The Plastic Recycling Programme initiated in previous years continued across operational locations to strengthen responsible waste management and environmental awareness. Recyclable plastic collection activities were carried out across 05 factories covering 12 sub locations, including relevant government institutions, schools, and religious places. Through this initiative, a total of 145 kg of recyclable plastic was collected and supplied to authorized recycling centers.

The Company further promotes implementation of the 5R principles - Reduce, Reuse, Recycle, Refuse, and Repurpose - while continuing waste segregation and responsible disposal practices across operations.

Effluent management remains a priority area supported through established controls and employee awareness programmes to prevent environmental contamination and strengthen environmental responsibility.

Climate Change

TSFL recognizes climate change as an important environmental challenge affecting tea production and long-term sustainability. To strengthen climate resilience and reduce environmental impacts, the Company continues implementing initiatives focused on biodiversity enhancement and responsible natural resource management.

Previously implemented tree planting programmes at Company-owned New Panawenna, Halwitigala, and Kurupanawa Tea Factory locations, including Mahogany plantation initiatives within factory premises, were continuously maintained and monitored during the period. Approximately 1,650 planted trees were maintained to enhance environmental value, strengthen biodiversity, and increase green cover. Management intends to continue and expand forestry initiatives in collaboration with plantation companies managed under Browns Plantations.

Way Forward

TSFL remains committed to advancing environmental sustainability and responsible natural capital management.

Future priorities include strengthening rainwater harvesting initiatives, evaluating rooftop solar opportunities, exploring sustainable alternatives for tea drying energy requirements, improving waste reduction practices, and promoting continuous environmental performance improvements.

Continuous monitoring, awareness programmes, and operational improvements will further support long-term environmental and business sustainability.

Conclusion

TSFL's sustainability approach reflects its continued commitment to environmental stewardship, responsible resource management, and sustainable business practices under the guidance of Browns Plantations Management.

Through initiatives focused on energy optimization, water conservation, waste and effluent management, climate resilience, and support for smallholder partners, the Company continues integrating sustainability across operations.

Through continuous improvement, innovation, and strategic investment, TSFL remains committed to strengthening environmental and economic resilience while contributing towards a more sustainable future.

BOARD OF DIRECTORS

Dr. P.S.H. Uluwaduge – Director

Chairman , Non Executive Director

Member of the Board from 09th May 2025

Board Committees

HR & Compensation Committee, Nominations & Governance Committee

Dr. Pradeep Uluwaduge counts over twenty years of experience in the field of Human Resource Management and Development, Legal, Corporate Affairs & Plantations, both in Sri Lanka and overseas.

He has completed his bachelors of Laws degree (LL.B) with an honours pass from the Faculty of Law, master's in laws degree and earned his Ph.D in Management and Business Studies from the Faculty of Management and Finance, all from the University of Colombo. Dr. Uluwaduge took oaths as an Attorney at Law from the Supreme Court in Sri Lanka in 2003. He holds a postgraduate Diploma in Human Resource Management from the UK, and is a fellow member of the Institute of certified Management Accountants of Sri Lanka (FCMA,SL). Dr. Uluwaduge, is a Fellow Member of the Chartered Institute of Management Accountants (FCMA), UK and a member of the chartered Global Management Accountants (CGMA), USA. He is a Certified Professional Coach (CPC) from the Australian Federal University. Dr Uluwaduge is a life member of the Bar Association of Sri Lanka and a Member of the prestigious Singapore Academy of Law as well as a professional member of the Singapore Human Resource Institute. He was awarded the Honorary Fellow Membership by the National Institute of Plantation Management (NIPM), Sri Lanka.

Dr. Uluwaduge was awarded as the best under 40 Business Leader award by the Alumni Association of the Postgraduate institute of management (PIM) in 2016 and was a Council Member of the National chamber of commerce from 2017 to 2023. He is a visiting faculty member for the MBA Program, University of Colombo and a visiting supervisor for M.Phil / PhD Programme at the Business school, Sri Lanka Institute of Information Technology (SLIIT).

Dr. Uluwaduge currently functions as a Non-Executive Chairman of Browns Plantations cluster, which has become the world's largest Tea Producer and Exporter with its new acquisitions in Sri Lanka and Overseas. He serves on a number of boards of other subsidiaries of the LOLC Group including Browns Plantations Kenya Limited (a company incorporated in Scotland), Browns Plantations Tanzania Limited, Browns Plantations Rwanda Limited, Hapugastenne Plantations Plc., Udapussellawa Plantations Plc., Tea Smallholder Factories Plc, Maturata plantations Ltd, Pussellawa Plantations Ltd, Browns Ari Resort Maldives etc. Dr. Uluwaduge was the world's first plantation company chairman to receive the Climate Neutral Citizen Certification from the control union in the Netherlands.

Dr. Uluwaduge also functions as the Group Chief HR Officer and Group Chief Sustainability officer overseeing Human Resource Management and Development and Sustainability functions of the LOLC group, Covering both local and foreign operations.

Mr. D. S. K. Amarasekera

Non Executive Director

Member of the Board from 09th May 2025

Mr. Kamantha Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney- at-Law of the Supreme Court of Sri Lanka. He also holds a degree in Business Administration from the University of Sri Jayewardenepura and began his career in the year 1998. Mr. Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of M/s. Amarasekera & Company, a leading tax consultancy firm in the country.

In addition to his directorship in this company, his other key appointments are; Director Browns Investments PLC, Dolphin Hotels PLC, Eden Hotel Lanka PLC, Hotel Sigiriya PLC, Palm Garden Hotels PLC, Serendib Hotels PLC, Sierra Cables PLC, Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Tea Smallholder Factories PLC and several other subsidiaries of Browns Investments Group.

Mr. G. D. V. Perera

Non Executive Director

Member of the Board from 09th May 2025

Mr. Dhamitha Perera counts 55 years in Plantation management. He is a Fellow of The National Institute of Plantation Management (FIPM). On completing his school education at S. Thomas' College, Mt.Lavinia, between 1959 to 1971, his planting career started in July 1971 under Mackwoods Estates and Agencies Ltd. and was employed on estates under a Sterling Plantation Company. After the vesting of estates by the State in 1975 under LRC law, he rose to the ranks of Estate Manager, Visiting Agent and Board Director of JEDB Nuwara Eliya and was in charge of 17 estates.

He was selected and gained employment as The Controller of Production by The Commonwealth Development Corporation (CDC) of United Kingdom and was seconded to develop and manage large tea projects and factories in Tanzania. After a four years residential stint in Tanzania/ Kenya, he returned to Sri Lanka after the formation of Regional Plantation Companies. He was appointed Director-Plantations of Balangoda Plantations Ltd. under Forbes Ceylon Group and rose to the rank of CEO and Director of Agarapatana Plantations Ltd. and was also CEO and Director of Kotagala Plantations PLC. under the Lankem Ceylon Ltd. Group.

He also gained experience with Union Commodities Pvt Ltd, under Lankem Ceylon Ltd. where he was a Board Director managing a very large tea blending, warehousing complex and tea export/value addition packaging company. He was also Director of seven different companies which came under the purview of Lankem Ceylon Ltd. He headed the prestigious Planter's Association of Ceylon as its Chairman from 2008 to 2010. He was a former Director of The Sri Lanka Tea Board. He was a Director of The Plantation Housing Development Trust for 10 years.

At present he serves as Director of this company in addition to being CEO/ Executive Director of Udapussellewa Plantations PLC and CEO/Executive Director of Hapugastenne Plantations PLC., Executive Director of Maturata Plantations Ltd. and Director of Sinharaja Eco Lodge.

Mr. A. S. Perera

Executive Director

Member of the Board from 09th May 2025

Mr. Anusha Perera was appointed as an Independent Non-Executive Chairman to the Boards of Hapugastenne Plantations PLC and Udapussellawa Plantations PLC on the 27th of December 2021 and he currently serves as an Executive Director of Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Tea Small Holder Factories PLC, Pussellawa Plantations Ltd & Maturata Plantations Ltd, and Director of Melfort Green Teas Ltd, Newburgh Green Tea (Pvt) Ltd, FLMC Plantations (PVT) Ltd, Ceylon Estate Teas (PVT) Ltd, and Plantation Human Development Trust (PHDT). Mr. Perera has over 40 years of experience in the Plantation sector.

He is a Fellow of the Institute of Plantation Management (FIPM), Member of the Chartered Institute of Personal Management (CMIPM), Member of the Institute of management (MIM), Life member of the Organization of Professional Association (OPA).

In the corporate sector he has served as the Executive Director - Balangoda Plantations PLC, Director/CEO - Agalawatte Plantations PLC, Director AEN Oil Palm Ltd, Director of Mackply Industries Ltd, Rubber Research Board of Sri Lanka.

Mr Anusha Perera Presently is a Committee Member of the Ceylon Rubber Traders' Association of Sri Lanka (CRTA) and Spices & Allied Products Producers' &Traders' Association of Sri Lanka (SAPPTA). He has previously served as the Vice Chairman of the Spices & Allied Products Producers' &Traders' Association of Sri Lanka (SAPPTA)., and as a Committee Member of the Colombo Tea Traders' Association of Sri Lanka (CTTA).

Mrs. A. Goonetilleke

Independent Director

Member of the Board from 07th July 2020

Board Committees

Chairperson - Nominations & Governance Committee, HR & Compensation Committee

Member – Board Audit Committee & Related Party Transactions Review Committee

Mrs. Aruni Goonethilleke is a financial services expert with over 25 years of experience in global financial markets. She has significant experience in financial services, primarily in the areas of Corporate Banking, Risk Management, Credit Assessment and Internal Audit.

She is a former Chairperson of HNB PLC and has held leadership positions in both local and international banks, including Standard Chartered Bank, where she worked in Singapore and Sri Lanka covering several geographies. Senior leadership positions held at Standard Chartered include Head of Credit for Commercial and SME Banking, Chief Risk Officer and Global internal audit roles in Wholesale and Retail Banking. She was also the Head of Corporate Banking at People's Bank.

She is a non-executive director of John Keells Hotels PLC, Sunshine Holdings PLC, PGP Glass Ceylon PLC and audit committee member of Goodhope Asia Holdings Ltd.

She has a Master of Laws from Harvard Law School, Harvard University, USA and a Bachelor of Laws (Honors) from the Faculty of Law, University of Colombo. She is a founding member of the Association of Banking Risk Professionals of Sri Lanka and was a visiting lecturer in law at the Faculty of Law and the Department of Graduate Studies, University of Colombo.

Mr. T. Dharmarajah

Independent Director

Member of the Board from 20th June 2025

(Re-designated as a Non-Executive Director w.e.f. 07th August 2026)

Board Committees

Chairperson - Board Audit Committee, RPTR Committee

Member – HR & Compensation Committee, Nominations & Governance Committee

Mr. Thiyagarajah Dharmarajah is the Senior Partner (Audit & Assurance) at M/s Amerasekera & Company and serves as a Director of Renuka City Hotels PLC, Eden Hotel Lanka PLC, Palm Garden Hotels PLC, Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Udapussellawa Plantations PLC, Hapugastenne Plantation PLC, Tea Smallholder Factories PLC, Management Applications (Pvt) Limited and DHS Medical Group (Private) Limited.

He is a Member of the Council of the University of Visual and Performing Arts, Postgraduate Institute of Indigenous Medicine and a member of the Standing Committee on Management Studies of the University Grants Commission. He was a director of DFCC Bank PLC, DFCC Vardhana Bank PLC, and Raigam Wayamba Salterns PLC, a Member of the Board of Management Postgraduate Institute of Management and Curriculum Development Committee of the National Institute of Education. He was also a Member of the Council of the Institute of Chartered Accountants of Sri Lanka and University of Sri Jayewardenepura. He was a former president of the Association of Accounting Technicians of Sri Lanka.

Mr. Dharmarajah holds a B.Sc. Management (Sp) Degree from the University of Sri Jayewardenepura and a Fellow Membership of the Institute of Chartered Accountants of Sri Lanka, Association of Accounting Technicians of Sri Lanka and Institute of Public Finance & Development Accountancy'.

Mr. U. H. Ebert Silva

Independent Director

Member of the Board from 20th June 2025

Board Committees

Member – Board Audit Committee, RPTR Committee, HR & Compensation Committee, Nominations & Governance Committee

Mr. Ebert Silva has over 30 years of experience in Banking, Regulatory and Financial Reporting, Human Resource Management and Administration as a former official of the Central Bank of Sri Lanka. He joined CBSL in 1986 and has worked in the Bank Supervision, Employees' Provident Fund, Facilities Management departments and in the Centre for Banking Studies until his retirement in year 2017. He also functioned as an Independent Non-Executive Director of Commercial Leasing and Finance PLC.

He holds a B.Sc. degree in Business Administration from the University of Sri Jayawardenapura and has read for his M.A in Economics from the University of Ohio, USA.

He is also an associate member of the Institute of Bankers of Sri Lanka and serves as a Director of Udapussellawa Plantations PLC, Hapugastenne Plantation PLC, Tea Smallholder Factories PLC.

Mr. N. R. Nanayakkara

Executive Director

Member of the Board from 02nd April 2026

Niveyn is an emerging corporate leader, actively championing digital transformation initiatives across the LOLC Group. Operating within a globally diversified conglomerate, his directorial mandate uniquely bridges a vast and dynamic corporate portfolio with next-generation technological innovation.

He currently holds Directorship positions on the boards of Browns EV (Pvt) Ltd, Ishara Traders Motor Company (Pvt) Ltd, Browns Power Holdings (Pvt) Ltd, Browns Hotels & Resorts (Pvt) Ltd, Browns Plantation Holdings (Pvt) Ltd, Maturata Plantations Ltd, Pussellawa Plantations Ltd, Melfort Green Teas (Pvt) Ltd, Udapussellawa Plantations PLC, Hapugastenne Plantations PLC, Tea Smallholder Factories PLC and LOLC Technologies Limited.

At the board level, Niveyn drives sustainable growth and operational efficiency by championing the integration of Artificial Intelligence. He advocates for a "human-in-the-loop" framework; by balancing advanced automation with critical human judgment, this approach maximises productivity while ensuring rigorous risk management and operational integrity.

Niveyn's strategic vision is grounded in a strong financial and academic foundation where he holds a Bachelor of Commerce with a double major in Accounting and Finance from the University of Melbourne. His forward-thinking outlook is further cemented by global best practices in enterprise innovation, having completed a specialised corporate leadership and technology program hosted by Ernst & Young (EY) at both Stanford University and UC Berkeley.

Mr. K. Sivanesan

Independent Director

Member of the Board from 07th August 2026

Board Committees (with effect from 07th August 2026)

Chairperson - Board Audit Committee, RPTR Committee

Member – HR & Compensation Committee, Nominations & Governance Committee

Mr. K. Sivanesan is a distinguished tax practitioner in Sri Lanka and currently serves as the Senior Partner and Head of Tax at Amerasekera & Co., Chartered Accountants. With over 25 years of extensive experience in taxation, he is widely recognized for his expertise in tax advisory, compliance, and regulatory matters.

He holds a Bachelor's Degree in Commerce from the University of Sri Jayewardenepura and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). He is also a member of the Institute of Certified Management Accountants of Sri Lanka (CMA Sri Lanka).

Mr. Sivanesan serves as an Independent Non-Executive Director on the Boards of LOLC Holdings PLC, Browns Investments PLC, LOLC Life Assurance Limited, Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Tea Smallholder Factories PLC, Agstar PLC. He is a Director of Waharaka Energy (Private) Limited.

MANAGEMENT TEAM

SENIOR MANAGEMENT

Mr. Sanjaya Dissanayake
Head of Operations/ Head of Marketing

Mr. Sisira Pushpakumara
Head of Finance

Mr. Malindu Amarasinghe
Head of Legal

Mr. Nishan Fernando
Head of Administration

Mr. Malitha Karunanayake
Manager - Human Resources

Mr. Prasanna Hettiarachchi
Head of IT

Mr. Vijith Jayasekera (Resigned w. e. f. 31st July 2026)
Head of Engineering

Mr. Tharanga Senarathne
Head of Manufacturing

Mr. Darshana Deshapriya
Head of Quality Assurance and Sustainability

Ms. Mandakini Medagama
Manager - Finance

Mr. Sudajith Devapriya
Manager - Engineering

Mr. Saman Dissanayake
Manager - Extension

FACTORY MANAGERS

Mr. Nilantha Weerasinghe
Senior Superintendent- Broadlands Tea Factory

Mr. Charutha Hathurusingha
Superintendent - Neluwa Tea Factory

Mr. Manoch Withanage
Superintendent - Halwitigala Tea Factory

Mr. Tharanga De Silva
Superintendent - Hingalgoda Tea Factory

Mr. Dasun Weerathunga
Superintendent - Kurupanawa Tea Factory

CORPORATE GOVERNANCE

Overview

The Board of Directors of Tea Smallholder Factories PLC recognises that the adoption and consistent application of sound corporate governance practices are fundamental to ensuring the Company's long-term sustainability and value creation. Therefore, in discharging its responsibilities, the Board ensures that appropriate governance structures, policies, and processes are in place to support effective oversight, risk management, and compliance with applicable legal and regulatory requirements.

The Company's corporate governance framework establishes a structured and disciplined approach to decision making and accountability. It provides a clear definition of roles and responsibilities between the Board, its committees, and management, thereby ensuring effective stewardship of the Company's affairs, whilst ensuring highest standards of integrity, transparency, and accountability in all aspects of its operations.

This Statement of Corporate Governance outlines the key structures, policies, and practices adopted by the Company to ensure effective governance throughout the financial year under review.

In conducting its affairs, the Company complies with the applicable provisions of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange (CSE), rules and directives issued by the Securities and Exchange Commission of Sri Lanka (SEC), and other relevant laws and regulations governing its operations.

The Board of Directors

The Board is committed to maintaining the highest standards of corporate governance and regularly reviews the Company's governance practices to ensure alignment with evolving regulatory requirements and recognised best practices. In discharging its responsibilities, the Board is supported by a formal governance framework comprising Board-approved policies, charters and procedures governing matters relating to Board effectiveness, Board Committees, risk management, internal controls, business conduct and ethics, related party transactions, stakeholder engagement, corporate disclosures, whistleblowing and anti-bribery and corruption.

Through this framework, the Board seeks to ensure that the Company conducts its business in a responsible, transparent, and ethical manner while safeguarding the interests of shareholders and other stakeholders.

As at the date, the Board comprises nine directors, including Seven Non-Executive Directors (NEDs), one of whom serves as the Chairman, and three of whom are Independent Directors and two Executive Directors (EDs). This composition ensures an appropriate balance of independence, experience, and expertise, in line with applicable regulatory requirements and governance best practices.

Profiles of the Directors, including their qualifications, experience, and areas of expertise, are set out on pages 56 to 58 of this Annual Report.

Board Charter

The Board Charter sets out the role, responsibilities, powers and functions of the Board of Directors and serves as the foundation of the Company's corporate governance framework. The Charter provides guidance on the matters reserved for the Board and establishes the framework within which the Board exercises leadership, governance and oversight of the Company.

The Board is responsible for providing strategic direction, ensuring effective governance and safeguarding the long-term interests of shareholders and other stakeholders. In discharging its responsibilities, the Board oversees the Company's business strategy, financial performance, risk management framework, internal control systems, sustainability initiatives and succession planning.

The Charter also establishes the roles and responsibilities of the Chairman, Directors and Company Secretary, the procedures relating to Board meetings and decision-making, standards of ethical conduct and requirements relating to Board composition, independence and performance evaluation.

The Board delegates specific responsibilities to Board Sub Committees while retaining overall responsibility for the stewardship and governance of the Company. Each Committee operates under Board-approved Terms of Reference, which clearly define its authority, responsibilities and reporting obligations. The Chairmen of the respective Committees regularly report to the Board on matters considered and recommendations made.

The Board reviews the Charter and the Terms of Reference of its Committees periodically to ensure continued relevance.

Sub Committees

The Board has delegated specific responsibilities to its Sub-Committees under clearly defined Terms of Reference approved by the Board. This structured approach enables the effective incorporation of specialised expertise into Board deliberations, with Sub-Committees undertaking focused reviews and making considered recommendations to the Board, or exercising delegated authority where appropriate.

The establishment of these Sub-Committees enhances the Board's ability to effectively monitor key areas of the Company's operations, risk management processes, and internal control environment, while ensuring greater depth and rigour in governance oversight.

Accordingly, the Board has constituted the following subcommittees:

The Board Audit Committee

The Related Party Transactions Review Committee

The Nominations & Governance Committee

The Human Resources & Compensation Committee

The composition and mandates of these Sub-Committees are determined in accordance with the respective relevant regulations and terms of reference. Detailed reports of the respective Committees are included in this Annual Report on pages 85 to 91.

The Board Sub-Committees are empowered to seek any information required in the discharge of their responsibilities and have unrestricted access to management. They are also authorised to obtain independent professional advice, where necessary, at the Company's expense, and to invite members of senior management or other relevant personnel to attend meetings.

Board & Committee Meetings

The Board and its Audit and Related Party Transactions Review Committees meets at least once every quarter and its Nominations & Governance and Human Resources & Compensation Committees at least once every financial year and additionally as required to discharge its responsibilities. Provision is made for participation online where necessary and considered for purposes of quorum.

Meeting attendance of Directors who served the Board/Committees during the financial year:

Director	Position	Board	BAC	RPTC	HRCC	NGC
Dr. P. S. H. Uluwaduge	Non-Executive/ **Chairman**	5/5	-	-	1/1	1 /1
Mr. D. S. K. Amarasekera	Non-Executive Director	4/5	-	-	-	-
Mr. G. D. V. Perera	Non Executive Director	5/5	-	-	-	-
Mr. A. S. Perera	Executive Director	5/5	-	-	-	-
Mr. T. Dharmarajah	Independent Director	3/4	3/4	3/4	1/1	1/1
Mr. U. H. E. Silva	Independent Director	2/4	2/4	2/4	1/1	1/1
Mrs. A. Goonetilleke	Independent Director	4/5	3 /4	3/4	1/1	1/1
Mr. N. R. Nanayakkara (a.w.e.f. 02.04.2026)	Executive Director	-	-	-	-	-
Mr. K. Sivanesan (a.w.e.f. 07.08.2026)	Independent Director	-	-	-	-	-
Mr. P. P. Edirisinghe (r.w.e.f. 26.09.2025)	Independent Director	3/3	2/2	2/2	-	-

The Board ensures that sufficient time and attention are devoted to the effective discharge of its duties and responsibilities and adequate time is being allocated to facilitate comprehensive and constructive discussions. In carrying out its responsibilities, the Board ensured that meetings are carried out giving due regard for the interests of shareholders and the Company.

Minutes of Sub-Committee meetings are regularly tabled before the Board, ensuring that all Directors are fully apprised of their deliberations and recommendations

Board & Sub-Committee Composition as at 31.3.2026

Name of Director	Independent/ Non - independent	Executive/ Non - executive	Board & Sub-Committee Composition					Date appointed to the Board	Tenure on the Board (Years)	Age
			Board	AC	RPTRC	N&GC	HRCC			
Dr. P S H Uluwaduge	NID	NED	√*			√	√	09th May 2025	1	49
Mr. D S K Amarasekara	NID	NED	√					09th May 2025	1	55
Mr. G. D. V. Perera	NID	NED	√					09th May 2025	1	74
Mr. A S Prera	NID	ED	√					09th May 2025	1	63
Mrs. A Goonetilleke	ID	NED	√	√	√	√*	√*	07th July 2020	6	62
Mr. T Dharmarajah	ID	NED	√	√*	√*	√	√	20th June 2025	1	70
Mr. U H E Silva	ID	NED	√	√	√	√	√	20th June 2025	1	69
Mr. N. Nanayakkara (a. w. e. f. - 02.04.2026)	NID	ED	√					02nd April 2026	< 6 mts	23
Mr. K . Sivanesan (a. w. e. f. 07.08.2026)	ID	NED	√	√	√	√	√	07th August 2026	< 6 mts	57

The Roles of the Chairman and the Executive Directors

The Company recognizes the importance of maintaining a clear separation between the leadership of the Board and the executive functions. This separation promotes an appropriate balance of authority, accountability, and independent oversight, and supports the effective functioning of the Company's corporate governance framework.

The Chairman, who is a Non-Executive Director, is responsible for providing leadership to the Board, ensuring its effectiveness, and promoting high standards of corporate governance. The Chairman facilitates constructive dialogue among Directors, ensures that adequate time is devoted to matters requiring Board consideration, and encourages active participation and objective judgment in Board deliberations.

The Board has delegated executive authority to the Executive Directors of the Company for the implementation of strategies approved by the Bord of Directors and developing and implementing business plans and budgets in line with the strategy. The Management is accountable to the Board for the Company's operational and financial performance and provide a regular update on business activities, key risks, and strategic initiatives at Management Meetings and the Quarterly Board Meetings of the Company.

This clear division of responsibilities ensures that no individual has unfettered powers of decision-making and facilitates an effective system of checks and balances. The Board is therefore able to exercise independent oversight of management while supporting the achievement of the Company's strategic objectives and long-term sustainable growth.

The Board is satisfied that the current governance structure provides for an appropriate segregation of responsibilities between the Chairman and the Executive Board Members.

Financial Acumen

The Board collectively possesses a diverse range of skills, experience, industry knowledge, and professional expertise that enables it to effectively discharge its duties and responsibilities diligently. Additionally, the following Directors are members of professional accounting organizations and can offer guidance on matters of finance, drawing on their specialized knowledge on the subject:

Mr. T. Dharmarajah

Mr. K. Sivanesan

Dr. P. S. H. Uluwaduge

Mr. D. S. K. Amarasekera

Board Balance

The Board maintains an appropriate governance structure that enables effective oversight of strategy, performance, risk management and internal controls. The Board further recognises that diversity contributes significantly to effective governance and effective decision-making. When new appointment to the Board is considered, the Nomination and Governance Committee evaluates candidates based on merit, competence, experience and independence, while also considering diversity of skills and knowledge of the industry.

The Board believes that its current composition provides the necessary balance of skills, experience and independence to discharge its responsibilities effectively and in the best interests of shareholders and the Company.

The NEDs collectively bring an array of proven business experience and specialised expertise across a range of disciplines, thereby ensuring that the Board maintains an appropriate and balanced composition of skills and competencies. Their strong financial acumen enables them to provide objective and rigorous oversight of the integrity of the Company's financial reporting processes and internal control framework.

Drawing on their experience from serving on other boards, the Independent Directors contribute valuable external perspectives and constructive challenge, which support the continuous review and enhancement of governance practices in line with recognised best standards.

The Board observe the importance of maintaining an effective board balance and accordingly, due consideration is given to review the Board's composition over time, while preserving the depth of experience, institutional knowledge, and qualitative contributions provided by the Independent Directors in strengthening the Company's overall governance framework.

Independence of Directors

The Board recognises independence as a fundamental pillar of good governance and has structured its composition to promote objective and independent judgement in decision-making. The independence of the Directors has been determined in accordance with the Listing Rules of the CSE. For the year under review, six NEDs were subject to an annual assessment of independence with requisite declarations of independence obtained in accordance with Section 9.8.5(a), wherein it was determined that three of the six NEDs on the Board were independent and that the Board is considered to have the necessary balance as per listing rules and best practice.

Dr. P. H. S. Uluwaduge
Non-Executive Director / Chairman

Mr. D. S. K. Amarasekera
Non-Executive Director

Mr. G. D. V. Perera
Non-Executive Director

Mrs. A. Goonetillke
Independent Director

Mr. T. Dharmarajah
Independent Director

Mr. U. H. E. Silva
Independent Director

The Board wishes to disclose that after the year under review, in terms of Sec 9.8.3 (ix) of CSE Listing Rules, ID Mr. Thiyagarajah Dharmarajah, who joined the Board on 20th June 2025, was reclassified as a NED on reaching 70 years on 7th August 2026, for not meeting the age criteria of the CSE.

As have been notified by a shareholder, notwithstanding his reclassification as a NED, the Board has recommended that Mr. Dharmarajah be re-appointed in terms of Sec 211 of the Companies Act; and be re-designated as an ID subject to approval by the public shareholder of the Company.

Consequently, in compliance with Sec 9.8.2 of the Listing Rules, with the recommendation of the NGC, the Board approved the appointment of Mr. Kanthimany Sivanesan as an ID effective from aforesaid date.

Conflict of Interest and Independence

Each Director holds continuous responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests or personal relationships in material matters which are considered by the Board from time to time.

The Company has established procedures for the identification, disclosure, and management of conflicts of interest to ensure that such matters are appropriately addressed. The Directors make general disclosures of interests at the appointment, and thereafter quarterly disclosures which are tabled at board meetings for review by the Board to ensure integrity.

Appointments to the Board and Re-Elections

The appointment and re-election of Directors are subject to a rigorous review process undertaken by the Nominations & Governance Committee, which assesses each candidate against established criteria of fitness and propriety. This evaluation ensures that all individuals appointed to the Board possess the requisite integrity, competence, and professional standing to fulfil their responsibilities effectively. Following the Committee's review and formal recommendation, candidates are appointed to the Board and subsequently presented to shareholders for ratification at the next Annual General Meeting.

The appointment of any new Director to the Board is announced to shareholders through the Colombo Stock Exchange in compliance with applicable regulatory requirements.

At each Annual General Meeting (AGM), one-third of the Directors, except for the Chairman retire by rotation as per the stipulations outlined in the Company's Articles of Association and are eligible for re-election. The retiring Directors are those who have served the longest since their last re-election or re-appointment. Additionally, any new Director appointed during the year must stand for re-election at the subsequent AGM according to the Company's Articles of Association.

The re-election process for Directors offers shareholders the chance to review the Board's composition periodically. Shareholders receive advance notice of the names of Directors for re-election, enabling them to make informed decisions on their election. The Board examines the potential impact of extended Board tenures on Directors' independence and collectively assesses the re-election of such Board members. Full details of the Directors standing for re-election at this year's Annual General Meeting are set out in the Notice of Meeting on page 152.

If a Director chooses to resign prior to the completion of their appointed term, the Company requires that a formal written communication be obtained from the departing Director. This ensures that the circumstances and reasons surrounding any such early departure are properly documented and transparently recorded, in keeping with the Company's commitment to sound governance practices and accountability at the Board level.

Board Evaluations

The Board perform a periodic appraisal of its performance and a structured annual performance and self - evaluation was successfully conducted for the financial year under review.

The Annual appraisal is conducted through a set of comprehensive, confidential assessment questionnaires completed by each director to evaluate the collective Board, its mandatory Sub-Committees, and individual directors. The criteria focused on strategic oversight, governance practices, balance of skills, and the timeline of information flow. The findings were independently reviewed by the Nominations and Governance Committee to drive future Board development.

This evaluation process, facilitated by the Company Secretaries, was designed to facilitate a thorough and objective assessment of Board effectiveness, governance practices, decision-making processes and the contributions of individual Directors.

The outcome of the evaluation confirmed that the Board and its Committees continue to operate effectively and discharge their responsibilities appropriately. Directors actively contributed to discussions and demonstrated a strong commitment to their duties. The enhanced focus on strategic matters, succession planning and long-term value creation was particularly welcomed and contributed positively to the effectiveness of Board deliberations

Fit & Proper Criteria

The Company has established a Fit and Proper Criteria framework, in accordance with the Sec 9.7.4 and 9.7.5 of The Listing Rules of The Colombo Stock Exchange, which is applied at the time of appointment and assessed on an annual basis.

Under this framework, Directors are required to demonstrate honesty, integrity, and a sound reputation, and must not have been subject to any regulatory or legal sanctions that would render them unsuitable for their roles. They are also expected to possess the requisite qualifications, skills, experience, and independence of judgment necessary to contribute effectively to the management and oversight of the Company.

Annual Sign off on Internal Code on Business Conduct & Ethics

The Company has established an Internal Code of Business Conduct and Ethics in terms of the Sec 9.2.1 of the Listing rules that is applicable to Directors and staff, reflecting its commitment to maintaining the highest standards of integrity and ethical conduct.

The Code covers key areas including compliance with applicable laws and regulations, conflicts of interest, anti-bribery and corruption, confidentiality of information, and ethical business practices. It serves as a guide for decision-making and promotes a culture of integrity across the organisation. The Code is reviewed periodically to ensure its continued relevance and alignment with evolving regulatory requirements and governance best practices.

Annual written declarations adhering to the Code have been duly obtained from all Directors for the financial year under review.

Information to the Board of Directors

The Board receives comprehensive, timely and relevant information to facilitate informed decision-making. The Company Secretary plays a key role in supporting the Board by ensuring the timely circulation of Board papers and other relevant information, thereby providing Independent Non-Executive Directors with adequate time to review and consider matters prior to Board meetings. Such information includes comprehensive management reports, financial and operational updates, capital expenditure proposals, strategic initiatives, and other matters requiring Board consideration and approval.

The Company continues to enhance its information systems to ensure the availability of high-quality, reliable, and meaningful management information to support Board deliberations. The Directors are also provided with periodic performance reports on a quarterly basis, together with Board and Sub-Committee minutes, ensuring continuous awareness of the Company's operational and financial performance, as well as key decisions and developments. Directors are entitled to seek independent professional advice, where necessary, in the discharge of their duties.

Company Secretary

LOLC Corporate Services (Private) Limited has been appointed as Company Secretaries whose members are registered company secretarial practitioners, including Attorneys at Law and a Chartered Governance Professional. They ensure that proper Board procedures are followed in line with applicable laws, rules, and regulations to ensure good governance. Their key responsibilities include :

- Ensure that the Company complies with its Articles of Association, applicable statutory and regulatory requirements and maintains standards of corporate governance.
- Monitor changes in relevant legislation and the regulatory environment and their impact on the Company; and facilitate regular updates to the Board on appropriate action required.
- Convene and administer Board and Sub Committee meetings; ensure decisions are accurately documented; and disseminate details of decisions.
- Assist in monitoring Board's compliance with internal policies.
- Facilitate communication between the board of directors and company shareholders, reporting in a timely and accurate manner .

Internal Control & Risk Management Framework

The Board of Directors are responsible for establishing and maintaining an effective system of internal controls across the Company and for reviewing its adequacy and effectiveness on an ongoing basis. This system is designed to manage key risks within an acceptable risk profile, in alignment with the Company's defined risk appetite, rather than to eliminate the risk of failure in achieving its business objectives. The system of internal controls seeks to safeguard Company assets, ensure the maintenance of proper accounting records, and support the preparation of reliable financial information.

The Company maintains a structured risk management framework for the identification, assessment, monitoring, and mitigation of risks across its operations. Risk management processes are integrated into business activities, with defined accountability for risk ownership and regular reporting to the Board and the Audit Committee. The internal audit function provides independent and objective assurance on the adequacy and effectiveness of the Company's internal control, risk management, and governance processes and operates with appropriate independence and reports functionally to the Audit Committee, which oversees its performance and effectiveness.

Audit activities are carried out based on a risk-based audit plan, including cyclical reviews across the Company's network of factories, enabling the timely identification of control weaknesses and the implementation of corrective actions. Following the Company's integration into the LOLC Group, internal audit functions are undertaken by the Group Enterprise Risk Management (ERM).

The Board and the Audit Committee ensure that the independence, objectivity, and scope of internal audit are maintained under this structure. The Audit Committee assists the Board in discharging its responsibilities by reviewing the effectiveness of the internal control and risk management systems, monitoring audit findings, and ensuring timely resolution of identified issues.

Based on the reviews performed and the assurances received from management, the internal audit function and the Board Audit Committee, the Board is satisfied that the Company's risk management and internal control systems were adequate and operated effectively, in all material respects, during the year under review. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Whistle Blowing

The Company has established a formal whistleblowing policy, which provides secure and confidential channels for employees and other stakeholders to report concerns regarding unethical conduct, financial impropriety, or violations of the Code.

The Company is committed to ensuring that individuals who raise concerns in good faith are protected from retaliation. All reported matters are reviewed and, where appropriate, escalated to the Audit Committee for oversight and necessary action.

No material whistleblowing complaints were reported or escalated to the Audit Committee during the year under review

Financial Reporting

The Board of Directors is responsible for ensuring the integrity, accuracy, and completeness of the Company's financial reporting and for maintaining a sound system of internal controls to support the preparation of reliable financial statements. The Company prepares its Financial Statements in accordance with applicable accounting standards, including [Sri Lanka Financial Reporting Standards (SLFRS)/International Financial Reporting Standards (IFRS)], and in compliance with relevant statutory and regulatory requirements.

Financial and non-financial information is disclosed on a timely basis through quarterly Financial Statements and the Annual Report. The Board Audit Committee (BAC) reviews the quarterly and annual Financial Statements to ensure the accuracy, consistency, and appropriateness of accounting policies, significant estimates, and judgements.

The Board Audit Committee also assesses the adequacy of disclosures and recommends the Financial Statements to the Board for approval. The Audit Committee further oversees the independence and performance of the external auditors and reviews the findings of the external audit process to ensure that appropriate action is taken on identified matters.

External Auditors

Messrs Ernst & Young, Chartered Accountants, have served as Auditors since inception and will retire at the conclusion of the AGM. The Board, based on the Audit Committee evaluation and recommendations, is satisfied that the External Auditors have remained independent and objective in accordance with applicable professional and regulatory requirements, including relevant ethical standards governing auditor independence.

In accordance with best practices, which recommends periodic change of auditors, on the advice of the Board Audit Committee, the Directors recommend that Messrs. KPMG, Chartered Accountants be duly appointed as Statutory Auditors of the Company for the financial year ending 2026/2027 at a fee to be decided upon by the Board.

Messrs. KPMG have confirmed their willingness to act as auditors of the Company and eligibility for appointment.

Shareholder Relations

The Board recognises the importance of maintaining an open and constructive dialogue with its stakeholders and is committed to maintaining open, transparent and effective communication with its shareholders. Material developments relating to the Company's operations, financial performance and corporate activities are promptly disclosed in accordance with applicable regulatory requirements to ensure that shareholders and the market are kept appropriately informed.

The Board regards the Annual General Meeting as an important forum for engagement with shareholders and encourages their active participation. The AGM provides shareholders with an opportunity to engage directly with the Board, to seek clarification on matters concerning the Company and exercise their rights in an informed manner.

The Notice of Annual General Meeting, together with all relevant accompanying documents, published on the Colombo Stock Exchange website and is made available to shareholders within the prescribed statutory timelines. Each resolution presented at the AGM is considered separately and is subject to shareholder approval through voting in accordance with the Company's Articles of Association and applicable statutory regulations.

The External Auditors are also present at the AGM to respond to questions and provide any professional clarification required in relation to the Financial Statements and the audit process.

In addition, shareholders may communicate directly with the Company through the dedicated contact channels provided in this Annual Report, including email and telephone facilities. The Company's website https://www.brownsplantations.lk/ features a dedicated "Investor Relations" where the Shareholders and investors can request for comprehensive information regarding the Company's performance.

Status of Compliance under the Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency as required by the Group

Section		Compliance status	Company's Action
A. Directors			
A.1 The Board			
A.1	The Company to be headed by an effective Board to direct, lead and control the Company	✓	The Company is headed by an effective Board of Directors who are responsible and accountable for the stewardship function of the Company.
A.1.1.	Regular Board meetings	✓	The Board meets quarterly and as and when required Refer Directors' meetings and attendance on page 61.
A.1.2	The Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other Board functions	✓	Powers specifically vested in the Board to execute their responsibility include: • Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term, in the pursuance of its operational and financial goals. • Reviewing and approving annual budget plans. • Reviewing HR processes with emphasis on top management succession planning. • Monitoring systems of governance and compliance • Overseeing systems of internal control and risk management. • Determining any changes to the discretions/ authorities delegated from Board to executive levels. • Reviewing and approving major acquisitions, disposals and capital expenditure. • Approving any amendments to constitutional documents.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required.	✓	The Board seeks independent professional advice when deemed necessary. During the year under review, professional advice was sought on various matters,
A.1.4	Access to advice and services of the Company Secretary. Appropriate insurance cover as recommended by the Nominations Committee for the Board, Directors and KMPs.	✓	Refer - Role of the Company Secretary on page 64 The Company and its Key Management Personnel (KMP's) are covered under a Group Insurance Policy
A.1.5	Bring independent judgment on various business issues and standard of business conduct	✓	Collectively, the Non-Executive Directors bring a wealth of value adding knowledge, ranging from domestic and international experience to functional know-how, thus ensuring adequate Board diversity in accordance with principles of Corporate Governance. Furthermore, every member of the Board brings independent judgment on various business issues
A.1.6	Dedication of adequate time and effort	✓	Considering Non-Executive Directors' regular participation in meetings of Sub Committees for matters that require deliberation and decision in between the formal Board meetings, the Board estimates that Non-Executive Directors have devoted sufficient time for the Company during the year.
A.1.7	One third of Directors can call for a resolution to be presented to the Board in the best interests of the Company.	✓	All Directors are encouraged to submit any items/ proposals to the agendas of the Board meetings.

Section		Compliance status	Company's Action
A.1.8	Board induction and training	✓	In instances where Non-Executive Directors are newly appointed to the Board, they are apprised of the: • Values and culture • Operations of the Group and its strategies • Operating model • Policies, governance framework and processes • Responsibilities as a Director in terms of prevailing legislation • Important developments in the business activities of the Group
A.2 The Chairman			
A.2.1	Maintain a clear division between Chairman and the Chief Executive Officer	✓	The role of the Chairman is separated from that of the ED which is in line with the best practices on Corporate Governance, ensuring that no Director has unfettered power or authority. This ensures the balance of power and authority
A.3 The Chairman's role			
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner	✓	The Chairman being responsible for the running of the Board facilitates the effective discharge of Board proceedings and ensures that: • Effective participation of both Executive and Non-Executive Directors is secured • All Directors are encouraged to make effective contributions to proceedings • The views of Directors on issues under consideration are ascertained, and • The Board is in control of the affairs of the Company and alert to its obligations to all stakeholders
A.4. Financial acumen			
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	✓	Refer Board Member Profiles for more information.
A.5 Board balance			
A.5.1	The Board should include Non-Executive Directors of sufficient caliber.	✓	Refer Board Member Profiles section.
A.5.2	Three or two third of Non-Executive to the Board of Directors whichever is higher should be "independent"	✓	Of the Seven Non-Executive Directors appointed three are independent as at date
A.5.3	Definition of Independent Directors	✓	Independent Directors of the Company are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.
A.5.4	Declaration of Independent Directors	✓	Each Non-Executive Director has submitted a signed and dated declaration of his independence.
A.5.5	Board determinations on independence or non-independence of Non-Executive Directors on annual basis	✓	All Independent Directors of the Company met the criteria for independence specified in this rule during the year under review, subject to the change in status of Mr. T. Dharmarahaj after the year under review.

Section		Compliance status	Company's Action
A.5.6	Alternate Director	Not Applicable	
A.5.7	In the event the Chairman and the CEO are the same person, the Board should appoint one of the Independent Non-Executive Directors to be the 'Senior Independent Director' (SID)	Not Applicable	
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, at least once each year.	✔	The Non- Executive Directors met without the Executive Directors being present on one occassions
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes	✔	All the Board meeting proceedings are comprehensively recorded in the Board minutes.
A.6 Supply of information			
A.6.1	Board should be provided with timely information to enable it to discharge its duties	✔	The Board is provided with: • Information necessary to carry out their duties and responsibilities effectively and efficiently. • Information updates from management on topical matters, new regulations and best practices as relevant to the Company, • External and Internal Auditors' opinions • Experts and other external professional services • The services of the Company Secretaries. • Periodic performance reports.
A.6.2	Timely submission of the minutes, agenda and papers re-quired for the Board meeting	✔	Board agendas and necessary Board Papers and minutes are dispatched in advance of the Board meetings
A.7 Appointment to the Board			
A.7.1	Formal and transparent procedure for Board appointments	✔	Board appointments follow a transparent and formal process under the purview of the NGC Committee.
A.7.2	Assessment of the capability of Board to meet strategic demands of the Company	✔	The Board annually assesses its own composition and skills, to ascertain whether the experience and exposure of its members are adequate to meet strategic demands and future needs of the Company. Currently, the Board comprises an appropriate mix of skills and experience to ensure its governance responsibilities are discharged effectively .
A.7.3	Disclosure of new Board member profile and interests.	✔	All appointments of new Directors are disclosed to the shareholders via the Colombo Stock Exchange in terms of the criteria set out by the rule.
A.8 Re-election			
A.8.1 / A.8.2	Re-election at regular intervals and should be subject to election and re-election by Shareholders.	✔	At each Annual General Meeting (AGM), one-third of the Directors, except for the Chairman retire by rotation in terms of the Company's Articles of Association and are eligible for re-election. The retiring Directors are those who have served the longest since their appointment or re-election. Additionally, any new Director appointed during the year must stand for re-election at the subsequent AGM according to the Company's Articles of Association.
A.8.3	In the event a Director resigns prior to his appointed term, shall give reasons for resignation	✔	Resignations during the year were duly announced to the shareholders via the Colombo Stock Exchange.

Section		Compliance status	Company's Action
A.9 Appraisal of Board performance			
A.9.1.	The Board should annually appraise it-self on its performance in the discharge of its key responsibilities	✔	The Board continued with its annual Board performance appraisal. This is a formalised process of self-appraisal, whereby each member assesses, on an anonymous basis, the performance of the Board
A.9.2.	The Board should also undertake an annual self-evaluation of its performance and that of its Committees.	✔	Evaluations were carried out under the areas of: Role clarity and effective discharge of responsibilities
A.9.3.	The Board should review the performance of each Director at the time of re-election	✔	Reviews are conducted annually and at re-election/re-appointment with guidance from the NGC.
A.9.4	The Board should state how such performance evaluations have been conducted	✔	The performance evaluation is analysed to give the Board an indication of its effectiveness as well as areas that required addressing and/or strengthening. Despite the original anonymity of the remarks, the open and frank discussions that follow, including some Directors identifying themselves as the person making the remark, reflects the keenness of the Board.
A.10 Disclosure of information in respect of Directors			
A.10.1	● Profiles of the Board of Directors ● Directors' interests ● Board meeting attendance ● Board Committee memberships	✔	Refer Board profiles and Corporate Governance sections
A 11 Appraisal of CEO			
A 11	Appraisal of CEO	✔	Appraisal of performance of Executive Directors are carried out in accordance with The Group Policies
B. DIRECTORS REMUNERATION			
B.1 Remuneration procedure			
B.1.1	The Board of Directors should set up a Remuneration Committee	✔	Refer the HR & Compensation Report on page 91
B.1.2.	Remuneration Committee should consist exclusively of Non-Executive Directors	✔	
B.1.3.	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year	✔	
B.1.4.	Determination of the remuneration of Non-Executive Directors	✔	Independent Directors receive a monthly retainer for devoting time and expertise for the benefit of the Company in their capacity as Directors. Additional fees are not paid for either chairing or being a member of a Committee. NEDs nominated by the parent entity do not receive any fees.
B.1.5	The Remuneration Committee should consult the Chairman about its proposals relating to the remuneration of other Executive Directors	✔	The remuneration of the Executive Directors are governed by the remuneration policy of the Group.

Section		Compliance status	Company's Action
B.2 The level and make up of remuneration			
B.2.1- B.2.3	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors and designed to promote the long term success of the Company The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies	✓	Remuneration Policy was reviewed by the Committee during the year under review.
B.2.4 / B.2.5	Comparison of remuneration with other Companies in the Group	✓	Consequent to the change in ownership of the Company, its compensation framework was revised in accordance with the Group policies and its plantation sector entities.
B.2.7	Remuneration Committee should follow schedule E in designing schemes of performance-related remuneration	Not adopted	The remuneration scheme is in line with the Group policies.
B.2.8 / B.2.9	Compensation for termination of contracts of Directors	Not adopted	The compensation scheme is in line with the Group policies.
B.2.10	Level of remuneration of NEDs	✓	The fees paid to IDs are based on Group policies which are periodically reviewed to ensure that they are on par with the market.
B.3 Disclosure of remuneration			
B.3	Disclosure of remuneration policy and aggregate remuneration	✓	Refer Report of the Board of Directors
C. Relations with Shareholders			
C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings			
C.1.1	The Notice of AGM and related papers to be sent to shareholders as determined by the Statute, before the meeting.	✓	Notice of the AGM and related documents are sent to shareholders along with the Annual Report within the specified period. The contents of this Annual Report will enable existing and prospective stakeholders to make better informed decisions in their dealings with the Company.
C.1.2	Separate resolution to be proposed for each item, with options to vote for or against or withhold any voting item	✓	The proxy form provides shareholders with the option to direct their proxy to vote either for or against the resolution or withhold their vote.
C.1.3.	Counting of proxy votes	✓	As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution.
C.1.4.	Heads of Board Committees to be available to answer queries	✓	Chairmen of Board Committees are generally available at the Meeting to answer queries.
C.1.5	Summary of procedures governing voting at General meetings to be informed	✓	Refer Form of Proxy
C.2 Communication with Shareholders			
C.2.1 - C.2.7	Effective communication with shareholders	✓	Refer Shareholder Relations section in the Corporate Governance Section.
C.3 Major and Material Transactions			
C.3.1	Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets	✓	All material and price sensitive information about the Company is promptly communicated to the Colombo Stock Exchange where the shares of the Company are listed, and released to the employees, press and shareholders.

Section		Compliance status	Company's Action
D. Accountability and Audit			
D.1. Financial reporting			
D.1.1.	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	✓	This Annual report has been published as stipulated by the code
D.1.2.	Disclosure of interim and other price sensitive and statutorily mandated reports to regulators	✓	The Audit Committee together with the Board of Directors have taken all reasonable steps to ensure accuracy and timeliness of published information with a view of presenting the true and fair view of the interim and annual financial statements.
D.1.3	The Board should obtain compliance statements and declarations from the CEO and the CFO before approving the financial statements	✓	Declarations are obtained from the that in his opinion the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company.
D.1.4	Declaration by the Directors that the Company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	✓	Refer Corporate Governance and Annual Report of the Board of Directors
D.1.5.	Statement of Directors' Responsibility	✓	Refer Statement of Directors' Responsibility
D.1.6.	Management Discussion and Analysis	✓	Refer the Management Discussion and Analysis pages 14 to 55
D.1.7.	Remedial action at Extraordinary General Meeting (EGM) if net assets fall below half of value of Shareholders funds	Not applicable	In the unlikely event that the net assets of the Company fall below a half of Shareholders funds, shareholders would be notified and the requisite resolution would be passed on the proposed way forward.
D.1.8	Disclosure of Related party Transactions	✓	Refer Notes to the Financial Statements
D.2. Risk Management and Internal Control			
D.2.1	Annual review of effectiveness of system of risk management and internal control and report to shareholders as required	✓	The Board has taken the necessary steps to ensure the integrity of the Group's accounting and financial reporting systems and internal control systems that remain effective via the review and monitoring of such systems on a periodic basis.
D.2.2	Robust assessment of the principal risks faced by the Company	✓	Refer Risk Report by ERM Section
D.2.3.	Internal Audit Function	✓	After the transfer of ownership of the Company, the Internal Audit function is performed by the Group Enterprise Risk Management Department. The Auditors' report on the Financial Statements of the Company for the year under review is found in the financial information section of the Annual Report.
D.2.3/ D.2.4	Maintaining sound system of internal control	✓	Refer Auditors Report

Section		Compliance status	Company's Action
D.3 Audit Committee			
D.3.1.	The Audit Committee should comprise a minimum of three non-executive directors of whom at least two should be Independent. The Chairman of the Committee should be an Independent Non-Executive Di-rector. At least one member should have recent and relevant experience in financial reporting and control.	✔	Refer Report of the Audit Committee on page 85
D.3.2.	The Audit Committee to have writ-ten terms of reference covering the salient aspects as stipulated in the section	✔	
D.3.3.	Duties and responsibilities of the Committee	✔	
D.4. Risk Committee			
D.4	Risk Committee	✔	Supported by the Enterprise Risk Management Department of the Group, the Board Audit Committee oversees the Company's internal control processes and the identification and management of risks.
D.5. Related Party Transactions Review Committee (RPTR Committee)			
D.5.1	Definition of a Related Party and Related Party Transactions	✔	Refer Notes to the Financial Statements
D.5.2	The RPTR Committee should comprise exclusively of non-executive directors with a minimum of three. Majority should be independent. The Chairman of the Committee should be an Independent Non-Executive Director.	✔	
D.5.3.	The RPTR Committee to have written terms of reference covering the salient aspects as stipulated in the section	✔	
D.6.	**Code of Business Conduct and Ethics**	✔	Refer the Corporate Governance Section
D.7. Corporate Governance disclosure			
D.7.1.	The Directors should include in the Company's Annual Report a Corporate Governance Report	✔	Refer the Corporate Governance Section
E. Institutional Investors			
E.1. Shareholder voting			
E.1.1	A listed Company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives.	✔	The Company has a well-developed investor relations programme to address the information needs of investment institutions and analysts regarding the Company, its strategy, performance and competitive position
E.2. Evaluation of governance disclosures			
E.2.1.	When evaluating the company's governance arrangements, particularly those relating to the Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	✔	Institutional investors are informed of any changes to the governance structure. The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done via the Investor Relations team and through the AGM or other General Meetings as convened on a need basis.

Section		Compliance status	Company's Action
F. Other investors			
F.1 Investing/divesting decisions			
F.1.1.	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	✔	The Company maintains an active dialogue with shareholders, potential investors, investment banks, stock brokers and other interested parties. Any concerns raised by a Shareholder are addressed promptly and forwarded, when necessary, to the Company Secretaries for consideration and advice.
F.2. Shareholder voting			
F.2.1	Individual shareholders should be encouraged to participate in General Meetings of Companies and exercise their voting rights.	✔	All steps are taken to facilitate the exercise of shareholder rights at AGMs, including the receipt of Notice of the AGM and related documents within the specified period. Shareholders exercise their voting rights for each resolution passed at the AGM. Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and any General Meetings that are convened and to exercise their voting rights and seek clarity, whenever required.
G. Internet of things and Cyber security			
G.1. - G.5	A review with regard to the cyber environment to ensure that appropriate data and information governance processes and controls, e-commerce defences, proactive security and strong incident management processes across the business are in place.	✔	LOIT, a subsidiary of the Parent Company, LOLC Holdings PLC manages the cyber security of the Company and the Parent Company reviews and monitors the cyber environment of the Group.
H. Environment, Society and Governance			
H.1 - H.5.	ESG : Risk and Opportunities	✔	The Group is conscious of the direct and indirect impact on the environment due to its business activities. Every endeavor is made to minimize the adverse effect on the environment to ensure the sustainable continuity of our resources. In terms of application of SLFRS S1 and S2 disclosure requirements, the Group has utilised applicable reliefs permitted by ICASL.

Compliance with Section 9 of the Listing Rules issued by the Colombo Stock Exchange

Section	Principle	Effective date	Compliance and implementation
9.1.3	A statement Disclosure in the Annual report with regard to the extent of compliance with the Rule	01st October 2023	✔ As detailed below, the Company is fully compliant with the requirements of Section 9 of the Listing Rules of the Colombo Stock Exchange.
9.2.1	The Company shall disclose the fact of existence of the prescribed policies	01st October 2024	✔ The policies adopted by the Company are available on the Company Website https://www.brownsplantations.lk/.
9.2.2	Any waivers from compliance with the Internal Code of business conduct and ethics or exemptions granted	01st October 2024	No waivers from, or exemptions to, the Internal Code of Business Conduct and Ethics were granted during the year. No material violations of the Code were reported.
9.2.3	(i) List of policies in place as per Rule 9.2.1, with reference to website (ii) Any changes to policies adopted	01st October 2024	✔ The policies were subject to an annual review to maintain relevance. Material changes made to the policies during the current year, are set out on pages 77 to 78
9.2.4	The Company shall make available all such policies as set out in 9.2.1 to shareholders upon a written request being sent for such policy	01st October 2024	✔
9.3.1/ 9.3.2	The following Board subcommittees should be established and maintained at a minimum and shall function effectively: - a) Nominations & Governance Committee b) Human Resource & Compensation Committee c) Audit Committee d) Related Party Transactions Review Committee	01st October 2023 (*01st October 2024)	✔ The required Subcommittees have been established and are functioning effectively. These Committees assist the Board with its role of oversight of the Company's performance, conformance and sustainability. Refer sec.9.11,9.12,9.13 and 9.14 below for details and the Committee Reports set out on pages 85 to 91
9.3.3	The Chairman of the Board cannot be a Chairman in any of the aforesaid subcommittees	01st October 2024	✔ The Chairman of the board does not serve as the chair of any board subcommittees. All Board Sub-Committees are chaired by an Independent Director.
9.4.1	Maintenance of records of all resolutions and other information stipulated in section 9.4.1 of the listing rules and shall provide copies of the same at the request of the Exchange and or SEC	01st October 2023	✔ The Company Secretary maintains all records of resolutions and information relating to General Meetings.
9.4.2	Communication and relations with shareholders and investors	01st October 2024	✔ The Company has established methodologies to ensure effective communication and relations with shareholders. Details of same are set out in the Policy on Relations with Shareholders and Investors and Stakeholder Communication and Corporate Disclosure Policy adopted by the Company. Designated personnel have been identified as contact persons for such inquiries /communication. Any significant/material issues raised by the shareholders/ investors are escalated to the Board where necessary in a transparent manner. The Company conducted its shareholder meetings online /virtual means while complying with the guidelines issued by the CSE.

Section	Principle	Effective date	Compliance and implementation
9.5.1 & 9.5.2	A Policy on governing matters relating to the Board of Directors should be established with specific requirements prescribed by the Exchange (a) to (j) and to disclose the level of compliance or non-compliance with reasons/remedial actions	01st October 2024	✔ The Company has revised its Board Charter to align with the requirements prescribed by the Exchange. Requirements set out in the Policy have been complied with, by the members of the Board.
9.6.1-4	Requirement for a SID	01st October 2023	✔ The appointment of a Senior Independent Director (SID) is not applicable to the Company. The Chairman of the Board, Dr. P. S. H. Uluwaduge, serves as a Non-Executive Director. The day-to-day management and operational responsibilities of the Company are entrusted to the Executive Directors, who oversee and manage the Company's business and affairs. Refer board composition on page 61
9.7.5	(a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken	01st October 2023	✔ Annual declarations were obtained as per the requirement of Rule 9.7.4. and, the board members have complied with the relevant criteria. The said criteria were considered when recommending the re-election/appointment of directors retiring before the AGM. No non compliances were reported in this regard. ✔ Refer Board profiles and Directors' Report on page 56 to 58 and 79 to 82
9.8.1 & 9.8.2	Minimum number of Directors on the Board should be 5 and the total minimum number of Independent Directors should 2 or 1/3 of the Board, whichever is higher	01st October 2024	✔ The Board comprises 09 Directors, including 3 Independent Directors as at date
9.8.3	A director shall not be considered independent if he/she does not fulfil the criteria defining independence under sections 9.8.3 and 9.8.4 of the Rules.	01st October 2023	✔ For the year under review, the Board has determined that the independence criteria set by these Rules have been met by the Independent Directors on the Board. After the year under review, Mr. T Dharmarajah (who joined the Board on 20th June 2025) attained the age 70 on 07th August 2026, was reclassified as a NED by the Board as he did not meet the age criteria set for independence. Mr. K. Sivanesan was appointed as an Independent Director of Tea Smallholder Factories PLC with effect from 07.08.2026. The Board has considered these appointments against the criteria in Listing Rules 9.8.3 and 9.8.4 and has determined that Mr. Sivanesan continues to be independent. Refer the Corporate Governance and NGC Reports on pages 60 to 76 and 89 to 90
9.8.5	The listed entity shall ensure; a) Each independent director submits a declaration with criteria specified by the Exchange b) The Board shall make an annual determination as to independence / non independence and set out the names of directors determined to be independent in the Annual Report c) If the Board determines that the independence of and independent director has been impaired against any criteria set out in 9.8.3 it shall make an immediate market announcement thereof	01st October 2023	✔ The Company has established a process for determination of independence based on the requirements of this Rule. After the year under review, Mr. T Dharmarajah (who joined the Board on 20th June 2025) attained the age 70 on 07th August 2026, was reclassified as a NED by the Board as he did not meet the age criteria set for independence. Refer the Board of Directors Report and NGC Reports on pages 79 to 82 and 89 to 90

Section	Principle	Effective date	Compliance and implementation
9.9	Alternate Director can be only appointed for a minimum period of one year under special circumstances and he/she should be of the same nature of Directorship	01st January 2024	No alternate Directors have been appointed to the Board during the year under review. The Related Clause of the Articles of Association of the Company was amended at an EGM held on 25th June 2024.
9.10.1	Policy on the maximum number of directorships its board members shall be permitted to hold	01st October 2023	The policy adopted by the Company permits a director to hold office as director in any number of companies/ societies/bodies including subsidiaries and associates of the Company, subject to however, in the case of listed entities, such appointments being limited to 20, subject to avoiding conflicts of interest.
9.10.2	Immediate market announcement upon appointment of new director setting out resume, capacity of directorship, statement indicating if such appointment has been reviewed by the Nominations & Governance Committee	1st October 2023	Relevant Market announcements were made for all new appointments as per the criteria set out by the this rules.
9.10.3	Immediate market announcement regarding any changes to the composition of the Board / subcommittees specified in Rule 9.3	01st October 2023	During the year under review, changes to the directorate, including committee composition were duly announced to the Exchange as per the criteria set out by this rule.
9.10.4	Details relating to Board Members	01st October 2023	Refer pages 56 to 58 for directors' profiles; page 80 for directors' interests in contracts; page 61 for details of Board and Committee membership/meeting attendance details;
9.11	Disclosure requirements regarding the NGC under Rule 9.11.6	01st October 2024	Refer the NGC Report on pages 89 to 90
9.12	Disclosure requirements regarding the Remuneration Committee under Rule 9.12.8	01st October 2023	The aggregate remuneration paid to executive and non executive directors is disclosed on page 81 of the report. Refer Report of the Human Recourses & Compensation Committee on page 91
9.13	Disclosure requirements regarding the Audit Committee under Rule 9.13.5	01st October 2024	Refer Report of the Audit Committee on pages 85 to 87 for further details.
9.14	Disclosure Requirements regarding the Related Party Transactions Review Committee under Rule 9.14.8.3	01st October 2023	Refer Report of the Related Party Transactions Review Committee on page 88
9.14.1-9.14.2	Composition of the Related Party Transactions Review Committee	01st April 2024	The RPTR Committee comprises three Independent Directors. Mr. T Dharmarajah, Independent Director is the Chairperson of the Committee.
	Functions and general requirements	01st October 2023	Refer report of the related party transactions review committee for details on page 88
9.14.8 (1 -2)	Disclosure of non-recurrent Related Party Transactions exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower Disclosure of recurrent Related Party Transactions exceeding 10% of the gross revenue/income	01st October 2023	Refer Note no 34 to the Financial Statements There were no RPTs during the year which required Shareholder approval as set out in Rule 9.14.6. There were no RPTs during the year which required immediate market announcement as set out in Rule 9.14.7. During the year there were no acquisition or disposal of substantial assets from / to Related Parties.
9.14.8(4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect.	01st October 2023	Refer Report of the Board of Directors on pages 79 to 82
9.17	Additional disclosures by Board of Directors under Rule 9.16	01st October 2023	The relevant declarations by the Board of Directors are included in their report on pages 83 to 84.

CORPORATE GOVERNANCE POLICIES ADOPTED BY THE COMPANY

The Company has adopted corporate governance policies to ensure good governance and regulatory compliance and has reviewed and revised its existing policies in line with the Section 9.2.1 of the CSE Listing Rules. The detailed policies can be accessed on the Company's website www.brownsplantations.com

Policy on Matters Relating to the Board of Directors

The Board of Directors of Tea Smallholder Factories PLC is responsible for providing strategic direction, overseeing financial performance, managing risks including sustainability-related risks and ensuring compliance with applicable laws and ethical standards. Sustainability is integrated into the Company's strategy, with the Board approving relevant policies and overseeing transparent reporting and stakeholder engagement on environmental, social and governance (ESG) matters. Committees are established where necessary to support these responsibilities with defined roles and accountability. The Board comprises a balanced mix of skills, experience, diversity and independence and meets regularly to ensure effective governance. Performance evaluations are conducted periodically, while comprehensive records are maintained and progress is reported to stakeholders, ensuring transparency and adherence to regulatory requirements and best practices.

Amended by the inclusion of Sec 10 on Disclosure of Interests and linked the Terms of Reference of Board Members as an annexure to the policy.

Policy on Board Committees

The Board of Directors of Tea Smallholder Factories PLC may establish Board and Management Committees to support its responsibilities, delegate authority and ensure effective governance. The Company is required to maintain key Board Committees, including the Nominations & Governance Committee, Talent Development & Remuneration Committee, Audit Committee, Related Party Transactions Review Committee, Integrated Risk Management Committee and Sustainability Committee, in line with the rules of the Colombo Stock Exchange and other relevant standards. Each committee operates under clearly defined terms of reference and comprises at least three directors, including a minimum of two Independent Directors. All committees are chaired by an Independent Director, who is not the Chairperson of the Board. Committees are expected to include members with relevant expertise, be supported by a designated Secretary and are encouraged to rotate membership to promote diverse perspectives. The activities of each committee are reported at the Annual General Meeting.

Policy on Corporate Governance, Nominations and Re-Election

The Policy on Corporate Governance, Nominations and Re-Election of Tea Smallholder Factories PLC sets out a clear and transparent framework for the appointment and re-election of Board members, ensuring strong governance and alignment with the Company's strategic objectives. The policy applies to all Board and committee appointments, with the Nominations and Governance Committee comprising mainly Independent, Non-Executive Directors responsible for identifying, evaluating and recommending candidates based on their skills, experience, independence, diversity and suitability. Re-election of Directors is based on regular performance evaluations and compliance with governance standards, with recommendations submitted to the Board and subject to approval by shareholders. The policy also ensures proper disclosure of candidate information and any potential conflicts of interest and is reviewed periodically to ensure continued relevance and alignment with regulatory requirements and best practice.

Policy on Remuneration

The Remuneration Policy of Tea Smallholder Factories PLC aims to attract, retain and motivate employees by providing competitive compensation aligned with market standards and the Company's performance.

Executive Directors are offered a combination of base salary, perquisites and performance-based bonuses, with remuneration levels reviewed annually and benchmarked against comparable companies. Non-Executive Directors receive a monthly retainer and meeting fees, along with additional fees for participation in Board Sub-Committees. Alternate Directors are paid per meeting in place of the Director they represent. The remuneration of the Chief Executive Officer is linked to performance and aligned with market practices. Bonuses for Executive Directors consist of both fixed and variable components, with the variable portion based on performance.

Policy on Internal Code on Business Conduct and Ethics

The Internal Code on Business Conduct and Ethics of Tea Smallholder Factories PLC outlines the expected ethical standards for directors and officers, focusing on integrity, loyalty, compliance with laws and accountability. It provides guidance on managing conflicts of interest, safeguarding confidential information, ensuring accurate financial reporting, proper use of Company assets and responsible trading in Company securities. Directors and officers are required to declare personal interests, avoid benefiting personally from Company opportunities and report any unethical or unlawful conduct without fear of retaliation. Compliance with all applicable laws is mandatory and any violations may result in disciplinary action. The Code also requires annual declarations of compliance and any waivers must be approved by the Board of Directors.

Amended Sec 7 on Trading in the Company's listed securities by related/connected parties, by deleting the exclusion clause for exemptions for trading during restricted days.

Policy on Risk Management and Internal Controls

Tea Smallholder Factories PLC, is committed to protecting its assets and investments through a strong risk management and internal control framework. This policy applies to all employees and functions and encourages stakeholders to uphold its principles. The Company regularly identifies and assesses a wide range of risks, including strategic, market, operational, regulatory, reputational and sector-specific risks and adopts appropriate measures such as avoidance, reduction, sharing, or acceptance to manage them. A strong control environment is maintained through established processes, clear segregation of duties, authorisation controls and physical safeguards. Compliance with applicable laws and industry standards is ensured, while responsibility for risk management is assigned to business unit heads, who regularly review the effectiveness of controls. Internal audits provide independent assurance on the adequacy of controls and all employees are required to promptly report any control weaknesses.

Policy on Relations with Shareholders and Investors

Tea Smallholder Factories PLC is committed to transparent, accurate and timely communication with its shareholders, investors and other stakeholders ensuring they receive all material information about the Company's governance, operations, financial performance and future prospects. Communication is managed through designated spokespersons and official channels such as the Company website, social media, press releases and annual general meetings with proper attention to confidentiality and regulatory compliance. The Company proactively addresses market rumours, provides access to analysts and the media and encourages shareholder engagement and feedback. Material information is disclosed promptly following a clear approval process while insiders are strictly regulated to prevent misuse of confidential data. Major developments and crisis situations are handled with special care, ensuring all stakeholders remain well informed. The Company regularly updates its policies and provides multiple channels for stakeholders to connect and stay informed.

Policy on Environmental, Social and Governance Sustainability

The Environmental, Social and Governance (ESG) Sustainability Policy of Tea Smallholder Factories PLC sets out the Company's commitment to responsible and sustainable business practices that balance economic growth, social responsibility and environmental protection. Guided by its vision and mission, the Company integrates sustainability into its operations through initiatives focused on employee well-being, community development, environmental conservation and strong corporate governance. The policy establishes clear targets up to 2030 across economic, environmental and social areas, including reducing emissions, promoting ethical sourcing, encouraging innovation and improving board diversity. Progress is measured using defined key performance indicators and is reported annually through the Sustainability Report, along with regular internal updates and stakeholder engagement to ensure transparency, accountability and continuous improvement.

Policy on Control and Management of Company Assets and Shareholder Investments

The Policy on Control and Management of Company Assets and Shareholder Investments of Tea Smallholder Factories PLC sets out the framework for the efficient management, protection and use of its assets and shareholder funds. It applies to all employees, management and Board members. The policy covers the classification, acquisition, use, verification, transfer, depreciation and disposal of assets, including physical, intangible and investment properties. All assets are recorded in a centralised register, assigned unique identification and managed through defined approval and documentation procedures. It also ensures that shareholder investments are utilised strategically, supported by proper reporting, risk management and governance oversight. Regular audits, employee training and annual policy reviews are carried out to maintain compliance, transparency and effectiveness.

Policy on Stakeholder Communication and Corporate Disclosures

The Stakeholder Communication and Corporate Disclosure Policy of Tea Smallholder Factories PLC ensures timely, accurate and transparent communication with all stakeholders, including regulators, shareholders, customers, employees, suppliers, creditors and the community, in compliance with applicable laws and Colombo Stock Exchange (CSE) requirements. The policy requires the fair disclosure of material information, prohibits selective disclosure and insider trading and ensures the confidentiality of unpublished sensitive information. Communication is carried out through various channels such as financial reports, press releases, the Company's website, social media and direct engagement, with only authorised individuals permitted to speak on behalf of the Company. It also governs communication during blackout periods, promotes language accessibility for customers and ensures consistency in maintaining the Company's brand image across all platforms.

Policy on Anti-bribery and Corruption

The Anti-Bribery and Corruption Policy of Tea Smallholder Factories PLC outlines the Group's commitment to ethical conduct, transparency and accountability, ensuring that all operations are free from fraud and corruption. The policy applies to all employees (excluding interns) and defines fraud and corruption broadly to include bribery, extortion, facilitation payments, conflicts of interest and misuse of resources. It establishes clear procedures for prevention, detection, reporting and response. It emphasises strong leadership, effective internal controls, due diligence on third parties, mandatory training and protection for whistle-blowers. Responsibilities are clearly assigned across executive management, supervisors, the ERM team, IT and auditors, ensuring compliance with national and international regulations, including the Anti-Corruption Act No. 9 of 2023. Confidential reporting channels and investigation procedures are in place and any violations or acts of retaliation may result in disciplinary action.

Policy on Whistleblowing

The Whistleblowing Policy of Tea Smallholder Factories PLC promotes honesty, integrity and transparency by encouraging employees and stakeholders to report any unethical or illegal conduct without fear of retaliation. The policy covers fraud, misconduct, harassment, safety violations and breaches of laws or Company policies. Reports may be made to immediate supervisors or the Head of Enterprise Risk Management and will be handled with strict confidentiality. The Company ensures protection against retaliation and will take disciplinary action against any such conduct. All reports are subject to prompt, fair and impartial investigation, with appropriate action taken where necessary. This policy applies to all employees and stakeholders and is reviewed regularly to ensure its continued effectiveness.

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

The Directors of Tea Smallholder Factories PLC (Company) have pleasure in presenting their 32nd Annual Report of the Company together with the audited financial statements for the year ended 31st March 2026.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 (Companies Act), the Listing Rules of the Colombo Stock Exchange (CSE), Code of best practice on Related Party Transactions (RPT) published by the Securities and Exchange Commission of Sri Lanka (SEC), and the Code of Best Practice on Corporate Governance issued by CA Sri Lanka to the extent of business exigency as required by the Company and are guided by recommended best accounting practices.

Principal Activities and Business Review

The principal activity of the Company is processing green leaves purchased from tea smallholders and the sale of processed black tea. There has been no change in the activities of the Company in the year under review.

The Company operates a network of tea factories situated in key tea-growing regions of Sri Lanka and maintains close relationships with its smallholder supplier community.

During the year, the Company continued to focus on improving product quality, operational efficiency and factory productivity, while strengthening green leaf procurement and supporting sustainable practices across its supply network of smallholder growers. Business performance was influenced by prevailing tea market conditions, green leaf availability, production costs and movements in auction prices. The Company remains committed to enhancing stakeholder value through disciplined cost management, quality-focused manufacturing and sustainable engagement with tea smallholders.

A comprehensive review of the Company's business performance, operating environment, financial results and future outlook is presented in the Chairman's Message (pages 10 to 12) Operations Review (pages 28 to 29) and Financial Review (pages 30 to 33). These sections, read in conjunction with the Audited Financial Statements, collectively provide a fair and comprehensive view of the state of affairs of the Company.

Financial Statements & Auditors' Report

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and the requirements of the Companies Act No. 07 of 2007.

The Financial Statements together with the Independent Auditor's Report are set out on pages 96 to 138 of this Annual Report.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 104 to 138. There were no changes in the accounting policies adopted except accounting policies mentioned in Note 3.1 to the Financial Statements

Financial Results

The financial results of the Company for the year ended 31 March 2026 are set out in the Audited Financial Statements.

The revenue generated by the Company for the year under review amounted to Rs. 3,315.97 Mn (2024/2025 - Rs. 2,797 Mn) which is an 19% increase compared to the previous year. An analysis of the revenue based on geographical segments is disclosed in note 5.2 to the financial statements on page 108.

The Company recorded a profit before taxation of LKR 236.3 Mn during the year under review. Further information on financial performance is provided in the Financial Review section and Note 5 to the Financial Statements.

Taxation and Statutory Payments

The Company is liable to income tax at 30 percent (2025/2026 - 30 percent) in terms of the Inland Revenue Act No. 45 of 2022 and amendments thereto. A detailed statement of the income tax rates applicable to the Company and a reconciliation of the accounting profits with the taxable profits are given in Note 16 to the financial statements on pages 119 to 121.

The Directors confirm that all known statutory dues, taxes, levies and other obligations payable by the Company, including employee-related statutory payments, have been paid when due or adequately provided for in the Financial Statements

Stated Capital and Reserves

The stated capital of the Company as at 31st March 2026 was Rs. 150 Mn (as at 31st March 2025 - Rs. 150 Mn) with 30 Mn shares in issue.

The total reserves of the Company as at 31st March 2026 amounted to Rs. 1,728 Mn (as at 31st March 2025 - Rs. 1,563 Mn). The movement in these reserves is shown in the statement of changes in equity on page 102.

Property, Plant and Equipment

The carrying value of property, plant and equipment of the Company as at 31st March 2026 was Rs. 982 Mn (as at 31st March 2025 was Rs. 976.46 Mn). The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company amounted to Rs. 71.2 Mn (2024/25 Rs. 48.60 Mn). The movement of property, plant and equipment during the year is shown in note 17.2 of the financial statements on page 123

Right of use assets amounting to Rs. 1.87 Mn (2024/2025 - Rs. 1.95 M Mn) have been shown separately from property, plant and equipment as per SLFRS 16 – Leases.

Investment properties totaling to Rs. 996 Mn have been shown separately from property, plant and equipment as per LKAS 40 – Investment Properties.

Details of valuation of property, plant and equipment and investment property are provided in notes 17.3, 17.4 and 19.3 to the financial statements on pages 123, 124 & 126 to 128 respectively.

Dividends

After considering the financial position, cash flow requirements, and investment needs of the Company, no dividends were recommended for the period under review.

Investor Information

The distribution and composition of shareholders including 20 largest shareholders, and information relating to share trading, market capitalisation, public holding percentage, and the number of public shareholders is set out in the Investor Information section of the Annual Report on pages 142 to 144.

Corporate Donations

The Company has not made any donations during the year under review.

Employment Policy

The Company's employment policy is non-discriminatory in all aspects and respects individuals and provides career opportunities irrespective of gender, race or religion. Regular performance appraisal and evaluation schemes are in place and training, development and promotion opportunities are available to all employees who qualify.

The number of persons employed by the Company as at 31st March 2026 was 411 (as at 31st March 2025 - 309). There were no material issues pertaining to employees and industrial relations during the year under review.

Employees' Health & Safety

More attention has been given to employees' health and safety and several training programs have been conducted to educate, improve awareness and encourage good practices of safety and health by employees at all levels. A comprehensive evaluation of health and fire hazards was undertaken in all the factories by the Company's engineering division during the period under review and their recommendations have been implemented in full.

Directorate

The Board of Directors during the year under review comprised the following:

Dr. P. S. H. Uluwaduge
Non-Executive Director / Chairman

Mr. D S K Amarasekara
Non-Executive Director

Mr. G. D. V. Perera
Non-Executive Director

Mr. A. S. Perera
Executive Director

Mrs. A. Goonetilleke
Independent Director

Mr. T. Dharmarajah
Independent Director
(status changed to Non-Executive Director on 7th August 2026 in terms of Rule 9.8.3.ix of the CSE.)

Mr. U. H. E. Silva
Independent Director

Mr P P Edirisinghe
Independent Director
(r.w.e.f 26th September 2025)

N. R. Nanayakkara
Executive Director
(a.w.e.f. 02nd April 2026)

Mr. K. Sivanesan
Independent Director
(a.w.e.f. 7th August 2026)

Detailed profiles of the Board of Directors are given on pages 56 to 58.

The Board places on record their sincere appreciation for the invaluable contribution provided by Mr. Priyan Edirisinghe during his tenure. The Board welcomes Mr Niveyn Nanayakkara and Mr Kanthimany Sivanesan and anticipate benefiting from their expertise in achieving significant growth.

Retirement of Directors and their Re-Election

With the recommendation of the Nominations & Governance Committee, the Board seeks re-election/re-appointment of the following directors:

In accordance with Article 90 of the Articles of Association of the Company Mr. N. R. Nanayakkara and Mr. K. Sivanesan will retire and offer themselves for re-election.

In accordance with Article 83 of the Articles of Association of the Company Mrs. A. Goonetilleke will retire by rotation and offer herself for re-election.

In terms of section 210, Mr. Ganegodage Dhamitha Vaamaka Perera, who is 74 years and Mr. Thiyagarajaha Dharmarajah, who reached 70 years on 7th August 2026 will retire and offer themselves for re-appointment. Special notice has been received from a shareholder in terms of Section 211 of the Companies Act No. 7 of 2007 proposing the passing of Ordinary Resolutions for the reappointment of these two directors, notwithstanding that they have attained/over the age of 70 years.

The Board further seeks the approval of the public shareholders to re-designated Mr. Dharmarajah as an ID.

Fit and Proper Assessment of Directors

Annual declarations were obtained from the Directors in compliance with rule 9.7.4 of the listing rules of the Colombo stock exchange, confirming their continuous adherence to the prescribed Fit and Proper Assessment criteria. Based on these declarations and the assessments carried out, the Board confirms that all Directors satisfy the Fit & Proper Assessment Criteria stipulated by the CSE and further confirm continuous compliance throughout the financial year and up to the date of signing.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics applicable to all Directors and employees. The Code promotes the highest standards of integrity, ethical conduct, and professional behaviour and provides a framework for managing actual or potential conflicts of interest.

All Directors annually confirm their compliance with the Code. The Board confirms that no waivers were granted and that no material violations were recorded during the year.

Directors Interests in Contracts

The Company maintains an Interests Register in terms of Sec 192 and 193 of the Companies Act No. 7 of 2007 and is available for inspection upon request. The disclosures made by Directors have been noted by the Board, recorded in the minutes and entered into the Interest Register.

The Directors confirm that all material interests in contracts involving the Company have been disclosed to the Board and wherever any Director is materially interested in a contract or proposed contract with the Company, they would refrain from voting on such contracts. During the year under review, the Company did not enter into any contracts in which any Director was materially interested.

The declarations made by the directors confirm that there are no financial, business, family or other material/relevant relationship(s) between the Chairman and the Executive Director/CEO and/or amongst the other members of the Board.

Other directorships held by the Directors in Sri Lanka are disclosed on pages 83 to 84.

Directors' Shareholding

Details of the Directors' shareholdings in the Company as at 31 March 2026 are provided below:

	As at 31.03.2026	As at 31.03.2025
Dr. P. S. H. Uluwaduge	Nil	Nil
Mr. G.D.V. Perera	Nil	Nil
Mr. D. S. K. Amarasekara	Nil	Nil
Mr. A. S. Perera	Nil	Nil
Mr. N Nanayakkara	Nil	Nil
Mr. T. Dharmarajah	Nil	Nil
Mr. U. H. E. Silva	Nil	Nil
P. Edirisinghe	Nil	Nil
Mrs. A. Goonethileke	Nil	Nil
Mr K. Sivanesan	Nil	Nil

Directors' Remuneration

The remuneration of Directors is determined in accordance with the Company's approved remuneration policy and is designed to attract, retain and motivate individuals with the appropriate skills and experience.

Details of Directors' remuneration for the period ended 31st March 2026 are disclosed in Note 34.4 to the Financial Statements on page 137. Further information on the remuneration framework and practices of the Company is set out in the Human Resource & Compensation Committee Report on page 91.

Related Party Transactions

The Directors confirm that the Company is in compliance with the Listing Rules of the Colombo Stock Exchange relating to Related Party Transactions.

All Related Party Transactions entered into during the year were reviewed by the Related Party Transactions Review Committee to ensure that such transactions were conducted on normal commercial terms and were not prejudicial to the interests of the Company or its minority shareholders. More details in this regard are shown in the report of the Related Party Transactions Review Committee appearing on page 88 of this Annual Report.

In terms of LKAS 24, details of Related Party Transactions are disclosed in Note 34 in the Financial Statements.

Corporate Governance

The Board of Directors is committed to upholding the highest standards of corporate governance and ensuring compliance with all applicable laws, regulations, and best practices. The Corporate Governance Report on pages 60 to 76 provide information to aid understanding of how the Company has applied the principles of corporate governance rules.

The Company is compliant with Section 9 of the Listing Rules of the Colombo Stock Exchange

Internal Controls and Risk Management

The Board, through the Audit Committee, has reviewed the effectiveness of the Company's system of internal controls and risk management framework and is satisfied that appropriate controls and processes were in place throughout the year to support effective governance, safeguard assets, ensure compliance with applicable laws and regulations, and facilitate the reliable preparation of financial information.

The internal audit function of the Company is carried out by the Group Enterprise Risk Management (ERM) Team, which periodically reviews the adequacy and effectiveness of the Company's risk management and internal control processes against established policies and procedures. The findings of such reviews are reported to the Audit Committee, and any control deficiencies or areas requiring improvement are communicated to the relevant management personnel for timely remedial action. The implementation of agreed actions is monitored by the Audit Committee and reported to the Board, where appropriate.

Compliance with Laws and Regulations

The Company is committed to full compliance with all statutory obligations mandated by regulators. Through participation in various workshops/forums and updates from the Company Secretaries and the Management, the Board of Directors keeps abreast of laws, rules, regulations and changes thereto, particularly to Listing Rules and applicable capital market provisions.

To the best of the knowledge of the Directors, the Company has not engaged in any activity that contravenes any applicable law or regulation, and has been in compliance with all prudential requirements, regulations and laws.

Furthermore, the Directors confirm that there were no fines which are material imposed on the Company by any Governmental or regulatory authority in the country.

Fair Treatment for Stakeholders

The Company has taken necessary measures to ensure fair and equitable treatment for all its stakeholders.

Events Occurring After Reporting Date

The Directors are not aware of any material events occurring after the reporting date which would require adjustment to or disclosure in the Financial Statements except those disclosed in Note 40

Going Concern

Having reviewed the Company's financial position, cash flows and funding facilities, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the financial statements have been prepared on a going concern basis.

External Auditors of the Company

The Auditors Messrs Ernst & Young, Chartered Accountants, who have served as External Auditors since the inception of the Company will retire at the conclusion of the AGM. The Directors take this opportunity to place on record their gratitude for the services rendered by the Auditors, Messrs Ernst & Young over the past years.

The Auditors have confirmed their independence and the absence of any direct or indirect interest in contracts with the Company and its subsidiaries and the Directors are satisfied that the Auditors do not have any other relationship (other than that of an auditor) with the Company or any of its subsidiaries.

Having considered the recommendations of the Audit Committee, in accordance with best practices which recommends the periodic rotation of auditors and to improve audit alignment with the Group, the Board recommends that Messrs. KPMG, Chartered Accountants be appointed as Auditors for the year 2026/2027 at a fee to be decided upon by the Board.

Audit and audit-related fees paid to the Auditors are disclosed in Note 13 to the Financial Statements.

Annual Report

The Board of Directors approved the Financial Statements on 28th August 2026. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

Annual General Meeting

The Annual General Meeting will be held on 22nd September 2026 at 10:00 a.m. as a virtual meeting with arrangements for the on-line meeting platform made at LOLC Holdings PLC, No.100/1, Sri Jayawardenapura Mawatha, Rajagiriya.

By Order of the Board of Directors

Dr Pradeep Uluwaduge	**Anusha Perera**	**LOLC Corporate Services (Private) Limited**
Chairman	Executive Director	Secretaries

28th August 2026

DIRECTORS' DECLARATION

Name of the Director	Directorates	Nature of the Appointment
Dr. P. S. H. Uluwaduge	Hapugastenne Plantations PLC	Chairman
	Udapussellawa Plantations PLC	Chairman
	Tea Smallholder Factories PLC	Chairman
	Maturata Plantations Ltd	Chairman
	Pussellawa Plantations Limited	Director
	Leapstitch Technologies (Private) Limited	Director
	Sun Yield Bio Ingredients (Pvt) Ltd	Director
	Galoya Plantations (Pvt) Limited	Director
	F L M C Plantations (Private) Limited	Director
	Ceylon Estate Teas (Private) Limited	Director
	Melfort Green Teas (Private) Limited	Director
	Browns Power Holdings (Pvt) Ltd	Director
	Browns Plantation Holdings (Pvt) Ltd	Director
	Browns Tea Brokers (Pvt) Ltd	Director
Mr. D. S. K. Amarasekera	Browns Investments PLC	Non Exc. Director
	Dolphin Hotels PLC	Non Exc. Director
	Eden Hotel Lanka PLC	Non Exc. Director
	Hapugastenne Plantations PLC	Non Exc. Director
	Hotel Sigiriya PLC	Non Exc. Director
	Palm Garden Hotels PLC	Non Exc. Director
	Serendib Hotels PLC	Non Exc. Director
	Sierra Cables PLC	Non Exc. Director
	Tea Smallholder Factories PLC	Non Exc. Director
	Udapussellawa Plantations PLC	Non Exc. Director
	Maturata Plantations Ltd	Director
	Pussellawa Plantations Limited	Director
	F L P C Management (Pvt) Ltd	Director
	F L M C Plantations (Pvt) Ltd	Director
	Ceylon Estate Teas (Pvt) Ltd	Director
	Melfort Green Teas (Pvt) Ltd	Director
Mr. G. D. V. Perera	Hapugastenne Plantations PLC	Exc. Director
	Udapussellawa Plantations PLC	Exc. Director
	Tea Smallholder Factories PLC	Director
	Maturata Plantations Ltd	Director
	Sinharaja Eco Lodge	Director
Mr. A. S. Perera	Hapugastenne Plantations PLC	Exc. Director
	Udapussellawa Plantations PLC	Exc. Director
	Tea Smallholder Factories PLC	Exc. Director
	Maturata Plantations Ltd	Director
	Pussellawa Plantations Ltd	Director
	Ceylon Estate Teas (Pvt) Ltd	Director
	F L M C Plantations (Pvt) Ltd	Director
	Melfort Green Teas (Pvt) Ltd	Director
	Newburgh Green Tea (Pvt) Ltd	Director
	Plantation Human Development Trust	Director

Name of the Director	Directorates	Nature of the Appointment
Mrs. A. Goonetilleke	Tea Smallholder Factories PLC	Independent Director
	John Keells Hotels PLC	Independent Director
	Sunshine Holdings PLC	Independent Director
	PGP Glass Ceylon PLC	Independent Director
	Goodhope Asia Holdings Ltd	Aud. Com. Member
Mr. T. Dharmarajah	Eden Hotel lanka PLC	Independent Director
	Palm Garden Hotels PLC	Independent Director
	Serendib Hotels PLC	Independent Director
	Renuka City Hotels PLC	Independent Director
	Dolphin Hotels PLC	Independent Director
	Hotel Sigiriya PLC	Independent Director
	Udapussellawa Plantations PLC	Independent Director
	Hapugastenne Plantations PLC	Independent Director
	Tea Smallholder Factories PLC	Independent Director
	Amerasekera & Company	Director
	Postgraduate Institute of Indigenous Medicine	Director
	Management Applications (Pvt) Limited	Director
	DHS Medical Group (Pvt) Limited	Director
Mr. U. H. E. Silva	Hapugastenne Plantations PLC	Independent Director
	Udapussellawa Plantations PLC	Independent Director
	Tea Smallholder Factories PLC	Independent Director
Mr. N. R. Nanayakkara	Hapugastenne Plantations PLC	Exc. Director
	Udapussellawa Plantations PLC	Exc. Director
	Tea Smallholder Factories PLC	Exc. Director
	LOLC Technologies Limited	Director
	Browns EV (Pvt) Ltd	Director
	Browns Power Holdings (Pvt) Ltd	Director
	Browns Hotels & Resorts (Pvt) Ltd	Director
	Browns Plantation Holdings (Pvt) Ltd	Director
	Maturata Plantations Ltd	Director
	Pussellawa Plantations Ltd	Director
	Melfort Green Teas (Pvt) Ltd	Director
Mr. K. Sivanesan	Browns Investments PLC	Senior Independent Director
	LOLC Holdings PLC	Independent Director
	Agstar PLC	Independent Director
	Hapugastenne Plantations PLC	Independent Director
	Udapussellawa Plantations PLC	Independent Director
	Tea Smallholder Factories PLC	Independent Director
	LOLC Life Assurance Limited	Independent Director
	Waharaka Energy (Private) Limited	Director

REPORT OF THE BOARD AUDIT COMMITTEE

Tea Smallholder Factories PLC

The Board Audit Committee of Tea Smallholder Factories PLC was constituted in compliance with the Listing Rules of the Colombo Stock Exchange. This Report sets out the manner in which the Company has complied with the requirements applicable to the Audit Committee during the financial year ended 31st March 2026.

Composition

As at 31st March 2026, the Board Audit Committee comprised the following Directors:

Member	Directorship	Attendance
Mr. T. Dharmarajah	Independent Director / Chairman	3/4
Mr. U. H. E. Silva	Independent Director	2/4
Mrs. A. Goonetilleke	Independent Director	3/4
Mr. P. P. Edirisinghe (r.w.e.f. 26.09.2025)	Independent Director	2/2

The Board Audit Committee comprised a majority of Independent Directors throughout the year. The Chairman of the Board Audit Committee, Mr T Dharmarajah, is a fellow member of the Institute of Chartered Accountants of Sri Lanka. The Committee members collectively possess an appropriate blend of financial expertise, accounting knowledge, business acumen, and familiarity with financial reporting frameworks, internal controls, risk management, and regulatory compliance necessary to discharge the Committee's oversight responsibilities.

Members are committed to maintaining and enhancing their financial knowledge through continuous professional development, keeping abreast of evolving accounting standards, regulatory changes, and emerging risks affecting the Company's financial position.

After the year under review, on 7th August 2026 Mr. T. Dharmaraja was reclassified as a NED on reaching the age of 70 years in terms of the Listing Rules, while Mr. K. Sivanesan was appointed as an ID of the Company and to serve in the capacity of Interim Chairman of the Committee until such time Mr. Dharmarajah is reappointed and designated independent at the Annual General Meeting.

Meetings

Four Audit Committee meetings were held during the year under review. The attendance of individual members is set out in the composition table above.

Executive Directors, Head of Finance, External Auditors and Internal Auditors attended meetings by invitation. Senior management and other relevant officials were also invited to attend as necessary, facilitating constructive dialogue on identified risks, control weaknesses, operational challenges, and the timely implementation of mitigation measures.

Terms of Reference

The Audit Committee operates under a comprehensive Audit Charter approved by the Board, which clearly defines its scope, purpose, authority and responsibilities. The TOR is subject to periodic review and, where necessary, revision to reflect evolving regulatory requirements and best practice.

The performance of the Audit Committee is evaluated annually through a formal self-assessment process, enabling the Committee to continuously enhance its effectiveness and its contribution to the Board's oversight responsibilities.

The Audit Committee assists the Board in fulfilling its oversight responsibilities in relation to:

- Integrity of financial reporting and disclosures.
- Effectiveness of internal control systems and risk management processes.
- Performance, independence and objectivity of the External Auditors.
- Effectiveness of the internal audit function.
- Compliance with applicable legal, regulatory and financial reporting requirements.
- Review of related party transactions and potential conflicts of interest where relevant.

The Committee reviews quarterly and annual financial statements prior to Board approval and monitors the adequacy of the Company's governance, risk management and internal control framework.

Functions of the Board Audit Committee

During the year, in the discharge of its duties, the Committee, among other matters:

- Reviewed the Company's quarterly and annual Financial Statements prior to their submission to the Board for approval, with particular attention to changes in or the implementation of significant accounting policies, significant management judgements, unusual transactions, and compliance with Sri Lanka Accounting Standards and other applicable legal and regulatory reporting requirements;
- Oversaw the Company's compliance with financial reporting requirements, the disclosure requirements of the Listing Rules, the Companies Act No. 7 of 2007, the SEC Act, and other relevant financial reporting regulations;
- Assessed the independence and performance of the External Auditors and made recommendations to the Board regarding their appointment, re-appointment, remuneration, and terms of engagement;
- Reviewed the scope and results of the internal and external audits and the effectiveness, independence, and objectivity of the auditors;
- Oversaw the adequacy and effectiveness of the Company's internal controls and risk

management processes to ensure they meet the requirements of the Sri Lanka Auditing Standards, including controls relevant to information technology systems and the prevention of leakage of material, price-sensitive information to unauthorised persons;

- Reviewed the risk policies adopted by the Company and assessed the overall control environment, including business continuity arrangements;
- Reviewed related party transactions and situations giving rise to actual or potential conflicts of interest brought to its attention;
- Obtained assurance from the ED and CFO regarding the maintenance of proper financial records and the true and fair presentation of the Company's financial statements, and regarding the adequacy and effectiveness of the Company's risk management and internal control systems; and
- Reviewed and approved the Internal Audit Plan for the ensuing financial year.

Internal Audit Function

The Company's internal audit function is carried out by the Enterprise Risk Management (ERM) Division of the LOLC Group, which maintains a dedicated Plantation Audit team, including two Plantation Specialists who provide technical advisory support on plantation management and agricultural practices.

In line with Group-level auditing protocols, the internal audit approach has moved to factory-based audits designed to identify control gaps in each operation, process, and procedure at estate level. The audit scope covers four main domains: internal controls over field management, factory operations, staff and worker administration, and office operations, including multi-crop operations where applicable. Factory audits are conducted on an annual cycle, with follow-up reviews in the subsequent year.

In addition, technical reviews are conducted on specific operational practices and recurring issues across the Company, and investigations and incident-management activities are undertaken as required to identify risks, process enhancements, and mitigation actions. The internal audit scope also extends to Head Office departments providing support services to the Company, covered based on risk and requirement, with all departments audited at least once every two years.

The BAC is satisfied that the internal audit function operates free from conditions that would impair its ability to carry out its activities independently and objectively, and that it is appropriately resourced to evaluate and report on the adequacy, integrity, and effectiveness of the Company's system of internal control, risk management, and governance.

Following quarterly review of internal audit reports submitted by the ERM Division, the BAC oversaw the effectiveness of internal controls across the Company and the Group. At the end of the financial year, the ERM Division submitted an Internal Audit Plan for the forthcoming financial year, presented by the Deputy General Manager – Enterprise Risk Management, which the Committee reviewed and approved. This risk-based plan addresses key compliance, financial, and operational matters significant to the Company's overall performance.

Risk Management and Internal Control

Based on the reviews conducted during the year, including internal audit reports, discussions with management, and the assurances referred to in Section 7 below, the BAC is of the view that the Company's system of risk management and internal control, both at Company and Group level, is adequate and effective in all material respects for the year under review.

The Company operates within the plantation and agri-business sector, which is inherently exposed to a range of external and internal risk factors. The Board recognises that the effective management of these risks is essential to safeguarding stakeholder value and supporting the long-term sustainability of the Company.

To this end, the Board has established a structured risk management framework, supported by Management and overseen by the Audit Committee, to identify, assess, monitor, and mitigate risks that may materially impact the Company's operations, financial performance, and strategic objectives.

The Internal auditors regularly update the Audit Committee and the Board regarding the effectiveness of the Company's risk management and internal control systems. The Board ensures that appropriate measures are in place to address emerging and existing risks.

Assurance from the CFO and the ED

The BAC confirms that it has received assurance from the CFO and ED of the Company that the Company's financial records have been properly maintained and that the Financial Statements give a true and fair view of the Company's operations and financial position, and regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

Compliance with Financial Reporting Requirements

Having reviewed the Company's quarterly and annual Financial Statements, the accounting policies applied, and the quality and adequacy of management information provided to it, the BAC is of the opinion that the Financial Statements of the Company for the year ended 31st March 2026 have been prepared and presented in compliance with the Sri Lanka Accounting Standards, the requirements of the Companies Act No. 7 of 2007, the SEC Act, and other applicable financial reporting regulations.

External Audit

Messrs Ernst & Young, Chartered Accountants, served as the External Auditors of the Company during the year.

The Audit Committee has made its own determination of the independence of the External Auditors and is satisfied, on the basis of the Declaration of Independence obtained from the auditors, that Messrs Ernst & Young are independent, having found no evidence of any interest on their part in the results published in the Company's Financial Statements other than in their capacity as External Auditors, nor any reason to believe that such independence has been impaired during the year.

The Audit Committee confirms that it has obtained written assurance from Messrs Ernst & Young, confirming that they are and have been independent throughout the conduct of the audit engagement, in accordance with the terms of all relevant professional and regulatory requirements.

The Auditors Messrs Ernst & Young, Chartered Accountants, who have served as External Auditors since the inception of the Company will retire at the conclusion of the AGM.

During the year under review the Auditors were paid Rs. 2.835 Mn as audit fees.

In accordance with best practices, which recommends periodic change of auditors, the Committee recommends that Messrs. KPMG, Chartered Accountants be appointed as Auditors for the year 2026/2027 at a fee to be decided upon by the Board.

Conclusion

The Board Audit Committee is satisfied that it has discharged its responsibilities during the year under review, and has kept the Board informed of matters within its remit through quarterly reporting.

Mr. K Sivanesan
Chairman of the Board Audit Committee
28th August 2026

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Committee is a formally constituted sub-committee of the Board, established to ensure that all related party transactions ("RPTs") of the Company are conducted in a transparent, fair, and arm's length manner, in the best interests of the Company and its stakeholders.

Composition

As at 31st March 2026, the Related Party Transactions Review Committee comprised the following Directors:

Member	Directorship	Attendance
Mr. T. Dharmarajah	Independent Director / Chairman	3/4
Mr. U. H. E. Silva	Independent Director	2/4
Mrs. A. Goonetilleke	Independent Director	3/4
Mr. K. Sivanesan	Independent Director	n/a
Mr. P. P. Edirisinghe (r.w.e.f. 26.09.2025)	Independent Director	2/2

After the year under review, on 7th August 2026 Mr. T. Dharmaraja was reclassified as a NED on reaching the age of 70 years in terms of the Listing Rules, while Mr. K. Sivanesan was appointed as an Independent Director of the Company and to serve in the capacity of Interim Chairman of the Committee until such time Mr. Dharmarajah is reappointed and designated independent at the Annual General Meeting.

Meetings

The Committee held four meetings during the period under review for the purpose of reviewing related party transactions.

Executive Directors, Group Chief Financial Officer and Head of Finance attend the meetings to update the Committee and to provide all the necessary information with regard to related party transactions. The Committee, having reviewed the related party transactions during the period under review at its meetings, duly recorded and disseminated the minutes of the meetings to the Committee and to the Board of Directors.

There were no related party transactions, non-recurrent or recurrent, during the period under review requiring immediate announcement to the CSE.

A declaration by the Board of Directors as an affirmative statement of compliance with the Listing rules pertaining to RPTs is given on page 81 of this report.

Terms of Reference

The Related Party Transactions Review Committee operates under a Board-approved Charter that defines its authority, responsibilities, and scope of activities.

The Committee assists the Board in ensuring that Related Party Transactions are reviewed, approved, and monitored in compliance with applicable laws, accounting standards, and the Listing Rules of CSE, while safeguarding the interests of the Company and its shareholders.

The Charter is reviewed periodically and updated, where necessary, to reflect evolving regulatory requirements and governance best practices.

Information to the Board of Directors and to the Committee

The management provides complete, timely, adequate and relevant information to the Committee and the Board.

Review of Related Party Transactions

During the year under review, the Committee reviewed all related party transactions undertaken by the Company. The Committee confirms that:

- Transactions entered into by the Company with related parties were in the ordinary course of business;
- Such transactions were conducted on terms comparable to those with unrelated third parties;
- No non-recurrent related party transactions requiring special shareholder approval were entered into during the year, except as disclosed; and
- Adequate systems and controls are in place to identify, record, and report related party transactions.
- Details of related party transactions are disclosed in pages 135 to 137 of the Financial Statements

All transactions with related parties were computed having regard to the arm's length price. The calculation of the arm's length price is based on any one of the most appropriate methods as follows

- Comparable Uncontrolled Price Method [CUP]
- Re-sale Price Method [RPM]
- Cost Plus Method [CPLM]
- Profit Split Method [PSM]
- Transactional Net Margin Method [TNMM]

The Committee is satisfied that the Company has complied with all applicable regulatory requirements, including the Listing Rules and relevant accounting standards governing related party transactions and remains committed to upholding high standards of corporate governance and ensuring transparency and integrity in all related party dealings of the Company.

Mr. K. Sivanesan
Chairman - Related Party Transactions Review Committee
28th August 2026

REPORT OF THE NOMINATIONS AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee of Tea Smallholder Factories PLC was established as a key component of its Governance framework in compliance with the revised rules on Corporate Governance comprising the following Directors.

Composition

As of 31st March 2026, the Nomination & Governance Committee comprised of the following Directors

Member	Directorship	Attendance
Mrs. A. Goonetilleke	Independent Director / Chairman	1/1
Mr. U. H. E. Silva	Independent Director	1/1
Mr. T. Dharmarajah	Independent Director	1/1
Mr. K. Sivanesan	Independent Director	n/a
Dr. P. S. H. Uluwaduge	Non Executive Director	1/1

Subsequent to the reporting date, Mr. T. Dharmarajah was reclassified as a Non-Independent Non-Executive Director with effect from 07th August 2026 upon attaining the age of 70 and, accordingly, stepped down from the Nominations and Governance Committee. Mr. K. Sivanesan was appointed to the Committee as an Independent Director with effect from the same date.

Meetings

The Committee met once during the year. Senior management attended the meeting by invitation to provide insights and facilitate informed decision-making. The NEDs were able to meet on one occasion to discuss matters concerning the Company and the functioning of the board without the presence of the Executive Directors.

Activities during the year

Key activities undertaken by the Committee during the year included:

- Annual review of the Committee Terms of Reference.
- Review of the NGC compliance checklist.
- Review and recommendation of revisions to specified governance policies.
- Review and recommendation of the beneficial ownership information policy.
- Review of the corporate governance compliance report by the Company Secretaries
- Review of Board, Committee, Chairman, CEO, and individual Director evaluation processes.
- Review of directors proposed for re-election and reappointment.
- Review of annual independence, fit and proper, and Code of Ethics declarations.

The Committee is satisfied that it has effectively discharged its responsibilities during the year and continues to support the Board in maintaining a robust governance framework.

Re-election of Directors

During the year, the Committee reviewed the service, contribution, expertise, attendance, fitness and propriety, independence, and other relevant commitments of the following Directors who are subject to re-election or reappointment :

Director	First appointed	Last Re-elected/ appointed	Board Committees served	Relationships	Shareholding
Mr. Niveyn Rauhul Nanayakkara	02.04.2026	-	-	-	Nil
Mr. Kanthimany Sivanesan	07.08.2026	-	Nominations & Governance Committee, HR & Compensation Committee Board Audit Committee & Related Party Transactions Review Committee	-	Nil
Mrs. Aruni Goonetilleke	07.07.2020	June 2024	Nominations & Governance Committee, HR & Compensation Committee Board Audit Committee & Related Party Transactions Review Committee	-	Nil
Mr. Ganegodage Dhamitha Vaamaka Perera	09.05.2025	Sep 2025	-	Appointed by the Parent Company	Nil
Mr. Thiyagarajaha Dharmarajah	20.06.2025	Sep 2025	Nominations & Governance Committee, HR & Compensation Committee Board Audit Committee & Related Party Transactions Review Committee	-	Nil

A special notice has been received from a shareholder in terms of Section 211 of the Companies Act No. 7 of 2007 proposing the passing of Ordinary Resolutions for the reappointment of Mr. G. D. V. Perera and Mr. T. Dharmarajah as Directors of the Company, notwithstanding that they have attained/over the age of 70 years.

In terms of the provisions of the Company's Articles of Association, the Committee has recommended to the Board the re-election / appointment of the aforesaid five directors:

Report of the Nominations and Governance Committee on the proposed re-appointment of Mr. T. Dharmarajah as an Independent Director of Tea Smallholder Factories PLC.

The Nominations and Governance Committee, having regard to the industry and the Group within which the Company operates, submits this report and its recommendation to the Board and shareholders in terms of applicable regulatory requirements, in respect of the proposed re-appointment of Mr. T Dharmarajah as an Independent Director of the Company. In evaluating this recommendation, the Committee has carefully considered a range of factors to ensure that the proposed appointment is in the best interests of the Company and its shareholders. The Committee's deliberations have considered the following:

1. The current and future strategic priorities of the Company, including opportunities presented by the evolving business environment and the requirement for the Board to be equipped with Directors who possess the requisite expertise, foresight, and leadership capabilities.
2. Regulatory requirements and ensuring compliance under the Companies Act No. 7 of 2007 (Companies Act), specifically, Section 210 of the Act which stipulates that individuals who have attained the age of seventy (70) years shall not be eligible for appointment as Directors unless such appointment is approved by a resolution of the shareholders under Section 211, declaring that the age limit shall not apply to the individual.
3. Compliance with the Colombo Stock Exchange Listing Rules, specifically the provisions on fitness and propriety, independence criteria, and the requirement for shareholder approval in the appointment of Independent Directors over the age of seventy (70) years.
4. Professional experience and leadership record of Mr. Dharmarajah, including insights into corporate finance and governance which are regarded as valuable assets to the Board.
5. Board composition and diversity, including the overall composition of the Board to ensure that it reflects a balanced mix of qualifications, skills, experiences, diversity in perspectives, professional backgrounds, and industry knowledge which is critical to effective governance and to aligning the Board's capabilities with the Company's strategic direction.

Contribution Since Appointment

In forming its recommendation, the Committee has also considered Mr. Dharmarajah's contribution to the Board since his appointment on 20th June 2025. During this period, he has demonstrated a strong capacity to add value through:

- thoughtful and independent contributions to Board deliberations, particularly on matters of Finance and Accounting, Risk Management, and Internal Control;
- the application of sound judgment and practical insight, drawn from his extensive senior leadership experience, which has enhanced the quality and depth of Board discussions; and
- constructive engagement with both fellow Directors and Management, marked by an objective, balanced, and governance-focused approach.

The Committee is of the view that Mr. Dharmarajah's presence has strengthened the Board's collective effectiveness and has positively contributed to its oversight responsibilities over the past year.

Board Evaluations

Members of the Board undertake an annual self evaluation. Responses are evaluated by the Committee and recommendations or concerns discussed with the Board at a meeting and appropriate actions taken.

The Committee is satisfied that the composition of the Board and its subcommittees reflects an appropriate balance of skills, experience, independence, diversity, and knowledge necessary to effectively discharge its duties. The Committee has also ensured that proper processes are in place for the appointment, re-election, and succession of Directors, thereby maintaining continuity and effective leadership.

The Committee has reviewed Management Reports confirming compliance with the CG Framework and confirm that all applicable requirements of Sec 9 of the Listing Rules have been met, as described in the Governance Report set out on pages 60 to 76.

Accordingly, the Committee is of the view that it has fulfilled its mandate effectively and contributed to maintaining high standards of corporate governance within the Company.

Mrs. A. Goonetilleke
Chairman
Nominations and Governance Committee
28th August 2026

REPORT OF THE HUMAN RESOURCE & COMPENSATION COMMITTEE

The Human Resource & Compensation Committee is a subcommittee of the Board of Directors established to support the Board in ensuring that the Company's human resource policies and compensation structures are aligned with its strategic objectives, promote a high-performance culture, and are designed to attract, retain, and motivate high-calibre talent

Remuneration Policy

The Committee is governed by a Policy which has vested it with powers to evaluate, assess and recommend to the Board for approval any fee, remuneration and ex gratia to be paid out to its directors based on the need of the Company to be competitive; the need to attract, motivate and retain talent and the need to encourage and reward high levels of performance with sound focus in bringing on board the best and the right talent to complement the Company's growth plans.

Composition

As of 31st March 2026, the Human Resource & Compensation Committee comprised of the following Directors

Member	Directorship	Attendance
Ms. A. Goonetilleke	Independent Director / Chairman	1/1
Mr. U. H. E. Silva	Independent Director	1/1
Mr. T. Dharmarajah	Independent Director	1/1
Mr. K. Sivanesan	Independent Director	n/a
Dr. P. S. H. Uluwaduge	Non Executive Director	1/1

Subsequent to the reporting date, Mr. T. Dharmarajah was reclassified as a Non-Independent Non-Executive Director with effect from 07th August 2026 upon attaining the age of 70 and, accordingly, stepped down from the Committee. Mr. K. Sivanesan was appointed to the Committee as an Independent Director with effect from the same date.

Meetings

The Committee met once during the year, with adequate participation from all members. Senior management attended meetings by invitation as required to provide insights and facilitate informed decision-making.

The Committee is satisfied that it has effectively discharged its responsibilities during the year under review, ensuring that the Company's human resource and compensation practices are robust, fair, and aligned with its overall strategy and governance framework.

The Human Resource & Compensation Committee confirms that it has carried out its duties in accordance with its Terms of Reference and relevant regulatory requirements and is satisfied that the Company's remuneration policies and human resource practices are consistent with the principles of fairness, transparency, and performance orientation.

Activities During the Year

During the year under review, the Committee carried out the following key activities:

i. Remuneration Review

Reviewed and recommended the remuneration packages of Executive Directors and senior management, ensuring alignment with performance, market benchmarks, and the Company's strategic objectives.

ii. Performance Evaluation

Assessed the performance of key management personnel against agreed performance targets and approved related incentive payments.

iii. Incentive and Reward Framework

Reviewed the effectiveness of the Company's incentive schemes to ensure they support the achievement of short-term and long-term business goals.

iv. Human Resource Policies

Monitored key human resource policies and practices, including employee engagement initiatives, talent management, and learning and development programmes.

v. Regulatory Compliance

Ensured that compensation practices and HR policies were in compliance with applicable laws, regulations, and governance standards.

The Human Resource & Compensation Committee confirms that it has carried out its duties in accordance with its Terms of Reference and relevant regulatory requirements and assess that the Company's remuneration policies and human resource practices are consistent with the principles of fairness, transparency, and performance orientation. Further The Committee is satisfied that it has effectively discharged its responsibilities during the year under review.

Mrs. A Goonetilleke
Chairman
HR & Compensation Committee
28th August 2026

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors' responsibility in relation to preparation and presentation of the Financial Statements of Tea Smallholder Factories PLC is set out in the following statement.

The responsibility of the Independent Auditors in relation to the Financial Statements, including their opinion on whether the Financial Statement have been prepared in accordance with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRS/LKAS), and whether they give a true and fair view of the state of affairs of the Company as at the reporting date is set out in the Independent Auditors report on pages 96 to 98 of this Annual Report.

The Directors are responsible for the preparation and fair presentation of the Financial Statements and in discharging its responsibilities the Board ensures that:

- Appropriate accounting policies have been selected and applied consistently, and where necessary, judgments and estimates have been made on a reasonable and prudent basis;
- All applicable Accounting Standards (SLFRS/LKAS) have been complied with;
- Adequate accounting records are maintained in accordance with the provisions of the Companies Act, which are sufficient to disclose the financial position of the Company with reasonable accuracy;
- Effective systems of internal control and risk management are in place to provide reasonable assurance regarding reliability of financial reporting, safeguarding of assets, and the prevention and detection of fraud and other irregularities;
- Compliance with applicable laws, regulations, and regulatory requirements, including those of the Colombo Stock Exchange and other relevant supervisory authorities, is continuously monitored.

The Directors acknowledge their responsibility for maintaining adequate accounting records which disclose with reasonable accuracy, the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act, No. 07 of 2007 and all applicable legislation.

The Board is assisted in its oversight responsibilities by the Audit Committee, which reviews the financial reporting process, the effectiveness of internal controls, and the independence and performance of the external auditors.

The Directors are of the opinion that the Company has adequate resources to continue in operation for the foreseeable future and have, accordingly applied the going concern basis in preparing these Financial Statements;

The Directors further confirm that, to the best of their knowledge:

- All statutory payments due to the Government and other regulatory authorities have been made or, where relevant, adequately provided for;
- There are no material departures from the applicable accounting standards in the preparation of the Financial Statements;
- All material information required by the external auditors has been provided, and there are no undisclosed material transactions.

On behalf of the Board of Directors
TEA SMALLHOLDER FACTORIES PLC

Dr P S H Uluwaduge
Chairman
28th August 2026

ENTERPRISE RISK MANAGEMENT

Tea Smallholder Factories PLC recognises that effective risk management is integral to protecting stakeholder interests, supporting informed decision-making and creating sustainable long-term value. The Company maintains a structured approach to identifying, assessing, managing, monitoring and reporting risks that could affect its strategic objectives, financial performance, operational continuity, reputation and sustainability.

The risk management framework encompasses the Company's principal activities, including the procurement and receipt of green leaf, tea processing, sale of manufactured tea, workforce management, supply-chain operations and engagement with smallholders and surrounding communities. It is designed to ensure that material risks are managed within acceptable levels while supporting regulatory compliance, reliable stakeholder reporting, effective resource allocation and the continued resilience of the business.

Risk Governance and Responsibility

Ultimate responsibility for risk management rests with the Board of Directors, with oversight provided through the Board Audit Committee. Risk and audit activities are supported by the relevant LOLC Group-level functions, which maintain reporting lines to the Board Audit Committee and the LOLC Group Integrated Risk Management Committee. These governance arrangements facilitate the timely escalation of material risks and provide the Board with appropriate assurance regarding the effectiveness of risk management and internal control systems.

The Company applies the Three Lines Model, under which operational management and process owners constitute the first line and retain primary ownership of risks and controls within their respective areas. Risk Management acts as the second line by facilitating risk assessments, providing guidance, monitoring exposures and constructively challenging the adequacy of management responses. Internal Audit functions as the third line by independently evaluating the effectiveness of governance, risk management and internal controls and report its findings to the Board Audit Committee.

Risk Management Process

Risk identification is undertaken through management and operational reviews, engagement with process owners, internal audit observations, regulatory developments, stakeholder feedback and analysis of changes in the external operating environment. Identified risks are assessed based on their likelihood and potential impact, together with the effectiveness of existing controls and the level of residual exposure. Where appropriate, management also considers the velocity of each risk and the potential interdependencies between different risk events.

Depending on the nature and significance of an exposure, the Company may avoid, reduce, transfer, share or accept the risk. Preventive, detective and corrective measures are incorporated into mitigation plans, with clearly assigned responsibilities and implementation timelines. Key controls include segregation of duties, delegated authority limits, dual approvals, payment validation procedures, standard operating procedures, quality controls, insurance arrangements, preventive maintenance and business continuity measures. The risk mitigation controls adopted broadly consists of preventive, detective and corrective controls.

Material exposures and the progress of mitigation actions are periodically reported to management, the Board and the relevant Group-level governance forums. Internal Audit provides independent assurance over the design and operating effectiveness of key controls, while process owners remain responsible for promptly addressing control deficiencies.

Principal Risk Areas

The Company's risk profile reflects the nature of a bought-leaf tea manufacturing operation and its dependence on smallholder relationships, green leaf availability and quality, factory infrastructure and prevailing auction-market conditions. Key operational risks include machinery breakdowns, interruptions to electricity and other essential services, unplanned factory downtime, inefficient processes and inconsistent product quality. These risks are managed through preventive maintenance, operating procedures, equipment inspections, contingency arrangements and the progressive improvement of manufacturing processes.

Green leaf supply remains a significant area of focus. Adverse weather, drought, excessive rainfall, soil degradation, pest and disease outbreaks, inadequate agricultural practices and competition from other factories may affect both the volume and quality of green leaf received. Poor plucking standards, unsuitable or contaminated leaf and non-compliance with residue or certification requirements may also affect manufactured-tea quality and price realisation. The Company seeks to mitigate these exposures through continued engagement with smallholders, extension services, supplier awareness programmes and monitoring at the point of green leaf acceptance.

The Company is also exposed to volatility in tea auction prices, changes in international demand, broker performance, rising production costs and delays in the sale of manufactured tea. Financial risks include pressure on liquidity and working capital, interest-rate movements, cost overruns and fluctuations in the prices of green leaf, labour, energy and other primary inputs. These exposures are managed through budgeting, cash-flow forecasting, expenditure controls, performance monitoring and periodic review of insurance coverage.

Product integrity, food safety and regulatory compliance remain essential to protecting the Company's reputation and access to markets. Controls are maintained across green leaf acceptance, manufacturing, storage and dispatch to minimise contamination, foreign matter, chemical-residue and quality risks. Compliance with Tea Board requirements, labour laws, environmental regulations, and applicable certification requirements are constantly monitored by the relevant process owners and governance functions.

Human capital risks include labour shortages, difficulty in attracting younger employees, turnover in skilled technical roles, industrial-relations issues and occupational health and safety exposures. The Company continues to promote employee development, safe working practices and risk awareness, with training requirements coordinated through the Human Resources, Enterprise Risk Management and other relevant functions.

Current Issues Faced by Tea Factories

Sri Lankan tea factories currently operate in a challenging environment characterised by lower crop availability, pressure on auction prices, high energy and labour costs, climate variability, shortages of skilled workers and uneven demand across key export markets.

These pressures are compounded by the rising cost of electricity, fuel, fertiliser, agrochemicals, packaging, transport and imported machinery components. Factories must therefore balance green leaf prices and supplier retention with manufacturing efficiency, stringent quality requirements and prudent liquidity management. Climate-related disruptions, delayed replanting, international competition and increasingly demanding food-safety and residue standards further emphasise the need for operational efficiency, traceability, product differentiation and stronger smallholder relationships.

Outlook

The Company will continue to enhance its enterprise risk management framework by strengthening risk ownership, monitoring key risk indicators and integrating risk considerations into strategy, budgeting and investment decisions. Particular attention will be given to green leaf supply resilience, smallholder engagement, product quality, factory efficiency, energy management, occupational safety, regulatory compliance and business continuity. Through disciplined risk management, continuous monitoring and effective governance oversight, Tea Smallholder Factories PLC remains committed to maintaining a resilient, responsible and sustainable business.

FINANCIAL CALENDAR

INTERIM FINANCIAL STATEMENTS - 2025/2026

1st Quarter	14th August, 2025
2nd Quarter	17th November, 2025
3rd Quarter	11th February, 2026
4th Quarter	29th May, 2026

ANNUAL REPORTS

2022 / 2023	22nd May, 2023
2023 / 2024	20th May, 2024
2024 / 2025	27th August, 2025
2025 / 2026	28th August, 2026

MEETINGS

29th Annual General Meeting	29th June, 2023
30th Annual General Meeting	25th June, 2024
31st Annual General Meeting	25th September, 2025
32nd Annual General Meeting	22nd September, 2026

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TEA SMALLHOLDER FACTORIES PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tea Smallholder Factories PLC (the Company), which comprise the statement of financial position as at 31 March 2026, and the income statement, 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 material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2026 and of its financial performance and its 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 Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's 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 responded to the key audit matter**
Valuation of land and buildings under Investment Properties	
Investment Properties include land and buildings carried at fair value. The fair value of land and buildings were determined by an external valuer engaged by the Company. This was a key audit matter due to: ● The materiality of the reported Investment Property amounted to Rs. 996 Mn representing 36 % of the company's total assets as of the reporting date; and ● The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings using the income approach. Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Note 19 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as: ● Monthly Lease Rental ● Capitalization Rate ● Discount Rate	Our audit procedures included the following key procedures: ● Assessed the competency, capability and objectivity of the external valuers engaged by the Company. ● Read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property. ● Assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as Monthly lease rental, capitalization rate, discount rate and valuation techniques as relevant in assessing the fair value of each property. We also assessed the adequacy of the disclosures made in note 19 to the financial statements

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Other information included in The Company's 2025/2026 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 management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

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.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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 2097.

28th August 2026
Colombo

INCOME STATEMENT

For the year ended 31st March 2026

	Note	2026 Rs.	2025 Rs.
Revenue from contracts with customers	9.2	3,315,967,756	2,797,104,175
Cost of Sales		(3,247,184,216)	(2,764,635,671)
Gross Profit / (Loss)		**68,783,540**	**32,468,504**
Other Operating Income	10.2	166,297,849	151,695,597
Administrative Expenses		(155,078,984)	(138,456,821)
Management Fees	11	(29,148,582)	(20,826,467)
Results From Operating Activities		**50,853,823**	**24,880,813**
Finance Cost	12.2	(5,750,833)	(7,482,230)
Finance Income	12.2	8,452,294	6,583,374
Net Finance Income/ (Expense)		**2,701,461**	**(898,856)**
Change in fair value of Investment Properties	19.2	182,797,886	7,940,319
Profit/ (Loss) Before Tax	**13.1**	**236,353,170**	**31,922,276**
Tax (Expense)/ Reversal	16.2	(70,669,427)	(10,324,123)
Profit/ (Loss) for the Year		**165,683,743**	**21,598,153**
Earnings per share - Basic	14	5.52	0.72
Dividend Per share	15	-	0.21

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 104 to 138 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March 2026

	Note	2026 Rs.	2025 Rs.
Profit/ (Loss) for the year		165,683,743	21,598,153
Other Comprehensive Income			
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Revaluation of Land and Buildings	17.2	-	28,400,330
Tax Effect	16.2.1	-	(8,520,099)
		-	**19,880,231**
Re-measurement Gain on Defined Benefit Plans	31.2	(104,276)	6,182,934
Tax Effect	16.2.1	31,283	(1,854,880)
		(72,993)	**4,328,054**
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent period		(72,993)	24,208,285
Total Other Comprehensive Income for the year, net of tax		**(72,993)**	**24,208,285**
Total Comprehensive Income for the year, net of tax		**165,610,750**	**45,806,437**

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 104 to 138 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March 2026

	Note	2026 Rs.	2025 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17.2	982,006,948	976,458,402
Right of Use Assets	18.1	1,865,257	1,954,079
Investment Properties	19.2	996,000,000	813,202,114
Intangible Assets	20	7,302,704	7,302,704
Non-Current Financial Assets	21.1	434,401	5,552,857
Other Non-Current Assets	22.1	50,436	3,204,833
		1,987,659,746	**1,807,674,989**
Current Assets			
Inventories	23.2	495,450,634	410,064,528
Trade and Other Receivables	24	234,108,564	74,137,505
Amounts due from Related Parties	34.2	15,744,041	-
Other Current Assets	25	11,181,136	11,151,779
Income Tax Recoverable	16.3	-	6,095,506
Short Term Investments	26	51,290,206	-
Cash in Hand and at Bank	27	4,082,325	4,641,493
		811,856,906	**506,090,811**
Total Assets		**2,799,516,652**	**2,313,765,800**
EQUITY AND LIABILITIES			
Stated Capital	28	150,000,000	150,000,000
Revaluation Reserve	29	700,213,848	700,213,848
Retained Earnings	30	1,028,232,466	862,621,716
Total Equity		**1,878,446,314**	**1,712,835,565**
Non-Current Liabilities			
Deferred Tax Liabilities	16.4	383,119,460	324,214,453
Employee Benefit Liabilities	31.2	49,834,138	38,911,381
Deferred Grants and Subsidies	32.2	367,506	387,481
		433,321,104	**363,513,316**
Current Liabilities			
Trade and Other Payables	33	294,988,993	205,883,059
Amounts due to Related Parties	34.1	121,599,770	6,105,873
Income Tax Liabilities	16.3	4,148,127	-
Other Current Liabilities	35	41,968,291	4,815,599
Bank Overdraft	36	25,044,053	20,612,388
		487,749,234	**237,416,919**
Total Equity and Liabilities		**2,799,516,652**	**2,313,765,800**
Net Assets Per Share (Rs.)		62.61	57.09

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

Sisira Pushpakumara
Head of Finance

The Board of Directors is responsible for these financial statements.

P. S. H. Uluwaduge
Chairman

Anusha S. Perera
Executive Director

The Accounting Policies and Notes as set out on pages 104 to 138 form an integral part of these financial statements.

28th August 2026
Colombo

STATEMENT OF CHANGES IN EQUITY

	Stated Capital Rs	Revaluation Reserve Rs	Retained Earnings Rs	Total Equity Rs
As at 01st April 2024	150,000,000	680,333,618	842,995,510	1,673,329,127
Profit/ (Loss) for the year	-	-	21,598,153	21,598,153
Other comprehensive income	-	19,880,231	4,328,054	24,208,285
Total comprehensive income	**-**	**19,880,231**	**25,926,207**	**45,806,437**
Interim dividend paid - 2024/2025	-	-	(6,300,000)	(6,300,000)
As at 31st March 2025	**150,000,000**	**700,213,848**	**862,621,716**	**1,712,835,565**
Profit/ (Loss) for the year	-		165,683,743	165,683,743
Other comprehensive income	-	-	(72,993)	(72,993)
Total comprehensive income	**-**	**-**	**165,610,750**	**165,610,750**
Interim dividend paid - 2025/2026	-	-	-	-
As at 31st March 2026	**150,000,000**	**700,213,848**	**1,028,232,466**	**1,878,446,314**

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 104 to 138 form an integral part of these financial statements.

CASH FLOW STATEMENT
For the year ended 31st March 2026

	Note	2026 Rs.	2025 Rs.
OPERATING ACTIVITIES			
Profit Before Tax		236,353,170	31,922,276
ADJUSTMENTS FOR			
Finance Income	12.2	(8,452,294)	(6,583,374)
Depreciation of Property, Plant and Equipment	13.1	65,651,684	69,684,841
Amortisation of Right of Use Assets	18.1	88,822	88,822
Amortisation of Intangible Assets	13.1	-	300,000
Gratuity Charge and Related Cost	31.2	9,384,827	9,617,470
Amortization of Grants	32.2	(19,975)	(19,975)
Finance Cost	12.2	5,750,833	7,482,230
Profit on disposal of Property, Plant and Equipment	10.2	-	(11,187,944)
Change in Fair Value of Investment Properties	19.2	(182,797,886)	(7,940,319)
Operating Profit before Working Capital Changes		**125,959,181**	**93,364,028**
(Increase) in Inventories		(85,386,106)	(71,204,414)
(Increase) / Decrease in Trade and Other Receivables		(151,698,206)	6,538,572
(Increase) in Amount due from Related Parties		(15,744,041)	-
(Increase) / Decrease in Other Current Assets		(1,375,215)	(4,033,247)
Increase in Trade and Other Payables		89,105,934	42,192,572
Increase in Amount due to Related Parties		115,493,897	407,288
Increase / (Decrease) in Other Current Liabilities		37,152,692	(1,602,852)
Cash Generated from Operations		**113,508,136**	**65,661,946**
Finance Income Received		8,308,645	6,583,374
Finance Cost Paid		(5,750,833)	(7,482,230)
Gratuity Transfers	31.2	4,540,144	-
Gratuity Paid	31.2	(3,106,490)	(7,654,225)
Net Cash from Operating Activities		**117,499,602**	**57,108,865**
INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		-	11,842,374
Purchase of Property, Plant and Equipment	17.2	(71,200,229)	(48,602,555)
Investment Property Addition	19.2	-	(19,789,500)
Net Cash (used) in Investing Activities		**(71,200,229)**	**(56,549,681)**
FINANCING ACTIVITIES			
Dividend Paid	15	-	(6,300,000)
Net Cash from / (used) in Financing Activities		**-**	**(6,300,000)**
Net Increase / (Decrease) in Cash and Cash Equivalents		46,299,373	(5,740,816)
Cash and Cash Equivalents at the beginning	Note A	(15,970,895)	(10,230,079)
Cash and Cash Equivalents at the end	**Note B**	**30,328,478**	**(15,970,895)**
Notes			
A. Cash and Cash Equivalents at the beginning			
Cash and Bank Balances	27	4,641,493	14,026,267
Bank Overdraft	36	(20,612,388)	(24,256,346)
		(15,970,895)	**(10,230,079)**
B. Cash and Cash Equivalents at the end			
Cash and Bank Balances	27	4,082,325	4,641,493
Short Term Investments	26	51,290,206	-
Bank Overdraft	36	(25,044,053)	(20,612,388)
		30,328,478	**(15,970,895)**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.
The Accounting Policies and Notes as set out on pages 104 to 138 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

1. Corporate Information

Reporting Entity

Tea Smallholder Factories PLC is a public limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office and principal place of business of the company is located at Level 11, Browns Capital Building, No.19 Dudley Senanayake Mawatha, Colombo 08. Factories are situated in the districts of Galle, Rathnapura and Nuwara Eliya. Ordinary shares of the Company are listed on the Colombo Stock Exchange.

Approval of Financial Statements

The financial statements for the year ended 31 March 2026 were authorized for issue by the Board of Directors on 28th August 2026.

Principal Activities and Nature of Operations

The principal activity of the Company is processing green leaf and sale of processed black tea.

There were no significant changes in the nature of the principal activities of the company during the financial year under review.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Holding Company

Following a change in the ownership structure effective 03 April 2025, Udapussellawa Plantations PLC acquired 37.59% stake and became the immediate parent of the company on 9th June 2025 following the completion of the mandatory offer.

2. Basis of Preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings and plant and machinery that have been measured at fair value.

Statement of Compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flow, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

Presentation and Functional Currency

The financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency, which is the primary economic environment in which the Company operates.

Comparative Information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the Financial Statements are amended, comparative amounts are reclassified unless it is impractical.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

3. Summary of Material Accounting Policies

Summary of material accounting policies have been disclosed along with the relevant individual notes in the subsequent pages of the financial statements. Those accounting policies presented with each note, have been applied consistently by the Company.

Other Material Accounting Policies Not Covered with Individual Notes to the Financial Statements

Following accounting policies which have been applied consistently and are considered to be significant but not covered in any other sections.

Going Concern

The Company has prepared the financial statements for the year ended 31 March 2026 on the basis that it will continue to operate as a going concern.

Based on available information, the management has assessed prevailing macroeconomic conditions and its effect on the Company in determining the going concern basis for preparation of financial statements. The management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Company.

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

Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is classified as a current assets when it is:

- Expected to be realised or intended to be sold or consumed in the 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 assets.

A liability is classified as a current liability when:

- It is expected to be settled in the 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
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current liabilities.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

3.1 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements of the Company require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Going concern .... Note 3

b) Valuation of property, plant and equipment and investment properties ..... Note 17 and Note 19

c) Impairment of Intangible assets. .... Note 20

d) Taxes .... Note 16

e) Employee benefit liability .... Note 31

f) Provision for expected credit losses of trade receivables .... Note 6.1.3

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2026

4. Amendments to Existing Accounting Standards

4.1. Accounting standards issued but not Effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly, the Company has not early adopted them in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Company's Financial Statements.

SLFRS S1 - General Requirements for Disclosures of Sustainability-related Financial Information

SLFRS S2 - Climate-Related Disclosures

5. Operating Segment Information

5.1 Accounting Policy

The segments are determined based on the Company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Chief Executive Officer. The Chief Executive Officer monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the financial statements.

Transfer prices between operating segments are carried out in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

5.2 Reporting Segment Information

Geographical Segment	Galle		Rathnapura		N'Eliya		Total	
	2026 Rs.	2025 Rs.	**2026** Rs.	2025 Rs.	**2026** Rs.	2025 Rs.	**2026** Rs.	2025 Rs.
5.2.1 Segment Revenue								
Revenue from contracts with customers	2,421,617,732	1,875,253,026	-	532,453	894,350,025	921,318,696	3,315,967,756	2,797,104,175
							3,315,967,756	**2,797,104,175**
Segment Results								
Revenue Expenditure	(2,362,510,548)	(1,835,578,110)	(1,695,048)	-	(826,419,704)	(853,285,683)	(3,190,625,300)	(2,688,863,793)
Depreciation of Property, Plant and Equipment	(34,845,003)	(51,835,500)	-	-	(15,736,952)	(14,316,241)	(50,581,955)	(66,151,740)
Amortisation of Intangible Assets	-	(150,000)	-	-	-	(37,500)	-	(187,500)
Gratuity Charge and Related Costs	(3,312,759)	(4,260,418)	(217,542)	-	(2,446,659)	(2,573,455)	(5,976,960)	(6,833,873)
Segment Gross Profit / (Loss)	**20,949,422**	**(16,571,002)**	**(1,912,591)**	**532,453**	**49,746,710**	**51,105,817**	**68,783,541**	**35,067,269**
Other Operating Income							166,297,849	151,695,597
Change in fair value of Investment Property							182,797,886	7,940,319
Finance Income							8,452,294	6,583,374
Finance Cost							(5,750,833)	(7,482,230)
Unallocated Expenses							(155,078,984)	(141,055,587)
Management Fees							(29,148,582)	(20,826,467)
Profit/ (Loss) Before Tax							**236,353,170**	**31,922,275**
5.2.2 Segment Assets								
Allocated Assets								
Non - Current Assets								
Property, Plant & Equipment	979,238,282	957,449,072	-	-	301,334,470	275,282,569	1,280,572,752	1,232,731,641
Depreciation of Property, Plant and Equipment	(237,166,871)	(208,553,545)	-	-	(78,397,551)	(68,284,519)	(315,564,422)	(276,838,064)
Intangible Assets	-	150,000	-	-		37,500	-	187,500
Amortisation of Intangible Assets	-	(150,000)	-	-		(37,500)	-	(187,500)
Current Assets	560,646,775	314,850,566	-	-	165,308,317	164,721,315	725,955,092	479,571,881
	1,302,718,186	**1,063,746,093**	**-**	**-**	**388,245,236**	**371,719,366**	**1,690,963,422**	**1,435,465,459**
Unallocated Assets								
Non - Current Assets								
Cost							1,059,444,792	884,591,759
Depreciation / Amortisation							(36,793,376)	(32,810,341)
Current Assets							85,901,814	26,518,923
Total Assets							**2,799,516,652**	**2,313,765,800**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

Geographical Segment	Galle 2026 Rs.	Galle 2025 Rs.	Rathnapura 2026 Rs.	Rathnapura 2025 Rs.	N'Eliya 2026 Rs.	N'Eliya 2025 Rs.	Total 2026 Rs.	Total 2025 Rs.
5.2.3 Segment Liabilities								
Allocated Liabilities								
Non Current Liabilities	20,647,782	17,336,170	-	-	14,838,107	13,021,653	35,485,889	30,357,823
Current Liabilities	166,598,102	118,632,526	-	-	67,682,175	54,547,090	234,280,277	173,179,616
	187,245,884	**135,968,696**	**-**	**-**	**82,520,282**	**67,568,742**	**269,766,166**	**203,537,438**
Unallocated Liabilities								
Non Current Liabilities							397,835,215	333,155,493
Current Liabilities							253,468,957	64,237,305
							651,304,172	397,392,798
Total Liabilities							**921,070,338**	**600,930,236**
5.2.4 Segment Capital Expenditure								
Allocated Capital Expenditure	**38,743,925**	**24,647,365**	**-**	**-**	**30,113,307**	**23,242,190**	68,857,232	47,889,555
Unallocated Capital Expenditure							2,342,998	20,502,500
							71,200,230	**68,392,055**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

6. Financial Risk Management Objectives and Policies

The Company has loans and other receivables, trade and other receivables, and cash and short term deposits that arise directly from its operations and the company's principal financial liabilities comprise of bank overdraft, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company is exposed to market risk, credit risk and liquidity risk.

Trade and other receivables

The Group considers a financial asset including trade and receivable as indicating impairment when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to provide impairment indications when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

6.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

The Company trades only with recognised, creditworthy third parties. It is the company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a result the Company's exposure to bad debts is not significant.

With regard to the credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, short term investments and loans to Executives, the Company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the company takes all reasonable steps to ensure the counterparties fulfill their obligations.

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different rearrangement of homogeneous groups. Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

6.1.1 Credit Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following table shows the maximum risk positions.

As at 31 March 2026

	Notes	Non current financial assets Rs.	Cash in hand and at bank Rs.	Trade and other receivables Rs.	Investments Rs.	Total Rs.	% of Allocation
Loans to Executives	6.1.2	434,401	-	-	-	434,401	0%
Trade and other receivables	6.1.3	-	-	234,108,564	-	234,108,564	81%
Short term investments	6.1.4	-	-	-	51,290,206	51,290,206	18%
Cash in hand and at bank	6.1.4	-	4,082,325	-	-	4,082,325	1%
Total credit risk exposure		**434,401**	**4,082,325**	**234,108,564**	**51,290,206**	**289,915,495**	**100%**

As at 31 March 2025

		Non current financial assets Rs.	Cash in hand and at bank Rs.	Trade and other receivables Rs.	Investments Rs.	Total Rs.	% of Allocation
Loans to Executives	6.1.2	5,552,857	-	-	-	5,552,857	7%
Trade and other receivables	6.1.3	-	-	74,137,505	-	74,137,505	87%
Short term investments	6.1.4	-	-	-	-	-	0%
Cash in hand and at bank	6.1.4	-	4,641,493	-	-	4,641,493	6%
Total credit risk exposure		**5,552,857**	**4,641,493**	**74,137,505**	**-**	**84,331,855**	**100%**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

6.1.2 Loans to Executives

Loans to Executive portfolio is made up of vehicle loans which are given to staff at Assistant Manager level and above. The Company has obtained the necessary promissory notes as collateral for the loans granted.

6.1.3 Trade and Other Receivables

As at 31st March		2026 Rs.	2025 Rs.
Neither past due nor impaired		216,772,953	68,650,649
Past due	0-30 days	15,726,603	5,281,750
	31-60 days	845,966	205,106
	61-90 days	549,576	-
	91-180 days	213,466	-
	> 180 days	1,515,082	2,827,089
Gross carrying value		**235,623,646**	**76,964,594**
Less: impairment provision			
Collectively assessed impairment provision		(1,515,082)	(2,827,089)
Total		**234,108,564**	**74,137,505**

The Company has obtained customer deposits and promissory notes from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Company considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

6.1.4 Cash and Cash Equivalent and Short Term Investments

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators.

6.2 Liquidity Risk

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Company has available funds to meet its medium term capital and funding obligations and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including short and long term bank loans, overdrafts and finance leases over a broad spread of maturities.

6.2.1 Net (Debt) / Cash

	2026 Rs.	2025 Rs.
Short term investments	51,290,206	-
Cash in hand and at bank	4,082,325	4,641,493
Total liquid assets	**55,372,531**	**4,641,493**
Bank overdraft	25,044,053	20,612,388
Total liabilities	25,044,053	20,612,388
Net cash	**30,328,478**	**(15,970,895)**

The Company has obtained banking facilities to the value of Rs. 250 million, which comprise of an overdraft facility of Rs. 250 million from Hatton National Bank PLC. From the total limit, the outstanding as at 31 March 2026 was 25 Mn. Hence, an amount of Rs. 225 million is available for utilisation to finance any net debt.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

6.2.2 Liquidity Risk Management

The Company has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company matched cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the repurchase agreement, or other secured borrowings.

The Company continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities.

The daily cash management processes include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Maturity Analysis

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2026 based on contractual undiscounted payments.

	Below 3 months Rs.	Between 3-6 months Rs.	Between 6-12 months Rs.
Amounts due to related parties	121,599,770	-	-
Bank overdraft	25,044,053	-	-
Trade and Other Payables	261,982,650	5,265,321	27,741,021
Other Current Liabilities	41,968,291	-	-
	450,594,764	**-**	**-**

6.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

6.4 Sensitivity Analysis

The sensitivity analysis will only be applicable to the interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Central Bank of Sri Lanka (CBSL) began to ease the monetary policy during the current financial year amid decelerating inflation, resulting in a downward trend in market interest rates throughout the financial year. The directions issued by the Central Bank to licensed banks to reduce interest rates, and the significant reduction of risk premia on government securities, have accelerated the downward adjustment in market interest rates, particularly lending rates, in the second half of the financial year. Downward pressures on inflation on account of many factors including decreases in global commodity prices, food supply, and the appreciation of the currency have resulted in eased policy actions by the CBSL on monetary policy post the end of the reporting period. The Company has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates.

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For the year ended 31st March 2026

7. Fair Value Measurements and Disclosures

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

Property, plant and equipment under revaluation model .... Note 7.2, 17.3 and 17.4

Investment properties.. Note 7.2 and 19.3

Financial instruments (including those carried at amortised cost) .... Note 8

7.1 Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 -** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as investment properties and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as investment properties and land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the Company's external valuer, which valuation techniques and inputs to use for individual asset and liability.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

7.2 Fair Value Hierarchy

7.2.1 Financial Assets and Liabilities

The financial assets and liabilities held by the company as at 31 March 2026 as given under Note 8.2 are carried at amortised cost where the fair value does not significantly vary from the value based on the amortised cost methodology for the Company.

7.2.2 Non Financial Assets

			Level 1		Level 2		Level 3		Total	
As at 31 March	Notes	Date of Valuation	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
Assets measured at fair value										
Land and buildings	17.3	31st December 2024	-	-	-	-	712,424,463	735,187,578	712,424,463	735,187,578
Plant and machinery	17.4	31st March 2020	-	-	-	-	238,446,734	201,115,001	238,446,734	201,115,001
Investment property	19.3	31st December 2025	-	-	-	-	996,000,000	813,202,114	996,000,000	813,202,114
			-	-	-	-	**1,946,871,198**	**1,749,504,694**	**1,946,871,198**	**1,749,504,694**

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Fair valuation of land and building under property, plant & equipment were carried out on 31 December 2024 and investment property were carried out on 31 December 2025 and a confirmation was obtained from the external valuers to ensure the values as at 31 March 2026.

8. Financial Instruments and Related Policies

8.1 Accounting Policy

8.1.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

The Company's financial assets include cash and cash equivalents, short-term investments, trade and other receivables and loans and other receivables.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories.

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Debt Instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

- 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

All the debt instruments of the Company belongs to this catogary. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired.

Financial assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

8.1.2 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

Financial liabilities - Derecognition

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

Offsetting of Financial Instruments

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

8.2 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

Financial Assets at amortised cost	Note	2026 Rs.	2025 Rs.
Financial Assets in non-current assets			
Non-current financial assets	21.1	434,401	5,552,857
Financial Assets in current assets			
Trade and other receivables	24	234,108,564	74,137,505
Short term investments	26	51,290,206	-
Cash in hand and at bank	27	4,082,325	4,641,493
Total Financial Assets at amortised cost		**289,915,495**	**84,331,855**

Financial liabilities at amortised cost	Note	2026 Rs.	2025 Rs.
Financial liabilities in current liabilities			
Trade and other payables	33	294,988,993	205,883,059
Amounts due to related parties	34.1	121,599,770	6,105,873
Bank overdraft	36	25,044,053	20,612,388
Total Financial Liabilities at amortised cost		**441,632,816**	**232,601,320**

The management assessed that, cash and cash equivalents, short term investments, trade and other receivables, trade and other payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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For the year ended 31st March 2026

9. Revenue

9.1 Accounting Policy

Contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Broker commisions,auction levies,handling charges and other similar charges are directly deducted in determining the net sales proceeds. Accordingly , revenue is recognised at the net amount receivable from sale of tea after such deductions.

9.2 Disaggregation of revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Timing of Revenue	2026 Rs.	2025 Rs.
Goods transferred at a point in time	3,368,626,471	2,833,375,942
Less - brokerage and handling charges	(52,658,715)	(36,271,767)
Revenue from contracts with customers	**3,315,967,756**	**2,797,104,175**

Dissagregation of revenue based on geographical regions are set out in note 5.2

9.3 Contract balances

Contract assets

Contract assets are company's right to consideration in exchange for goods or services that the Company has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. The Company does not have contract assets as at 31st March 2026.

Contract liabilities

Contract liabilities are company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer. The Company does not have contract liabilities as at 31st March 2026.

9.4 Performance obligations and significant judgements

The principal business activity of the Company is processing green leaf procured from smallholders and sale of processed black tea through the Colombo Tea Auction.

Net revenue is recognised when the Company satisfies the performance obligation at a point in time based on Sellers' Contract which is the agreement between the Company and the buyer that creates enforceable rights and obligations. Transaction price shall comprise of cost and mark up which is equal to net proceeds.

10.Other Operating Income

10.1 Accounting Policy

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount 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.

Other Income

Other income is recognised on an accrual basis.

Rental Income

Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the lease terms.

10.2 Other Operating Income

	2026 Rs.	2025 Rs.
Sale of residual tea	87,489,117	59,529,956
Rental income	55,979,273	51,002,247
Amortisation of deferred grants	19,975	19,975
Net gain on disposal of property, plant and equipment	-	11,187,944
Net margin on sale of fertilizer	22,180,244	17,098,264
Sundry income	629,240	12,857,212
	166,297,849	**151,695,597**

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For the year ended 31st March 2026

11. Management Fee

	Note	2026 Rs.	2025 Rs.
Management fee	34.6	29,148,582	20,826,467
		29,148,582	**20,826,467**

12. Finance Income and Finance Costs

12.1 Accounting Policy

Finance Income

Finance income comprises interest income earned from financial instruments such as short term deposits, short term investments and loans and receivables that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

12.2 Finance Income and Finance Costs

For the year ended 31st March	2026 Rs.	2025 Rs.
Finance Income		
Interest income on loans to green leaf suppliers	6,030,972	4,461,806
Interest income on staff vehicle loans	92,314	2,018,424
Interest income on short term investments	2,329,008	103,143
Total finance income	**8,452,294**	**6,583,374**
Finance Cost		
Interest cost on short term borrowings	(5,750,833)	(7,482,230)
Total finance cost	**(5,750,833)**	**(7,482,230)**
Net finance income / (cost)	**2,701,461**	**(898,856)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

13. Profit Before Tax

13.1 Accounting Policy

Expenditure Recognition

Expenses are recognised in the income statement 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 income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company.

Profit before tax is stated after charging all expenses including the following;

	2026 Rs.	2025 Rs.
Remuneration to Directors	6,261,000	7,858,333
Auditors' remuneration		
Audit services	2,835,000	2,625,000
Costs of defined employee benefits		
Defined benefit plan cost	9,384,827	9,617,470
Defined contribution plan cost - EPF and ETF	26,785,506	27,623,149
Staff costs	153,230,546	130,733,592
Depreciation of PPE and ROU asset	65,740,506	69,773,663
Amortisation of purchased software and licenses	-	300,000
Legal fees	143,800	850,450
Profit or loss on sale of property, plant and equipment	-	11,187,944

14. Basic Earnings per Share

The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic earnings per share computation.

	Note	**2026** Rs.	2025 Rs.
Net profit applicable to ordinary shareholders for basic earnings per share - Rs.		165,683,743	21,598,153
Weighted average number of ordinary shares in issue - No. of shares	**14.1**	**30,000,000**	**30,000,000**
Basic earnings per share - Rs.		5.52	0.72

14.1 Amount used as denominator

Ordinary shares at the beginning of the year - No. of shares	30,000,000	30,000,000
Ordinary shares at the end of the year - No. of shares	30,000,000	30,000,000

15. Dividend per Share

	Note	**2026** Rs.	2025 Rs.
Declared and paid during the year			
Interim dividend - Rs.		-	6,300,000
Total Dividends - Rs.		**-**	**6,300,000**
Total number of ordinary shares entitled to dividend on declaration date		30,000,000	30,000,000
Dividend per share - Rs.		-	0.21

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

16.Taxes

16.1 Accounting policy

Current Tax

Current tax assets and liabilities for the current and prior periods 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.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the Income Statement. The 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.

Deferred Tax

Deferred tax is provided using the liability method 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 taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside Income Statement is recognised outside Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

16.2 Tax Expense

	Note	**2026** Rs.	2025 Rs.
Current Income tax			
Current tax charge	16.5	11,733,138	-
Deferred Income Tax			
Relating to origination and reversal of temporary differences	16.2.1	58,936,289	10,324,122
Total tax (Expense)/ Reversal		**70,669,427**	**10,324,122**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

16.2.1 Deferred Tax Expense

	2026 Rs.	2025 Rs.
Income Statement		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	4,546,253	(6,416,424)
Revaluation of investment property to fair value	54,839,365	8,318,946
Employee benefit liabilities	(3,245,544)	(588,974)
Other deferred liabilities	5,992	5,993
Losses available for offset against future taxable income	2,790,223	9,004,582
Deferred tax charge / (reversal)	**58,936,289**	**10,324,123**
Other Comprehensive Income		
Deferred tax expense arising from;		
Revaluation of Land and building to fair value	-	8,520,099
Re-measurement gain on defined benefit plans	(31,283)	1,854,880
Deferred tax charge / (reversal)	**58,905,007**	**10,374,979**

* Deferred tax has been computed at the rate of 30%.

16.3 Income Tax Payable/ (Receivable)

Balance as at 31 March	2026 Rs.	2025 Rs.
At the beginning of the year	(6,095,506)	(6,095,506)
Charge for the year	11,733,138	-
Payment and tax credits	(1,489,505)	-
At the end of the year	**4,148,127**	**(6,095,506)**

16.4 Deferred Tax Liability

Balance as at 31 March	2026 Rs.	2025 Rs.
At the beginning of the year	324,214,453	303,515,351
Charge / (release) for the year	58,936,289	10,324,124
Tax effect on revaluations	-	8,520,099
Tax effect on re-measurement gain on defined benefit plans	(31,283)	1,854,880
At the end of the year	**383,119,460**	**324,214,453**
The closing deferred tax liability relates to the following;		
Revaluation of investment property to fair value	194,100,000	139,260,634
Losses available for offset against future taxable income	-	(2,790,223)
Accelerated depreciation for tax purposes	204,079,954	199,533,701
Employee benefit liability	(14,950,241)	(11,673,414)
Other liabilities	(110,252)	(116,244)
	383,119,460	**324,214,453**

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For the year ended 31st March 2026

16.5 Reconciliation between Tax Expense and the product of Accounting Profit

	2026 Rs.	2025 Rs.
Profit/ (Loss) Before Tax	236,353,170	31,922,276
Accounting profit before income tax	**236,353,170**	**31,922,276**
Adjusted accounting profit chargeable to income taxes	236,353,170	31,922,276
Aggregate disallowable expenses	75,649,269	95,735,595
Aggregate allowable expenses	(266,704,999)	(97,642,596)
Utilisation of tax losses	(6,186,981)	(37,138,685)
Current year tax losses not utilised	-	7,123,411
Taxable income	**39,110,459**	**-**
At the effective income tax rate of 30%	11,733,138	-
Income tax charged at the rate of 30%	11,733,138	-

16.6 Reconciliation between Tax Expense and the product of Accounting Profit

	2026 Rs.	2025 Rs.
Adjusted accounting profit chargeable to income taxes	236,353,170	31,922,276
Tax effect on chargeable profits	70,905,951	9,576,683
Tax effect on non deductible expenses	157,181	1,194,484
Tax effect on deductions claimed	(393,705)	(447,045)
Total tax expense / (reversal)	**70,669,427**	**10,324,122**

16.7 Tax Losses Carried Forward

	2026 Rs.	2025 Rs.
Tax Losses Carried Forward	7,123,411	39,316,017
Adjustment on Finalisation of libaility	(936,430)	(2,177,331)
Tax losses arising during the year	19,134,128	20,986,973
Utilization of tax losses	(25,321,109)	(51,002,247)
	-	**7,123,411**

Company has no tax losses available to offset agains futhure taxable profits of the company in which the tax losses arose. (2025- Rs. 7,123,412/=)

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17. Property, Plant and Equipment

17.1 Accounting Policy

Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

Basis of Measurement

Items of property, plant and equipment are measured at cost (or fair value in the case of land and building, and plant and machinery) less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset and any other cost directly attributable to bring the asset to a working condition for its intended use.

Land and buildings, and plant and machinery are measured at fair value less accumulated depreciation on buildings, plant and machinery and impairment charged subsequent to the date of the revaluation.

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.

Where land and buildings and plant and machinery are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The Valuation frequency relating to the revaluation of property,Plant & Equipment was revised during the year. Accordingly, instead of carrying out annula revaluations, the asset will now be carried Written Down Value (WDV) , with revaluations to be conducted periodically once every three years, inmline with the revised policy framework.

Derecognition

An item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	40
Plant and machinery	10
Furniture and fittings	10
Motor vehicles	5
Equipment	10
Computer Equipment	3

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Capital work in progress

Capital work in progress is stated at cost, net of accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

Impairment of Property, Plant and Equipment

The Company 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 Company 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 and 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 groups 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded Companies or other available fair value indicators.

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For the year ended 31st March 2026

17.2 Carrying Value of Property, Plant and Equipment

	Freehold Land	Buildings	Plant and Machinery	Furniture, Fittings and Equipment	Motor Vehicles	Computer Equipment	Capital Work in Progress	Total 2026	Total 2025
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost or Valuation									
Balance as at 01 April 2025	170,210,625	571,430,258	370,218,186	37,052,404	83,986,322	21,276,975	7,825,976	1,262,000,748	1,224,037,594
Additions	-	-	-	573,214	-	-	70,627,016	71,200,229	48,602,555
Transfers from work in progress	690,000	2,385,920	68,352,537	-	1,514,698	-	(72,943,155)	-	-
Revaluations	-	-	-	-	-	-	-	-	28,400,330
Disposals	-	-	-	-	-	-	-	-	(15,414,020)
Transferred due to revaluation	-	-	-	-	-	-	-	-	(23,625,711)
Transfer out	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2026	**170,900,625**	**573,816,178**	**438,570,723**	**37,625,618**	**85,501,020**	**21,276,975**	**5,509,837**	**1,333,200,977**	**1,262,000,748**
Accumulated Depreciation and Impairment									
Balance as at 01 April 2025	-	6,453,304	169,103,185	22,115,198	69,473,003	18,397,654	-	285,542,345	254,233,055
Charge for the year	-	25,839,035	31,020,804	2,035,638	4,790,035	1,966,172	-	65,651,684	69,684,841
On disposals	-	-	-	-	-	-	-	-	(14,749,840)
Transferred due to revaluation	-	-	-	-	-	-	-	-	(23,625,711)
Transfer out	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2026	**-**	**32,292,340**	**200,123,989**	**24,150,836**	**74,263,038**	**20,363,826**	**-**	**351,194,029**	**285,542,345**
Carrying Value									
As at 31 March 2026	170,900,625	541,523,839	238,446,734	13,474,782	11,237,982	913,149	5,509,837	982,006,948	976,458,402
As at 31 March 2025	170,210,625	564,976,954	201,115,001	14,937,206	14,513,319	2,879,321	7,825,976	976,458,402	-

17.3 Accounting Judgements, Estimates and Assumptions related to Revaluation of Land and Buildings

The Company uses the revaluation model of measurement of land and buildings. The Company engaged an independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location, or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 December 2024.

Summary description of valuation methodologies

1. **Comparable Market approach (CMA)**
   This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

2. **Depreciation replacement cost (DRC)**
   The replacement cost method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components, the depreciated cost of the building element and the market value of the land. Current building costs and often the land will be established by comparison.

3. **Income Approach (IA)**
   The Income Approach is used to value properties which are let to produce an income for the investor. Conventionally, investment is a product for rent and yield. Each of these elements is delivered comparison technique.

The Freehold Land, Building on freehold land and pre-cast concrete structure for five factories were revalued by USLS Chartered Valuer, Chartered Valuation Surveyor as of 31 December 2024 and the results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of Land and Building Method, the

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

Contractors' Basis of Valuation (originally known as Contractors Test Method). Fair value is determined by reference to market-based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

The valuations as of 31 December 2024 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Management has assessed the carrying amount does not materially differ from fair value as at reporting date.

Information on fair value measurement on land and building as at 31 March 2025 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2025	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	170,210,625	Market Approach	Estimated price per perch	Rs. 15,583 - Rs. 45,937	Positively correlated sensitivity
Buildings	564,976,954	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,788 - Rs. 2,129	Positively correlated sensitivity
	735,187,578				

17.4 Accounting Judgements, Estimates and Assumptions related to Revaluation of Plant and Machinery

The Company uses the revaluation model of measurement of Plant and Machinery. Plant and machinery of the Seven factories were revalued internally by the Engineer as at 31 March 2020 and results of such valuation had been incorporated in the financial statements as at that date. Such assets were valued based on Current Replacement Cost.

Management has assessed the carrying amount does not materially differ from fair value as at reporting date.

Information on fair value measurement on plant and machinery as at 31 March 2026 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2026	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	238,446,734	Current Replacement Cost	Estimated replacement cost adjusted for wear and tear	Based on number of years of usage	Negatively correlated sensitivity

Information on fair value measurement on plant and machinery as at 31 March 2025 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2025	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	201,115,001	Current Replacement Cost	Estimated replacement cost adjusted for wear and tear	Based on number of years of usage	Negatively correlated sensitivity

17.5 Carrying Value of total Property, Plant and Equipment

	2026 Rs.	2025 Rs.
At cost	31,135,750	40,155,823
At valuation	950,871,198	936,302,579
	982,006,948	**976,458,402**

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For the year ended 31st March 2026

17.6 The carrying amount of revalued land and buildings, and plant and machinery if they were carried at cost less depreciation, would be as follows;

Land and Buildings	2026 Rs.	2025 Rs.
Cost	380,189,619	380,189,619
Accumulated depreciation and impairment	(276,189,986)	(276,189,986)
Carrying value	**103,999,633**	**103,999,633**

Plant and Machinery	2026 Rs.	2025 Rs.
Cost	741,557,997	741,557,997
Accumulated depreciation and impairment	(438,646,369)	(438,646,369)
Carrying value	**302,911,628**	**302,911,628**

17.7 The cost of fully depreciated assets, but still in use of the Company amounts to Rs 186 million as of 31 March 2026 (As at 31 March 2025 - Rs. 186 million)

18. Right of use Assets

Accounting Policy

Set out below are the accounting policies of the Company upon adoption of SLFRS 16, which have been applied from the date of initial application:

Right of Use Assets

The Company recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Company does not have an impact on it's statement of financial position or equity on applying the measurement requirements of SLFRS 16 since the lease payment was paid in advance and the Company does not have a lease liability as at 31st March 2026.

18.1 Right of Use Assets

	2026 Rs.	2025 Rs.
Balance at the beginning of the year	1,954,079	2,042,901
Amortisation for the year	(88,822)	(88,822)
Balance at the end of the year	**1,865,257**	**1,954,079**

.The remaining period of lease for the leasehold property is 21 years

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19. Investment Properties

19.1 Accounting Policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

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 or inventory (WIP), 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 or inventory (WIP), the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The property situated in Peliyagoda has been obtained on a long term lease from the Urban Development Authority of Sri Lanka for a period of 99 years commencing 1st April 1999 with the eligibility for renewal for a further period of 99 years.

The land under Karawita Tea Factory has been obtained on a 50 year lease from Mr. E.J. Wijewardena, commencing 15th August 1997. On 08th November 2021, the factory was leased out to a Sub-Lessee through a Sub-Lease Agreement. The property was revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as at 08th November 2021 and thereafter the property has been classified as an investment property.

New Panawenna Tea Factory, located in the Rathnapura region, was leased out to a Lessee on 01st February 2024. The property was revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as on 31st December 2023 and thereafter the property has been classified as an investment property.

19.2. Carrying Value of Investment Properties

As at 31 March	2026 Rs.	2025 Rs.
At the beginning of the year	813,202,114	785,472,296
Net gain from fair value remeasurement	182,797,886	7,940,319
Additions	-	19,789,500
At the end of the year	**996,000,000**	**813,202,114**

19.3. Accounting Judgements, Estimates and Assumptions related to Valuation of Investment Properties

Fair value of the investment property situated at No 77A, New Nuge Road, Peliyagoda, Investment Property situated in Karawita, Rathnapura and Investment Property situated in Kahawatte, Rathnapura was ascertained by independent valuations carried out by Mr. W.M. Chandrasena, RICS - Chartered Valuers- Chartered Valuation Surveyors as at 31 December 2025. Investment property were appraised in accordance with LKAS 40 and international Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

During the current year, management changed the valuation methodology applied for investment properties to the Income Approach. Management considers that the Income Approach provides a more appropriate estimation of fair value as these properties are income-generating assets with observable rental income streams. This approach reflects the earning capacity of the properties and market expectations of investors.

In determining the fair value, the valuer has considered the income-generating capability of the properties, including monthly rental income,capitalization and discount rates. The appraised fair values are considered to be within an appropriate range of values based on the assumptions and market conditions prevailing at the valuation date.

The valuations as at 31 December 2025 contain a degree of estimation uncertainty as the determination of fair value is sensitive to key assumptions, including rental income and capitalization and discount rates applied in the valuation. The value reflected represents the best estimate based on the information available and market conditions prevailing at the valuation date and, management believes that the valuation methodology and assumptions applied are appropriate and consistent with the requirements of SLFRS 13 Fair Value Measurement.

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Information on fair value measurement on investment property as at 31 March 2026 using significant unobservable inputs (level 3) is given below.

Investment Property situated at No. 77 A, New Nuge Road, Peliyagoda

Type of Asset	Fair Value as at 31 March 2026	Method of Valuation	Significant Unobservable Inputs	Estimated Monthly Lease Rental	Estimated discount rate	Capitalization rate	Sensitivity of Fair Value to Unobservable Inputs
Land & Building	546,000,000	Income Approach	Monthly Lease Rental, Capitalization Rate, Discount rate	Rs. 2,957,311.50 -Rs. 3,260,435.93 per month	12%	8.5%	Positively correlated to the estimated monthly lease rental and capitalization rate, Negatively correlated to the discount rate
	546,000,000						

Investment Property situated in Karawita, Rathnapura

Type of Asset	Fair Value as at 31 March 2026	Method of Valuation	Significant Unobservable Inputs	Estimated Monthly Lease Rental	Estimated discount rate	Capitalization rate	Sensitivity of Fair Value to Unobservable Inputs
Buildings	213,000,000	Income Approach	Monthly Lease Rental, Capitalization Rate, Discount rate	Rs. 1,150,000 - Rs 3,500,000 per month	12%	8.8%	Positively correlated to the estimated monthly lease rental and capitalization rate, Negatively correlated to the discount rate
	213,000,000						

Investment Property situated in Kahawatte, Rathnapura

Type of Asset	Fair Value as at 31 March 2026	Method of Valuation	Significant Unobservable Inputs	Estimated Monthly Lease Rental	Estimated discount rate	Capitalization rate	Sensitivity of Fair Value to Unobservable Inputs
Land & Buildings	237,000,000	Income Approach	Monthly Lease Rental, Capitalization Rate, Discount rate	Rs. 882,000 - Rs. 1,241,062.57 per month	12%	8.5%	Fair value is positively correlated with the estimated monthly lease rental and capitalization rate and negatively correlated with the discount rate
	237,000,000						

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Information on fair value measurement on investment property as at 31 March 2025 using significant unobservable inputs (level 3) is given below.

Investment Property situated at No. 77 A, New Nuge Road, Peliyagoda

Type of Asset	Fair Value as at 31 March 2025	Method of Valuation	Significant Unobservable Inputs	Estimates for Significant Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	471,570,000	Direct capital	Estimated price per perch	Rs. 3,003,630/- per perch	Positively correlated sensitivity
Buildings	52,430,000	comparison method	Estimated price per square foot	Rs.1,676/- per square foot	Positively correlated sensitivity
	524,000,000				

Investment Property situated in Karawita, Rathnapura

Type of Asset	Fair Value as at 31 March 2025	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Buildings*	142,474,071	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,464/- per square foot	Positively correlated sensitivity
	142,474,071				

* The value of buildings of Rs. 142,474,071/- includes Plant & Machinery of Rs.15,926,889/- which are integral part of the building given on lease.

Investment Property situated in Karawita, Rathnapura

Type of Asset	Fair Value as at 31 March 2025	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Land	32,116,875	Market Approach	Estimated price per perch	Rs. 18,959/- per perch	Positively correlated sensitivity
Buildings**	114,611,169	Depreciated replacement cost method	Estimated price per square foot	Rs. 2,471/- per square foot	Positively correlated sensitivity
	146,728,044				

** The value of buildings of Rs. 114,611,169/- includes Plant & Machinery of Rs.22,357,360/- which are integral part of the building given on lease.

19.4. Rental Income earned and direct operating expenses incurred on Investment Property

	2026 Rs.	2025 Rs.
Rental Income	55,979,273	51,002,247
	55,979,273	**51,002,247**

Future minimum rentals receivable as at 31st March 2026

	2026 Rs.	2025 Rs.
Within one year	60,255,669	54,941,580
After one year but not more than five years	224,761,159	219,766,320

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For the year ended 31st March 2026

20. Intangible Assets

Accounting Policy

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets.

Basis of Measurement

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 any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

Useful Economic lives, Amortization and Impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. 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 is reviewed at least at each financial year end and such changes are treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the income statement.

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

As at 31st March	Note	2026 Rs.	2025 Rs.
Purchased Software	20.1	-	-
Goodwill	20.2	7,302,704	7,302,704
		7,302,704	**7,302,704**

20.1. Purchased software

The Company capitalized the purchased software during the year ended 31st March 2020 which was initially measured at cost. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

As at 31st March	2026 Rs.	2025 Rs.
Cost/Carrying Value		
At the beginning of the year	2,000,000	2,000,000
At the end of the year	**2,000,000**	**2,000,000**
Accumulated amortisation and impairment		
At the beginning of the year	2,000,000	1,700,000
Charge for the year	-	300,000
At the end of the year	**2,000,000**	**2,000,000**
Carrying Value		
As at 31 March	-	-

The estimated useful life of assets is as follows:

Assets	Years	Type	Impairment Testing
Purchased software	0	Acquired	When indicators of impairment exists, The amortisation method is reviewed at each financial year end.

20.2 Goodwill

Carrying Value of Goodwill	2026 Rs.	2025 Rs.
Carrying Value		
At the beginning of the year	7,302,704	7,302,704
At at end of the year	**7,302,704**	**7,302,704**

The Company carried out a test on impairment of Goodwill at 31 March 2026 and there was no impairment loss requiring adjustments during the year. The recoverable amount of the Cash Generating Unit (CGU) has been determined based on the Value in Use (VIU) calculation.

Discount Rate - This discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium, 21%.

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20.3. Material Accounting judgements, estimates and Assumptions on Impairment of Intangible Assets

Key assumptions used in the VIU calculations

Gross Margins
The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount Rates
The discount rate used is the risk-free rate, adjusted by the addition of an appropriate risk premium which is 21%.

Inflation
The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth
Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

21. Non-Current Financial Assets

21.1 Loans to Executives

	Note	2026 Rs.	2025 Rs.
At the beginning of the year		7,183,055	11,247,519
Recoveries		(6,209,928)	(4,064,464)
At the end of the year		**973,127**	**7,183,055**
Receivable within one year	24	538,726	1,630,198
Receivable after one year			
Receivable between one and five years		434,401	5,552,857
		973,127	**7,183,055**

22. Other Non-Current Assets

22.1 Prepaid Staff Cost

	2026 Rs.	2025 Rs.
At the beginning of the year	3,204,833	4,994,889
Additions		-
Amortisation	(3,154,397)	(1,790,056)
At the end of the year	**50,436**	**3,204,833**

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23. Inventories

23.1 Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Fertiliser stock	-	Weighted average basis on actual cost
Produce stocks	-	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity excluding borrowing costs
Consumables and spares	-	At actual cost

23.2. Carrying Value of Inventories

	2026 Rs.	2025 Rs.
Fertiliser stock	25,487,656	16,128,921
Produce stocks	441,762,603	375,996,397
Consumables and spares	28,200,375	17,939,210
	495,450,634	**410,064,528**

24. Trade and Other Receivables

As at 31st March	**Note**	**2026** Rs.	2025 Rs.
Trade receivables		173,025,584	48,305,634
Other receivables*		62,059,336	27,028,762
Less: Impairment provision	24.1	(1,515,082)	(2,827,089)
		233,569,838	**72,507,307**
Current portion of loans to Executives	21.1	538,726	1,630,198
		234,108,564	**74,137,505**

*Other receivables as at 31st March 2026 include amounts receivable from bought leaf suppliers, as well as other items such as rent receivable and similar operational balances

24.1. Impairment provision

	2026 Rs.	2025 Rs.
At the beginning of the year	2,827,089	2,323,970
Recovery for the year	(210,000)	-
Write offs for the year	(1,273,566)	-
Provision made during the year	171,560	503,119
At the end of the year	**1,515,082**	**2,827,089**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

25. Other Current Assets

Other current assets represents refundable Deposits,other receivables and prepayments

	2026 Rs.	2025 Rs.
Non financial assets	11,181,136	11,151,779
	11,181,136	**11,151,779**

26. Short Term Investments

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation. During the year, the Company invested in Commercial Paper (CP) on 29 December 2025 at an interest rate of 11.5% per annum with an original maturity period of three months. Upon maturity on 29 March 2026, the investment was renewed for a further one-month period at an interest rate of 11% per annum. The investment is classified as a short-term investment as it is expected to be realized within the short-term period.

	Note	2026 Rs.	2025 Rs.
Commercial Paper	34.7	51,290,206	-
		51,290,206	**-**

27. Cash in Hand and at Bank

	2026 Rs.	2025 Rs.
Cash at bank	3,980,295	4,601,498
Cash in hand	99,760	32,685
Stamp balance	2,270	7,310
	4,082,325	**4,641,493**

28. Stated Capital

	2026 Number of Shares	2026 Value of Shares Rs.	2025 Number of Shares	2025 Value of Shares Rs.
Issued and fully paid Ordinary Shares	30,000,000	150,000,000	30,000,000	150,000,000
	30,000,000	**150,000,000**	**30,000,000**	**150,000,000**

29. Revaluation Reserve

	2026 Rs.	2025 Rs.
At the beginning of the year	700,213,848	680,333,617
Net revaluation gain / (loss)	-	19,880,231
At the end of the year	**700,213,848**	**700,213,848**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

30. Retained Earnings

	2026 Rs.	2025 Rs.
Retained Earnings	1,028,232,466	862,621,716
	1,028,232,466	**862,621,716**

31. Employee Benefit Liabilities

31.1 Accounting Policy

Defined Contribution Plan - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee Benefit Liabilities – Gratuity

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 recognised immediately in the other comprehensive income. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

31.2 Employee Defined Benefit Plan – Retirement Gratuity

As at 31st March	2026 Rs.	2025 Rs.
At the beginning of the year	38,911,381	43,131,070
Current service cost	4,605,159	4,323,829
Transfers	4,540,144	-
Interest cost on benefit obligation	4,779,668	5,293,641
Payments	(3,106,490)	(7,654,225)
(Gain) / loss arising from changes in assumptions	104,276	(6,182,935)
At the end of the year	**49,834,138**	**38,911,381**

The employee benefit liability as at 31st March 2026 of the Company is based on the actuarial valuations carried out by Messrs.Actuarial and Management Consultants (Pvt) Ltd. The expenses are recognised in the income statement in the following line items;

	2026 Rs.	2025 Rs.
Cost of sales	6,941,452	7,914,209
Administrative expenses	2,443,375	1,703,261
	9,384,827	**9,617,470**

The actuarial gain on defined benefit obligation has been recognised in the statement of comprehensive income in terms of the provision in LKAS 19.

31.3. Significant Accounting Judgement, Estimates and Assumptions - Employee Benefit Liabilities

The employee benefit liability of the company is based on the actuarial valuation carried out by an Independent actuarial specialist. 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. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:

	2026	2025
Discount rate - Staff (per annum)	10.00%	11.00%
Discount rate - Workers (per annum)	10.00%	11.00%
Future salary increases - Staff (per annum)	6.00%	6.00%
Future salary increases - Workers (Once in every two years)	6.00%	6.00%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

31.4. Sensitivity of Assumptions used

A qualitative sensitivity analysis for significant assumptions as at 31st March 2026 is shown below.

	Discount Rate		Increment Rate	
Sensitivity level	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Net impact on Employee Benefit Liability	(2,308,048)	2,521,864	2,683,151	(2,492,413)

A qualitative sensitivity analysis for significant assumptions as at 31st March 2025 is shown below.

	Discount Rate		Increment Rate	
Sensitivity level	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Net impact on Employee Benefit Liability	(1,670,485)	1,823,993	1,977,667	(1,836,611)

31.5. Maturity Profile of the Employee Benefit Liability as at 31st March 2026

Future Working Life Time	Employee Benefit Liability - Rs.		
	Staff	Workers	Total
Within the next 12 months	3,931,631	2,557,728	6,489,358
Between 1 - 2 years	5,867,823	4,815,359	10,683,184
Between 2 - 5 years	11,246,989	6,739,404	17,986,394
Between 5 - 10 years	6,249,284	8,425,918	14,675,202
Beyond 10 years	-	-	-
Total	**27,295,728**	**22,538,410**	**49,834,138**

The average duration of the employee benefit liability as at 31st March 2026 is 5.1 years for staff and 5.5 years for workers.

31.6 Maturity Profile of the Employee Benefit Liability as at 31st March 2025

Future Working Life Time	Employee Benefit Liability - Rs.		
	Staff	Workers	Total
Within the next 12 months	235,267	129,857	365,123
Between 1 - 2 years	-	477,177	477,177
Between 2 - 5 years	9,832,920	5,545,941	15,378,861
Between 5 - 10 years	1,398,229	21,291,990	22,690,219
Beyond 10 years	-	-	-
Total	**11,466,417**	**27,444,965**	**38,911,381**

The average duration of the employee benefit liability as at 31st March 2025 is 4.14 years for staff and 6.75 years for workers.

32. Other Deferred Liabilities

Government Grants

32.1 Accounting Policy

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

The following represents grants received from the Sri Lanka Tea Board under modernization of tea factories such as automation of manufacturing process and requirements under CQC certification.

32.2 Carrying Value

	2026 Rs.	2025 Rs.
At the beginning of the year	387,481	407,456
Amortisation	(19,975)	(19,975)
At the end of the year	**367,506**	**387,481**

33. Trade and Other Payables

	2026 Rs.	2025 Rs.
Trade payables	240,740,021	177,295,071
Sundry creditors and accrued expenses	51,117,501	25,488,330
Unclaimed dividend	3,131,471	3,099,658
	294,988,993	**205,883,059**

34. Related Party Transactions

The Company carried out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Financial Reporting Standard 24 - Related Party Disclosures, the details of which are reported below. The consideration for the goods and services provided has been paid or accrued on terms equivalent to those that prevail in arm's length transactions.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Non-recurrent Related Party Transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of equity or 5% of total assets whichever is lower of the Company as per 31st March 2026 audited financial statements, which required additional disclosure in the 2025/2026 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31st March 2026 audited financial statements, which required additional disclosure in the 2025/2026 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

On 03 April 2025, Udapussellawa Plantations PLC acquired 11,276,839 ordinary voting shares of Tea Smallholder Factories PLC, representing approximately 37.59% of the Company's issued ordinary share capital, at a consideration of Rs. 35 per share. Subsequently, during the first quarter of the financial year 2025/26, Udapussellawa Plantations PLC acquired a further 11,304,474 ordinary voting shares through the mandatory offer process conducted in accordance with the Takeovers and Mergers Code of Sri Lanka.

Following these acquisitions, Udapussellawa Plantations PLC's aggregate shareholding increased to 75.27% of the Company's issued ordinary share capital, resulting in Udapussellawa Plantations PLC obtaining control over the Company and becoming its immediate controlling shareholder.

As at 31 March 2026, the Company's immediate parent entity is Udapussellawa Plantations PLC, and the ultimate controlling party is the LOLC Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st March 2026

34.1 Amounts Due to Related Parties

	2026 Rs.	2025 Rs.
Former Parent Company		
John Keells Holdings PLC	-	1,373,381
Companies Under Common Control		
Keells Consultants (Pvt) Ltd	-	99,936
Infomate (Pvt) Ltd	-	98,848
Whittall Boustead (Pvt) Ltd	-	402,839
John Keells Teas (Pvt) Ltd	-	2,600,520
John Keells Office Automation	-	9,827
John Keells PLC	-	1,520,522
Intermediate Parent		
Browns Power Holdings (Private) Limited	38,683,469	-
Browns Investment PLC	72,570,000	-
Companies Under Common Control		
Maturata Plantations Ltd	584,367	-
Pussellawa Plantations Limited	5,992	-
Affiliated Company		
LOLC Corporate Services Private Limited	200,000	-
AgStar PLC	8,257,002	-
Ultimate Parent		
LOLC Holdings PLC	1,298,940	-
	121,599,770	**6,105,873**

34.2 Amounts Due from Related Parties

	2026 Rs.	2025 Rs.
Immediate Parent		
Udapussellawa Plantations PLC	478,886	-
Companies Under Common Control		
Hapugastenne Plantations PLC	15,265,155	-
	15,744,041	**-**

34.3 Transactions with Related Parties

Company	Relationship	Details of transactions	2026 Rs. Transaction amount	2025 Rs.
Browns Power Holdings (Private) Limited	Intermediate Parent	Management Fees	(29,148,582)	-
		Reimbursement of expenditure	(9,534,887)	-
Browns Investment PLC	Intermediate Parent	Service Cost	(72,570,000)	-
		Investment in related party	51,290,206	-
Maturata Plantations Ltd	Companies Under Common Control	Reimbursement of expenditure	(5,066,566)	-
		Material cost	1,022,187	-
		Service cost	77,381	-
		Settlement	3,382,631	-
Pussellawa Plantations Limited	Companies Under Common Control	Reimbursement of expenditure	(50,250,138)	-
		Material cost	1,362,916	-
		Service cost	81,675	-
		Settlement	184,729,974	-
		Bank Charges	100	-
LOLC Corporate Services Private Limited	Affiliated company	Service cost	(1,200,000)	-
		Settlement	1,000,000	-
AgStar PLC	Affiliated company	Fertilizer	(8,257,002)	-
LOLC Holdings PLC	Ultimate Parent	Reimbursement of expenditure	(15,777,769)	-
		Salary Settlement	14,478,829	-
Udapussellawa Plantations PLC	Immediate Parent	Reimbursement of expenditure	(2,108,956)	-
		Material cost	681,458	-
		Settlement	1,692,430	-
		Service Cost	213,954	-
Hapugastenne Plantations PLC	Companies Under Common Control	Reimbursement of expenditure	(3,346,666)	-
		Material cost	1,022,187	-
		Service cost	63,317	-
		Settlement	1,486,956	-
		Refuse Tea	16,039,360	-

34.4 Transactions with Key Management Personnel of the Company

The Company has paid Rs. 6.26 Mn (2024/2025 - Rs. 7.86 Mn) to their Directors as fees during the year. There are no non cash benefits for Key Management Personnel. Other than that there are no transactions, arrangements and agreements with close family members of Key Management Personnel or with companies controlled / jointly controlled / significantly influenced by Key Management Personnel and their close family members.

34.5 Terms and Conditions of Transactions with Related Parties

Transaction with related parties are carried out in the ordinary course of business. Outstanding current account balances at the period end are unsecured, interest free and settlement occurs in cash. The sales to & purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

34.6 Management Fee

The management fee to managing agents, Browns Power Holdings (Pvt) Limited was paid at contractual price during the year. During the year 31 st March 2025 management fee was paid to John Keells Teas (Pvt) Limited.

34.7 Commercial Paper Investment

During the year, the Company invested Rs. 50 Mn in Commercial Paper issued by Browns Investment PLC, a related party of the Company. The investment carried interest at 11.5% per annum for an initial period of three months commencing on 29 December 2025 and was subsequently renewed for a further one month at 11% per annum.The transaction was carried out in the ordinary course of business on arm's length terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2026

35. Other Current Liabilities

	2026 Rs.	2025 Rs.
VAT Payable	39,139,115	-
Other payables	2,829,176	4,815,599
	41,968,291	**4,815,599**

36 Bank Overdraft

	2026 Rs.	2025 Rs.
Deutsche Bank	-	20,612,388
HNB Bank	25,044,053	-
	25,044,053	**20,612,388**

37. Contingent Liabilities

37.1 Accounting Policy

Provisions are recognised when the company has a present obligation (legal or constructive) 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. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed unless the outflow of resources is remote. There is no contingent liability of the company as at the reporting date.

38. Capital Commitment

The value of contractual commitments for acquisition of property, plant and equipment as at 31 March 2026 is Rs. 3.7 Mn (as at 31 March 2025 - Rs. 8.5 Mn).

39. Assets Pledged as Security

No assets have been pledged for facilities obtained by the company as at 31 March 2026.

40. Events After the Reporting Period

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements

QUARTERLY FINANCIAL INFORMATION

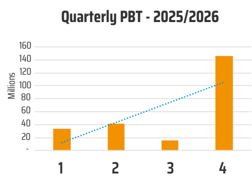
For the Financial Years Ended 2026 and 2025

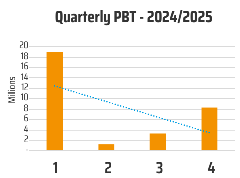
Income Statement

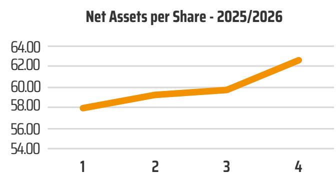
For the Quarters and Year Ended	2025 / 2026					2024 / 2025				
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
	30 Jun '25	30 Sep'25	31 Dec '25	31 Mar '26	Total	30 Jun '24	30 Sep'24	31 Dec '24	31 Mar '25	Total
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Turnover	731,119	935,470	767,373	882,005	3,315,968	651,403	756,646	755,344	633,711	2,797,104
Cost of sales	(700,296)	(903,806)	(747,941)	(895,140)	(3,247,184)	(632,688)	(746,209)	(752,351)	(633,388)	(2,764,636)
Gross profit	**30,823**	**31,664**	**19,431**	**(13,135)**	**68,784**	**18,715**	**10,437**	**2,993**	**323**	**32,468**
Other operating income	40,105	43,601	44,067	38,526	166,298	44,598	32,476	33,562	41,059	151,695
Administrative expenses	(25,951)	(24,732)	(44,777)	(59,619)	(155,079)	(38,978)	(35,435)	(35,400)	(28,644)	(138,457)
Management Fees	(9,195)	(9,989)	(5,220)	(4,745)	(29,149)	(4,842)	(5,645)	(5,634)	(4,705)	(20,826)
Profit from operating activities	**35,781**	**40,543**	**13,502**	**(38,973)**	**50,854**	**19,493**	**1,833**	**(4,479)**	**8,033**	**24,881**
Finance cost	(3,769)	(741)	(53)	(1,189)	(5,751)	(2,230)	(2,107)	(1,846)	(1,299)	(7,482)
Finance income	1,253	1,459	2,382	3,358	8,452	1,724	1,557	1,738	1,565	6,583
Change in fair value of Investment Property	-	-	-	182,798	182,798	-	-	7,940	-	7,940
Profit Before Tax	**33,265**	**41,262**	**15,831**	**145,994**	**236,353**	**18,987**	**1,283**	**3,353**	**8,299**	**31,922**
(Tax Expense) / Reversal	(8,456)	-	(3,789)	(58,425)	(70,669)	(6,503)	183	(1,507)	(2,497)	(10,324)
Profit for the Year	**24,811**	**41,262**	**12,042**	**87,569**	**165,684**	**12,484**	**1,466**	**1,846**	**5,802**	**21,598**
Earning per Share from Continuing Operations - Rs	0.83	1.38	0.40	2.92	5.52	0.42	0.05	0.06	0.19	0.72

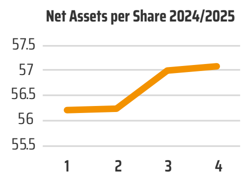
Statement of Financial Position

	2025 / 2026				2024 / 2025			
As at	**30 Jun '25**	**30 Sep'25**	**31 Dec '25**	**31 Mar '26**	**30 Jun '24**	**30 Sep'24**	**31 Dec '24**	**31 Mar '25**
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Net Assets								
Non-current assets	1,785,935	1,772,781	1,761,664	1,987,660	1,776,936	1,774,511	1,817,118	1,807,675
Net current assets	330,926	388,290	414,854	324,107	262,098	266,006	258,944	268,674
	2,116,861	**2,161,071**	**2,176,518**	**2,311,767**	**2,039,034**	**2,040,517**	**2,076,062**	**2,076,349**
Less : Non current liabilities	379,215	382,164	385,569	433,321	353,218	353,235	366,514	363,588
Net Assets	**1,737,646**	**1,778,907**	**1,790,949**	**1,878,446**	**1,685,816**	**1,687,282**	**1,709,548**	**1,712,761**
Shareholders' Funds								
Stated capital and revenue reserves	1,737,646	1,778,907	1,790,949	1,878,446	1,685,816	1,687,282	1,709,548	1,712,761
Total Equity	**1,737,646**	**1,778,907**	**1,790,949**	**1,878,446**	**1,685,816**	**1,687,282**	**1,709,548**	**1,712,761**
Net assets per share - Rs.	57.92	59.30	59.70	62.61	56.19	56.24	56.98	57.09



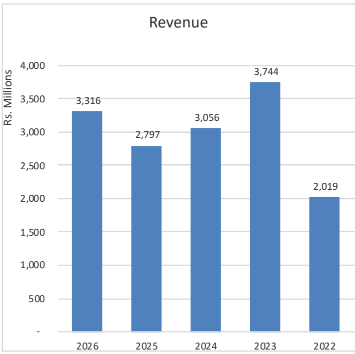


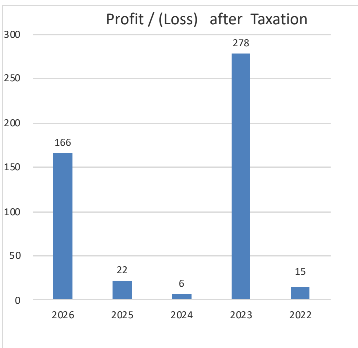




FIVE YEAR FINANCIAL SUMMARY AND KEY INDICATORS

Year Ended 31st March	2026 Rs.000's	2025 Rs.000's	2024 Rs.000's	2023 Rs.000's	2022 Rs.000's
Total Revenue	3,315,968	2,797,104	3,055,960	3,743,939	2,018,797
Cost of Sale	(3,247,184)	(2,764,636)	(3,094,974)	(3,332,924)	(2,029,365)
Gross Operating Profit	**68,784**	**32,469**	**(39,014)**	**411,015**	**(10,568)**
Other operating income	166,298	151,696	159,989	152,646	88,258
Expenses					
Administrative Expenses	(155,079)	(138,457)	(145,761)	(106,191)	(62,919)
Management Fees	(29,149)	(20,826)	(22,705)	(66,085)	(15,028)
Results from Operating Activities	**50,854**	**24,881**	**(47,491)**	**391,385**	**(257)**
Net Finance (Cost) / Income	2,701	(899)	(14,411)	28,779	7,195
Change in fair value of Investment Property	182,798	7,940	42,214	20,462	15,719
Profit / (Loss) before Taxation	**236,353**	**31,922**	**(19,688)**	**440,626**	**22,657**
Taxation	(70,669)	(10,324)	25,917	(162,131)	(7,346)
Profit / (Loss) after Taxation	**165,684**	**21,598**	**6,229**	**278,495**	**15,311**
Other Comprehensive Income	(73)	4,328	(1,803)	5,133	1,024
Prior Year Retained Profits	862,622	842,998	838,572	755,044	768,709
Total Available for Appropriation	**1,028,232**	**868,924**	**842,998**	**1,038,672**	**785,044**
Dividends Paid		(6,300)		(200,100)	(30,000)
Transfer to General Reserve					
Retained Profit at the end of the year	**1,028,233**	**862,624**	**842,998**	**838,572**	**755,044**





Year Ended 31st March	2026 Rs.000's	2025 Rs.000's	2024 Rs.000's	2023 Rs.000's	2022 Rs.000's
CAPITAL AND RESERVES					
Stated Capital	150,000	150,000	150,000	150,000	150,000
Revaluation Reserve	700,214	700,214	680,334	630,296	610,627
Retained Earnings	1,028,232	862,622	842,998	838,572	755,044
Shareholders' Funds	**1,878,446**	**1,712,836**	**1,673,332**	**1,618,868**	**1,515,671**
ASSETS LESS LIABILITIES					
Current Assets	811,857	506,091	441,090	654,700	543,503
Current Liabilities	(487,749)	(237,417)	(200,061)	(362,973)	(218,808)
Net Current Assets	**324,108**	**268,674**	**241,029**	**291,727**	**324,694**
Non-Current Assets	1,987,660	1,807,675	1,779,357	1,650,383	1,338,106
Non-Current Liabilities other than Deferred Grants and Subsidies	(432,954)	(363,126)	(346,646)	(322,815)	(148,682)
Deferred Grants and Subsidies	(368)	(387)	(408)	(427)	(447)
	1,878,446	**1,712,836**	**1,673,332**	**1,618,868**	**1,513,671**
RATIOS AND STATISTICS					
Earnings per Share (EPS) - Rs	5.52	0.7	0.21	9.28	0.51
EPS growth (%)	667	246.8	(98)	1,719	(77)
Price earning ratio (No. of times)	7.0	55.7	199.9	4.7	53.1
Dividend payout ratio (%)	-	29.2	-	71.9	195.9
Interest cover (No. of times)	42.1	5.3	0.1	312.7	848.1
Pre-tax return on capital employed (Pre-tax ROCE) (%)	12.8	1.4	(2.5)	27.2	1.5
Return on equity (ROE) (%)	9.2	1.3	0.4	17.2	1.0
Return on assets (%)	6.48	1.0	0.28	12.08	0.81
Net Assets per share (Rs)	62.61	57.1	55.78	53.96	50.52
Market Price per Share (Rs.)	38.90	40.1	41.50	44.00	27.10
Debt/Equity (No. of times)	0.01	0.01	0.01	-	-
Annual Turnover growth (%)	18.6	(8.5)	(18.4)	85.5	(14.0)
Current Ratio (times)	1.66	2.1	2.2	1.8	2.5
Gross Turnover per employee (Rs.000's)	8,068	9,052	9,461	9,109	4,972
Dividend per Share (Rs.)	-	0.2	-	6.7	1.00

INFORMATION TO SHAREHOLDERS AND INVESTORS

1. STOCK EXCHANGE LISTING

The issued ordinary shares of Tea Smallholder Factories PLC was listed with the Colombo Stock Exchange on 01st August 1996. The Audited Accounts of the Company for the year ended 31st March 2026 have been submitted to the Colombo Stock Exchange.

2. DISTRIBUTION OF ORDINARY SHAREHOLDERS

No. of Shares held	31st March 2026				31st March 2025			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Less than or equal to 1000	1,261	73.31	253,069	0.84	1,127	75.74	232,888	0.78
1,001 - 10,000	367	21.34	1,200,205	4.00	311	20.90	954,672	3.18
10,001 - 100,000	83	4.82	2,235,568	7.45	43	2.89	980,987	3.27
100,001 - 1,000,000	7	0.41	1,439,983	4.80	3	0.20	438,961	1.46
Over 1,000,000	2	0.12	24,871,175	82.90	4	0.27	27,392,492	91.31
Total	**1,720**	**100.00**	**30,000,000**	**100.00**	**1,488**	**100.00**	**30,000,000**	**100.00**

3. ANALYSIS OF SHAREHOLDERS

Categories of Shareholders	31st March 2026				31st March 2025			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,658	96.40	3,832,132	12.77	1,442	96.91	2,130,520	7.10
Institutions	62	3.60	26,167,868	87.23	46	3.09	27,869,480	92.90
Total	**1,720**	**100.00**	**30,000,000**	**100.00**	**1,488**	**100.00**	**30,000,000**	**100.00**
Residents	1,668	96.98	29,767,624	99.23	1,480	99.46	29,979,459	99.93
Non Residents	52	3.02	232,376	0.77	8	0.54	20,541	0.07
Total	**1,720**	**100.00**	**30,000,000**	**100.00**	**1,488**	**100.00**	**30,000,000**	**100.00**
Public Shareholding	1,719	99.94	7,418,687	24.73	1,485	99.80	9,925,508	33.09
Non - Public Shareholding	1	0.06	22,581,313	75.27	3	0.20	20,074,492	66.91
Total	**1,720**	**100.00**	**30,000,000**	**100.00**	**1,488**	**100.00**	**30,000,000**	**100.00**

4. PUBLIC SHARE HOLDING

	As at 31st March 2026	As at 31st March 2025
Number of Public Shareholders	1719	1,485
Public Holding Percentage	24.73	33.09
The Float Adjusted Market Capitalization - Rs. Mn	288.59	397.61

The Company has complied with the Rule 7.13.1.i.(a) of the Listing Rules of the Colombo Stock Exchange governing the minimum public holding requirement of listed entities for continuous listing requirements. As at 31st March 2026, the public holding of the Company stood at 24.73 percent surpassing the minimum requirement of 20 percent under, option 5.

5.TWENTY LARGEST SHAREHOLDERS OF THE COMPANY

		31st March 2026		31st March 2025	
	Name	No. of Shares Held	% Holdings	No. of Shares Held	% Holdings
1	UDAPUSSELLAWA PLANTATIONS PLC	22,581,313	75.27	-	-
2	AKBAR BROTHERS PVT LTD	2,289,862	7.63	7,318,000	24.39
3	MR. C.R. NARANGODA	287,779	0.96	-	-
4	MR. M.S.M. ALI	263,500	0.88	-	-
5	SENKADAGALA FINANCE PLC/C.R.NARANGODA	242,227	0.81	-	-
6	C F T INTERNATIONAL (PVT) LTD	225,000	0.75	-	-
7	MR. W.G.S.C. JAYAWEERA	178,189	0.59	-	-
8	SENKADAGALA FINANCE PLC/A.K.S.MENDIS&C.R.NARANGODA	128,379	0.43	-	-
9	MR. A.K.S. MENDIS	114,909	0.38	-	-
10	T R L HOLDINGS (PVT) LIMITED	100,000	0.33	104,306	0.35
11	SANDWAVE LIMITED	97,000	0.32	-	-
12	MR. M.S.F. HAQQUE	83,000	0.28	2,000	0.01
13	MR. A.I. ABEYDEERA	80,790	0.27	-	-
14	SAMPATH BANK PLC/HI-LINE TRADING (PRIVATE) LIMITED	67,450	0.22	-	-
15	MS. S.I. HAQQUE	67,000	0.22	-	-
16	MR. H.P. FERNANDO	65,000	0.22	-	-
17	MR. N.D. KURUKULASURIYA	62,400	0.21	62,400	0.21
18	MR. R.P.U.P. GUNAWARDENA	60,000	0.20	-	-
19	MS. H.D.J.N. KARUNATHILAKE	60,000	0.20	-	-
20	DR. D.S.A. SAMARAWEERA	53,000	0.18	53,000	0.18
Total		**27,106,798**	**90.35**	**7,539,706**	**25.17**

Note - The percentage of public shareholding is stated on page 142 under "Public Share Holding".

6. RELEVANT INTEREST IN SHARES AND SHARE DEALINGS

The relevant interest of the Directors and Chief Executive Officer of the Company are as follows,

As at 31st March	2026	2025
	No. of Shares	No. of Shares
Dr.P.S.H.Uluwaduge (Chairman)	Nil	Nil
Mr.D.S.K.Amarasekara	Nil	Nil
Mr.A.S.Perera	Nil	Nil
Mr.T.Dharmarajah	Nil	Nil
Mr.U.H.E.Silva	Nil	Nil
Mr.G.D.V.Perera	Nil	Nil
Ms.A.Goonetilleke	Nil	Nil
Mr.N.Nanayakkara(Appointed w.e.f 02nd Apr 26)	Nil	Nil
Mr. K. Sivanesan (Appointed w.e.f 07th Aug 26)	Nil	Nil

7. MARKET VALUE

	2026	2025	2024	2023	2022
For the year ended 31st March	Rs.	Rs.	Rs.	Rs.	Rs.
Highest Price	60.00	49.00	58.50	98.20	47.90
Lowest Price	33.50	36.00	37.20	26.50	27.00
As at Year End	38.90	40.10	41.50	44.00	27.10
Market capitalisation (Rs. Mn)	1,167	1,203	1,245	1,320	813

8. TRADING STATISTICS

For the year ended 31st March	2026	2025
No. of Trades	7,904	2,749
No. of Shares Traded	19,206,036	983,836
Value of Traded Shares - Rs.	759,543,082	41,727,957

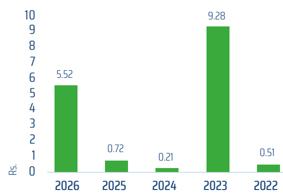
9. DIVIDEND PAYMENT

No dividend payments were declared during the financial year 2025/26.

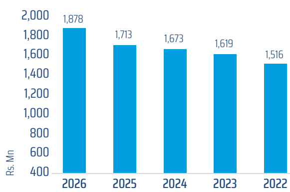
10. RATIOS AND STATISTICS

For the year ended 31st March	2026	2025	2024	2023	2022
No. of shares in issue (In '000s)	30,000	30,000	30,000	30,000	30,000
Earnings Per Share (EPS) - Rs.	5.52	0.72	0.21	9.28	0.51
EPS growth (%)	667	247	(98)	1,719	(77)
Price earning ratio (No. of times)	7.04	55.70	199.9	4.7	53.1
Dividend payout ratio (%)	-	29.2	-	71.9	195.9
Pre-tax return on capital employed (Pre-tax ROCE) (%)	12.8	1.4	(2.5)	27.2	1.5
Return on equity (ROE) (%)	9.2	1.3	0.4	17.2	1.0
Net Assets per share (Rs)	62.61	57.09	55.78	53.96	50.52
Market Price per Share (Rs.)	38.90	40.10	41.50	44.00	27.10
Market capitalisation (Rs.'000s)	1,167,000	1,203,000	1,245,000	1,320,000	813,000
Dividend per Share (Rs.)	0.00	0.21	-	6.67	1.00
Dividend Yield (%)	-	0.52	-	15.16	3.69

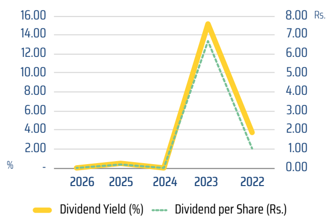
Earning per Share



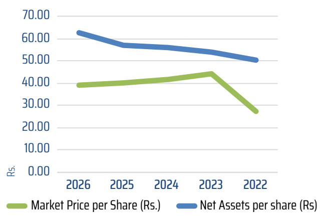
Shareholders' Funds



Dividend per Share and Dividend Yield



Market Price per Share and Net Asset per Share

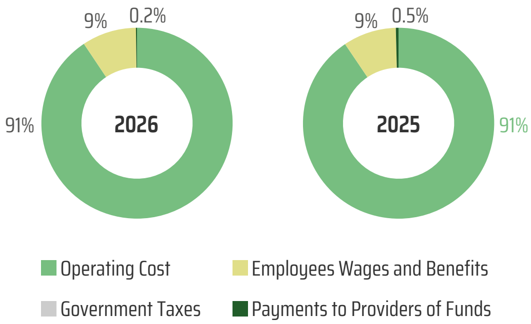


STATEMENT OF VALUE ADDED

Year Ended 31st March	2026		2025		2024		2023		2022	
	Rs'000s	%	Rs'000s	%	Rs'000s	%	Rs'000s	%	Rs'000s	%
DIRECT ECONOMIC VALUE GENERATED										
Turnover	3,315,968		2,797,104		3,055,960		3,743,939		2,018,797	
Finance Income	8,452		6,583		7,663		30,192		7,222	
Other operating Income	166,298		151,696		159,989		152,646		88,258	
Valuation gain/ (loss) on Investment Property	182,798		7,940		42,214		20,462		15,719	
	3,673,516		**2,963,323**		**3,265,826**		**3,947,239**		**2,129,996**	
ECONOMIC VALUE DISTRIBUTED										
Operating Cost	3,119,472	91%	2,605,776	91%	2,894,461	91%	3,266,229	86%	1,812,731	87%
Employees Wages and Benefits	316,867	9%	258,382	9%	266,882	8%	242,328	6%	230,520	11%
Government Taxes	-	0%	-	0%	-	0%	96,539	3%	6,387	0%
Payments to Providers of Funds	5,751	0.2%	13,782	0.5%	22,074	1%	201,514	5%	30,027	1%
	3,442,091		**2,877,941**		**3,183,418**		**3,806,610**		**2,079,664**	
ECONOMIC VALUE RETAINED										
Depreciation	65,741		70,083		76,179		62,234		65,020	
Profit Retained	165,684		15,298		6,229		78,395		(14,689)	
	231,424		**85,382**		**82,408**		**140,630**		**50,332**	

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS / LKAS).

Economic Value Distributed



Value created for 2025/26 is Rs. 3.67 Bn and an increase of 24% when compared against Rs. 2.96 Bn created in the previous year. Of the total value distributed of Rs. 3.44 Bn in 2025 /2026, 91% was spent on operating cost, 9% was distributed to employees in the form of remuneration and statutory payments and 0.2% was paid as interest for providers of funds. Of the total value created of Rs. 3.67 Bn for 2025/26, 6% was retained in the business for further development and investment.

GRI CONTENT INDEX

Statement of use	Tea Smallholders Factories PLC has reported the information cited in this GRI content index for the period from 01st April 2025 to 31st March 2026 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	Page No.
GRI 2: General Disclosures 2021	2-1 Organizational details	04,05,IBC
	2-2 Entities included in the organization's sustainability reporting	04,05,IBC
	2-3 Reporting period, frequency and contact point	04,05
	2-4 Restatements of information	No Restatements
	2-5 External assurance	Company has not obtained External assurance on this report
	2-6 Activities, value chain and other business relationships	04,14-18
	2-7 Employees	38-41
	2-8 Workers who are not employees	38-41
	2-9 Governance structure and composition	60-65
	2-10 Nomination and selection of the highest governance body	68-71
	2-11 Chair of the highest governance body	61-62
	2-12 Role of the highest governance body in overseeing the management of impacts	61-62
	2-13 Delegation of responsibility for managing impacts	61-65
	2-14 Role of the highest governance body in sustainability reporting	72-73
	2-15 Conflicts of interest	63
	2-16 Communication of critical concerns	70
	2-17 Collective knowledge of the highest governance body	56-58,62
	2-18 Evaluation of the performance of the highest governance body	81
	2-19 Remuneration policies	81
	2-20 Process to determine remuneration	81
	2-21 Annual total compensation ratio	77-78,118
	2-22 Statement on sustainable development strategy	N/A
	2-23 Policy commitments	62-65,77,78
	2-24 Embedding policy commitments	62-65,77,78
	2-25 Processes to remediate negative impacts	62-65,77,78
	2-26 Mechanisms for seeking advice and raising concerns	78
	2-27 Compliance with laws and regulations	Compliant with applicable laws and regulations
	2-28 Membership associations	17-18
	2-29 Approach to stakeholder engagement	16-18
	2-30 Collective bargaining agreements	39-40
GRI 3: Material Topics 2021	3-1 Process to determine material topics	19
	3-2 List of material topics	19-22

GRI STANDARD	DISCLOSURE	Page No.
	3-3 Management of material topics	19-22
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	145
	201-2 Financial implications and other risks and opportunities due to climate change	55
	201-3 Defined benefit plan obligations and other retirement plans	133-134
	201-4 Financial assistance received from government	42,134
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	N/A
	202-2 Proportion of senior management hired from the local community	N/A
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	42-50
	203-2 Significant indirect economic impacts	42-46
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	42
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	64
	205-2 Communication and training about anti-corruption policies and procedures	64
	205-3 Confirmed incidents of corruption and actions taken	Nil
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Nil
GRI 207: Tax 2019	207-1 Approach to tax	Nil
	207-2 Tax governance, control, and risk management	Nil
	207-3 Stakeholder engagement and management of concerns related to tax	19-21,
	207-4 Country-by-country reporting	Only operates in Sri Lanka Lanka
GRI 301: Materials 2016	301-1 Materials used by weight or volume	55
	301-2 Recycled input materials used	N/A
	301-3 Reclaimed products and their packaging materials	None
GRI 302: Energy 2016	302-1 Energy consumption within the organization	55
	302-2 Energy consumption outside of the organization	55
	302-3 Energy intensity	55
	302-4 Reduction of energy consumption	55
	302-5 Reductions in energy requirements of products and services	55
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	55
	303-2 Management of water discharge-related impacts	55
	303-3 Water withdrawal	55
	303-4 Water discharge	55
	303-5 Water consumption	55
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	N/A
	304-2 Significant impacts of activities, products and services on biodiversity	N/A
	304-3 Habitats protected or restored	N/A
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A

GRI STANDARD	DISCLOSURE	Page No.
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	N/A
	305-2 Energy indirect (Scope 2) GHG emissions	N/A
	305-3 Other indirect (Scope 3) GHG emissions	N/A
	305-4 GHG emissions intensity	N/A
	305-5 Reduction of GHG emissions	N/A
	305-6 Emissions of ozone-depleting substances (ODS)	N/A
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	N/A
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	55
	306-2 Management of significant waste-related impacts	55
	306-3 Waste generated	55
	306-4 Waste diverted from disposal	N/A
	306-5 Waste directed to disposal	55
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	43
	308-2 Negative environmental impacts in the supply chain and actions taken	N/A
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	39
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	39-40
	401-3 Parental leave	N/A
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	2 Weeks
GRI 403: Occupational Health and Safety 2018	403-2 Hazard identification, risk assessment, and incident investigation	40
	403-3 Occupational health services	40
	403-4 Worker participation, consultation, and communication on occupational health and safety	40
	403-5 Worker training on occupational health and safety	39-41
	403-6 Promotion of worker health	22,40
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	22,40
	403-8 Workers covered by an occupational health and safety management system	22,40
	403-9 Work-related injuries	40-41
	403-10 Work-related ill health	40-41
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	40
	404-2 Programs for upgrading employee skills and transition assistance programs	40
	404-3 Percentage of employees receiving regular performance and career development reviews	40
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	38-39
	405-2 Ratio of basic salary and remuneration of women to men	N/A

GRI STANDARD	DISCLOSURE	Page No.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	None reported
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	N/A
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	39
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Nil
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Nil
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	47-50
	413-2 Operations with significant actual and potential negative impacts on local communities	47-50
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	N/A
	414-2 Negative social impacts in the supply chain and actions taken	N/A
GRI 415: Public Policy 2016	415-1 Political contributions	N/A
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	53
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Nil
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	53
	417-2 Incidents of non-compliance concerning product and service information and labeling	Nil
	417-3 Incidents of non-compliance concerning marketing communications	Nil
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Nil

GLOSSARY OF FINANCIAL TERMINOLOGY

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Total Debt
Short and long term loans including overdrafts.

Capital Employed
Shareholders' funds plus non-controlling interest and debt.

Capital Reserves
Profits of a company that for various reasons are not regarded as distributable to shareholders as dividend. This includes gains on revaluation of capital assets.

Cash and Cash Equivalent
Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Current Ratio
Current assets divided by current liabilities.

Deferred Tax
Sum set aside in the Financial Statements for taxation that may become payable/recoverable in a financial year other than the current financial year (future periods).

Dividend Cover
Profit attributable to shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend per Share (DPS)
Dividends paid during the year divided by the weighted number of ordinary shares in issue during the period.

Earnings per Share
Earnings per Share is the net profit after tax attributable to each ordinary share. This is calculated using the formula - net profit after tax divided by the total number of ordinary shares in issue during the period.

Total Equity
Shareholders' funds

Debt to Equity
Debt to capital employed.

Interest Cover
Profit before Interest and tax over finance cost.

Market Capitalization
Number of shares in issue at the end of period multiplied by the market price per share at the end of period.

Net Assets
Total assets minus total current and non-current liabilities.

Net Assets per Share
Net assets as at a particular year end divided by the number of shares in issue as at the current financial year end.

Number of Trades
The total number of transactions of a company's shares on the Stock Exchange on a particular day.

Price Earnings Ratio (PER)
Market price per share over earnings per share.

Profit After Tax
The profit that a company has earned in a given period of time after payment of tax.

Return on Capital Employed
Profit before interest and tax divided by average capital employed.

Return on Equity
Profit after tax divided by average share holders' funds.

Revenue Reserves
Reserves considered as being available for distributions and investments.

"Share" of a Company
One of the equal parts of the issued capital of the company.

Shareholders' Funds
Total of stated capital, capital reserves and revenue reserves.

Stated Capital
The total of all amounts received by the company or due and payable to the company in respect of the issue of shares and calls on shares.

Turnover per Employee
Total turnover of the company for the year divided by the number of employees employed at year end.

Value Addition / Value Generated
The quantum of wealth generated by the activities of the company and its application.

Working Capital
Capital required to finance the day-to-day Operations

Market Value Added
A calculation that shows the difference between the market value of a company and the capita contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

Return on Assets
Profit after tax as a percentage of average total assets.

Total Shareholder Return
(P1 - P0 + D) / P0 X 100

P1 = Market Price at the end of the year

P0 = Market Price at the beginning of the year

D = Dividend for the year

Dividend Yield
Dividend per share as a percentage of its market value

Dividend Payout
The percentage of earnings paid to a shareholder as dividends.

Quick assets ratio
The quick assets ratio measures a company's ability to meets short term obligations with its most liquid assets.

Net Current Assets
Current assets less current liabilities

Abbreviations
BRM - Business Risk Management

CTC - Crush, Tear and Curl

HACCP - Hazard Analysis and Critical Control Point

SLFRS / LKAS - Sri Lanka Accounting Standards

Notes

NOTICE OF MEETING

Notice is hereby given that the Thirty Second Annual General Meeting of Tea Smallholder Factories PLC (the Company) will be held as a virtual meeting on Tuesday, 22nd September 2026 at 10:00 a.m.

The business to be brought before the Meeting will be to:

1. Receive and consider the Annual Report of the Board of Directors including the Financial Statements for the financial year ended 31st March 2026 together with the Report of the Auditors thereon.
2. Re-elect as a Director, Mr. N. R. Nanayakkara who retires in terms of Article 90 of the Articles of Association of the Company.
3. Re-elect as a Director, Mr. K. Sivanesan who retires in terms of Article 90 of the Articles of Association of the Company.
4. Re-elect as a Director Mrs. A. Goonetilleke who retires by rotation in terms of Articles 83 of the Articles of Association of the Company.
5. Re-appoint Mr. G. D. V. Perera who is seventy-four years of age, as a Director of the Company, for which the passing of the following resolution is recommended:

   "THAT in terms of Section 211 of the Companies Act No. 07 of 2007, the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. G. D. V. Perera who is 74 years of age and that he be re-appointed as a Director of the Company"
6. Re-appoint Mr. T. Dharmarajah who is seventy years of age, as a Director of the Company, for which the passing of the following resolutions is recommended:

   a. "THAT in terms of Section 211 of the Companies Act No. 07 of 2007, the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. T Dharmarajah, who is 70 years of age and that he be appointed a Director of the Company."

   b. "THAT Mr. T Dharmarajah be designated as an Independent Non-Executive Director of the Company in terms of Section 9.8.3 (ix) of the Listing Rules of the Colombo Stock Exchange."

   The report of the Nominations and Governance Committee detailing the reason and rationale for its recommendation to re-appoint Mr. Dharmarajah, are set out on page 89 and in the Circular enclosed to the Shareholders..
7. Appoint Messrs. KPMG, Chartered Accountants as the Auditors of the Company for the ensuing Financial year and to authorize the Directors to determine their remuneration.
8. Approve in terms of Companies (Donations) Act No. 26 of 1951 the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.

By Order of the Board

TEA SMALLHOLDER FACTORIES PLC

LOLC Corporate Services (Private) Limited
Secretaries
Colombo
31st August 2026

FORM OF PROXY

I/We..

of...

being a Shareholder/s of Tea Smallholder Factories PLC hereby appoint..

....of

.... or failing him/her,

Dr. P S H Uluwaduge	or failing him
Mr. D S K Amarasekera	or failing him
Mr. G D V Perera	or failing him
Mr. A S Perera	or failing him
Mrs. A Goonetilleke	or failing her
Mr. T Dharmarajah	or failing him
Mr. U H E Silva	or failing him
Mr. N R Nanayakkara	or failing him
Mr. K Sivanesan	

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Second Annual General Meeting of the Company to be held on 22nd September 2026 at 10:00 a.m. and at any postponement or adjournment thereof and at every poll which may be taken in consequence of thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

		For	Against	Abstained
i	To re-elect as a Director Mr. N R Nanayakkara who retires in terms of Article 90 of the Articles of Association of the Company	◯	◯	◯
ii	To re-elect as a Director Mr. K Sivanesan who retires in terms of Article 90 of the Articles of Association of the Company	◯	◯	◯
iii	To re-elect as a Director, Mrs. A Goonetilleke who retires by rotation in terms of Article 83 of the Articles of Association of the Company.	◯	◯	◯
iv	To re-appoint as a Director, Mr. G D V Perera in terms of Sec. 211 of the Companies Act No. 7 of 2007.	◯	◯	◯
v	To re- appoint as a Director, Mr. T Dharmarajah in terms of Sec. 211 of the Companies Act No. 7 of 2007.	◯	◯	◯
vi	To designate Mr. T Dharmarajah as an Independent Director of the Company, in terms of Sec. 9.8.3 (ix) of the Listing Rules of the Colombo Stock Exchange.	◯	◯	◯
vii	To appoint M/s KPMG Chartered Accountants as Auditors and to authorise the Directors to determine their remuneration.	◯	◯	◯
viii	To approve in terms of Companies (Donations) Act No. 26 of 1951 the making of donations by the Directors as determined by them for the current Financial Year and until the next Annual General Meeting of the Company.	◯	◯	◯

Signed on this .... day of.................................... Two Thousand and Twenty-Six (2026).

....

Signature/s of Shareholder/s

NOTE: INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at No. lodged at No. 100/1 Sri Jayawardenepura Mawatha, Rajagiriya OR forwarded to the email address: corporateservices@lolc.com not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name	....
Address	....
	....
Jointly with	....
Share Folio No./CDS account no	....
National Identity Card No	....

STAKEHOLDER FEEDBACK FORM

We value your opinions and feedback. We invite you to share your thoughts to help us enhance our governance, operations, financial condition, and future prospects. Please take a moment to fill out this form with your comments and suggestions. Your feedback will be treated confidentially and used solely for the purpose of improving our stakeholder communication and overall performance.

Contact Information

Name: ....

Email: ....

Phone: ....

Company/Organization: ....

WHICH STAKEHOLDER GROUP/S DO YOU BELONG TO? (You may tick more than one)

- [ ] Shareholder
- [ ] Customer
- [ ] Community
- [ ] Public Authority
- [ ] Employee
- [ ] Student
- [ ] Regulatory Body
- [ ] Journalist
- [ ] Service Provider
- [ ] Supplier
- [ ] Special Interest Group

General Feedback

1. How would you rate your overall satisfaction with the Company's communication practices?

- [ ] Very Satisfied
- [ ] Satisfied
- [ ] Neutral
- [ ] Dissatisfied
- [ ] Very Dissatisfied

2. How often do you feel the Company provides timely and accurate information?

- [ ] Always
- [ ] Often
- [ ] Sometimes
- [ ] Rarely
- [ ] Never

3. How effective do you find the Company's use of its website and social media for communication?

- [ ] Very Effective
- [ ] Effective
- [ ] Neutral
- [ ] Ineffective
- [ ] Very Ineffective

Specific Feedback

1. What specific aspects of the Company's communication do you find most useful?

- [ ] Financial Reports
- [ ] Annual Reports
- [ ] Press Releases
- [ ] Investor Briefings
- [ ] Social Media Updates
- [ ] Website Content
- [ ] Other (please specify):

____

2. How would you rate the accessibility of the Company's spokespersons for providing information and responding to queries?

- [ ] Very Accessible
- [ ] Accessible
- [ ] Neutral
- [ ] Inaccessible
- [ ] Difficult to Access

3. How effectively does the Company address your concerns and queries?

- [ ] Very Effective
- [ ] Effective
- [ ] Neutral
- [ ] Ineffective
- [ ] Very Ineffective

Forward-Looking Information & Major Developments

1. How useful do you find the Company's forward-looking comments and information on future prospects?

- [ ] Very Useful
- [ ] Useful
- [ ] Neutral
- [ ] Not Useful
- [ ] Not Useful at All

2. How effectively does the Company handle the communication of major corporate developments (e.g., mergers, acquisitions, new products)?

- [ ] Very Effectively
- [ ] Effectively
- [ ] Neutral
- [ ] Ineffectively
- [ ] Very Ineffectively

Crisis Communication & Confidentiality

1. How confident are you in the Company's ability to manage crisis communications?

- [ ] Very Confident
- [ ] Confident
- [ ] Neutral
- [ ] Not Confident
- [ ] Not Confident at All

2. How well does the Company maintain the confidentiality of sensitive information?

- [ ] Very Effectively
- [ ] Effectively
- [ ] Neutral
- [ ] Ineffectively
- [ ] Very Ineffectively

Additional Comments

Please provide any additional comments or suggestions you have for improving the Company's communication practices.

____

____

Submission

Please return the completed form to:

Investor Relations/ Communications

Tea Smallholder Factories PLC
Level 11, Browns Capital Building,
No. 19, Dudley Senanayake Mawatha,
Colombo 08

Email: SisiraP@brownsplantations.com

CORPORATE INFORMATION

Name of Company
Tea Smallholder Factories PLC

Company Registration No.
PQ 32

Legal Form
A Public Quoted Company with Limited Liability
Incorporated in Sri Lanka in 1991

Ordinary Shares listed on the Colombo Stock Exchange

Registered Office of the Company
Level 11, No 19, Dudley Senanayake Mawatha,
Colombo 08, Sri Lanka

Telephone : (+94) 117 474 500

Website : https://www.brownsplantations.lk/tea-smallhold-er-factories/

Board of Directors
Dr. P. S. H. Uluwaduge
Chairman - Non-Executive Director

Mr. D. S. K. Amarasekara
Non-Executive Director

Mr. G. D. V. Perera
Non-Executive Director

Mr. A. S. Perera
Executive Director

Ms. A. Goonetilleke
Independent Director

Mr. T Dharmarajah
Non-Executive Director

Mr. U H Ebert Silva
Independent Director

Mr. N. R. Nanayakkara
Executive Director

Mr. K. Sivanesan
Independent Director

Board Audit Committee
Mr. K. Sivanesan - Interim Chairman

Ms. A. Goonetilleke

Mr. U H Ebert Silva

HR & Compensation Committee
Ms. A. Goonetilleke - Chairman

Mr. U H Ebert Silva

Mr. K. Sivanesan

Nominations and Governance Committee
Ms. A. Goonetilleke - Chairman

Dr. P. S. H. Uluwaduge

Mr. U H Ebert Silva

Mr. K. Sivanesan

Related Party Transactions Review Committee
Mr. K. Sivanesan - Interim Chairman

Ms. A. Goonetilleke

Dr. P. S. H. Uluwaduge

Mr. U H Ebert Silva

Secretaries
L O L C Corporate Services (Private) Limited
No. 100/1 Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka.

Telephone : +94 11 7248248, +94 117248574

Investor Relations
Mr Sisira Pushpakumara

Email: SisiraP@brownsplantations.com

Tel: 94 11 7474524

Registrars
S S P Corporate Services (Pvt) Ltd.,
101, Inner Flower Road, Colombo 3.
Telephone : +94 11 2573894
Fax : 0112573609

External Auditors
Ernst & Young,
Chartered Accountants, Rotunda Towers,
No.109, Galle Road, Colombo 03, Sri Lanka.

Bankers
Hatton National Bank
People's Bank
Bank of Ceylon
Deutsche Bank AG

TEA SMALLHOLDER FACTORIES PLC
Level 11, Browns Capital Building
No. 19, Dudley Senanayake Mawatha,
Colombo 08.

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