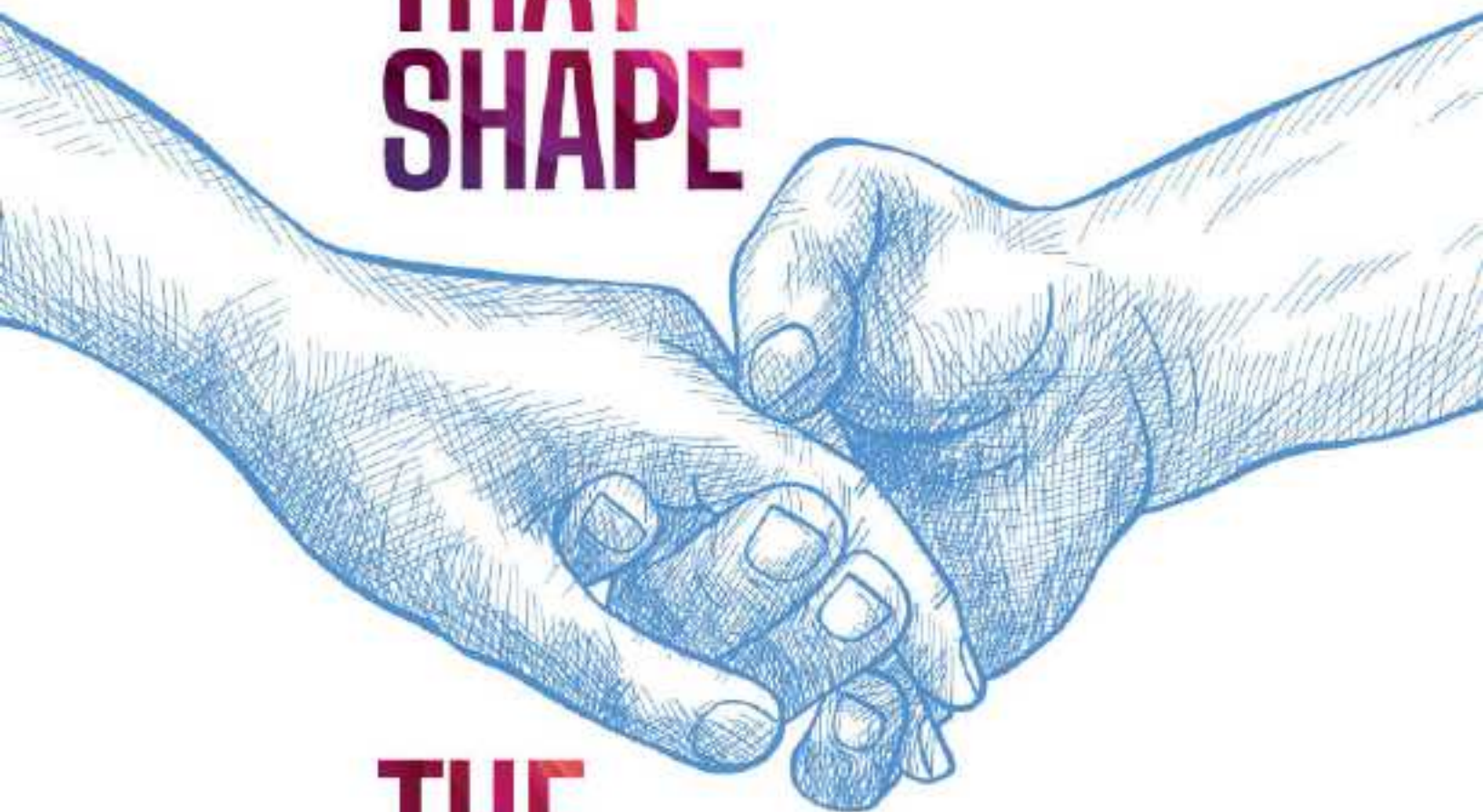


DIPPED PRODUCTS PLC  
ANNUAL REPORT 2022/23

# HANDS THAT SHAPE



# THE FUTURE

**DPL**  
*Handling you with care*



Scan this QR code to  
view this report online.

Or visit:  
<https://www.dplgroup.com>

DIPPED PRODUCTS PLC



# HANDS THAT SHAPE THE FUTURE

Every product we have created since 1976, has always delivered on our vision of helping you live a better life. As a responsible global manufacturer of protective hand-wear, we are lending our hands-on expertise to support our nation's economic progress, innovating and expanding our capabilities with a strong commitment to sustainable operations.

The year under review was an encouraging one, as we were able to rise above challenging economic conditions to expand our wings of protection. Supported by a committed team, we continue to diversify our portfolio to appeal to new market segments, while expanding our capacity across six manufacturing locations to deliver on our promise of unwavering quality.

Today and for years to come, our promise to care will continue unabated, protecting the hands that shape your future.

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# ABOUT THIS REPORT

Welcome to our 9th Integrated Annual Report for the financial year ending 31st March 2023. We are pleased to present to you how we created value for our stakeholders during the year by proactively responding to evolving market dynamics. The report also lays out our strategic ambitions and discusses how we plan on achieving these ambitions.

## Assurance

## Reporting Frameworks and Materiality

### Scope and boundary

The Report covers the operations of Dipped Products PLC and its subsidiaries for the period from April 1, 2022 to March 31, 2023. The Group adopts an annual reporting cycle and there have been no major restatements of financial or non-financial information unless otherwise stated.



HAND PROTECTION

**DPL**  
Handling you with care



PLANTATION

Consolidated financial and non-financial information included in this Report relates to the activities at Group level. The narrative report focuses mainly on the Hand Protection Sector, while detailed information on their respective annual reports. On March 29, 2023, Hayleys Plantation Services (Pvt) Ltd Acquired a stake of 51% in Horana Plantations PLC (HPL). HPL's Statement of Financial Position has been consolidated under the Group's Plantation Sector. HPL's non-financial information are not included in this Annual Report and will be added to the Scope of the Annual Report next year.

### Reporting Frameworks adopted

| Financial Reporting                                                  | Sustainability Reporting                                   | Gender Reporting                                  | Carbon Footprint Disclosures                                                                  |
|----------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------|
| International Financial Reporting Standards                          | New GRI Standards (2021)                                   | Gender Parity Reporting Framework of CA Sri Lanka | Recommendations of the TCFD (Task Force on Climate Related Financial Disclosures) disclosures |
| International <IR> Framework                                         | Sustainability Accounting Standards Board (SASB) Standards |                                                   |                                                                                               |
| Requirements of the Colombo Stock Exchange                           |                                                            |                                                   |                                                                                               |
| Code of Best Practice on Corporate Governance issued by CA Sri Lanka |                                                            |                                                   |                                                                                               |

### Materiality

We have adopted the concept of materiality throughout the report by focusing on aspects that are deemed to have the greatest impact on the economy, environment and people. The process for determining materiality is described further on page 68 of this Report.

The Group applies a combined assurance model in its reporting. Assurance on financial statements is provided by Messrs. Ernst and Young. For sustainability reporting the Group engages in quarterly reporting to the Hayleys PLC Sustainability Unit, which conducts a review on the accuracy and reliability of sustainability information. Assurance on integrated reporting is obtained from Messrs. Ernst and Young.

### Our Journey of Reporting Excellence

Our efforts to continuously improve our reporting practices by adopting local and global best practices have resulted in recognition and a number of awards over the years.

Gold Award for Manufacturing Companies turnover over Rs. 5 Bn category at the 53rd CA Sri Lanka Annual Report award.

2017

Gold Award for Manufacturing Companies turnover over Rs. 5 Bn category at the 54th CA Sri Lanka Annual Report award.

2018

## Navigating our Report

The following icons have been used throughout the report to improve readability and ensure connectivity of information.



### CLUSTERS



#### HAND PROTECTION



#### PLANTATION

### THE CAPITALS



#### Financial Capital Page 87



#### Manufactured Capital Page 92



#### Human Capital Page 97



#### Social & Relationship Capital Page 103



#### Intellectual Capital Page 109



#### Natural Capital Page 115

### STAKEHOLDERS



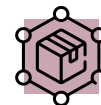
#### Shareholders Page 87



#### Employees Page 97



#### Customers Page 103



#### Suppliers and Business Partners Page 103



#### Community Page 103

## Board responsibility on corporate reporting

As the Board, we acknowledge our responsibility in ensuring the integrity of this Report. We hereby confirm that the 2022/23 Report addresses all relevant material matters and fairly represents the Group's integrated performance. We also confirm that the Report has been prepared in line with the guidance provided in the Integrated Reporting Framework of the International Integrated Reporting Council.

Signed on behalf of the Board,

**Ramesh Nanayakkara**  
Director - Finance

## Feedback

We are committed to consistently enhancing the readability and relevance of our Annual Report and welcome any suggestions you may have in terms of what you would like to see in our next Report. Please direct your feedback to,

#### Director-Finance

Dipped Products PLC  
400, Deans Road  
Colombo 10  
Sri Lanka

E-mail: [postmast@dplgroup.com](mailto:postmast@dplgroup.com)

Bronze Award for Manufacturing Companies turnover over Rs. 5 Bn category at the 55th CA Sri Lanka Annual Report award.

2019

GOLD Award for Manufacturing Companies - turnover above Rs. 5 Bn at the 56th CA Sri Lanka Annual Report award.

2021

GOLD Award for Manufacturing Companies - turnover above Rs. 10 Bn at the 57th TAGS CA Sri Lanka Annual Report award.

2022

# OUR BUSINESS

## VISION

To be the preferred and most sought after provider of hand protection wear in the world

## DPL PURPOSE STATEMENT



Scan this QR code to view  
Purpose Statement online.

## MISSION

DPL strives to be the preferred global hand protection provider. We are committed to the continual improvement of our business processes and systems. We shall comply with environmental and social obligations, meet the aspirations of our employees, suppliers and shareholders and build relationships of trust.

Protecting You

**OUR PEOPLE**

Always

We strive to create a workplace culture that values and supports our employees, recognizing that they are our most important asset.

Protecting You

**OUR COMMUNITY**

Always

We are dedicated to being a good corporate citizen and making a positive impact in the communities where we live and work.

Protecting You

**OUR CUSTOMERS**

Always

We are committed to providing our customers with high-quality, reliable gloves that meet their needs and exceed their expectations.

Protecting You

**OUR SHAREHOLDERS**

Always

We prioritize financial performance and accountability to deliver consistent returns to our shareholders, while considering long-term sustainability and ethical practices in our decision-making.

Protecting You

**OUR SUPPLIERS**

Always

We work closely with our suppliers to ensure that we source the best materials and maintain a sustainable and ethical supply chain.

Protecting You

**OUR PLANET**

Always

We prioritize sustainability and strive to reduce our environmental impact through eco-friendly manufacturing processes, energy-efficient technologies, and sustainable practices.

## OUR BUSINESS

### WHAT WE DO

Our Hand Protection Sector manufactures & markets an array of high-quality, innovative and sustainably produced natural and synthetic-latex based household and industrial gloves.



Scan this QR code to view  
DPL Corporate Video.

#### SUPPORTED GLOVES

# 285

Varieties



#### UNSUPPORTED GLOVES

# 335

Varieties



#### DISPOSABLE GLOVES

# 89

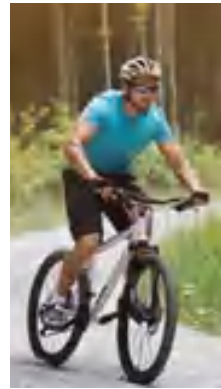
Varieties



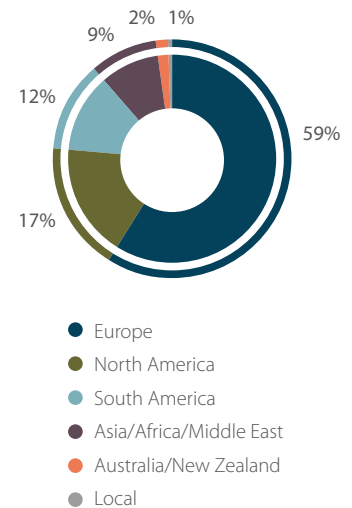
#### SPORTS GLOVES

# 11

Varieties



#### KEY MARKETS - HAND PROTECTION BY VALUE

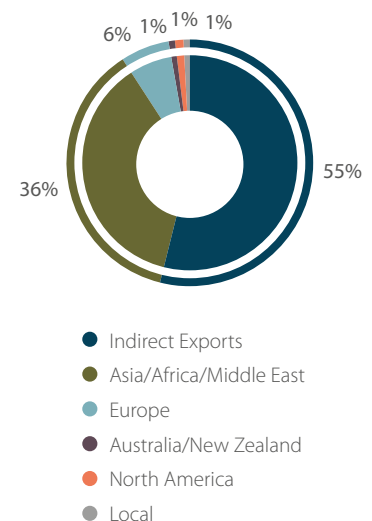


Our plantation companies are leading players in the Plantation Sector producing some of the best quality tea and rubber in the country.

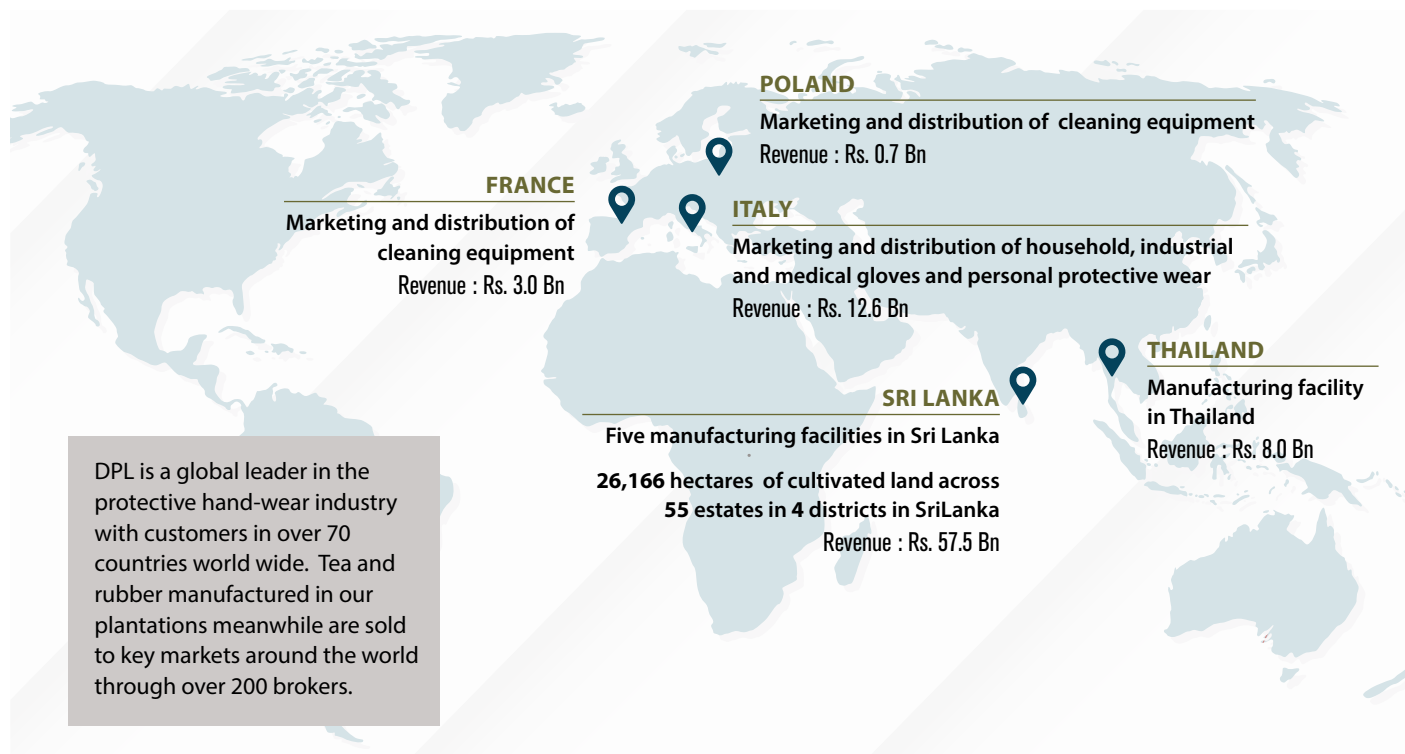
### HIGH, LOW AND MEDIUM GROWN TEA & RUBBER



#### KEY MARKETS - PLANTATION SECTOR BY VALUE



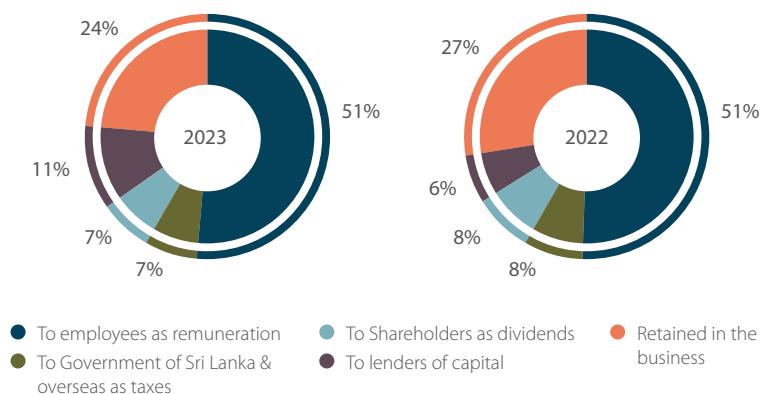
## WHERE WE OPERATE



## HOW WE MAKE A DIFFERENCE

|                                                | 2023<br>Rs.Mn | 2022<br>Rs.Mn |
|------------------------------------------------|---------------|---------------|
| To employees as remuneration                   | 13,642        | 10,143        |
| To Government of Sri Lanka & overseas as taxes | 1,864         | 1,965         |
| To Shareholders as dividends                   | 1,796         | 1,497         |
| To lenders of capital                          | 2,935         | 1,358         |
| Retained in the business                       | 6,229         | 4,816         |

## ECONOMIC VALUE ADDED AND GENERATED



### WHAT SETS US APART



State-of-the-art  
Manufacturing  
Capabilities



Innovation  
driven R&D  
Capabilities



Strong Reputation  
for Quality



Strategic focus on  
Environmental and  
Social Sustainability

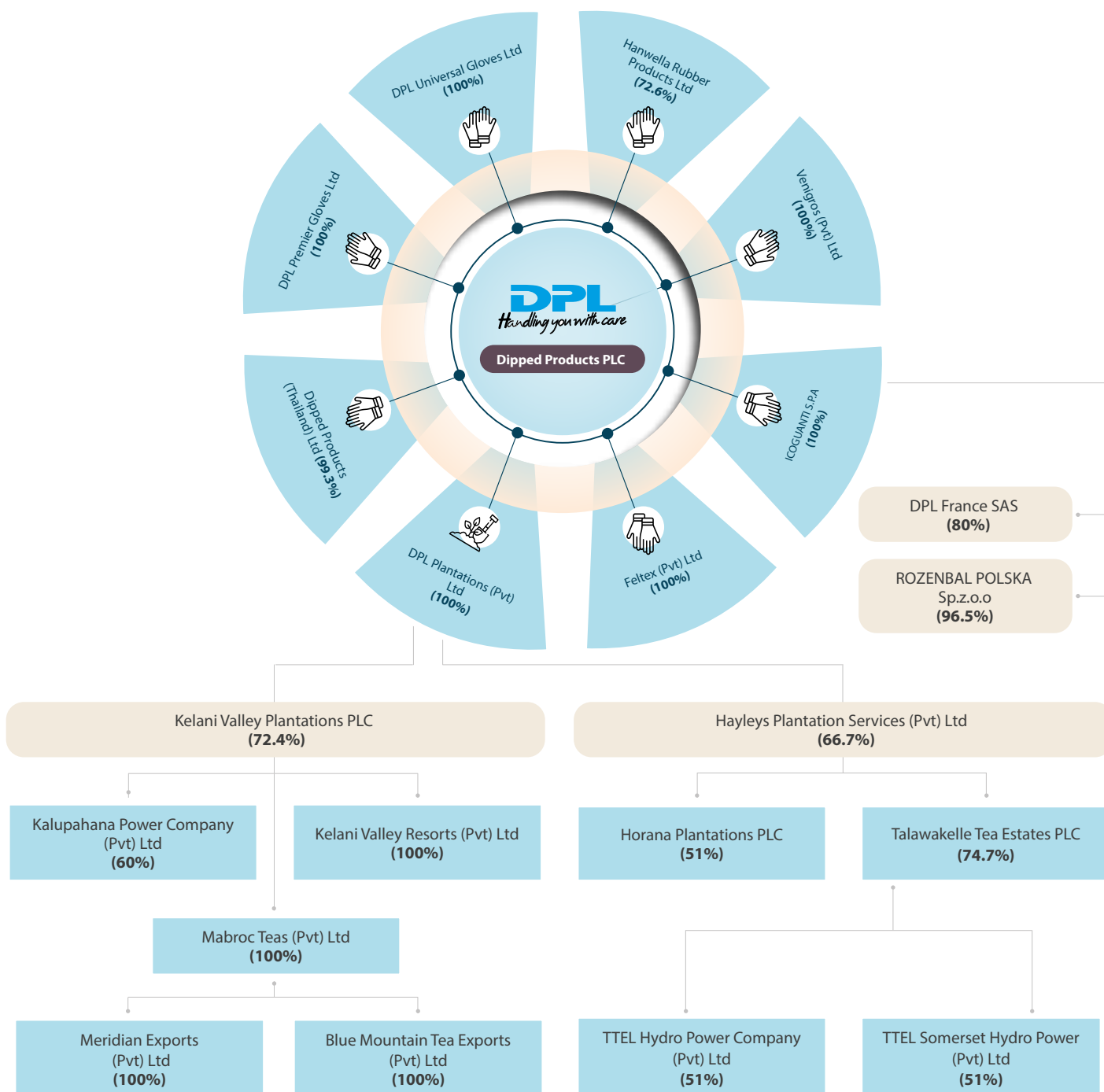
## OUR BUSINESS

### OUR PRODUCT RANGE

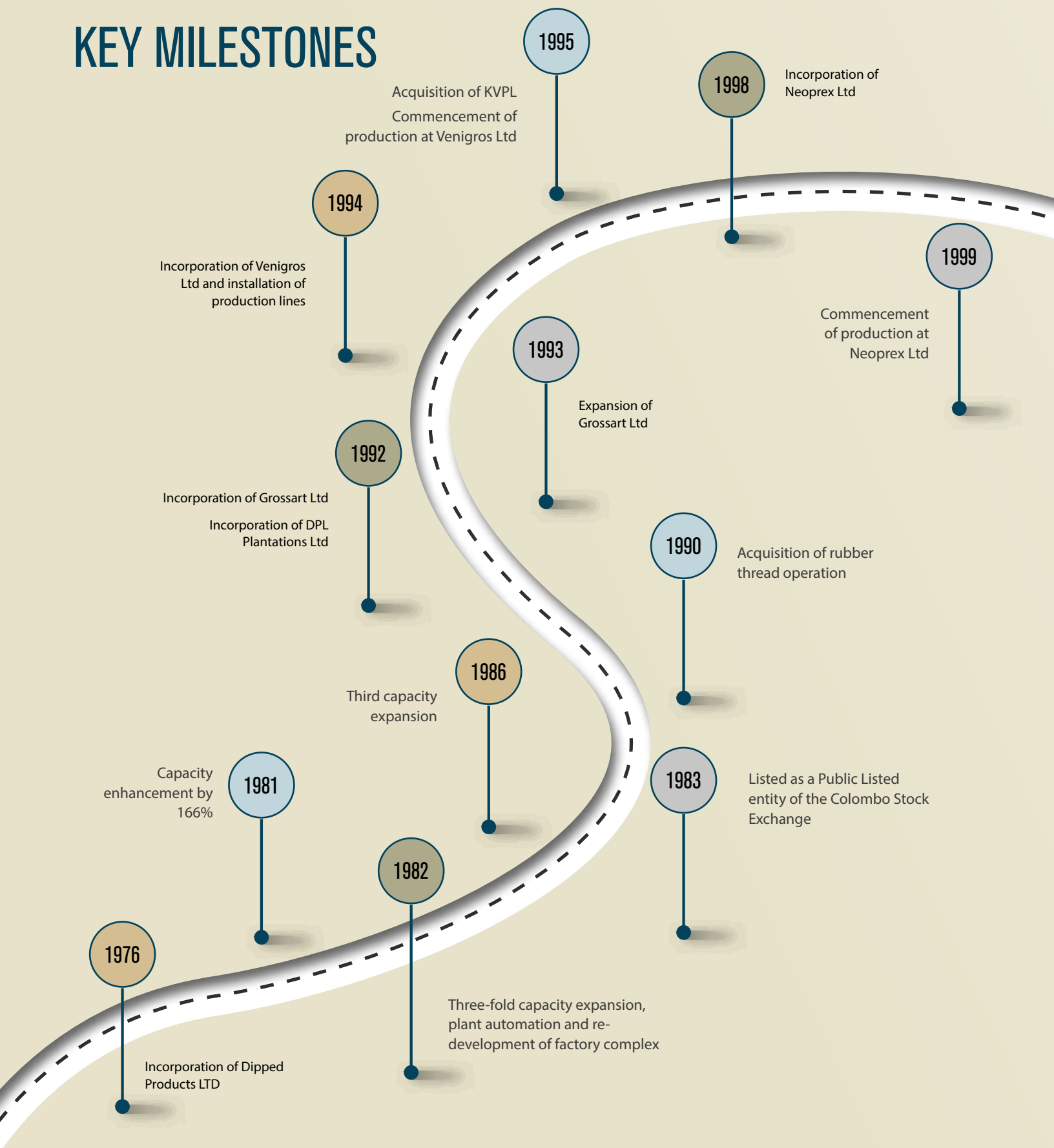
| SUPPORTED GLOVE RANGE                                                                                       | UNSUPPORTED GLOVE RANGE                                                                                          | DISPOSABLE GLOVE RANGE                                                                                            | SPORTS GLOVE RANGE                                                                                                     |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>General Purpose</b><br> | <b>Household</b><br>            | <b>Medical Examination</b><br>  | <b>Cycling</b><br>                  |
| <b>Industrial</b><br>     | <b>Industrial</b><br>          | <b>Medical Examination</b><br> | <b>Equestrian</b><br>              |
| <b>Sleeves</b><br>       | <b>Chemical Resistant</b><br> | <b>Industrial</b><br>         | <b>Running and Functional</b><br> |
| <b>Mechanic</b><br>      | <b>Electrician</b><br>        | <b>Industrial</b><br>         | <b>Mountain Biking</b><br>        |

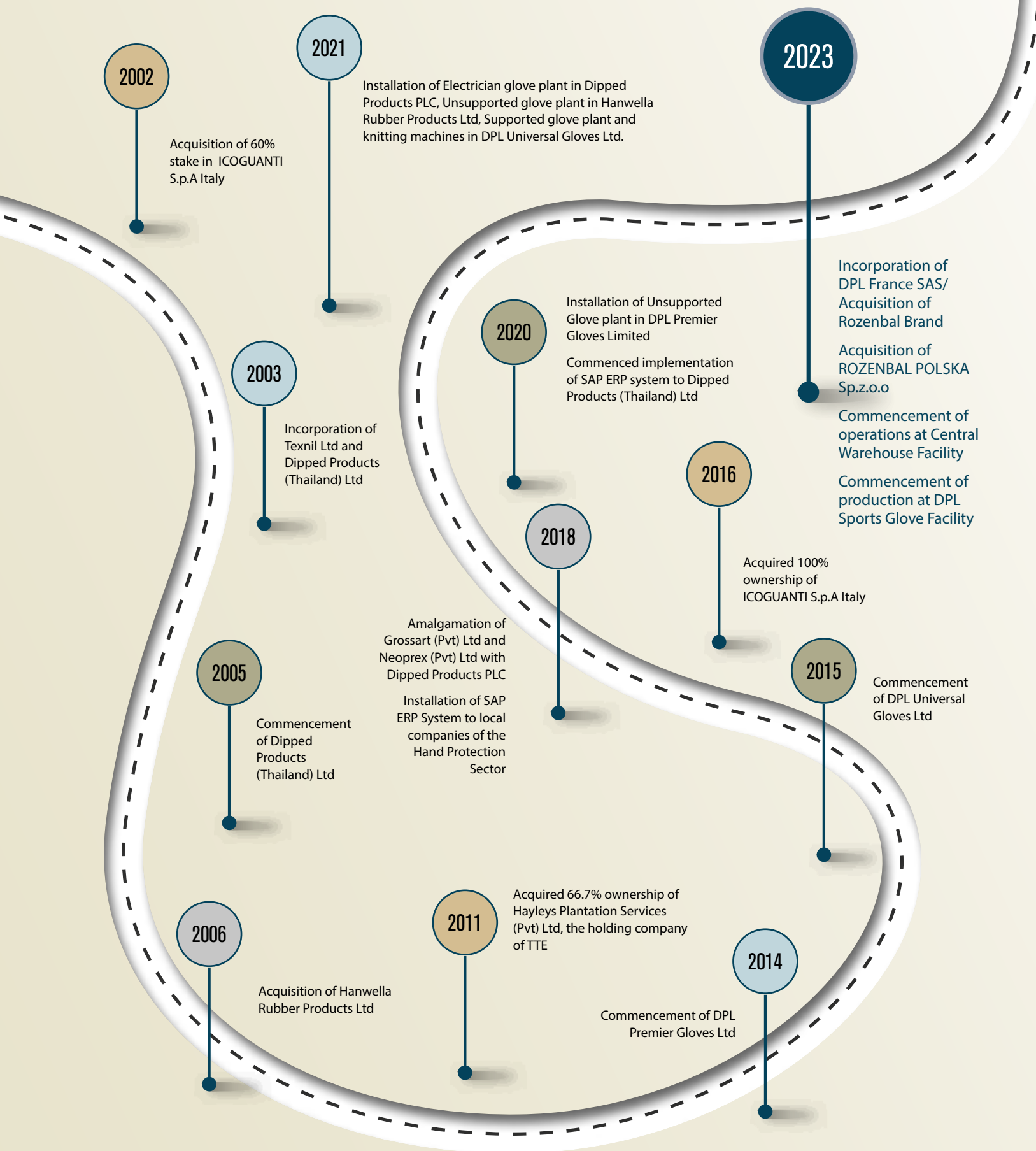
## GROUP STRUCTURE

*DPL is part of Hayleys PLC, one of Sri Lanka's most respected, diversified and socio-economically impactful business conglomerates. The Hand Protection and Plantation Sector are run relatively independently. Three Regional Plantation Companies, listed separately on the Colombo Stock Exchange.*



# KEY MILESTONES





# THE YEAR AT A GLANCE

## PERFORMANCE SCORE CARD



**Financial  
Capital**  
Page 87

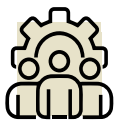
|                                |              | 2022/23     | 2021/22     | % Y-o-Y |
|--------------------------------|--------------|-------------|-------------|---------|
| <b>FINANCIAL PERFORMANCE</b>   |              |             |             |         |
| Revenue                        | Rs. million  | 80,099      | 55,294      | 45      |
| Gross Profit                   | Rs. million  | 19,609      | 10,733      | 83      |
| Gross Profit Margin            | %            | 24          | 19          | 5       |
| Operating Profit               | Rs. million  | 9,628       | 5,360       | 80      |
| Operating Profit Margin        | %            | 12          | 10          | 2       |
| Profit Before Tax              | Rs. million  | 11,219      | 7,597       | 48      |
| Profit Before Tax Margin       | %            | 14          | 14          | 0       |
| Profit After Tax               | Rs. million  | 8,502       | 6,411       | 33      |
| Return on Equity (%)           | %            | 25          | 24          | 1       |
| Return on Capital Employed (%) | %            | 21          | 13          | 8       |
| Interest Cover Ratio           | Times        | 10          | 8           | 31      |
| <b>WORKING CAPITAL RATIOS</b>  |              |             |             |         |
| Inventory Days                 | Days         | 76          | 98          | (22)    |
| Debtor Days                    | Days         | 51          | 73          | (30)    |
| Payable Days                   | Days         | 56          | 59          | (5)     |
| Cash Conversion Cycle          | Days         | 71          | 112         | (37)    |
| <b>LIQUIDITY RATIOS</b>        |              |             |             |         |
| Current Ratio                  | Times        | 1.9         | 1.7         | 14      |
| Quick Asset Ratio              | Times        | 1.2         | 1.1         | 14      |
| <b>FINANCIAL STABILITY</b>     |              |             |             |         |
| Total Assets                   | Rs. million  | 62,991      | 54,050      | 17      |
| Return on Assets               | %            | 13.50       | 11.86       | 2       |
| Total Liabilities              | Rs. million  | 29,475      | 27,690      | 6       |
| Shareholders' Funds            | Rs. million  | 26,975      | 21,907      | 23      |
| Non Controlling Interest       | Rs. million  | 6,540       | 4,452       | 47      |
| Total Debt                     | Rs. million  | 11,437      | 14,409      | (21)    |
| Equity/Assets                  | No. of times | 0.53        | 0.49        | 9       |
| Debt/Equity                    | No. of times | 0.34        | 0.55        | (38)    |
| Net Debt (Cash)/Equity         | No. of times | 0.05        | 0.20        | (74)    |
| Debt/Total Assets              | %            | 18.16       | 26.66       | (9)     |
| <b>SHAREHOLDER INFORMATION</b> |              |             |             |         |
| No of Shares in Issue          | Number       | 598,615,120 | 598,615,120 | -       |
| Earnings per Share             | Rs.          | 10.87       | 8.99        | 21      |
| Dividends per Share            | Rs.          | 3.00        | 2.50        | 20      |
| Net Asset Value per Share      | Rs.          | 45.06       | 36.60       | 23      |
| Closing Price                  | Rs.          | 27.70       | 32.40       | (15)    |
| Market Capitalization          | Rs. million  | 16,582      | 19,395      | (15)    |
| P/E Ratio                      | No. of times | 2.55        | 3.60        | (29)    |
| Dividend Payout                | %            | 27.60       | 27.81       | (0)     |
| Dividend Cover                 | No. of times | 3.62        | 3.60        | 1       |
| Dividend Yield                 | %            | 10.83       | 7.72        | 3       |

| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|
|-------------------|----------------------------|--------------------|-----------------------|---------|



### Manufactured Capital

Page 92



### Human Capital

Page 97



### Social & Relationship Capital

Page 103



### Intellectual Capital

Page 109



### Natural Capital

Page 115

|                                                        |                              | 2022/23 | 2021/22 | % Y-o-Y |
|--------------------------------------------------------|------------------------------|---------|---------|---------|
| <b>MANUFACTURING PERFORMANCE</b>                       |                              |         |         |         |
| Property, Plant and Equipment                          | Rs. million                  | 21,811  | 16,345  | 33      |
| Capital Expenditure                                    | Rs. million                  | 4,106   | 3,965   | 4       |
| Manufacturing Facilities- Locations                    | Hand Protection              | 6       | 5       | 20      |
| Manufacturing Facilities- Locations                    | Plantation                   | 55      | 41      | 34      |
| Asset Turnover Ratio                                   | Times                        | 1.27    | 1.02    | 24      |
| <b>EMPLOYEE VALUE CREATION</b>                         |                              |         |         |         |
| Total Employees                                        | Number                       | 2,245   | 2,177   | 3       |
| Payments to Employees                                  | Rs. million                  | 5,007   | 4,349   | 15      |
| Employee Retention Rate                                | %                            | 86      | 81      | 5       |
| No. of Promotions                                      | Number                       | 29      | 35      | (17)    |
| Female Representation                                  | %                            | 29      | 32      | (3)     |
| Investment in Training                                 | Rs. million                  | 13.60   | 11.50   | 18      |
| Total Training Hours                                   | Hours                        | 71,642  | 27,292  | 163     |
| Average Training Hours/Employee                        | Hours                        | 31.91   | 12.54   | 155     |
| Profit per Employee                                    | Rs. million                  | 2.33    | 2.29    | 2       |
| Revenue per Employee                                   | Rs. million                  | 22.88   | 17.41   | 31      |
| Value Added per Employee                               | Rs. million                  | 11.79   | 9.08    | 30      |
| <b>SUSTAINABLE OPERATIONS</b>                          |                              |         |         |         |
| Payments to Suppliers                                  | Rs. million                  | 23,696  | 21,371  | 11      |
| New Customers                                          | Number                       | 42      | 34      | 24      |
| Beneficiaries                                          | Number                       | 7,000   | 6,500   | 8       |
| Investment in CSR                                      | Rs. million                  | 9       | 9       | -       |
| Instances of Socio -Economic Regulatory Non-Compliance | Number                       | Nil     | Nil     | -       |
| Small Scale Suppliers                                  | %                            | 92      | 94      | (2)     |
| <b>PRODUCTS AND INNOVATION</b>                         |                              |         |         |         |
| New Products Launched                                  | Number                       | 19      | 20      | (5)     |
| Investment in R&D                                      | Rs. million                  | 225     | 231     | (3)     |
| Customer Satisfaction                                  | %                            | 84      | 84      | -       |
| Customer Retention                                     | %                            | 96      | 96      | -       |
| Strength of R&D Team                                   | Number                       | 13      | 14      | (7)     |
| <b>ENVIRONMENTAL PERFORMANCE</b>                       |                              |         |         |         |
| Energy Consumption                                     | GJ Mn                        | 1.96    | 2.04    | (4)     |
| % of Renewable Energy                                  | %                            | 93      | 93      | -       |
| Water Consumption                                      | m <sup>3</sup> Mn            | 1.89    | 1.78    | 6       |
| Carbon Footprint                                       | MtCO <sub>2</sub> e          | 36,887  | 40,757  | (9)     |
| Emission Intensity                                     | KGCO <sub>2</sub> e/per pair | 0.15    | 0.15    | -       |
| Energy Intensity                                       | MJ/per pair                  | 7.78    | 7.42    | 5       |
| Water Intensity                                        | Litres/per pair              | 7.53    | 6.46    | 17      |
| Sustainable Water Sourcing                             | Litres Mn                    | 159     | 294     | (46)    |
| Instance of Environmental Non - Compliance             | Number                       | Nil     | Nil     | -       |

Unless mentioned otherwise, the non-financial information relates to the Hand Protection operations, which is the focus of this Annual Report. Information on the Plantation Sector is available in respective annual reports of Kelani Valley Plantations PLC (KVPL), Talawakelle Tea Estates PLC (TTE) and Horana Plantations PLC (HPL).

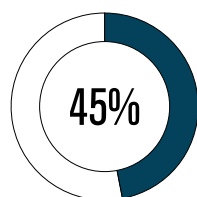
# HIGHLIGHTS OF THE YEAR

“The Group’s continued success over the past few years has been underpinned by its focus on several key strategic priorities, representing critical areas of the business.”

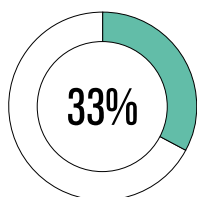
Year 2022/23

# Rs. 80 Bn

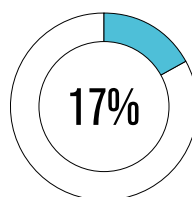
Highest ever Revenue Recorded in the Group’s Operating History.



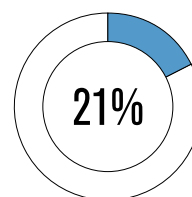
Revenue Growth



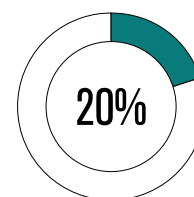
PAT Growth



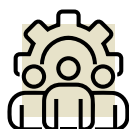
Asset Growth



EPS Growth



DPS Growth



## Rs. 62,991 Mn

Total Assets



## Rs. 4,106 Mn

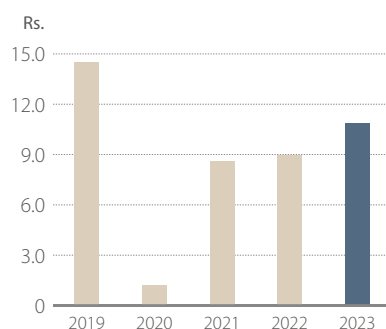
Capital Investments



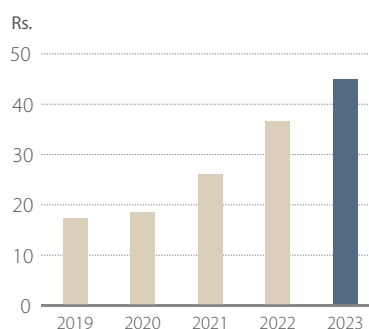
## Rs. 1,706 Mn

Dividend paid

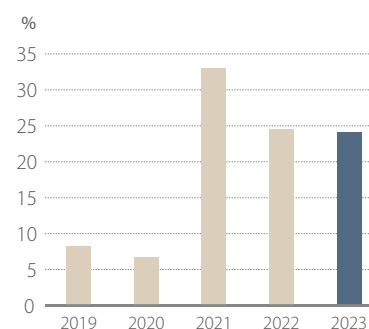
### EARNING PER SHARE



### NET ASSET PER SHARE



### RETURN ON EQUITY



Newly launched state-of-the-art manufacturing plant in Biyagama focuses on the production of precision-engineered sports gloves and is actively pursuing Platinum LEED certification

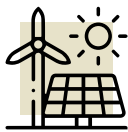
Established Innovation Centre in the Dipped Products PLC facility at Kottawa

Acquired 42 new Customers

Diversified business presence through DPL France & ROZENBAL POLSKA

Commissioned a 23,000 cubic meter automated, central warehouse facility at the Biyagama Export Processing Zone

Launched 19 new products during the year and applied for 03 new patents



**93%**

Reliance on renewable energy



**86%**

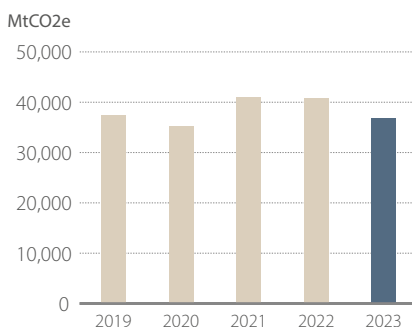
Employee retention rate



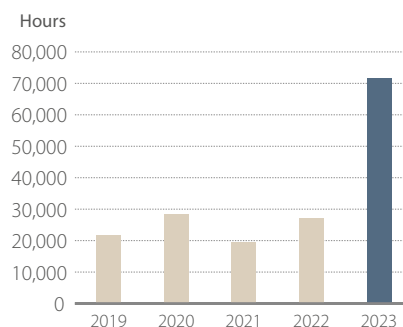
**96%**

Customer retention rate

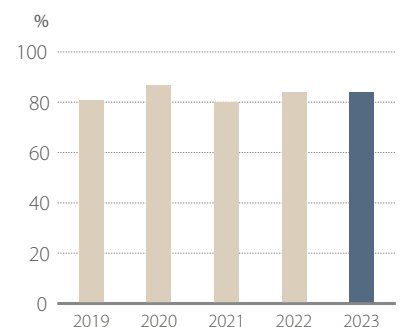
#### CARBON FOOTPRINT



#### EMPLOYEE TRAINING HOURS

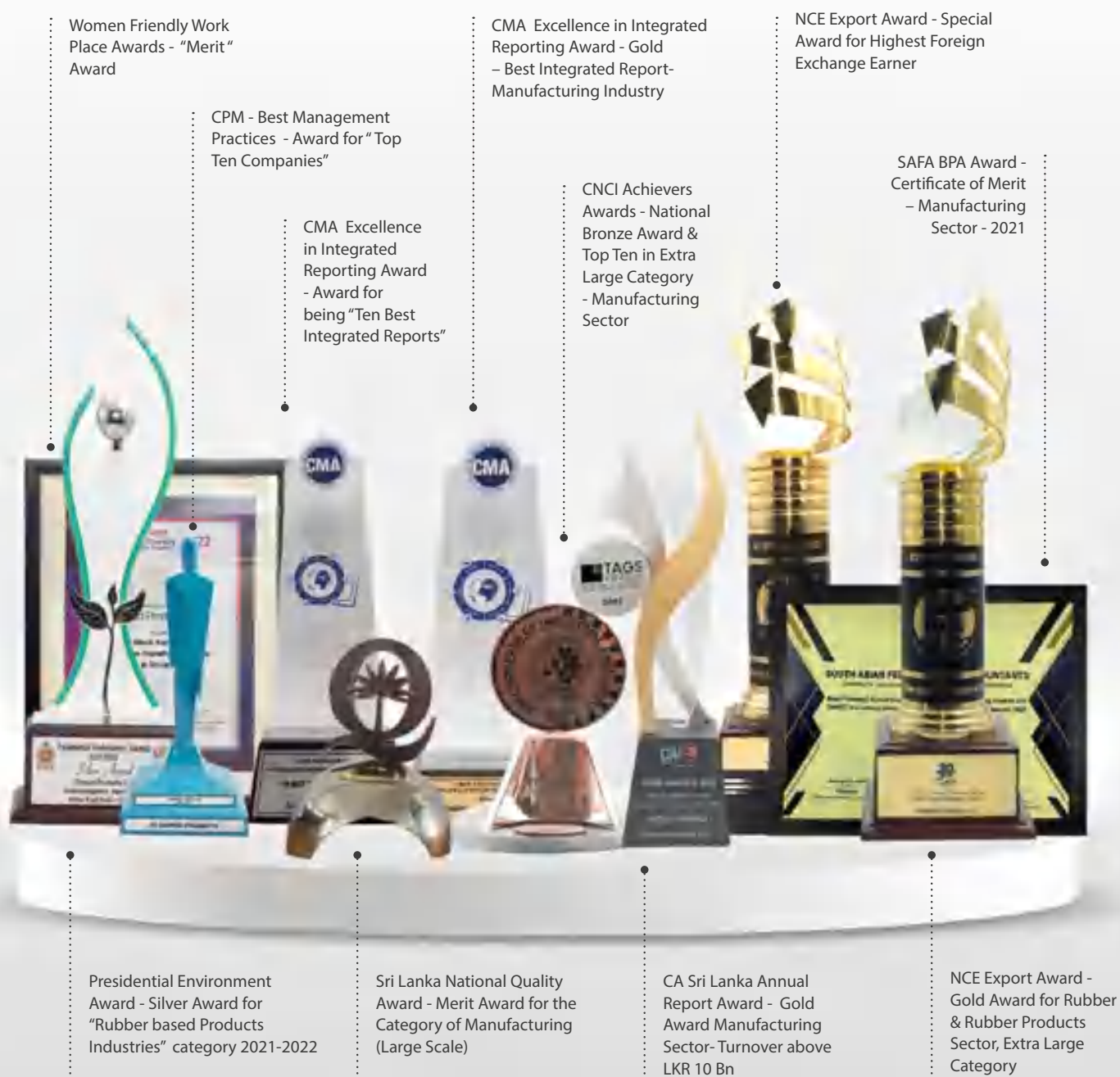


#### CUSTOMER SATISFACTION RATE



# AWARDS AND ACCOLADES

We continue to be recognised for excellence in all aspects of our operations and were the proud recipients of a multitude of awards and accolades during the year.



**HANDS  
THAT**



**HOLD  
PERFORMANCE**

Our success is a measure of our strategic vision,  
direction and action.

# CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE



## Dear Stakeholders,

DPL once again proved its resilience and fortitude, recording an exceptional performance amidst multiple challenges posed by the operating environment. The Group's ability to consistently create sustainable multi-stakeholder value, not only reflects its agility and resilience but also the strength of its long-term strategy. It gives us great pleasure therefore to present to you the Integrated Annual Report and financial statements for the financial year ended March 31 2023.

## Operating Context

Strong local and global headwinds continued to impact our operating environment during the year. Sri Lanka faced its worst economic crisis post-independence in 2022, amidst a rapidly deteriorating external financing position, a burgeoning sovereign debt crisis and continued domestic macroeconomic pressures. The Sri Lankan economy contracted by 7.8% in 2022, the deepest economic contraction since independence while the Rupee recorded a sharp depreciation amidst a foreign exchange crisis. Unprecedented levels of inflation and shortages of food and other essentials meanwhile prompted widespread social unrest and political upheaval.

Global headwinds also remained strong during the year. High global inflation, tightening financial conditions in most regions, geopolitical tensions, and the lingering COVID-19 pandemic weighed on global economic activity in 2022 moderating growth across regions including key markets of the Group. A normalization of global supply chains meanwhile resulted in many buyers in the Hand Protection Sector de-stocking excess stocks which further impacted demand conditions in the Hand Protection Sector. Elevated global commodity prices particularly during the first half of the year also negatively impacted input prices in the Hand Protection Sector although the Plantation Sector benefited from elevated tea and rubber prices.

**Mohan Pandithage**

***We are extremely confident that we can remain on our trajectory of growth due to far sighted strategic action to diversify our markets and expand capacity in high-value niche product segments.***

### Group Performance

The Group delivered a record-breaking financial performance during the year supported by strong performances by both the Hand Protection and Plantation Sectors. Group revenue increased by almost 45% to Rs. 80.1 Bn during the year while PAT increased by almost 33% to Rs. 8.5 Bn recording the highest profit achieved in its operating history. The Hand Protection Sector witnessed an impressive revenue growth of 36% to Rs. 51.4 Bn despite a gradual moderation of the elevated pandemic driven demand while the Plantation Sector recorded a growth of almost 64% to Rs. 28.9 Bn buoyed by strong pricing for both tea and rubber prices were better in the second half of the year. Notwithstanding the cost escalations and margin pressure brought on by the macro-economic conditions in the country, consolidated gross profits increased by almost 83% to Rs. 19.6 Bn while profit before tax increased by 48% to Rs. 11.2 Bn. This commendable performance is a direct result of DPL's targeted efforts to diversify its product portfolio to include high value added product categories such as a new sports glove range as well as its sustained emphasis on driving cost optimization and operational efficiencies. We also continued to strengthen our business portfolio during the year with the acquisition of Horana Plantations PLC and through capex investments amounting to approximately Rs. 4.1 Bn to enhance our production and distribution capabilities. The group maintains a relatively low level of gearing with total borrowings continuing to decline during year.

### Strategic Focus - Hand Protection Sector

Export market diversification and product innovation remained the key focus areas in the Hand Protection Sectors 'innovation-led' growth agenda. During the year the company established two new marketing arms in France and Poland further consolidating its stronghold in the EU. Meanwhile the company continued to explore opportunities in Oceania, Asia, the Middle-East, Africa and South America by appointing new agents in these emerging markets. Increased deployment of sales resources in key markets allowed the sector to acquire 42 new customers during the year.



**Pushpika Janadheera**



## CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Having significantly expanded production capacity during FY 2021/22, the company continued to strengthen its position in high-value niche product segments to take advantage of emerging opportunities in the market. Accordingly, Rs. 1 Bn was invested in a state-of-the-art manufacturing facility for precision engineered sports gloves. Increasing penetration in the Supported Gloves segment also remains a key priority, given the strong upside potential in this lucrative segment. Meanwhile as part of its ongoing emphasis on product innovation, the company established a new research and innovation centre at the Dipped Products PLC facility at Kottawa and introduced 19 new products to the market during the year.

Cost optimization was also a key area of focus amidst rising inflationary pressures. Over 160 TPM initiatives were carried out across the organization bringing about significant operational and cost efficiencies. Meanwhile ongoing investments in digitalization and automation also continued to deliver productivity and efficiency gains.

### Strategic Focus - Plantation Sector

Despite facing numerous challenges including rising costs of production, labour shortages and fertilizer shortages, the Plantation Sector's relentless focus on quality and sustainability enabled it to continue to command premium prices at the Colombo auctions. Enhancing land and labour productivity is also a key focus and both factories continued to invest in factory automation and field mechanization as part of their productivity enhancing drive. Meanwhile initiatives such as the "Best Tea Harvester Competition" and ongoing training and development for workers have also contributed to increased yields and outputs. Reflecting the group's strategic emphasis on innovation, the Plantation Sector launched a structured program across 55 estates to encourage research-driven solutions to critical challenges. The program culminated with the industry's



# Rs. 80.1 Bn

Group Consolidate Revenue

first ever "Innovative Business Thinking and Applications' Management Symposium", showcasing powerful new innovations and best practices developed by its estate teams in response to the unprecedented challenges the industry has faced in the recent past. Both TTE and KVPL also continue to explore crop diversification and value added products as part of its efforts to move up the value chain.

### Embedding ESG

Sustainability has always been at the core of what we do. However, as implications of climate change, income inequalities and post-pandemic labour market dynamics continue to be felt world-wide, ESG considerations are increasingly taking center stage in business strategy. Understanding the critical role ESG considerations play in driving resilience and sustainability, the Hayleys Group launched the "Hayleys Lifecode", a Group-wide framework and action plan for sustainability goals. Following its launch in January 2022, DPL has focused on integrating Lifecode targets and goals to its own business strategy and aligning existing ESG goals with group wide targets. To this end we are now in the process of developing our own framework for the Hand Protection Sector based on the broader aspirations of the Lifecode.

The Group continued to focus on improving energy efficiency and increasing its dependence on renewable energy sources in line with the Lifecode goal of reducing

“Group revenue increased by almost 45% to Rs. 80.1 Bn during the year while PAT increased by almost 33% to Rs. 8.5 Bn recording the highest profit achieved in its operating history.”

Scope 1 and 2 emissions by 30% by 2023. During the year DPL invested in improving the efficiency of its biomass operations. This included shifting to more cost effective biomass sources such as sawdust and driving process improvements to enhance the efficiency of boilers and heaters. Meanwhile the group continues to expand its solar generation capacity through additional investments in rooftop solar panels. Both TTE and KVPL have also committed to the Science-Based Target initiative (SBTi)

towards transitioning to Net Zero emissions by 2050, with TTE emerging as the first Sri Lankan company to obtain verification of its targets by SBTi. . Water management is a critical concern as both the Hand Protection and Plantation sectors are water intensive operations. As water shortages become an increasing concern the Group has placed a greater emphasis on reducing water withdrawal by increasing water recycling and rainwater harvesting across our operations. To this end, the water recycling capacity in the Hand Protection Sector was enhanced by almost 50% during the last two years. We also have invested in expanding our rainwater harvesting capacity across both the Hand Protection and Plantation Sectors.

We continued to achieve steady progress on the Group's social agenda as well. Ensuring the health, safety and well-being of our employees is a key pillar of the Hayleys Lifecode and we continue to invest in infrastructure, training and resources to achieve the goal of Zero workplace injuries/disease by 2030. Our social commitment extends to the communities linked to our value chains as well. We continue to invest in the socio-economic well-being of these communities through the "Home for Every Plantation Worker" programme and Firstlight Supplier Development Programs. During the year we also signed a pledge to take part in the "Mother and Child-Friendly Seal for Responsible Business" (Seal initiative) re-iterating our commitment to protecting the rights of women and children. We are proud that KVPL became the second RPC to be Great Place to Work (GPTW) certified locally and globally following TTE achieving similar recognition during the previous year. KVPL was also ranked among Asia's 30 Best Workplaces and the 15 Best Workplaces for Women for 2022.

As a responsible corporate we are committed to ensuring sound governance practices. We ensure strict compliance to all relevant laws and regulations and responsibly state



# Rs. 8.5 Bn

**Group Profit After Tax**

that there were no deviations during the year under review. The Group's Bribery and Anti-corruption control frameworks were strengthened during the year; the group has a zero tolerance for corruption and the Board of Directors remain committed to ensuring that the requisite governance structures and controls are in place to mitigate potential risk of corruption. During the year, the Company was also fully compliant to all relevant laws and regulations, including those pertaining to anti-corruption.

We remain committed to reporting excellence and are proud to note that our 2021/22 Annual Report was selected as one of the 'Ten Best Integrated Reports' at the CMA Excellence in Integrated Reporting Awards 2022. DPL was also selected as the winner in the Manufacturing sector at the TAGS Awards 2022 conducted by CA Sri Lanka in recognition of our efforts to maintain transparency, accountability and social responsibility in financial and non-financial reporting.

DPL also unveiled its Corporate Purpose during the year- 'Protecting You Always' which articulates the ultimate goal of the Company, our inherent reason for being and how we intend to be a force for good in the world. The Purpose is anticipated to galvanise our teams towards driving positive economic, social and environmental impacts and shared value generation.

“Sustainability has always been at the core of what we do. However, as implications of climate change, income inequalities and post-pandemic labour market dynamics continue to be felt world-wide, ESG considerations are increasingly taking center stage of business strategy”

#### **Dividend**

The Company paid interim dividends of Rs. 1.25 per share in October 2022, Rs. 1.00 per share in January 2023 and Rs. 0.60 per share in April 2023. Your Directors now propose Rs. 0.50 per share final dividend.

## CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

### Outlook

The approval of the IMF Extended Fund Facility together with coordinated policy interventions to restore macro-economic stability have set Sri Lanka's economy on a path to recovery. Inflation returned to a disinflation path following a historic peak in September 2022, and the exchange rate has registered some upward momentum since early 2023. Interest rates have shown a downward trend reflecting easing inflation and reduction in the high-risk premia attached to debt restructuring concerns. A gradual accumulation of official reserves meanwhile, has reduced pressure on the Balance of Payment deficit. Given these positive trends we remain cautiously optimistic about the medium to long term prospects of the economy. Prospects for the global economy however remain more subdued. Global growth is expected to bottom out at 2.8% in 2023, reflecting persistent underlying price pressures, financial sector turmoil and geopolitical tensions. The slowdown is expected to be more pronounced in advanced economies in view of the tight policy stance required to rein in inflation as well as possible contagion of financial sector stress. This will lead to inevitable impacts across markets in terms of weaker consumer sentiments, lower household spending and possible supply chain disruptions.

Notwithstanding these headwinds we are extremely confident that we can remain on our trajectory of growth due to far sighted strategic action to diversify our markets and expand capacity in high-value niche product segments. The recently opened precision engineered sports gloves facility is expected to open up significant opportunities while supported gloves also present significant upside potential. We will therefore continue to explore opportunities in emerging markets while leveraging our research and development capabilities to develop sophisticated products catering to customers' emerging requirements.

### Acknowledgements

As we look back at a successful year, we like to take this opportunity to extend our deepest appreciation to the Board of Directors for their invaluable support and guidance in navigating an especially challenging year. We wish to place on record a special note of appreciation to Mr. Dhammika Perera who resigned from the Board with effect from June 10, 2022. His contribution to the Group's success is immense, as it is his vision and foresight that propelled us forward and drove us to achieve greater heights. We also warmly welcome Ms. Brindhiini Perera who joined the Board during the year. We look forward to her contribution as we embark on our next phase of growth. A special note of appreciation also goes out to Mr. Ng Soon Huat who resigned from the Board during the year for his valuable contribution and dedicated service during his tenure as Managing Director and Board Member.

We also wish to place on record our appreciation to the leadership team and all employees. Our continued success amidst numerous challenges is a direct result of your commitment and drive. Finally, to our customers, suppliers, business partners and other stakeholders, we are indeed deeply appreciative of your continued support. We look forward to continuing to create sustainable value to you all.



**Mohan Pandithage**

Chairman



**Pushpika Janadheera**

Managing Director

**HANDS  
THAT**

**HOLD  
STEWARDSHIP**

Our corporate governance practices provide us the framework for responsible behaviour in all aspects of our operation.

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# BOARD OF DIRECTORS



**Mohan Pandithage**  
Chairman



**Rajitha Kariyawasan**  
Deputy Chairman



**Pushpika Janadheera**  
Managing Director



**Faiz Mohideen**  
Independent Non-Executive Director



**Sarath Ganegoda**  
Non-Executive Director



**Gamini Gunaratne**  
Independent Non-Executive Director



**Indika Prasad**  
Executive Director - Sales & Marketing

“

“As a unified entity, we have also strengthened our capacity to maintain our position, to ensure that we deliver on our strategic goals, building a robust foundation for creating long-term value to our shareholders.”



**Sujeewa Rajapakse**

Independent Non-Executive Director



**Ramesh Nanayakkara**

Executive Director - Finance



**Sujeewa Peiris**

Independent Non-Executive Director



**Giorgio Molinari**

Executive Director - ICOGUANTI S.p.A



**Chandika Ratnasiri**

Executive Director - Engineering



**Brindhiini Perera**

Non-Executive Director

## BOARD OF DIRECTORS

### Mohan Pandithage

#### Chairman

Mr. Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC. He was appointed to the Board of Dipped Products PLC in 2007.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgement of his invaluable services to Sri Lanka's logistics industry.

Mr. Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon.

As an Executive Chairman of multiple companies within the Hayleys Group, Mr. Pandithage possesses extensive leadership experience across a broad spectrum of industries. Presently, he holds the position of Executive Chairman at Hayleys PLC, Haycarb PLC, Hayleys Fibre PLC, Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC, Horana Plantations PLC, Alumex PLC, Hayleys Fabric PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC, Hayleys Leisure PLC and Unisyst Engineering PLC. He also serves on the Board of Diesel & Motor Engineering PLC.

### Rajitha Kariyawasan

#### Deputy Chairman

Appointed to the Board of Dipped Products PLC in May 2016. Appointed as the Deputy Chairman of DPL in October 2020. A member of the Hayleys Group Management Committee and a Director of Hayleys PLC since 2010. Has overall responsibility for the Purification Products sector as the Managing Director of Haycarb PLC and as the Deputy Chairman of the Eco Solutions Sector. Serves as a nominee Director of Hayleys PLC on the Board of Sri Lanka Institute of Nanotechnology (Private) Ltd., (SLINTEC).

Holds a BSc. Engineering (Electronics & Telecommunications) Degree from the University of Moratuwa, Sri Lanka. Fellow Member of the Chartered Institute of Management Accountants- UK and a Six Sigma (Continuous Improvement Methodology) Black Belt, Certified by the Motorola University, Malaysia. Former Director/ General Manager of Ansell Lanka (Pvt) Ltd, and served as the Chairman of the Manufacturing Association of Export Processing Zone, Biyagama.

### Pushpika Janadheera

#### Managing Director

Joined Dipped Products PLC in August 2017 as Director Operations. Appointed as Deputy Managing Director in August 2020. Appointed as the Managing Director of DPL and a member of the Hayleys Group Management Committee in January 2023.

Fellow Member of the Institute of Chartered Accountants of Sri Lanka. Associate Member of the Chartered Institute of Management Accountants (CIMA-UK), Associate Member of Global Management Accountants (CGMA) of UK and the National Institute of Accountants of Australia. Holds B Sc Accountancy (special) degree and a MBA from the University of Sri Jayewardenepura. Former Director of Associated Motorways (Pvt) Ltd and Director/ General Manager of Richard Pieris Tyre Co, Ltd. Vice President of Sri Lanka Association of Manufacturers and Exporters of Rubber Products, Served as a Council Member of the Plastics and Rubber Institute of Sri Lanka. Member of the Institute of Directors. Member of the Advisory Committee of Rubber and

Rubber Based Products & Plastics Sector of the Export Development Board and member of the Polymer Advisory Committee of the Ministry of Industries.

### Faiz Mohideen

#### Independent Non-Executive Director

Appointed to the Board of Dipped Products PLC in 2008. Holds a degree in BSc Mathematics from the University of London and a MSc in Econometrics from the London School of Economics. Served as the Deputy Secretary to the Treasury and Director General, External Resources Department of the Ministry of Finance and Planning.

### Sarath Ganegoda

#### Non-Executive Director

Appointed to the Board of Dipped Products PLC in October 2009. Fellow Member of The Institute of Chartered Accountants of Sri Lanka (ICASL) and Member of Institute of Certified Management Accountants of Australia. Holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura.

Held several Senior Management positions in large Private Sector entities in Sri Lanka as well as overseas.

Has responsibility for the Strategic Business Development Unit of Hayleys PLC and Group Information Technology of Hayleys PLC. Deputy Chairman of Alumex PLC and serves on the Boards of Hayleys PLC, Unisyst Engineering PLC, Haycarb PLC, Hayleys Fabric PLC, Hayleys Fibre PLC, Kelani Valley Plantations PLC, Regnis (Lanka) PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, The Kingsbury PLC and Horana Plantations PLC.

### Sujeewa Rajapakse

#### Independent Non-Executive Director

Appointed to the Board of Dipped Products PLC in July 2013. Managing Partner of BDO Partners, Chartered Accountants. A Fellow of The Institute of Chartered Accountants of Sri Lanka (FCA) and a Fellow of Institute of Chartered Management Accountants of Sri Lanka (FCMA), he holds a Master of Business Administration (MBA) from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura.

| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|
|-------------------|----------------------------|--------------------|-----------------------|---------|

During his professional career that spanned nearly four decades, he has held the honorary positions of President, Vice-President and Council Member (elect) of The Institute of Chartered Accountants of Sri Lanka (ICASL), Former Chairman of Auditing Standards Committee of ICASL, President of Practicing Accountants Forum of Sri Lanka, Treasurer of Sri Lanka Cricket, Treasurer for Cricket World Cup 2011, Board member and Technical Advisor to South Asian Federation of Accountants (SAFA), Technical Advisor to Confederation of Asia Pacific Accountants (CAPA). He has also served in the directorates of National Development Bank PLC, NDB Capital Ltd. – Bangladesh, The Finance Company PLC, Uni Dil Packaging Ltd and Uni Dil Packaging Solutions Ltd, Lankan Alliance Finance Limited, Bangladesh also the Chairman of People's Leasing and Finance PLC and Deputy Chairman of Softlogic Life Insurance PLC.

At present he serves as the Chairman of People's Bank, and as an Independent Non-Executive Director of Haycarb PLC, Hayleys Agriculture Holdings Ltd. He is a Council member of the University of Sri Jayewardenepura.

#### **Ramesh Nanayakkara** Finance

Joined Dipped Products PLC in 1991. Appointed to the Board in July 2014. Holds a Degree in B Sc Physical Science from University of Sri Jayewardenepura. Fellow Member of Chartered Institute of Management Accountants - UK.

#### **Sujeewa Peiris** Independent Non-Executive Director

Appointed to the Board of Dipped Products PLC in July 2014. Chief Executive Officer of Bartleet Religare Securities (Pvt) Ltd., (BRS) and serves on the BRS board since 2008. He is an experienced professional with a career spanning over 30 years in the Capital Market industry. He has introduced many High Net worth and Institutional investors to BRS and the Stock Market and was instrumental in many acquisitions, takeovers, and sales of strategic stakes. He overlooks and is responsible for the overall operations of BRS. He is a leading and highly recognized Stockbroker/ Investment Advisor licensed by the Securities & Exchange Commission of Sri Lanka.

#### **Gamini Gunaratne** Independent Non-Executive Director

Appointed to the Board of Dipped Products PLC in August 2015. Presently serves as Chairman of Lanka Hotels and Residencies Pvt Ltd (Sheraton Colombo), Director of Hayleys PLC, Swisstek Ceylon PLC, Regnis Lanka PLC, Singer Industries(Ceylon) PLC, Lanka Walltiles PLC, Lanka Tiles PLC, Lanka Ceramic, Horana Plantations PLC and College of Fashion and Design. Previously served as Vice Chairman of National Water Supply and Drainage Board. Board Director SLIIT International (Private) Limited.

#### **Indika Prasad** Sales & Marketing

Joined Dipped Products PLC in 2001. Appointed to the Board in October 2018. Holds a Degree in BSc Physical Science (Industrial Management – Special) with First Class Honours from University of Kelaniya and an MBA from University of Colombo.

Recipient of the Award by the National Institute for Micro, Small and Medium Enterprises; Middle management Development Programme for SME's of Africa/South Asia – Administrative Staff College of India. Served as a committee member of the Sri Lanka – USA Business Council.

#### **Giorgio Molinari** ICOGUANTI S.p.A

Appointed to the Board of Dipped Products PLC in April 2022. Joined ICOGUANTI S.p.A., in October 2019 and functions as its Joint Managing Director since May 2020. Holds Graduation in Economics at L.U.I.S.S. University of Rome (Italy). Previously held executive and senior management positions in several large private sector entities in Italy, Switzerland and Germany including regional Western Europe and has experience over of 27 years. Also served in the Italian Military Navy as Officer.

#### **Chandika Ratnasiri** Engineering

Joined Dipped Products PLC in 2007. Appointed to the Board in April 2022. Responsible for Group Engineering projects and maintenance of all manufacturing operations in Sri Lanka and Thailand.

Holds a BSc and MSc (first class Honors) in Engineering from State Moscow University, USSR and is a member of the Institution of Engineering and Technology (MIET) , UK. Has 28 years of experience in various multi-national corporations in Sri Lanka and in Europe.

#### **Brindhiini Perera** Non-Executive Director

Appointed to the Board of Dipped Products PLC in October 2022. Holds Masters in Mechanical Engineering from Imperial College London. Her studies included comprehensive coverage of subjects such as Manufacturing Technology and Management, Entrepreneurship, Corporate Finance, Statistics, and Mathematics.

She serves as a Non-Executive Director in several companies listed on the Colombo Stock Exchange including Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, Haycarb PLC, Hayleys Fabric PLC, The Kingsbury PLC, Hayleys Leisure PLC and Singer (Sri Lanka) PLC. She also serves on the Boards of Eurocarb Products Ltd (UK), Delmege Limited, Otwo Biscuit (Private) Limited, The Canbury Biscuit Company Limited, Manatee Clothing Company (Pvt) Ltd and Dhammika & Priscilla Perera Foundation.

# MANAGEMENT TEAM



**Dr. Upul Ratnayake**

General Manager -  
Group Technical & R&D



**Prabath Mendis**

Country Manager - Dipped Products Thailand



**Ms. Vasana Wanigasekara**

General Manager - Sales



**Thusitha Perera**

General Manager- Human Resources



**Nilaksha Pushpakumara**

General Manager-Operations



**Sampath Kumara**

General Manager - Procurement & Logistics



**Asanka Fonseka**

General Manager -Sales &  
Marketing (DUGL)



**WOJTEK LAGNES**

Country Manager - ROZENBAL POLSKA



**Thomas Taddei**

Country Manager - DPL France



**Kapila Jayasundara**

General Manager - Finance



## Hand Protection

### MOHAN PANDITHAGE

Chairman

### RAJITHA KARIYAWASAN

Deputy Chairman

### PUSHPIKA JANADHEERA

Managing Director

### RAMESH NANAYAKKARA

Director (Finance)

### INDIKA PRASAD

Director (Sales & Marketing)

### GIORGIO MOLINARI

Managing Director (ICOGUANTI S.p.A)

### CHANDIKA RATNASIRI

Director (Engineering)

### GENERAL MANAGERS / COUNTRY MANAGERS

#### DR. UPUL RATNAYAKE

Group Technical & R&D

#### PRABATH MENDIS

Country Manager - Dipped Products Thailand

#### MS. VASANA WANIGASEKARA

Sales

#### THUSITHA PERERA

Human Resources

#### NILAKSHA PUSHPAKUMARA

Operations

#### SAMPATH KUMARA

Procurement & Logistics

#### ASANKA FONSEKA

Sales & Marketing (DUGL)

#### WOJTEK LAGNES

Country Manager - ROZENBAL POLSKA

#### THOMAS TADDEI

Country Manager - DPL France

#### KAPILA JAYASUNDARA

Finance

### DEPUTY GENERAL MANAGERS

#### TILAK WARAKAWALAGE

DPGL

### GROUP MANAGERS/ FACTORY MANAGERS

#### CHAMARA WIMALAWARDENA

Factory Manager (HL)

#### NISHANTHA JAYASINGHE

Factory Manager (DL)

#### DR. SASHIKA HEMACHANDRA

Factory Manager (DUGL)

#### GAMINI KARUNARATHNE

Group Process

#### MOHAMED FARHARTH

Group Quality

#### PRADEEP SILVA

Group Engineering

#### SAMPATH PREMADASA

Group Health & Safety

#### RUKSHAN COORAY

Group Sales

#### MOHAN MANUEL

Group Production Planning

#### ROSHAN JAYASINGHE

Group Procurement

#### MOHAN PERERA

Group TSP

#### DINESH WICKRAMASURIYA

Group Logistics

#### NISHAN BUDDHIKA

Group Finance

### MANAGERS

#### NIROSHANA BADDAGE

Centrifuging & Latex Supply

#### LAKSHMAN SENEVIRATNE

TSP & Warehouse (DPGL)

#### THILINA SAMARATHUNGA

Knitting & Plying (DUGL)

#### MS. SAGARIKA MAYADUNNE

Quality Control (HL)

#### PRADEEP KUMAR

Human Resources (DPGL & DUGL)

#### DINESH THANADAKKARA

Regional Business Development

#### KAPILA HARISCHANDRA

Sustainability & ESG

#### PALITHA LANKESHWARA

Environment

#### MS. DEVAKI RODRIGO

Laboratory (DL)

#### MS. VINODANI DABARE

Regional Business Development

#### LAKMAL WICKRAMARACHCHI

Packing Materials

#### NILUSH KUMARA

Compounding (DL)

#### SURANGA HETTIARACHCHI

Production (DPGL)

#### MADHAWA WETTASINGHE

Engineering (DL)

#### MS. HASINI DANGALLE

Research & Development (DL)

#### ASHOKA CHANDRANATH

Glove Designing (DUGL)

#### DAMIAN THOMAS

Regional Business Development

#### ANURA SILVA

Training & Development

#### MS. AYANTHIKA WEERASINGHE

Quality Control (DL)

#### MS. ASIKA ATTANAYAKE

Finance

#### SUSANTHA PERERA

Engineering (DL)

#### CHANDIKA BANDARA

Engineering (DPGL)

#### PREMALAL PUNCHIHEWA

Production (DL)

#### SHANAKA WIJESINGHE

Projects

#### JAYANATH RUPASINGHE

Energy

#### INDIKA WICKRAMARATNE

IT

#### MS. SARANIKA KUMARARATHNE

Regional Business Development

#### DANUSHKA RATHNAYAKE

Projects

#### RANDIKA PRASAD

Production (HL)

#### MS. AMANDA DENUWARA

Regional Business Development

#### HEWAGE KAMAL

Quality Control (DUGL)

#### SANJAYA BANDARA

FGS (DUGL)

#### KALANA DEVAPRIYA

Quality Systems (DL, HL & DPGL)

#### CHAMIDU BUDDHIKA

Research & Development (DUGL)

#### ASANKA PRADEEP

Production (DUGL)

#### MS. LAKMINI DE SILVA

Sales & Marketing (DUGL)

## MANAGEMENT TEAM

### DILHAN WEERASINGHE

Business Development (Disposable Gloves)

### JANAKA JAYASUNDERA

Sourcing

### DHAMMIKA KULATHILAKA

Compounding (DPGL)

### MALINDA NAVARATHNE

Process Control (DL)

### MS. SANUJI WIJESEKARA

Regional Business Development

### NIPOL SAMOLEE

HR/SMR/Packing/ME (DPTL)

### NITHIPONG NAVAPARITTHIKUL

QA/QC/WT (DPTL)

### ANANDA LANSAKARA

Engineering & EMS (DPTL)

### MS. SIRIWAN JINDARAT

Business Development (DPTL)

### MS. SASITHORN CHUAYBUMRUNG

Procurement (DPTL)

### MS. SELVARAJ PRINCY

R&D and Process Control (DPTL)

### SURESH KARUNATHILAKE

Finance (DPTL)

### MS. SUPAWADEE CHOMPUVACH

Administration (DPTL)

### ENRICO GIULIANO

Commercial (ICOGUANTI S.p.A)

### LORENZO DAVOLI

Group CFO European operations (ICOGUANTI S.p.A)

### ANDREA AMEDEI

Marketing (ICOGUANTI S.p.A)

### SALVATORE BARRACO

Admin & Treasury (ICOGUANTI S.p.A)

### LUCA PARODI

Procurement & IT (ICOGUANTI S.p.A)

### MS. GIUSEPPINA AGENO

Product and Quality (ICOGUANTI S.p.A)

### GEOFFROY FITON

Commercial (DPL France)

### GUILLAUME SAUTREAU

Procurement (DPL France)

### MS. KELLY BUI

Admin & Treasury (DPL France)

### LAURENT SOUBIGOU

IT (DPL France)

### PIOTR MACIEJEWSKI

Commercial (Rozenbal Polska)

### LUKASZ GRZECHNIK

Key Accounts (Rozenbal Polska)

### MS. JOANNA KAMIENIECKA

Chief Accountant (Rozenbal Polska)

### PIOTR LEWANDOWSKI

Logistics (Rozenbal Polska)



## Plantation

### MOHAN PANDITHAGE

Chairman

### DR.ROSHAN RAJADURAI

Managing Director - KVPL/TTE/HPL

### Kelani Valley Plantations PLC

### ANURA WEERAKOON

Director/CEO

### OPERATIONAL DIRECTORS

#### VIREN RUBERU

Plantations (Rubber)

#### RAJIV BANDARANAYAKE

Strategic Agri - Business Development

#### RANIL FERNANDO

Rubber Marketing & Administration

#### VIDURA WEERABAHU

Finance

### GENERAL MANAGERS

#### ANURUDDHA GAMAGE

Human Resources & Corporate Sustainability

#### MADHAWA WICKRAMARATNE

Marketing

### REGIONAL GENERAL MANAGERS

#### SENAKA FERNANDO

Dawalakande

#### DILUM PATHIRANA

Pedro

#### INDRA GALLEARACHCHI

Invery

#### ANURA SENANAYAKE

Projects

### SENIOR DEPUTY GENERAL MANAGERS

#### ERANDA WELIKALA

Panawatte

### DEPUTY GENERAL MANAGERS

#### BUDDIKA ATTANAYAKE

Annfield

#### UDENI WANIGATHUNGE

Nuwara Eliya

### ASSISTANT GENERAL MANAGERS

#### SUSANTHA WIJESINGHE

Information Technology

#### KENNETH ALLES

Corporate Affairs

### Talawakelle Tea Estates PLC

#### SENAKA ALAWATTEGAMA

Director/CEO

### OPERATIONAL DIRECTORS

#### NISHANTHA ABEYSINGHE

Plantations

#### THUSITHA RODRIGO

Strategic Performance Management

#### MS. VINDYA PERERA

Finance

### GENERAL MANAGERS

#### EASHAN PERERA

Marketing

### REGIONAL GENERAL MANAGERS - ESTATES

#### GIMHAN JAYATHILAKE

Kiruwanganga

#### KOSALA WIJESEKERA

Somerset

### SNR. DEPUTY GENERAL MANAGER - ESTATES

#### ERANGA EGODAWELA

Bearwell

### Horana Plantations PLC

#### JOHANN RODRIGO

Director/CEO

#### BUDDHI GUNASEKARA

Director – Plantations

### GENERAL MANAGERS

#### AJITH NISSANKA

Finance

#### PUSHPIKA SAMARAKOON

Corporate Affairs

### REGIONAL GENERAL MANAGERS

#### WASANTHA GUNAWARDENE

Up Country

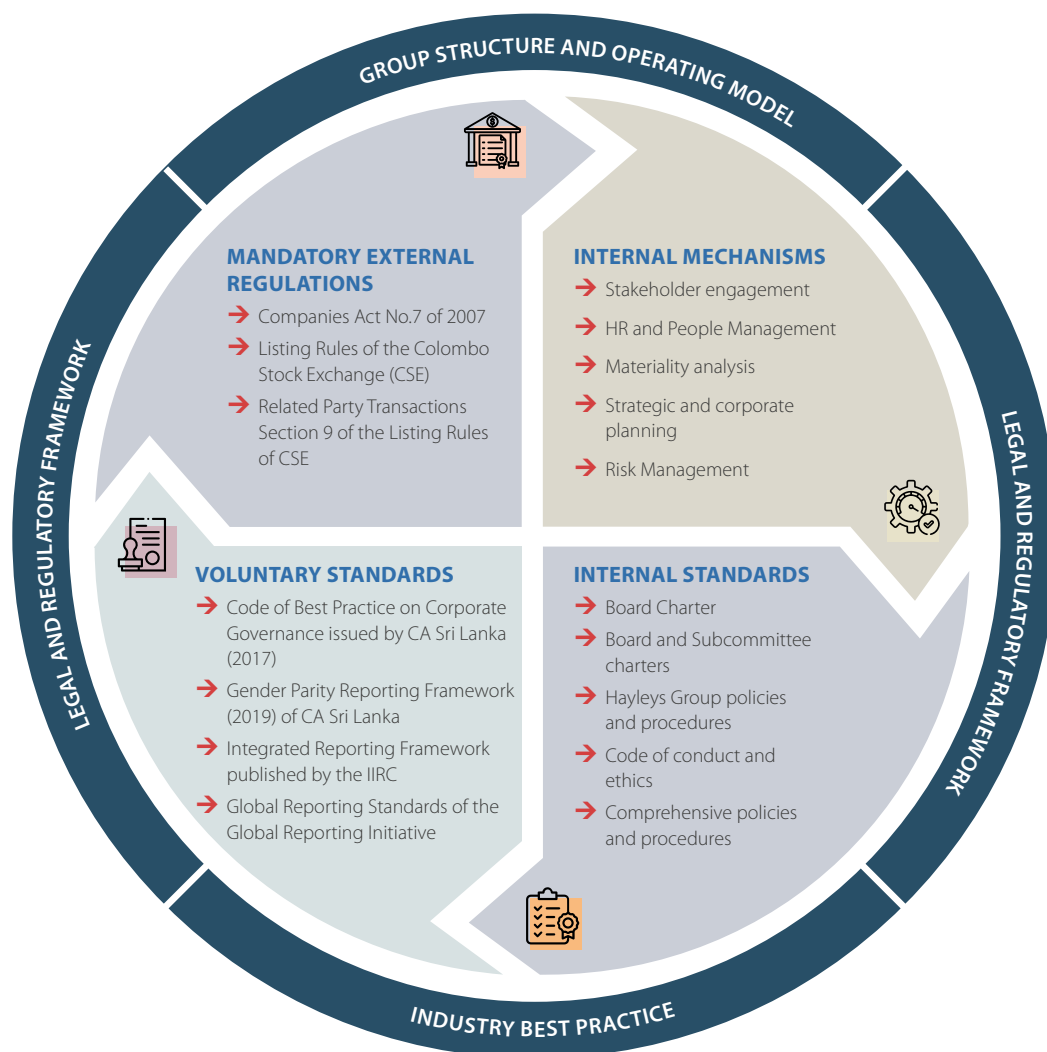
# CORPORATE GOVERNANCE

*DPL's resilient performance in the face of unprecedented challenges during the last two years is a true testament to the Group's sound corporate governance practices. We remain committed to enhancing our corporate governance practices as we see the inherent value of good governance in creating long term stakeholder value. We therefore continue to adopt global best practices while ensuring strict regulatory compliance to improve accountability and transparency across our operation.*

The discussion below presents a high-level overview of the Group's governance practices and the Board's contribution to value creation during the year. Further details are provided in pages 33 to 54 of this report which demonstrate the Group's compliance to the Code of Best Practice on Corporate Governance and Continuing Listing Rules of the Colombo Stock Exchange.

## GOVERNANCE FRAMEWORK

As a subsidiary of the Hayleys Group, DPL's governance framework, structures and processes are aligned to that of the parent entity, Hayleys PLC and refined to reflect specific industry dynamics, regulatory requirements and stakeholder expectations of the Sectors in which DPL operates. DPL's governance framework is guided by a number of mandatory and voluntary provisions as well as internal standards and codes ensuring integrity, transparency and accountability is driven across the organization through an appropriate balance of authority and decision-making power.



## CORPORATE GOVERNANCE

### Policy Framework

DPL has in place a clearly defined policy framework which is aligned to that of Hayleys PLC. Policies are reviewed and revised periodically to ensure relevance to the external landscape and internal dynamics. The framework includes policies on HR-related aspects, Risk Management, ESG matters, Governance and Board procedures and anti-corruption, among others.

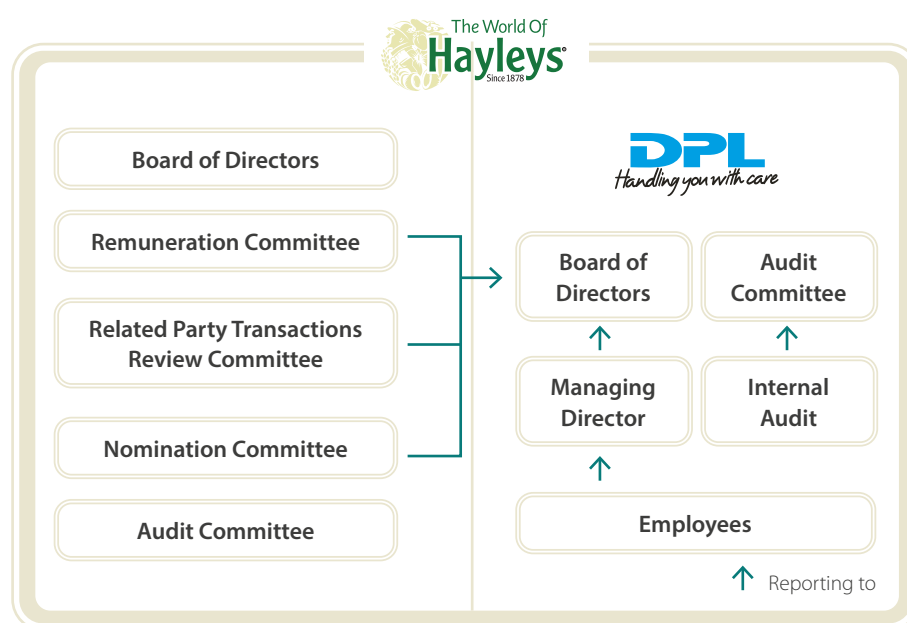
### Governance Structure

The Board of Directors is the apex governing authority with overall responsibility for formulating strategy and policies, setting risk appetite and monitoring achievement of goals and objectives. The Board is empowered to delegate responsibilities pertaining to specific functions to any committee or committees as it thinks fit. The Board is supported by 4-sub committees which have oversight responsibility on specific areas delegated to them, thereby allowing the Board to devote its time to strategic agenda items. The Remuneration Committee, Nomination Committee and Related Party Transactions Review Committees of Hayleys PLC, assist the Board of DPL, as permitted by the listing rules of the CSE. DPL's Audit Committee reports to the Hayleys PLC Audit Committee on financial reporting, internal controls and risk management related issues. Please refer to the Reports of the sub-committees from page 127 to 131 of this Report for further information. The Governance Structure is graphically illustrated below:

### New Policies introduced in FY 2022/23

#### Bribery and Anti Corruption Policy

The Group's newly introduced bribery and anti-corruption policy emphasizes zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Hayleys PLC and its subsidiaries and includes guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others.



|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
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## BOARD AND SUBCOMMITTEE COMPOSITION

| Board Composition                                                                                                                                                                                                                                                                                                                          |  |                                                                                                                                                                                                     |   |                   |   |                                   |   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|-------------------|---|-----------------------------------|---|
| The Board comprises 13 directors including 7 Executive and 6 Non-Executive Directors, of which 4 are independent. The Hayleys Group is represented by 4 Directors including the Chairman and Chief Executive of Hayleys PLC who functions as the Chairman of DPL. (Please refer to page 28 and 29 for profiles of the Board of Directors.) |  | Directors represent diversity in skills, expertise, industry experience and demographics thereby bringing in diverse thinking to the Board, enhancing the overall depth and quality of discussions. |   |                   |   |                                   |   |
|                                                                                                                                                                                                                                                                                                                                            |  | DIVERSITY OF THE BOARD                                                                                                                                                                              |   |                   |   |                                   |   |
|                                                                                                                                                                                                                                                                                                                                            |  | By Age                                                                                                                                                                                              |   | By Tenure (years) |   | By Skill                          |   |
|                                                                                                                                                                                                                                                                                                                                            |  | < 30                                                                                                                                                                                                | 1 | < 5               | 4 | Finance                           | 4 |
|                                                                                                                                                                                                                                                                                                                                            |  | 30-55                                                                                                                                                                                               | 5 | 5-10              | 6 | Capital markets and public sector | 2 |
|                                                                                                                                                                                                                                                                                                                                            |  | > 55                                                                                                                                                                                                | 7 | >10               | 3 | Science and engineering           | 4 |
|                                                                                                                                                                                                                                                                                                                                            |  |                                                                                                                                                                                                     |   |                   |   | Glove industry                    | 2 |
|                                                                                                                                                                                                                                                                                                                                            |  |                                                                                                                                                                                                     |   |                   |   | Corporate leadership              | 3 |
| Executive                                                                                                                                                                                                                                                                                                                                  |  |                                                                                                                    |   |                   |   |                                   |   |
| Non-Executive Directors                                                                                                                                                                                                                                                                                                                    |  |                                                                                                                    |   |                   |   |                                   |   |
| Independent Non-Executive Directors                                                                                                                                                                                                                                                                                                        |  |                                                                                                                    |   |                   |   |                                   |   |

| Subcommittee Composition                                                              |                                                                   |                                                                                                                                                                                                                                                                                         |                      |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Sub-Committee                                                                         | Composition                                                       | Mandate                                                                                                                                                                                                                                                                                 | No. of meetings held |
| Audit Committee (Refer page 130 for Audit Committee Report)                           | Independent Non-Executive Directors - 3                           | Provides oversight on financial reporting, internal controls and functions relating to internal and external audit                                                                                                                                                                      | 4                    |
| Remuneration Committee (Refer page 128 for Remuneration Committee Report)             | Independent Non-Executive Directors - 4                           | Hayleys PLC, the Parent Company remuneration Committee functions as the Remuneration Committee of the Company. Mandated with the Formulation and review of Remuneration policies and set goals and targets relating to Directors, Managing Director and Key Management Personnel (KMPs) | 2                    |
| Related Party Transactions Review Committee (RPTRC) (Refer page 129 for RPTRC Report) | Executive Director - 1<br>Independent Non-Executive Directors - 2 | Hayleys PLC, the Parent Company RPTRC function as the RPTRC of the Company assess all transactions with related parties to ensure that related parties are treated on par with other stakeholders                                                                                       | 4                    |
| Nomination Committee (Refer page 127 for Nomination Committee Report)                 | Chairman - 1<br>Independent Non-Executive Director - 2            | Hayleys PLC, the Parent Company Nomination Committee function as the Nomination Committee of the Company and makes the recommendations to the Board on all new appointments                                                                                                             | 9                    |

## CORPORATE GOVERNANCE

### TRAINING FOR DIRECTORS

Directors are provided opportunities to continuously refresh their knowledge and keep abreast of emerging developments, which in turn will enrich discussions and contribute towards the overall effectiveness of decision making. Through the support

of the Hayleys PLC, Strategic Business Development Unit, the Board is kept updated on emerging economic and market dynamics including changes to regulations, and other socio-economic and political factors. Directors also attend external training programmes on relevant topics.

### BOARD ACTIVITIES

The Board convenes on a regular basis to discuss strategic matters of a company. A formalised procedures for board meeting in place as set out below;

#### START OF THE YEAR

- Calendar is set for Board meetings and Subcommittee meetings and notice is given to Directors through an Annual Calendar

#### BOARD PAPER COMPILATION AND CIRCULATION

- Board papers are prepared and electronically circulated to Directors at least 7 days prior to the meeting, providing sufficient time to review matters

#### POST-MEETING

- The Company Secretary prepares the minutes and circulates among Directors through a secure e-Solution within 14 days of the meeting.
- Minutes are adopted at the subsequent Board meeting.
- Follow up action is taken on outstanding matters



#### AGENDA

- The Company Secretary sets the agenda under the authority delegated by the Chairman
- Directors are free to submit proposals to the agenda for discussion at Board meetings
- Matters arising from internal/external developments may be added to the agenda

#### BOARD MEETING

- Board meetings have certain standard items such as performance updates, risk dashboards and recommendations from Subcommittees' Chairpersons.
- Members of the Management Team are invited for Board meetings to provide additional clarifications if required.

#### Board Meetings in FY 2022/23

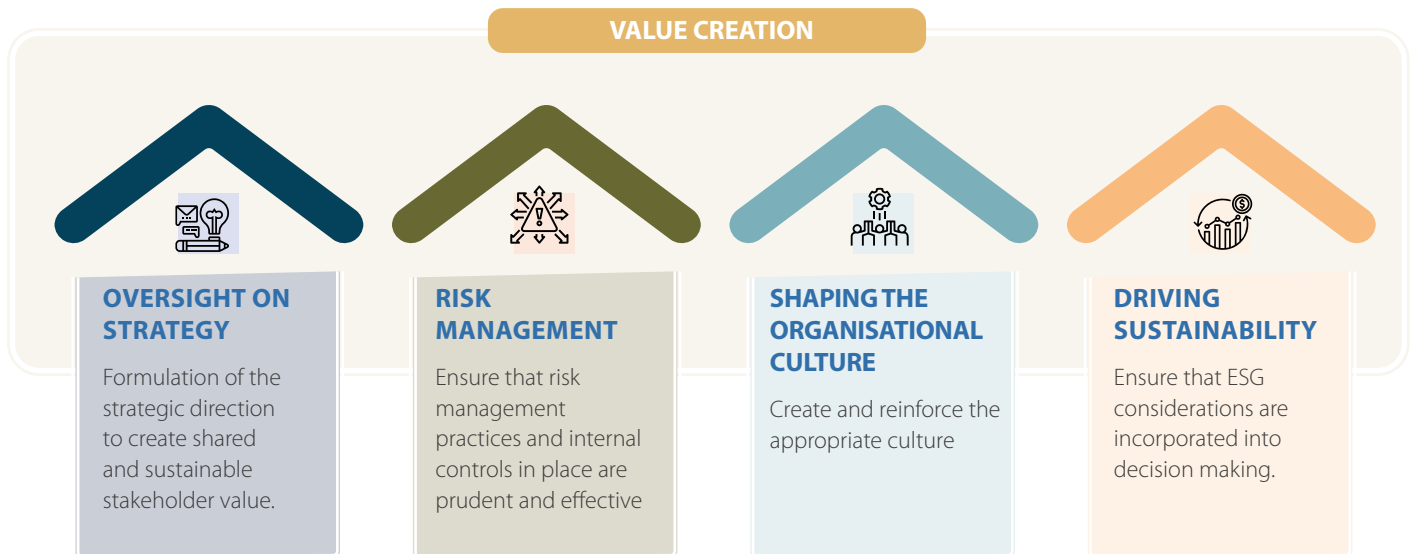
The Board convened 4 times during the year under review. Sub-committee activities also continued uninterrupted with 4 Audit Committee meetings.

In order to ensure that board activities continued uninterrupted meetings were shifted to hybrid forms

#### Attendance at Board and sub-committee meetings

|                                               | Board Meetings | Audit Committee Meetings |
|-----------------------------------------------|----------------|--------------------------|
| A.M. Pandithage                               | 4/4            |                          |
| H.S.R. Kariyawasan                            | 4/4            |                          |
| R.H.P. Janadheera                             | 4/4            |                          |
| F. Mohideen                                   | 4/4            | 4/4                      |
| S.C. Ganegoda                                 | 4/4            |                          |
| S. Rajapakse                                  | 4/4            | 4/4                      |
| N.A.R.R.S. Nanayakkara                        | 4/4            |                          |
| S.P. Peiris                                   | 4/4            | 4/4                      |
| K.D.G. Gunaratne                              | 4/4            |                          |
| K.M.D.I. Prasad                               | 4/4            |                          |
| G. Molinari                                   | 4/4            |                          |
| C. Ratnasiri                                  | 4/4            |                          |
| K.A.D.B. Perera (Appointed w.e.f. 19/10/2022) | 2/2            |                          |

## BOARD CONTRIBUTION TO VALUE CREATION IN 2022/23



### OVERSIGHT ON STRATEGY



Given the unprecedented operating conditions that prevailed during the year, the Board engaged proactively with the

business to ensure continuity of operations amidst volatile business conditions.

In addition to the standard agenda items, the Board focused on the following special aspects in 2022/23;

- Impacts of the foreign exchange crisis on the Group's operations and implementation of measures to mitigate against this risk
- Assessing management initiatives to ensure continuity of raw material procurement, given supply chain disruptions
- Incorporating Hayleys Lifecode ESG considerations and strengthening ESG governance
- Potential for market and product diversification and strategic capacity enhancement

### RISK MANAGEMENT



The Board assisted by the Audit Committee ensures effective risk management. As further described on page 60 of this report, effective

risk management is underpinned by the Group's risk management framework which has been designed to optimise risk-reward dynamics and is based on the three lines of defence model. Key areas of risk the Board focused its attention on during the year include;

- Exchange rate risk
- Market risk including changing demand dynamics and increasing competition
- Supply chain risk
- IT and Cyber security risk
- Financial risk

### SHAPING THE ORGANISATIONAL CULTURE

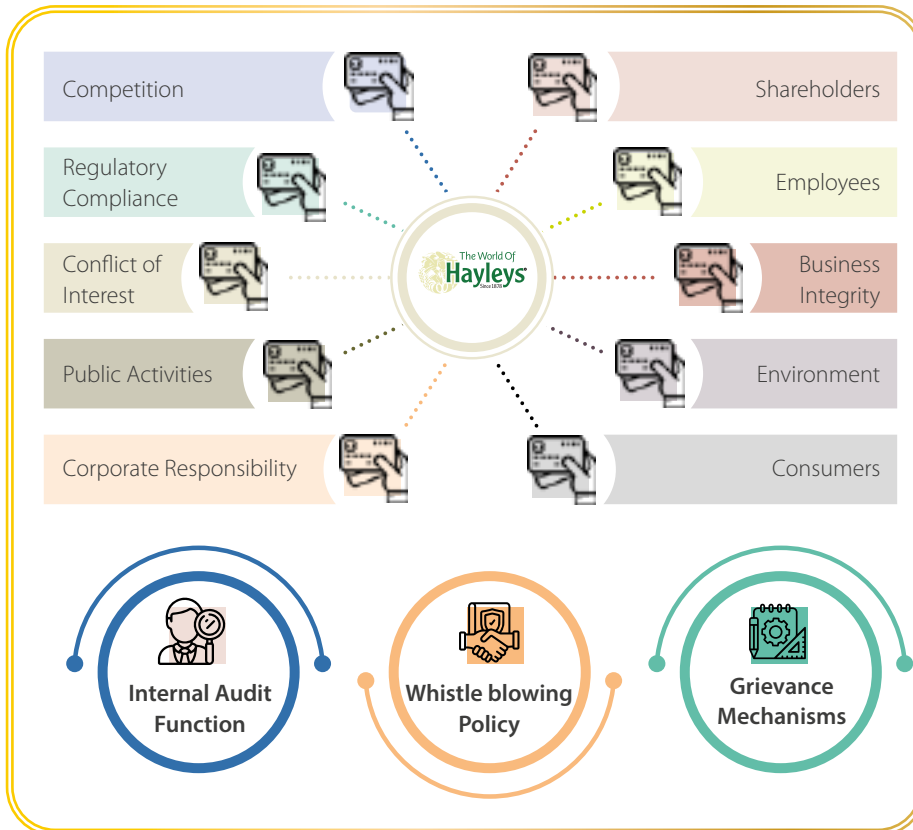


The Board leads by example setting the ethical tone for the Group. The Group's internal code of conduct "The Hayleys Way" supports these efforts

by setting out the behaviour expected from an employee and reinforcing the Group's organisational values. Meanwhile a robust Internal Audit function, a clearly articulated and communicated whistleblowing policy and grievance mechanisms ensures transparency and accountability of all actions.

The Hayleys Way explicitly sets out the expected behaviours of an employee of the Group. The Internal Code of Conduct is introduced to every new recruit during orientation, and reinforced periodically thereafter.

## CORPORATE GOVERNANCE

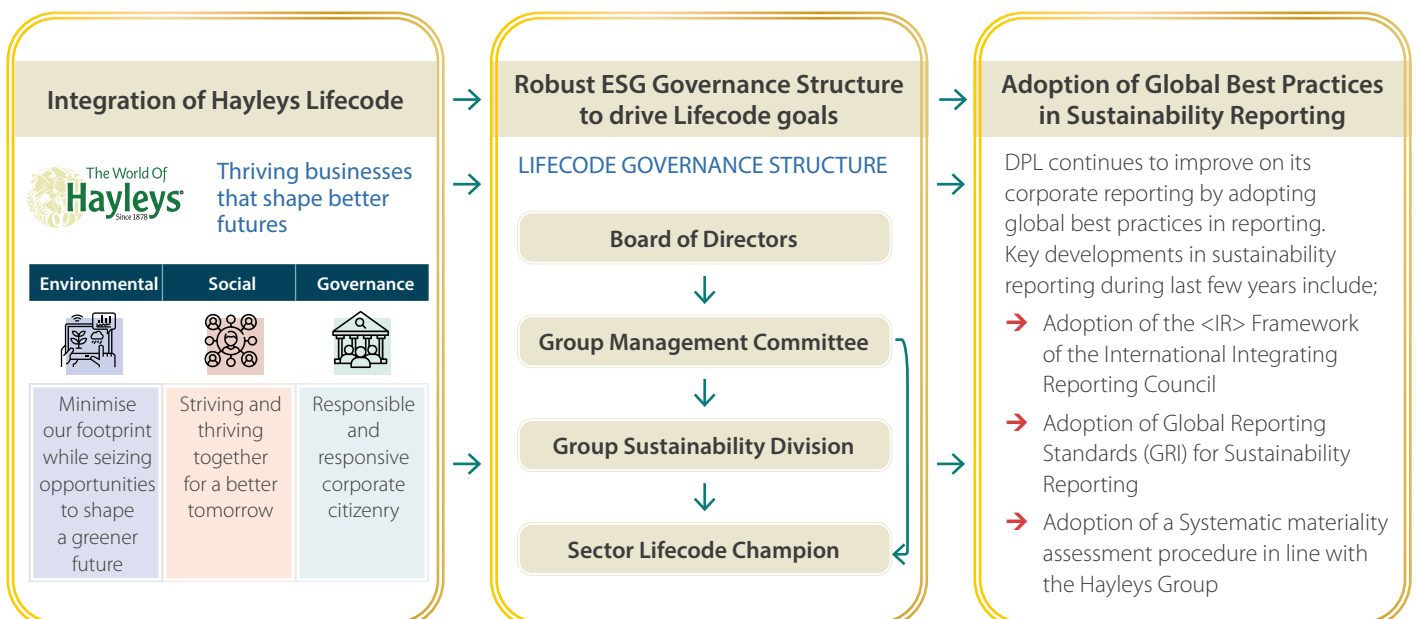


### DRIVING SUSTAINABILITY



The ultimate responsibility for ensuring that sustainability considerations are embedded into all aspects of the operation lies

with the Board. In January 2022, the parent company, Hayleys PLC launched the Hayleys Lifecode a holistic framework, harmonising ESG integration across the group by codifying ESG practices and processes that have evolved over the years. The Lifecode also sets out the Group's 2030 environmental, social and governance aspirations, roadmap and action plan. Further to the launch of Hayleys Lifecode last year, DPL has worked towards integrating the Lifecode into its own operation by setting sector specific goals and targets in alignment with group level Lifecode goals. The company also further strengthened the ESG governance structure at DPL, with the establishment of a dedicated ESG team comprising of a Sustainability Manager, Energy Manager, Safety Manager and Environment Manager. The ESG team directly reports to the Board through the Group Management Committee.



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## ENGAGEMENT WITH SHAREHOLDERS

Ongoing engagement with shareholders ensures that shareholder needs and concerns are proactively identified and addressed. Directors are also kept up to date of major issues and concerns of shareholders through the Company Secretary, who serves as the key contact point for all shareholder related inquiries. Shareholder engagement mechanisms are described in further detail in page 206 of this report.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY CA SRI LANKA

| Reference to CASL code                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Requirement    | Compliance | Details of Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SECTION 1: THE COMPANY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>A. Directors</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Principle: A.1 The Board</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| As at the end of the year under review, the Board consisted of thirteen Directors - six Non-Executive Directors and seven Executive Directors including the Chairman. The Board combines diverse skills and expertise to drive the Group's strategic aspirations. During the year the Board reviewed its skills mix and is determined that the present composition and expertise is sufficient to meet the needs of the group. The Non-Executive Directors contribute their collective knowledge and experience gained from experience in serving variety of public and private organizations. The profiles of the Directors are found on pages of 28 and 29 of this Annual Report. Details of Directors shareholdings in DPL and the directorates they hold in other companies are given on pages 123, 210 and 211 respectively. |                |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| A.1.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Board Meetings | Complied   | <p>The Board meets on a quarterly basis with special meetings convened when the need arises. During the year under review the Board met on four occasions; Details of meetings of the Board and attendance of the members are set out on page 36 of this Report.</p> <p>The Board is provided with information necessary to effectively discharge its duties in a structured and regular manner. Information to be reported to the Board includes ;</p> <ul style="list-style-type: none"> <li>→ Financial and operational results on pre agreed Key Performance Indicators.</li> <li>→ Financial performance compared to previous periods, budgets and targets.</li> <li>→ Impact of risk factors on financial and operating results and actions to mitigate such risks</li> <li>→ Compliance with laws and regulations and any non-compliances.</li> <li>→ Internal control review.</li> <li>→ Share trading of the Company and related party transactions by Key Management Personnel.</li> <li>→ Any other matters the board should be aware of.</li> </ul> <p>The minutes of the previous Board meeting and above information are distributed among the members with adequate time prior to the meeting.</p> |

## CORPORATE GOVERNANCE

| Reference to CASL code | Requirement                                                                                  | Compliance | Details of Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------|----------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.1.2                  | Responsibilities of the Board                                                                | Complied   | <p>The Board Charter sets out the responsibility of the Board. The Board is responsible to the shareholders for creating and delivering long term sustainable shareholder value through entrepreneurial leadership.</p> <p>The Board is responsible to:</p> <ul style="list-style-type: none"> <li>→ Providing direction and guidance to the Company in the formulation of high-level medium, and long term strategies which are aimed at promoting the sustainable long term success of the Company.</li> <li>→ Appointing and reviewing the performance of the Chairman and Managing Director.</li> <li>→ Ensure Executive Directors and key management team possesses the skills, experience and knowledge to implement strategy effectively, with proper succession arrangements in place.</li> <li>→ Reviewing, approving and monitoring annual corporate plans, corporate budget and capital expenditure.</li> <li>→ Reviewing and approving major acquisitions, disposals and major investments by the management within their limits of authority.</li> <li>→ Ensure effective systems to secure the integrity of information, internal controls, business continuity and risk management.</li> <li>→ Ensure compliance with laws, regulations and ethical standards.</li> <li>→ Ensure all stakeholder interests are considered in corporate decisions.</li> <li>→ DPL has adopted Integrated Reporting since 2015 and recognizes the importance of embedding sustainability in corporate strategy, decisions and activities.</li> <li>→ Set and communicate values/standards, with adequate attention being paid to accounting policies/practices and fostering compliance with financial regulations.</li> <li>→ Adequacy and the integrity of the Internal control systems over financial reporting and management Information Systems are reviewed by the Board/Audit Committee.</li> <li>→ Ensuring that financial statements are published quarterly and the Annual Report is published at the end of the financial year.</li> <li>→ Determining any changes to the discretions/authorities delegated from the Board to the Key Management Team.</li> <li>→ Approving any amendments to constitutional document.</li> </ul> |
| A.1.3                  | Compliance with the laws of the country and agreed to obtain independent professional advice | Complied   | <p>The Board collectively as well as the Directors individually, recognizes their duty to comply with laws of the country which are applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations.</p> <p>Directors have the power to obtain independent professional advice as deemed necessary, in discharging their duties, at the Company's expense. This is co-ordinated through the Board.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

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|-------------------|----------------------------|--------------------|-----------------------|---------|
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| Reference to CASL code | Requirement                                                | Compliance | Details of Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------|------------------------------------------------------------|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.1.4                  | Access to the advice and services of the Company Secretary | Complied   | <p>The services and advice of the Company Secretary are available to all the Directors.</p> <p>The Company Secretary ensures that Board procedures and all applicable rules and regulation are complied with.</p> <p>The removal of the Secretary is a matter for the Board as a whole.</p> <p>Obtained a directors and officers' liability insurance, providing worldwide cover to indemnify all Directors and Officers.</p>                                                                                                                                               |
| A.1.5                  | Independent judgment of the Directors                      | Complied   | Non-Executive Directors are independent of the management and free from any business and other relations. None of other Directors are related to each other. This enables all the members of the Board to exercise independent judgment to bear on issues of strategy, performance, resources and standards of business conduct.                                                                                                                                                                                                                                            |
| A.1.6                  | Dedication of adequate time and effort of the Directors    | Complied   | The Board of Directors allocated adequate time and effort before a meeting to review Board papers and call for additional information and clarification, and to follow up on issues arising from the meeting. As a result, Directors are kept aware of all material developments impacting the Group including business changes, operations, risks and controls which ultimately help to satisfactorily discharge the duties and responsibilities owed to the Company.                                                                                                      |
| A.1.7                  | Calls for resolutions                                      | Complied   | Any Director can call for a resolution to be presented to the Board if deemed necessary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| A.1.8                  | Training for new and existing Directors                    | Complied   | <p>The Board of Directors recognizes the need for continuous training &amp; expansion of knowledge and undertakes such professional development as they consider necessary in assisting them to carry out their duties as Directors.</p> <p>Every new Director and current Directors are given a training if necessary and appropriately. This training curriculum encompasses both general aspects of directorship and matters specific to the industry. The Board is of the view that obtaining continued training is vital in the effective discharge of its duties.</p> |

#### Principle: A.2 Chairman and Chief Executive Officer (CEO)

There is a clear division of responsibility between the Board and executive leadership, thereby ensuring a balance of power and authority and ensuring that no individuals has unfettered powers. The Chairman is responsible for conducting of the business of the Board while the Managing Director/CEO has oversight on executive responsibility for management of the Company's business.

|       |                                                  |          |                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------|--------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.2.1 | Division of responsibilities of Chairman and CEO | Complied | The role of Chairman and the Chief Executive Officer of the Company are segregated with clearly defined authority and responsibilities. The Chairman of the Company is also the Chairman of Hayleys PLC. Chief Executive Authority is vested in the Managing Director of the Company. The separation between the position of the Chairman and officers with executive powers in the Company ensures a balance of power and authority. |
|-------|--------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### Principle: A.3 Chairman's Role

The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.

## CORPORATE GOVERNANCE

| Reference to CASL code                                                                                                                                                                                                           | Requirement                             | Compliance | Details of Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.3.1                                                                                                                                                                                                                            | Conduct of Board Meetings               | Complied   | <p>The Chairman ensure the following:</p> <ul style="list-style-type: none"> <li>→ Approving the agenda for each meeting prepared in consultation with the Managing Director and the Company Secretary taking in to consideration matters relating to strategy, performance, resource allocation, risk management and compliance.</li> <li>→ Sufficiently detailed information of matters included in the agenda should be provided to the Directors in a timely manner.</li> <li>→ Ensuring that all Directors are aware of their duties and responsibilities.</li> <li>→ All Directors are encouraged to make an effective contribution, within their respective capabilities for the benefit of the Company.</li> <li>→ All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusions of matters of corporate concern on the agenda.</li> <li>→ Maintaining the balance of power between Executive and Non-Executive Directors.</li> <li>→ The view of Directors on issues under consideration are ascertained.</li> <li>→ Ensuring that the Board is in complete control of the company's affairs and alert to its obligations to all shareholders and other stakeholders.</li> </ul> |
| <b>Principle: A.4 Financial Acumen</b><br>The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.                                   |                                         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| A.4.1                                                                                                                                                                                                                            | Financial acumen                        | Complied   | <p>The Board includes Three Senior Chartered Accountants, who possess the necessary knowledge and competence to offer the Board guidance on matters of finance. One of them serves as Chairman of the Audit Committee. Other Members of the Board have ample experience in handling matters related to finance through leadership in numerous organizations across sectors. Hence the Board has sufficient financial acumen and knowledge to offer guidance on matters of finance.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Principle: A.5 Board Balance</b><br>It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. |                                         |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| A.5.1                                                                                                                                                                                                                            | Non-Executive Directors                 | Complied   | <p>Six out of thirteen Directors on the Board are Non-Executive Directors. The composition of the Executive and Non-Executive Directors (the latter are over one third of the total number of Directors), satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange. The Chairman and the Managing Director is not the same person.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| A.5.2                                                                                                                                                                                                                            | Independence of Non-Executive Directors | Complied   | <p>Four out of Six Non-Executive Directors are independent. The Board has determined that four Non-Executive Directors satisfy the criteria for "independence" set out in the Listing Rules.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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| Reference to CASL code                          | Requirement                                                                                    | Compliance     | Details of Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| A.5.3                                           | Independence of Non-Executive Directors                                                        | Complied       | Non-Executive Directors' profiles reflect their calibre and industry insights and their contribution towards enhancing the depth of Board deliberations. Each one is independent of management and free from any relationship that can interfere with independent judgment. The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board ensures that no individual Director or small group of Directors dominates board discussion and decision making. |
| A.5.4                                           | Annual declaration of independence - Non Executive Directors                                   | Complied       | Each Non-Executive Director has submitted a declaration stating the independence or non-independence in a prescribed format. This information is made available to the Board.                                                                                                                                                                                                                                                                                                            |
| A.5.5                                           | Board determination of independence of Non-Executive Directors and disclosure in Annual Report | Complied       | The Board considered the declaration of independence submitted by each Non-Executive Director with the basis for determination given in Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. The Board believes the Independency of Mr. F. Mohideen and Mr. S. Rajapakse were not compromised by being a Board member for more than nine years. Brief resume of all the Directors is available in pages 27 to 28.    |
| A.5.6                                           | Alternative Directors                                                                          | Complied       | Mrs. Y. Bhashkaran acted as an alternate director to Mr. K D D Perera in line with the Articles of Association of the company and the CSE listing rules, until his resignation from the board.                                                                                                                                                                                                                                                                                           |
| A.5.7, A.5.8                                    | Requirement to appoint Senior Independent Director                                             | Not Applicable | This is not applicable as the Chairman and the Managing Director is not the same person.                                                                                                                                                                                                                                                                                                                                                                                                 |
| A.5.9                                           | Chairman's meetings with Non-Executive Directors                                               | Complied       | The Chairman holds meeting with the Non-Executive Directors, without Executive Directors, at least once a year and at any other time where necessary.                                                                                                                                                                                                                                                                                                                                    |
| A.5.10                                          | Record in the Board minutes of Concerns not unanimously resolved                               | Complied       | All matters of the Company are recorded in the Board Minutes, with sufficient detail to enable a proper assessment to be made of the deliberation and any decisions taken at the meeting. Dissenting views if any are clearly minuted.                                                                                                                                                                                                                                                   |
| <b>Principle: A.6 Supply of information</b>     |                                                                                                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| A.6.1                                           | Timely information to the Board                                                                | Complied       | Directors are provided with quarterly performance reports and other reports and documents which are deemed necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.                                                                                                                                                                                                                                                                           |
| A.6.2                                           | Information provided in advance to the Board meetings                                          | Complied       | The Board Meetings are arranged well in advance and informed to all Directors. The Directors are provided the Agenda, Minutes and Board papers well in advance giving adequate time to prepare and discuss matters at the meetings.                                                                                                                                                                                                                                                      |
| <b>Principle: A.7 Appointments to the Board</b> |                                                                                                |                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| A.7.1, A.7.2                                    | Appointment to the Board                                                                       | Complied       | Refer governance structure in Corporate Governance Report on page 38 and Nomination Committee Report on page 127.                                                                                                                                                                                                                                                                                                                                                                        |
| A.7.3                                           | Disclosure of new appointments                                                                 | Complied       | A brief resume of the Director, nature of his/her experience and names of the companies he/she holds the directorship and the independence is informed to the Colombo Stock Exchange and disclosed in the Annual Report on pages 28 to 30.                                                                                                                                                                                                                                               |

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| <b>Principle: A.8 Re-election</b>                                        |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| A.8.1, A.8.2                                                             | Re-election of Directors                 | Complied   | <p>The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re- election by the shareholders at that meeting.</p> <p>The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment /re-appointment. Retiring Directors are generally eligible for re-election.</p> <p>Please refer Nomination Committee Report on page 127.</p> <p>The Managing Director does not retire by rotation.</p> |
| <b>Principle: A.9 Appraisal of Board Performance</b>                     |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| A.9.1 ,A.9.2, A.9.3                                                      | Appraisal of Board Performance           | Complied   | <p>The Chairman and Remuneration Committee (Hayleys PLC, the parent company's Remuneration Committee functions as the Remuneration Committee of the Company) are responsible for evaluating the performance of Executive Directors and Committees through an annual self-evaluation of its own performance. The responses are submitted to the Chairman for discussion at a Board Meeting.</p>                                                                                                                                                                                                                              |
| <b>Principle: A.10 Disclosure of Information in respect of Directors</b> |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| A.10.1                                                                   | Disclosures about Directors              | Complied   | <p>Name, qualification, brief profile, and nature of expertise are given in the pages 28 to 29 of this Annual Report.</p> <p>Directors' interest in contracts is given on page 191 of this Report. The number of Board meetings attended by the Directors is available in the page 36 of this Report.</p>                                                                                                                                                                                                                                                                                                                   |
| <b>Principle: A.11 Appraisal of Chief Executive Officer</b>              |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| A.11.1, A.11.2                                                           | Evaluation the performance of the CEO    | Complied   | <p>The short, medium and long-term objectives including financial and non- financial targets that should be met by the CEO are set at the commencement of each fiscal year. The performance is evaluated each quarter by the Board to ascertain whether targets are achieved or whether achievement is reasonable under the prevailing circumstances.</p>                                                                                                                                                                                                                                                                   |
| <b>B. Directors Remuneration</b>                                         |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Principle: B.1 Remuneration procedure</b>                             |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| B.1.1, B.1.2, B.1.3, B.1.4, B.1.5                                        | Establishment of remuneration committee. | Complied   | <p>Refer governance structure in Corporate Governance Report on page 34.</p> <p>Payment of remuneration to Directors is disclosed in page 123 of this report. No Director is involved in deciding his own remuneration.</p>                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Principle: B.2 The level and make up of remuneration</b>              |                                          |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| B.2.1, B.2.2, B.2.3, B.2.4                                               | Levels of remuneration                   | Complied   | <p>The Remuneration Committee determined remuneration structures with the objective of attracting, retaining and motivating skilled Directors who can drive the Company's strategic agenda. The remuneration levels relative to other companies and performance of the Directors are taken into account when considering the remuneration levels of the Directors.</p>                                                                                                                                                                                                                                                      |

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| <b>Principle: B.3 Disclosure of the remuneration</b>                              |                                                      |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| B.3.1                                                                             | Disclosure of the remuneration                       | Complied   | <p>Please refer the Remuneration Committee Report on page 128.</p> <p>The remuneration policy aims to attract and retain a highly qualified and experienced work force, and nurture a performance driven culture, while offering rewards which are in line with industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contribution, bearing in mind the business performance and shareholder return.</p> <p>The total of Directors' Remuneration is reported in Note 6 and Note 33 to the Financial Statements.</p>                                                                                                                                                                                                                                                                                                                                                         |
| <b>C. Relations with Shareholders</b>                                             |                                                      |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Principle: C.1 Constructive use of the AGM and conduct of General Meetings</b> |                                                      |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| C.1.1                                                                             | Notice of AGM                                        | Complied   | The notice and the agenda of the Annual General Meeting are sent to the shareholders 15 working days prior to the meeting. The Annual Report is published in the Company's web site and CSE web site.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| C.1.2                                                                             | Separate resolution for substantially separate items | Complied   | <p>A separate resolution is proposed at an Annual General Meeting on each substantially separate item.</p> <p>Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements with the Independent Auditor's Report is considered as a separate resolution.</p> <p>A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| C.1.3                                                                             | Votes and use of proxy                               | Complied   | The Company ensures that all proxy votes are properly recorded and counted. The number of proxies lodged on each resolution is conveyed to the Chairman.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| C.1.4                                                                             | Answer questions at the Annual General Meeting (AGM) | Complied   | The Board arranges the Chairman of the Audit Committee to be available to answer queries at the AGM when necessary.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Principle: C.2 Communication with shareholders</b>                             |                                                      |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| C.2.1,C.2.2                                                                       | Channel to reach all shareholders of the company.    | Complied   | <p>The modes of communication between the company and the shareholders are the Annual Reports, Interim Reports, announcements made through the Colombo Stock Exchange, other press releases and Annual / Extraordinary General Meetings.</p> <p>Shareholders may raise concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the company website upon release to the Stock Exchange. The website also features news and latest updates of the company.</p> <p>The active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.</p> <p>The Board offers clarifications and responds to concerns shareholders have over the content of the Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.</p> |

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| C.2.3                                                  | Implementation of the policy and methodology for communication with shareholders | Complied   | <p>Annual Report and Financial Statement of the Company are available on the website enabling all shareholders to access the Annual Report and Financial Statements. However a shareholder could be provided with a printed copy of the Annual Report if requested in writing to do so.</p> <p>A copy of the interim financial statements are released to the Colombo Stock Exchange and posted on their website. Copies of all public announcements are made available to the CSE for dissemination to the public.</p>                         |
| C.2.4                                                  | Disclosure of contact person                                                     | Complied   | Shareholders can forward their inquiries via electronic media (e-mail, telephone call or in writing) to the relevant person to raise queries. The contact person for such communication is the Company Secretary.                                                                                                                                                                                                                                                                                                                               |
| C.2.5                                                  | Major issues and concerns of shareholders                                        | Complied   | All the major issues relating to shareholders are brought to the attention of the Board.                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| C.2.6                                                  | Person to be contacted with regard to shareholders matters.                      | Complied   | The Company Secretary holds the responsibility to be contacted in relation to shareholders matters.                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| C.2.7                                                  | Process for responding to shareholders matters.                                  | Complied   | <p>The Chairman and the Directors answer all the queries raised by the shareholders at the AGM and General Meetings.</p> <p>The Board in conjunction with the Company Secretary formulates the process for addressing shareholders matters.</p>                                                                                                                                                                                                                                                                                                 |
| <b>Principle: C.3 Major Material Transactions</b>      |                                                                                  |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| C.3.1/ C.3.2                                           | Disclosure of Major Transactions to shareholders                                 | Complied   | There have been no transactions during the year under review which fell within the definition of "Major Transactions" as set out in the Companies Act No 7 of 2007.                                                                                                                                                                                                                                                                                                                                                                             |
| <b>D. Accountability and Audit</b>                     |                                                                                  |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Principle: D.1 Financial and Business Reporting</b> |                                                                                  |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| D.1.1/ D.1.2                                           | Balance and understandable information to shareholders                           | Complied   | The Company has presented balanced and understandable financial statements which give a true and fair view of the performance and financial position on a quarterly and annual basis. In the preparation of Financial Statements, the Company has complied with the requirements of the Companies Act No 07 of 2007 and requirement of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner. |
| D.1.3                                                  | CEO's & CFO's approval on financial Statements prior to Board approval           | Complied   | <p>The Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board.</p> <p>Responsibilities of Board of Directors and Directors statement on internal controls are given in pages 132 on this report.</p>                                                                                                                                                                                                                                                                                       |

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| D.1.4                  | The Directors Report                                                                         | Complied   | <p>The Annual Report of the Board of Directors on the affairs of the Company is given on pages 123 of this Annual Report which contains the following:</p> <ul style="list-style-type: none"> <li>➔ Declaration that the Company has not engaged in activities that contravene laws and regulations of Sri Lanka.</li> <li>➔ Declaration by the Directors on all material interests in contracts involving the Company and has refrained from voting on matters in which they were materially interested.</li> <li>➔ Equitable treatment to shareholders.</li> <li>➔ Compliance with best practices of corporate governance.</li> <li>➔ Information relating to PPE has been given in Notes 10 to the Financial statements.</li> <li>➔ Review of internal controls, risk management and reasonable assurance of effectiveness and adherence.</li> <li>➔ Going concern of the business.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| D.1.5                  | Statement of Directors Responsibility and statement on internal controls and Auditors Report | Complied   | <p>The Statement of Directors Responsibilities for the financial statements is given in page 132 and Directors statement on internal controls is given in page 123.</p> <p>The Auditors' Report is available on pages 135 to 138.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| D.1.6                  | Management Discussion Analysis                                                               | Complied   | <p><b>Management Structure</b></p> <p>DPL Group comprises Dipped Products PLC and subsidiary companies. The Group is effectively divided in to two sectors to achieve the strategic objectives. The Hand Protection division includes the manufacturing operations of Dipped Products PLC and seven subsidiary companies and European marketing companies ICOGUANTI S.p.A., DPL France SAS and ROZENBAL POLSKA Sp.z.o.o. The division is managed by the Managing Director of Dipped Products PLC and functional units supervised by Executive Directors. The Plantation division is managed by the Managing Director of Kelani Valley Plantation PLC , Talawakelle Tea Estates PLC and Horana Plantations PLC, who is also a Director of D P L Plantations (Pvt) Ltd (Plantations Holding Company).</p> <p>The authority is exercised within the ethical framework and business practices established by the Board which demands compliance with existing laws and regulations as well as best practices in dealing with employees, customers, suppliers and the community at large. These are further described elsewhere in this report.</p> <p>The Management Team and Group structure are given in pages 26 and 210.</p> <p>The Executive Directors, General Managers and key Managers of both divisions meet separately on a monthly basis to review progress and discuss strategic issues and other important developments that require consideration. Minutes are kept of decision made and major issues.</p> <p>The Managing Director of Dipped Products PLC attends the monthly meetings of the Group Management Committee of Hayleys PLC and report on progress and important issue.</p> |

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|                                                            |                                                 |            | <b>Management Report</b><br>Chairman and Managing Director's Joint Message (pages 20 to 24) in this Report provides an analysis of the Group's performance during the financial year.<br><br>The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks. This process has been in place through the year under review. The potential risks, both internal as well as external, faced by the company and actions instituted for mitigating the same are reported in the Chairman and Managing Director's Joint Message (pages 20 to 24) in this Report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| D.1.7                                                      | Summon an EGM to notify serious loss of capital | Complied   | In the event the net assets of the Company fall below 50% of the value of the Company's Stated Capital, the Directors will forthwith summon an Extraordinary General Meeting to notify shareholders' the remedial action being taken. However, such an event has not taken place since the adoption of the Companies Act No 07 of 2007.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Principle: D.2 Risk Management and Internal Control</b> |                                                 |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| D.2.1, D.2.2, D.2.3, D.2.4.                                | Monitoring sound system of internal control     | Complied   | <p>The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls required, including financial, operational and compliance controls, and risk management. It is important to recognise, however that any system can provide only reasonable, and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.</p> <p>The important procedures in place to discharge this responsibility are as follows:</p> <ul style="list-style-type: none"> <li>→ The Directors are responsible for the establishment and monitoring of financial controls appropriate for the operation within the overall Group policies.</li> <li>→ The Board reviews the strategies of the divisions and constituent companies.</li> <li>→ Annual budgeting and regular forecasting processes are in place and the Directors review performance.</li> <li>→ The Board has established policies in areas of investment and treasury management and does not permit employment of complex risk management mechanism.</li> </ul> |
|                                                            |                                                 |            | <p>The Group is subjected to regular internal audits and system reviews.</p> <ul style="list-style-type: none"> <li>→ The Audit Committee reviews the plans and activities of the internal audits and the management letters of External Auditors.</li> <li>→ The Group carefully selects and trains employees and provides appropriate channels of communication to foster a control conscious environment.</li> <li>→ The Board has reviewed the effectiveness of the system of financial control for the period up to the date of signing the accounts. The Directors' Responsibilities for the financial statements are described on page 132.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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| <b>Principle: D.3 Audit Committee</b>                             |                                                            |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| D.3.1                                                             | Composition of Audit Committee                             | Complied   | <p>An Audit Committee was established in 2007. The Committee consists of three Independent Non-Executive Directors.</p> <p>The Chairman of the Audit Committee is an Independent Non-Executive Director, a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.</p> <p>The Company Secretary serves as Committee Secretary.</p> <p>The Chairman, Deputy Chairman, Managing Director, Finance Director, Head of MA &amp; SRD and the Chief Financial Officer of Hayleys PLC are invited to attend the Meetings, and the other Directors and Senior Managers attend meetings as required. The input of the External Auditors is obtained where necessary.</p> <p>The Audit Committee helps the Group achieve a balance between conformance and performance.</p>                            |
| D.3.2                                                             | Committees' purpose, duties and responsibilities           | Complied   | <p>The Committee is empowered to examine any matters relating to the Financial Reporting systems of DPL, and its external and internal audits. Its duties include the detailed review of Financial Statements, internal control procedures and risk management framework, accounting policies and compliance with applicable accounting standards and other rules &amp; regulations.</p> <p>It reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and Company policies.</p> <p>The Audit Committee makes recommendations to the Board pertaining to appointment, re –appointment of External Auditors after assessing the independence and performance, and approves the remuneration and terms of engagement of the External Auditors.</p> |
| D.3.3                                                             | Disclosures of names of the members of Audit Committee     | Complied   | <p>During the year under review the committee met on four occasions, the attendance at these meetings are reported in "Audit Committee Report" in page 130 of this report</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Principle: D.4 Related Party Transactions Review Committee</b> |                                                            |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| D.4.1                                                             | Related Party Transactions                                 | Complied   | <p>Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in Note 33 to the financial statements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| D.4.2                                                             | Composition of Related Party Transactions Review Committee | Complied   | <p>Refer governance structure in Corporate Governance Report on page 34.</p> <p>Refer Related Party Transactions Review Committee Report on page 129.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| D.4.3                                                             | Terms of Reference                                         | Complied   | <p>Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. RPT review committee report describing the duties, task and attendance of the committee appear on page 129.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

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| <b>Principle: D.5 Code of Business Conduct &amp; Ethics</b> |                                                             |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| D.5.1                                                       | Disclosure on presence of Code of Business Conduct & Ethics | Complied   | The Directors and members of the Senior Management team are bound by the Code of Business Conduct & Ethics which is applicable to the Hayleys Group. The Code consists of important topics like conflict of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of Company assets, compliance of laws, rules and regulations etc. The Board ensures the compliance with the code and non-compliance may reasons to go for a disciplinary action. There were no instances of non compliance with the code of ethics by directors or employees.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| D.5.2                                                       | Process to identify and report price sensitive information  | Complied   | The Company has a process in place to ensure that material and price sensitive information is promptly identified and reported.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| D.5.3                                                       | Shares purchased by directors and key management personnel  | Complied   | <p>The Company has a policy and a process for monitoring, and disclosure of shares purchased by any Director and key management personnel.</p> <p>Details of directors share holdings are given in page 123 of the annual report of Board of Directors on the affairs of the Company.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| D.5.4                                                       | Affirmation of Code in the Annual Report by the Chairman    | Complied   | The Chairman affirms that he is not aware of any violation of any of the provisions of the Code of Business Conduct and Ethics in the Annual Report.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Principle: D.6 Corporate Governance Disclosures</b>      |                                                             |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| D.6.1                                                       | Disclosure of adherence to Corporate Governance             | Complied   | <p>The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed from pages 33 to 54 of this report.</p> <p><b>IT Governance</b></p> <p>Strategic focus has been placed on strengthening the Company's IT capabilities in line with its operations, processes and capacity improvements. Dedicated staff is deployed to support this.</p> <p>DPL's investment in IT covers resources operated and managed centrally and resources deployed across the various factories and estates. Most operations within the business have access to ERP systems, and internet and e-mail services.</p> <p><b>IT value and alignment</b></p> <p>Investments in IT projects and systems are made after consideration of suitability for the related projects. Further aspects such as cost savings, the provision of timely information and the balance between cost and benefits/ needs are also considered when decisions are taken.</p> <p><b>IT Risk Management</b></p> <p>Risks associated with IT are assessed in the process of Risk Management. Use of licensed software, close monitoring of internet usage (for compliance with the IT Use Policy) and mail server operations and the use of anti-virus and firewall software, are some practices in place.</p> |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Reference to CASL code                                                               | Requirement                                                                       | Compliance | Details of Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SECTION 2: SHAREHOLDERS</b>                                                       |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>E. Institutional Investors</b>                                                    |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Principle: E.1. Shareholder Voting, E.2. Evaluation of Governance Disclosures</b> |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| E.1, E.2                                                                             | Dialogue with shareholders and Evaluation of governance disclosure                | Complied   | <p>All investors are notified of the Annual General Meeting and their views, comments and suggestions are encouraged. The Company maintains continuous dialogue with institutional investors. Impartiality is maintained on shareholder votes at the AGM based on individual holding and weightage.</p> <p>Institutional investors are encouraged to give due consideration to all relevant factors drawn to their attention when evaluating companies governance arrangement particularly in relation to Board structure and composition.</p>                                                                                                                                                                                                                       |
| <b>F. Other Investors</b>                                                            |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Principle: F.1. Investing /Divesting Decisions, F.2. Shareholders Voting</b>      |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| F.1, F.2                                                                             | Adequate analysis for investment / divestment decisions and usage of voting right | Complied   | All shareholders are encouraged to actively participate in the AGM and they have the independence of using their votes as they wish. The company believes that the rational investors remain with the Company without divesting. There are no restrictions for investing or divesting in the Company shares.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Principle: G. Internet of Things and Cyber security</b>                           |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| G.1                                                                                  | Cyber security risk of sending and receiving information                          | Complied   | Disaster Recovery plan is implemented with hardware infrastructure. All the data backups and DR site are maintained by Group IT. Investments are also made in cyber security systems and frameworks which are updated on a regular basis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Principle: H. Environment, Society and Governance (ESG)</b>                       |                                                                                   |            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| H.1.1                                                                                | Provide Sufficient information relating to ESG risks                              | Complied   | <p>The Group's material ESG risks are identified through the Hayleys Group's materiality assessment. Information pertaining to the relevant topics are collected and reported to the Hayleys PLC GMC on a quarterly basis, through a dedicated reporting system. Content included in the Annual Report is determined based on this materiality assessment.</p> <p>The Annual report complies with the Integrated Reporting Framework and the GRI Standards for Sustainability Reporting. The Report also contains sufficient and relevant information of ESG to assess how risks and Opportunities are recognised, managed, measured and reported in pages 87 to 121.</p> <p>The impact of ESG issues are disclosed in Risk management report in pages 60 to 65.</p> |

## CORPORATE GOVERNANCE

### LEVELS OF COMPLIANCE WITH THE CSE'S LISTING RULES - SECTION 7.10 RULES ON CORPORATE GOVERNANCE ARE GIVEN IN THE FOLLOWING TABLE.

| Rule No.  | Subject                                                            | Applicable Requirement                                                                                                                                                                                                                   | Compliance Status | Applicable section in the Status Annual Report                                     |
|-----------|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------------|
| 7.10.1(a) | Non-Executive Directors                                            | At least two Non-Executive Directors or one third of the total number of Directors should be Non-Executive Directors.                                                                                                                    | Compliant         | Corporate Governance A.5.1                                                         |
| 7.10.2(a) | Independent Directors                                              | Two or one third of Non-Executive Directors, whichever is higher, should be Independent.                                                                                                                                                 | Compliant         | Corporate Governance A.5.2                                                         |
| 7.10.2(b) | Independent Directors                                              | Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.                                                                                                                       | Compliant         | Corporate Governance A.5.4                                                         |
| 7.10.3(a) | Disclosure relating to Directors                                   | Names of Independent Directors should be disclosed in the Annual Report.                                                                                                                                                                 | Compliant         | Corporate Governance A.5.5                                                         |
| 7.10.3(b) | Disclosure relating to Directors                                   | The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.                                                                                                                       | Compliant         | Corporate Governance A.5.5                                                         |
| 7.10.3(c) | Disclosure relating to Directors                                   | A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.                                                                                                            | Compliant         | Corporate Governance A.5.5                                                         |
| 7.10.3(d) | Disclosure relating to Directors                                   | Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a),(b) and (c) to the Exchange.                                                                                               | Compliant         | Corporate Governance A.7.3                                                         |
| 7.10.5    | Remuneration Committee                                             | A listed company shall have a Remuneration Committee.                                                                                                                                                                                    | Compliant         | Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5                             |
| 7.10.5(a) | Composition of Remuneration                                        | Shall comprise Non-Executive Directors a majority of whom will be independent.                                                                                                                                                           | Compliant         | Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5                             |
| 7.10.5(b) | Functions of Remuneration Committee                                | The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors.                                                                                                                          | Compliant         | Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5                             |
| 7.10.5(c) | Disclosure in the Annual Report relating to Remuneration Committee | <p>The Annual Report should set out;</p> <p>→ Names of directors comprising the Remuneration Committee.</p> <p>→ Statement of Remuneration Policy.</p> <p>→ Aggregated remuneration paid to Executive &amp; Non-Executive Directors.</p> | Compliant         | Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, B.2.1, B.2.2, B.2.3, B.2.4 |
| 7.10.6    | Audit Committee                                                    | The company shall have an Audit Committee.                                                                                                                                                                                               | Compliant         | Corporate Governance D.3.1,D.3.2                                                   |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
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| Rule No.  | Subject                                                     | Applicable Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Compliance Status | Applicable section in the Status Annual Report       |
|-----------|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------|
| 7.10.6(a) | Composition of Audit Committee                              | <p>Shall comprise of Non-Executive Directors a majority of whom will be independent.</p> <p>Non-Executive Directors shall be appointed as the Chairman of the committee.</p> <p>Managing Director and Chief Financial Officer should attend Audit Committee Meetings.</p> <p>The Chairman of the Audit Committee or one member should be a member of a professional accounting body.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Compliant         | Corporate Governance D.3.1,D.3.2                     |
| 7.10.6(b) | Audit Committee Functions                                   | <p>Functions shall include:</p> <p>Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.</p> <p>Overseeing of the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</p> <p>Assessment of the independence and performance of the external auditors.</p> <p>Make recommendations to the Board pertaining to appointment, re –appointment and removal of external auditors, and approve the remuneration and terms of engagement of the external auditors.</p> | Compliant         | Corporate Governance D.3.3<br>Audit Committee Report |
| 7.10.6(c) | Disclosure in the Annual Report relating to Audit Committee | <p>a. Names of Directors comprising the Audit Committee.</p> <p>b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</p> <p>c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Compliant         | Corporate Governance D.3.4                           |

## CORPORATE GOVERNANCE

### LEVELS OF COMPLIANCE WITH THE CSE'S LISTING RULES - SECTION 9 - RULES OF RELATED PARTY TRANSACTIONS GIVEN IN THE FOLLOWING TABLE.

| Rule No. | Subject                                                                      | Applicable Requirement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Compliance Status | Applicable section in the Status Annual Report                                                                                                                                                                                                          |
|----------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9.2      | Related Party Transactions Re-view Committee (RPTRC) Functions               | <p>To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.</p> <p>Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.</p> <p>Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.</p> <p>To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.</p> <p>To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.</p> <p>Meet with the management, Internal Auditors/ External Auditors as necessary to carry out the assigned duties.</p> <p>To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.</p> <p>To review the economic and commercial substance of both recurrent/non recurrent related party transactions.</p> <p>To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.</p> | Complaint         | Refer RPTRC report page 129.                                                                                                                                                                                                                            |
| 9.2.2    | Composition                                                                  | Two Independent Non-Executive Directors and one Executive Director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Complaint         | Refer RPTRC report page 129.                                                                                                                                                                                                                            |
| 9.2.3    | Related Party Transactions Re-view Committee (RPTRC)                         | <p>As per the Listing Rules of the CSE mandatory from January 01, 2016.</p> <p>If the parent Company and the subsidiary Company both are listed entities, the Related Party Transactions re-view Committee of the parent Company may be permitted to function as such Committee of the subsidiary.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Compliant         | The Committee of the Parent Company functions as the committee of the Company. Refer RPTRC report page 129.                                                                                                                                             |
| 9.2.4    | Related Party Transactions Re-view Committee-Meetings                        | Shall meet once a quarter.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Compliant         | Annual Report of the Board of Directors page 123.                                                                                                                                                                                                       |
| 9.3.2    | Related Party Transactions Re-view Committee-Disclosure in the Annual Report | <p>a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower.</p> <p>b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross revenue/ income as per the latest audited accounts.</p> <p>c) Report by the Related Party Transactions re-view Committee.</p> <p>d) A declaration by the Board of Directors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Compliant         | <p>Refer to Note 2.24 and 33.1 of the Notes to the Accounts on pages 161 and 192.</p> <p>Refer to Note 2.24 of the Notes to the Accounts on pages 161.</p> <p>Refer RPTRC report page 129.</p> <p>Annual Report of the Board of Directors page 123.</p> |

## OPERATING CONTEXT

# HANDS THAT



# COLLABORATE

People are the lifeblood of every organisation. With effective communication, trust, and collaboration, our shared goals become a reality.

Operating Environment / 56

Outlook and Way forward / 59

Risk Management / 60

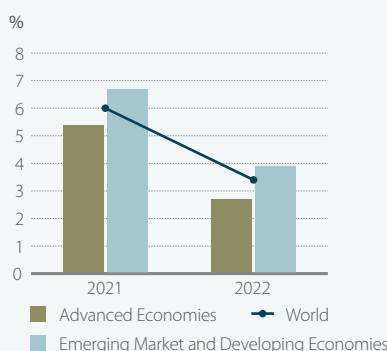
# OPERATING ENVIRONMENT

“The operating environment remained challenging during the year amidst the ongoing economic crisis in the country and geo-political developments in global markets. Persisting macroeconomic challenges spiraled into social and political turmoil during the first half of 2022 before stabilizing to some extent by the end of the year. Geo political tensions impacted demand conditions in key markets.”

## Moderation of Global Growth

Global growth slowed from 6.0% in 2021 to 3.4 % in 2022 with broad-based deceleration across regions. High global inflation, tightening financial conditions in most regions, Russia Ukraine war, and the lingering COVID-19 pandemic weighed on global economic activity in 2022.

### GLOBAL GROWTH



### Impact on the Group- High

- Lower demand for industrial gloves with the slowdown of economic activity in markets including the US and EU region

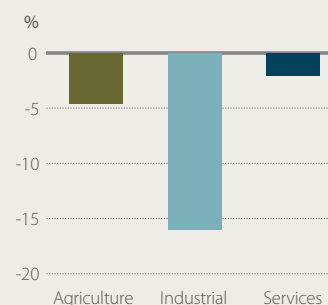
### Our Response

- Diversification of markets

## Contraction of Sri Lankan Economy

The Sri Lankan economy registered its deepest economic contraction since independence with real GDP contracting by 7.8% in 2022, compared to the growth of 3.5% in 2021. The agriculture sector contracted by 4.6% in 2022 reflecting severe shortages in chemical fertiliser and other agrochemicals, increased cost of raw materials, and disruptions of supply networks. The industry sector meanwhile recorded a contraction of almost 16% due to dampened performance of the construction and manufacturing subsectors amidst severe shortages in raw materials and input cost escalations. The services sector too contracted by 2% in 2022 as a result of economic headwinds.

### SECTOR PERFORMANCE 2022



### Impact on the Group- High

- Impact on local supply chains
- Disruptions cause to operations due to situation of economic, political and social instability in the country

### Our Response

- Strategic focus on supporting our local supply chain
- Proactive demand planning and working capital management

## Continued Inflationary Pressures

The general price level recorded an unprecedented increase throughout 2022 due to a substantial weakening of the domestic agriculture sector, notable depreciation of the Sri Lanka rupee, insufficient availability of foreign currency in the domestic market, elevated commodity prices in the world market, fuel shortages and higher fuel costs, and higher freight charges. Meanwhile, adopting market based pricing formulas for certain items, upward price revisions to administered commodities, and increases in various taxes also contributed towards the increases in general price level. A tighter monetary policy stance pursued by the Central Bank and easing of supply conditions towards the end of 2022 however resulted in some moderation of price levels going into 2023.

## INFLATION



## Impact on the Group-High

- Increased cost of production due to rising fuel and wage costs
- Greater pressure on product margins

## Our Response

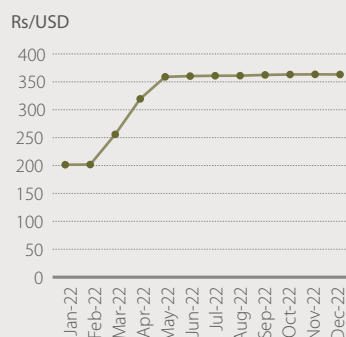
- Continued emphasis on driving cost efficiencies
- Diversification in to high margin products

## Exchange Rate Volatility

The Sri Lanka rupee experienced high volatility and registered the historically largest depreciation against the US dollar during the first half of 2022, before stabilizing around the guidance band introduced in May 2022.

Sri Lanka rupee depreciated substantially by 41.4% against the US dollar by end April 2022 further to CBSL allowing the Rupee to float in March 2023. Subsequent measures to reduce volatility however resulted in some stabilization although Annual depreciation of the rupee amounted to 44.8% against the US dollar as at December 2022.

## MOVEMENT IN EXCHANGE RATE



## Impact on the Group - High

- Favourable impact of Rupee depreciation on export earnings
- Increased cost of imported raw materials and chemical fertilizer

## Our Response

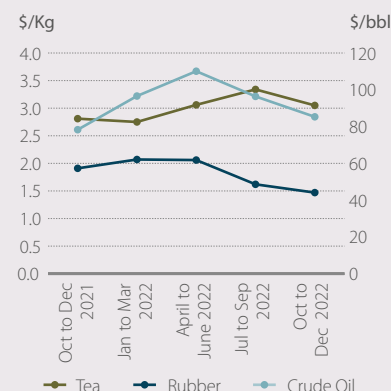
- Shifting to local suppliers where possible

## Strong Global Commodity Prices

Global commodity prices remained elevated during the year due supply chain disruptions caused by the war in Ukraine and persisting COVID-19 restrictions.

Global oil prices peaked in June 2022 before falling sharply commencing Q3 of 2022. Tea prices remained elevated throughout the year mainly on account of lower production in key producing countries. Rubber prices meanwhile which also witnessed historically high levels during the first half of 2022, driven by the favourable demand in the global market started declining during the second half of the year due to weakening of demand.

## COMMODITY PRICE MOVEMENTS



## Impact on the Group- High

- The Plantation sector benefited from robust tea and rubber prices during the year
- Higher prices for natural and nitrile rubber, adversely impacted the Hand Protection Sector

## Our Response

- Increased stock holding periods to minimise exposure to fluctuating raw material prices

## OPERATING ENVIRONMENT

| Elevated interest rates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Easing of global supply chains                                                                                                                                                                                  | Regulatory Developments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Increased emphasis on climate action                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Central Bank continued the tight monetary policy stance that commenced in August 2021 through 2022 in order to arrest persisting inflationary pressures. Policy interest rates were increased 5 times from January 2022 to March 2023 by a total of 1050 basis points. Additionally, liquidity concerns also exerted upward pressure on benchmark rates as seen below.</p> <p><b>INTEREST RATES</b></p> <p>Jan-22 Feb-22 Mar-22 Apr-22 May-22 Jun-22 Jul-22 Aug-22 Sep-22 Oct-22 Nov-22 Dec-22</p> <p>AWPR AWDR</p> | <p>Global supply-chain disruptions started to settle in 2022 with the lifting of border restrictions, the subsequent decline in transportation costs and the easing of port congestion across global ports.</p> | <p>The government introduced a slew of measures including repatriation and conversion requirements of export proceeds, import restrictions, and imposition of margin requirements in order to preserve foreign currency outflows from the country.</p> <p>Several amendments to tax rates were also introduced including an increase in VAT and corporate income tax rates. The full impact of these measures are expected in FY 2023/24.</p> <p>Increased ESG compliance requirements from buyers particularly in the European Region and the USA.</p> | <p>The pandemic has brought the urgency of the climate crisis into sharp focus, and there is a growing recognition that bold and urgent action is needed to address it. Governments, businesses and individuals are increasingly recognizing the need for bold and urgent action to reduce emissions, transition to renewable energy, and protect vulnerable communities from the impacts of climate change.</p> |
| <p><b>Impact on the Group- High</b></p> <p>→ Higher interest rates impacted finance cost and borrowing costs</p>                                                                                                                                                                                                                                                                                                                                                                                                           | <p><b>Impact on the Group- High</b></p> <p>→ Normalization of global supply chains resulted in many buyers in the Hand Protection Sector de-stocking excess stocks.</p> <p>→ Lower freight rates</p>            | <p><b>Impact on the Group-High</b></p> <p>→ Reduced availability of imported raw materials</p> <p>→ Increased cost of imported raw materials</p> <p>→ Supply chain disruptions</p>                                                                                                                                                                                                                                                                                                                                                                      | <p><b>Impact on the Group - High</b></p> <p>→ Reduced yield and quality in the Plantation sector due to impacts of climate change</p> <p>→ Raw material availability</p> <p>→ Quality of raw material</p>                                                                                                                                                                                                        |
| <p><b>Our Response</b></p> <p>→ Close monitoring of interest movements</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p><b>Our Response</b></p> <p>→ Expansion into new markets and segments</p> <p>→ Acquisition of new customers</p>                                                                                               | <p><b>Our Response</b></p> <p>→ Replacing imported raw material with local alternatives</p> <p>→ Increased focus on sustainability considerations in product, packaging and operation</p>                                                                                                                                                                                                                                                                                                                                                               | <p><b>Our Response</b></p> <p>→ Crop diversification in the Plantation Sector</p> <p>→ Adoption of sustainable agricultural practices across plantations</p> <p>→ Pursue alternative sources of renewable energy, including sustainable firewood</p>                                                                                                                                                             |

# OUTLOOK AND WAY FORWARD

The following section provides an overview of key developments that are expected to impact the group in the short term. These assumptions are based on forecasts provided by reputed agencies at the time of writing. Given the level of market volatility and uncertainty however, these trends and its impacts need to be evaluated on an ongoing basis.

## RISKS & OPPORTUNITIES

### Subdued Global Growth

IMF expects global growth to moderate to 2.9% from 3.4% in 2022 amid financial sector turmoil, high inflation, and the ongoing effects of Russia Ukraine war. The slowdown is expected to be more pronounced in advanced economies, especially in the European region and the United Kingdom reflecting tighter policy stances and increase in banking sector vulnerabilities.

#### Key Impacts to DPL

The expected slow down in key customer markets is likely to impact demand conditions for both sectors.

#### Strategic Response

Market diversification in to high growth emerging markets

### A CONTRACTING DOMESTIC ECONOMY

The Asian Development Outlook (ADO) April 2023, forecasts Sri Lanka's economy to contract by 3% in 2023 as it continues to grapple with the challenge of debt restructuring and balance of payments difficulties.

**"Risks to the outlook are heavily skewed to the downside"**  
- WORLD ECONOMIC OUTLOOK - IMF April 2023

### PERSISTING INFLATIONARY PRESSURES

Inflationary pressures are expected to continue both at a global and domestic level. Globally inflation is expected to decrease, although more slowly than initially anticipated. Domestically too inflation is expected to decelerate although remaining in the two digit range.

Continued macro-economic pressures including inflationary pressures are likely to impact margins in the forthcoming year

Continue to explore opportunities in high margin niche product categories.

### DOWNWARD ADJUSTMENT IN INTEREST RATES

Improved liquidity in the domestic market, moderating deposit rates and monetary expansion from peak levels are expected to support downward movement of interest rates

### COMMODITY PRICES

Commodity prices are expected to moderate from the historic peak in June 2022 but remain above pre-pandemic levels.

### EXTERNAL SECTOR IS EXPECTED TO REMAIN RESILIENT

Measures implemented to curb imports, steady exports and an uptick in tourism and worker remittances are expected to support improvement in the external outlook

A growing focus on ESG considerations in buyer decisions will provide opportunities for DPL to leverage its strong reputation as a sustainable operation to strengthen its market position.

Continue to explore options such as degradable and compostable gloves and sustainable packaging.

## INDUSTRY OUTLOOK



### HAND PROTECTION SECTOR

Heightened awareness of the importance of hand hygiene as well as the growing emphasis on worker safety and security at workplaces due to stringent regulations and high costs associated with workplace hazards are expected to continue to drive demand in the hand protection industry.



### PLANTATION SECTOR

Tea sector is expected to benefit from growing domestic demand in key consumer countries India and China. With China and India also being key producer countries, this increase in domestic demand is also likely to impact global supply of tea in the short term. Weaker demand prospects due to the expected slowdown in global economic activity is expected to weigh down on global rubber prices although supply constraints in production countries and the re-opening of China may offset the impact to an extent.



# RISK MANAGEMENT



## OUR APPROACH TO RISK MANAGEMENT

The Group's approach to managing emerging risks is aligned to its parent entity, Hayleys PLC which adopts a robust Enterprise Risk Management (ERM) system with structures and tools in place to identify, manage and mitigate risks in a consistent manner. Accordingly, clearly defined governance structures, framework of policies and allocation of responsibilities for risk identification, measurement, mitigation and monitoring forms the foundation of DPL's risk management framework.

## RISK MANAGEMENT GOVERNANCE FRAMEWORK

The Board of Directors hold ultimate responsibility for managing the Group's risks in an effective manner. As the Group's Hand Protection and Plantation Sectors operate independently of each other, the respective Audit Committees play a key role in identifying, monitoring and managing risk. The minutes of these Audit Committee meetings are tabled to the Hayleys PLC Audit Committee, ensuring that main Board Directors are kept abreast of emerging risks which could affect sectors.

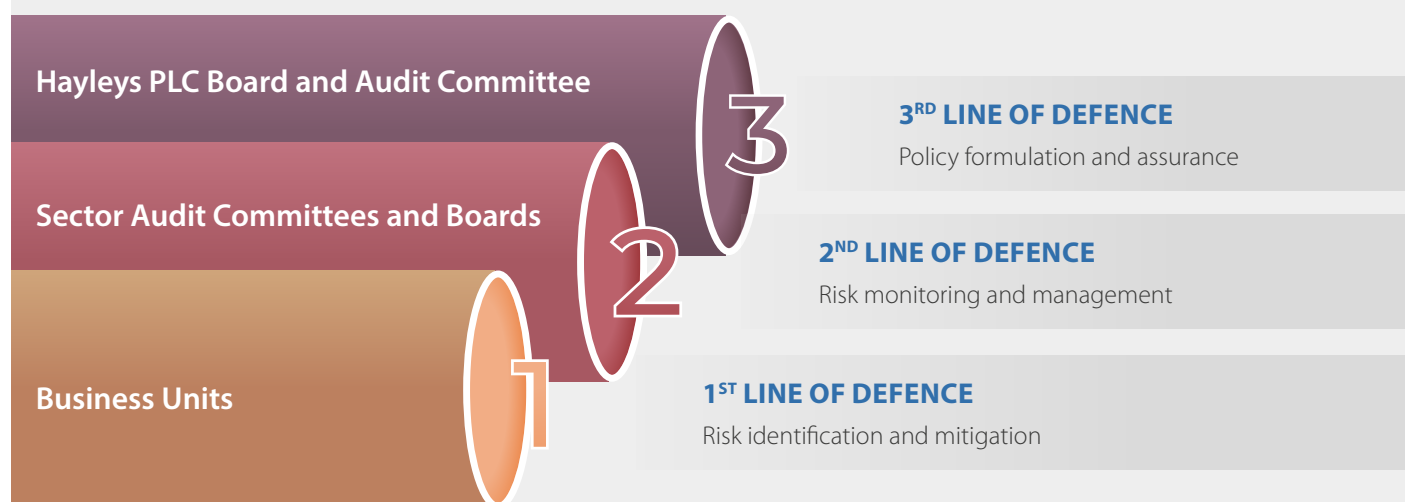
“DPL's risk landscape continued to evolve amidst the ongoing economic crisis in the country and its far-reaching socio-economic implications. Meanwhile global headwinds continued to increase risk factors as well”



## RISK MANAGEMENT PROCESS

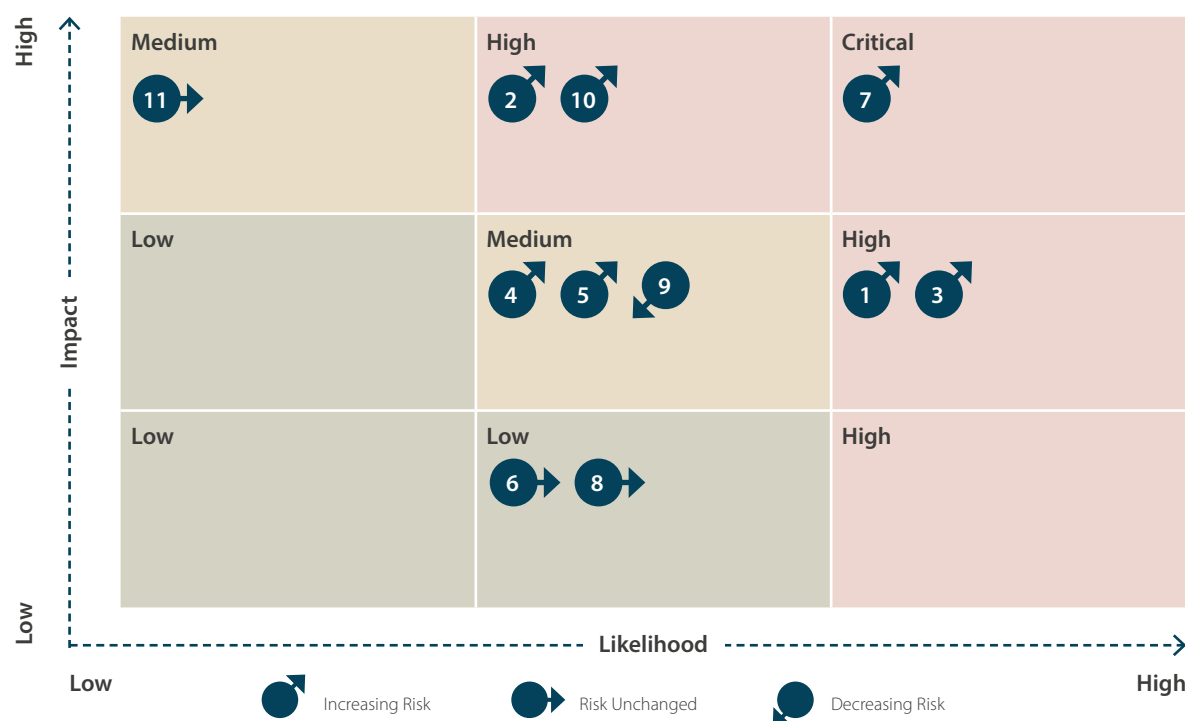
In line with its parent entity, DPL adopts the globally accepted three lines of defence model in understanding, managing and measuring its risks, thereby ensuring a streamlined process with clear segregation of risk management duties

# THREE LINES OF DEFENSE RISK MODEL



## PRINCIPAL RISKS OF 2022/23

DPL's risk landscape continued to evolve during the year with domestic and global headwinds continuing to impact risk factors for both the Hand Protection and Plantation Sectors. The following discussion provides an overview of the Group's top risks in terms of impact and likelihood.



## RISK MANAGEMENT

| Movement | Risk                                     | Developments in 2022/23                                                                                                                                                                                                                                                                                                         | Impact                                                                                                                                                                                                   | Our Response                                                                                                                                                                                                       | Outlook                                                                                                                                                                                                                                                                                  |
|----------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1        | Inflationary pressures                   | → Inflation reached historic highs in 2022 reflecting supply side pressures, adjustments to administered prices, a sharp depreciation of the Rupee and aggregate demand pressure. YoY Headline inflation, as measured by the Colombo Consumer Price Index (CCPI) was 57.2% in December 2022 compared to 12.1% in December 2021. | → A sharp increase in input prices resulted in upward pressure on cost of production and operational expenses.<br>→ Margins and profitability continued to be impacted due to higher cost of production. | → Ongoing efforts to drive cost efficiencies<br>→ Diversification into high margin products                                                                                                                        | The approval of the USD 3 Billion IMF Extended Fund Facility together with structural reforms currently underway is expected to stabilize prices towards the end of 2023. YoY Inflation witnessed a downward trend during the latter part of 2022 which has continued into 2023 as well. |
| 2        | Foreign currency shortage in the country | → Foreign currency reserves continued to decline during the year leading to acute shortages in forex.                                                                                                                                                                                                                           | → Challenges in procurement of imported raw materials.                                                                                                                                                   | → Leveraged relationships with banks to facilitate continued importation of raw materials<br>→ Closer engagement with suppliers<br>→ Proactive working capital management and better inventory management systems. | The gradual recovery of the tourism inflows, worker remittances and export receipts has enabled the country to gradually build up its foreign currency reserves.                                                                                                                         |
| 3        | A slow down in the global economy        | → The US and EU economies witnessed a moderation of growth during the year.                                                                                                                                                                                                                                                     | → Lower demand in key markets                                                                                                                                                                            | → Diversification into emerging markets.                                                                                                                                                                           | The global economy is projected to continue to slowdown in 2023 before picking up in 2024.                                                                                                                                                                                               |
| 4        | Political and social instability         | → Sri Lanka faced a spate of political instability and social unrest during the early part of 2022 as a result of persistent economic hardships and public dissatisfaction.                                                                                                                                                     | → Interruptions to factory operations and supply chain disruptions                                                                                                                                       | → Closer engagement with factory employees to ensure continuation of operations.                                                                                                                                   | Attempts to stabilize the economy have brought about some level of political and economic stability. However the extent to which this fragile stability could maintained depends largely on how well the economy is managed.                                                             |
| 5        | Interruptions to energy and fuel supply  | → Sri Lanka's foreign exchange crisis led to shortages in the supply of fuel and interruptions to the electricity supply.                                                                                                                                                                                                       | → While the Government ensured continued supply to industries operating in Industrial Zones, fuel shortages impacted many of our supply chain partners.                                                  | → The Group maintains buffer stocks of fuel in manufacturing facilities to ensure uninterrupted production.<br>→ Construction of central warehouse to reduce transportation costs.                                 | Fuel supply has been normalized to a great extent supported by the improvement in the countries foreign currency reserves.                                                                                                                                                               |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
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| Movement | Risk                           | Developments in 2022/23                                                                                                                                                                                                                                                                                                    | Impact                                                                                                                                                                                                                                                                                                                                                            | Our Response                                                                                                                                                                                                                                                                                                  | Outlook                                                                                                                                                                                                                                                                                                                                              |
|----------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 →      | Interest rate risk             | → Interest rates remained high throughout FY 2022/23 amidst a tighter monetary policy stance by CBSL.                                                                                                                                                                                                                      | → Given the Group's recent debt-funded capacity expansions, elevated rates have a considerable impact on profitability.                                                                                                                                                                                                                                           | → Proactive monitoring of interest rate developments and negotiating with banks in partnership with the Hayleys Treasury Unit.                                                                                                                                                                                | Interest rates are expected to remain elevated over the short-to-medium term given the country's present macro-economic vulnerabilities and weak fiscal position.                                                                                                                                                                                    |
| 7 ↗      | Exchange rate fluctuations     | → The Sri Lanka rupee experienced high volatility in 2022 registering its historically largest depreciation against the US dollar during the first half of 2022, before stabilising around the guidance band introduced by CBSL in May 2022. Annual depreciation of the rupee was 44.8% against the US dollar during 2022. | → As an export-oriented organisation, fluctuations in exchange rates have a direct impact on our profitability.<br>→ Depreciation of the exchange rate leads to an escalation in the cost of imported raw materials and fertilizer.                                                                                                                               | → Ongoing monitoring of exchange rate movements and assessment of the impact on our operations.<br>→ Proactive negotiations with banks in partnership with the Hayleys Treasury Unit.<br>→ Increasing reliance on local raw material suppliers, particularly latex.                                           | The Sri Lanka rupee showed some appreciation in early 2023, supported by improved market sentiments towards the finalisation of the IMF-EFF arrangement, improved liquidity conditions of the domestic foreign exchange market, and the relaxation of the mandatory sales requirement of foreign exchange by the licensed banks to the Central Bank. |
| 8 →      | Implications of climate change | → Weather conditions remained relatively favourable positively impacting the tea and rubber sectors.                                                                                                                                                                                                                       | → We rely on agricultural supply chains to obtain our primary raw materials. Climate change implications and natural disasters have a direct impact on these supply chains, affecting the ability to secure access to primary raw materials.<br>→ Climate change also has a significant impact on the Plantation Sector, in terms of yields and quality of crops. | → The Firstlight initiative has enabled the Group to develop strong relationships with rubber smallholders, thereby contributing towards a sustainable supply of raw materials.<br>→ Expansion outside Sri Lanka, to limit exposure to adverse conditions that could affect the supply of latex in Sri Lanka. | As implications of climate change escalate, we continue to proactively take steps to reduce our carbon footprint. Meanwhile we will continue to expand our supplier base to diversify our risks.                                                                                                                                                     |

## RISK MANAGEMENT

| Movement | Risk                                         | Developments in 2022/23                                                                                                                                                                                                              | Impact                                                                                                                                                                                                                            | Our Response                                                                                                                                                                                                                      | Outlook                                                                                                                                                                                            |
|----------|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9 ↶      | Employee health and safety                   | → While the heightened risks of COVID-19 infections reduced with the successful rollout of vaccines, a re-emergence of the virus remained a concern through out the year.                                                            | → Both our Hand Protection and Plantation operations have large employee cohorts. Health and safety of employees directly impact employee productivity, manufacturing continuity and reputation.                                  | → Continuation of stringent health and safety protocols including cleanliness and hygiene protocols to minimise the risk of re- infection<br>→ Ongoing training on health and safety topics<br>→ Greater focus on mental wellness | Ensuring the health and safety of our employees and communities will remain a key focus of the group.                                                                                              |
| 10 ↗     | Geopolitical risk                            | → Normalization of global supply chains resulted in many buyers in the Hand Protection Sector de-stocking excess stocks.<br>→ Demand for Sri Lankan tea remained resilient, given supply constraints in other tea-producing regions. | → The Group's products are sold primarily in export markets and socio economic and political tensions in buying markets directly impact demand and pricing.                                                                       | → Expansion into new markets and segments<br>→ Acquisition of new customers                                                                                                                                                       | A slowing down of global economy is expected to impact demand in the short term, however demand growth is expected to continue from emerging markets such as Middle East, Asia, Africa, and India. |
| 11 →     | Risks stemming from manufacturing operations | → Buyers are increasingly focusing on ESG considerations as a pre-requisite for placing orders.                                                                                                                                      | → Risks arising from occupational safety hazards, breakdown of machinery equipment and disposal of waste effluents could lead to disruptions to manufacturing operations, impact product quality and lead to reputational damage. | → Ongoing investments in enhancing manufacturing efficiencies through adopting new ways of working and investments in state-of-the-art technology<br>→ Indemnity insurance against fire, natural disasters and other hazards.     | We will continue to pursue methods of innovation, productivity enhancements and waste elimination in our drive towards operational excellence.                                                     |

VALUE CREATION IN PRACTICE

# HANDS THAT



# HOLD SOLIDARITY

We strive to create holistic value for all our stakeholders by collectively striving for excellence

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Strategic Priorities and Resource allocation / 74

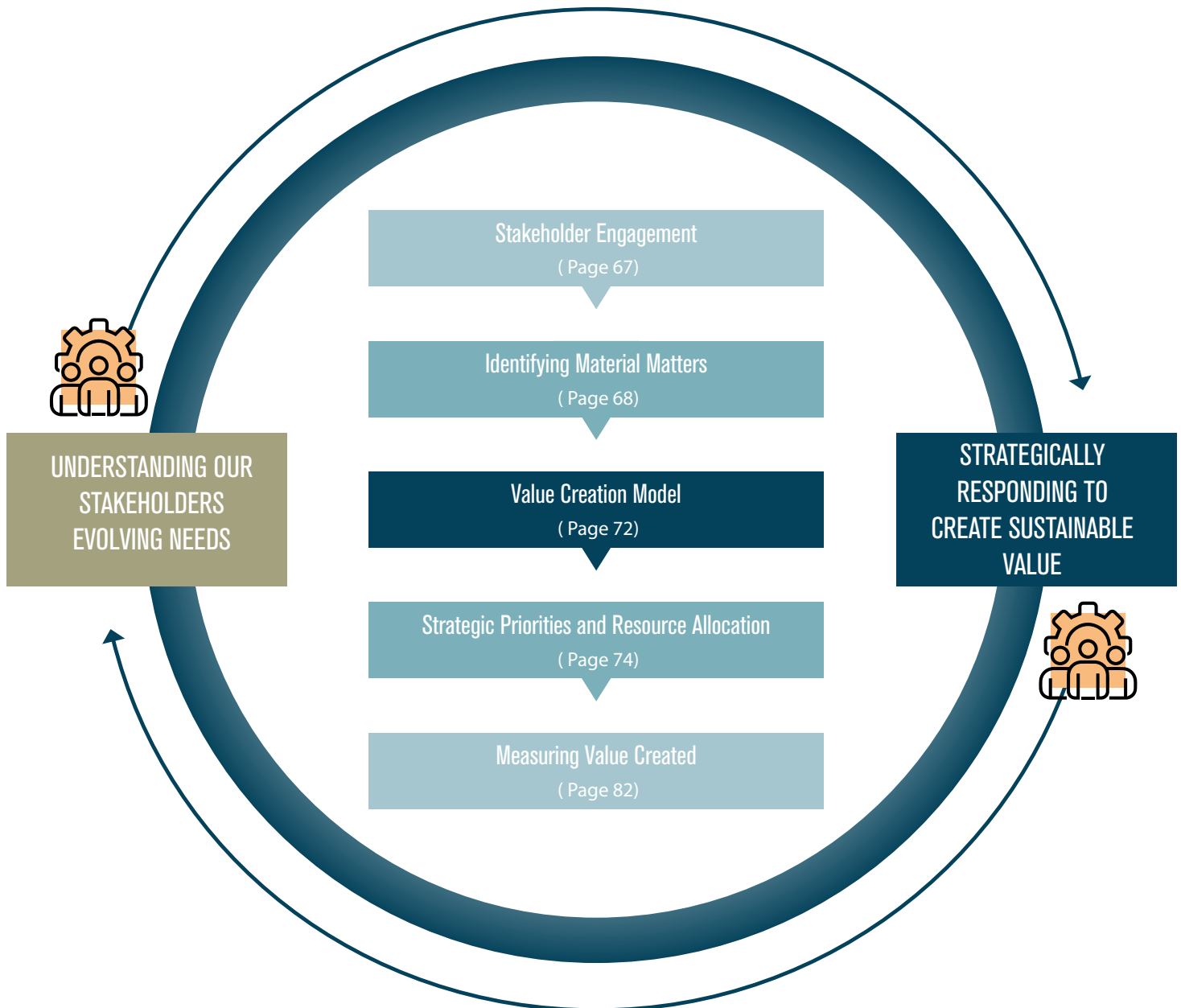
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Measuring Stakeholder Value Created / 82

# VALUE CREATION IN PRACTICE



# STAKEHOLDER ENGAGEMENT

Ongoing stakeholder engagement enables us to remain attuned to evolving stakeholder expectations and respond proactively to these expectations. In determining which stakeholders to engage with, we place priority on those who most impact and are most impacted by our operations. A high-level overview of the Group's stakeholder engagement activities during the year is presented below:

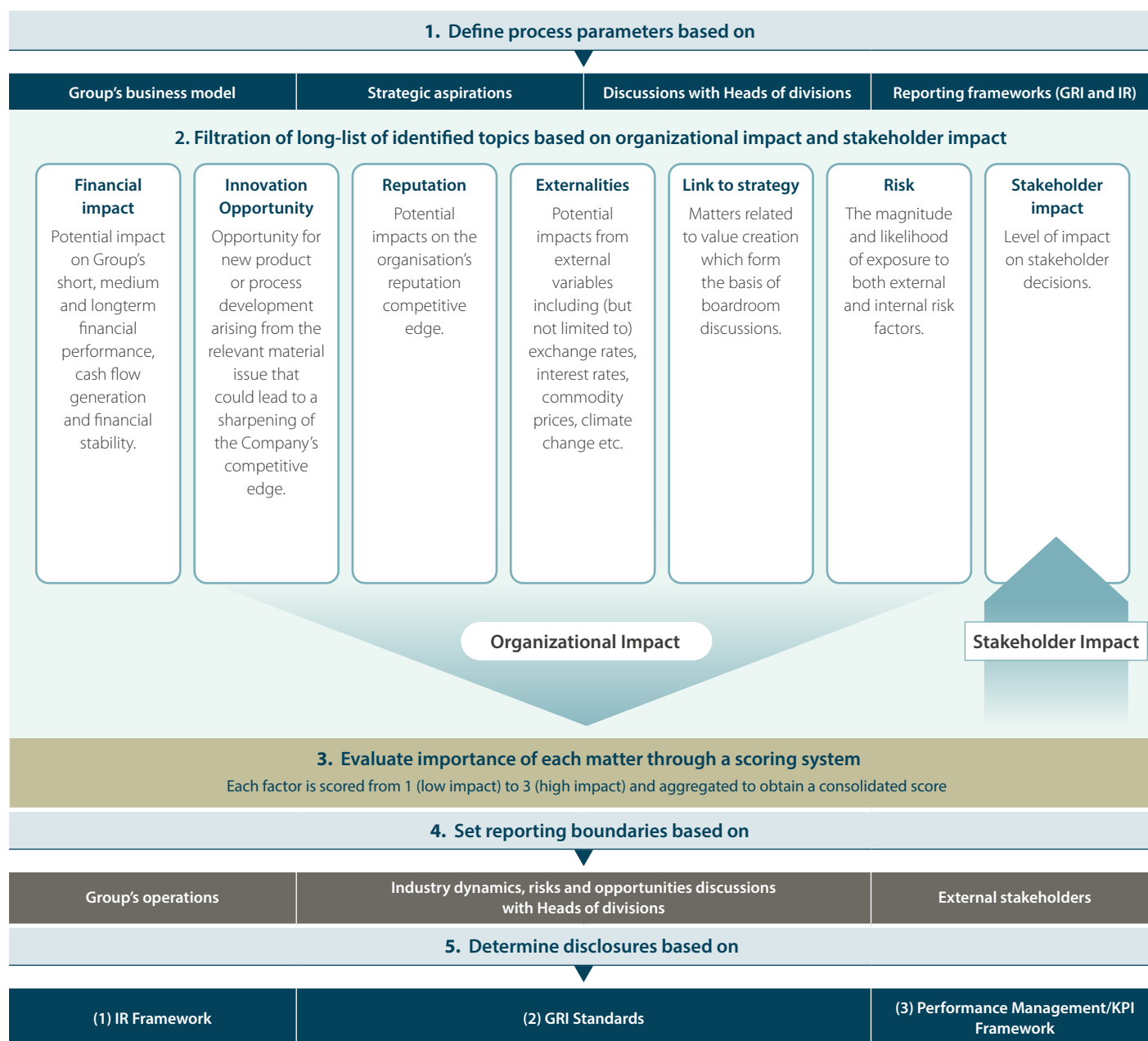
| Level of Engagement | Identify Stakeholders                                                                                     | Engage with Stakeholders                                                                                                                                                                                                                                                                                                                                                                  | Identify Key Concerns                                                                                                                                                                                                                                                                                                                                                                                                 | Formulate Strategy                                                                                                                                                                                                                                                                                                                                          |
|---------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                     | STEP ONE                                                                                                  | STEP TWO                                                                                                                                                                                                                                                                                                                                                                                  | STEP THREE                                                                                                                                                                                                                                                                                                                                                                                                            | STEP FOUR                                                                                                                                                                                                                                                                                                                                                   |
| High                | <br><b>SHAREHOLDERS</b>  | <ul style="list-style-type: none"> <li>→ Annual General Meeting and publication of Annual Report (annually)</li> <li>→ Interim financial statements (quarterly)</li> <li>→ Announcements to the Colombo Stock Exchange (ongoing basis)</li> <li>→ Corporate website (ongoing basis)</li> <li>→ Press releases (when required)</li> <li>→ One-to-one engagement (when required)</li> </ul> | <ul style="list-style-type: none"> <li>→ Implications of financial crisis in the country</li> <li>→ Long terms impacts of COVID-19 pandemic</li> <li>→ Opportunities for growth</li> <li>→ Effective risk management</li> <li>→ Clear, accurate and timely communication</li> <li>→ Share price performance</li> <li>→ Effective allocation of capital</li> <li>→ Resilience and effectiveness of strategy</li> </ul> | <ul style="list-style-type: none"> <li>→ Prudent financial management</li> <li>→ Capacity expansion to cater to emerging demand</li> <li>→ Effective implementation of a robust strategy, which led to strong earnings growth</li> <li>→ Proactive risk management practices</li> <li>→ Focus on preserving balance sheet strength and liquidity</li> </ul> |
|                     | <br><b>CUSTOMERS</b>    | <ul style="list-style-type: none"> <li>→ Customer Satisfaction Surveys (annual)</li> <li>→ Customer Relationship Management (ongoing)</li> <li>→ Corporate website (ongoing)</li> <li>→ Buyer visits to estates and factories (upon request)</li> <li>→ Participation in trade fairs (ongoing)</li> <li>→ Customer grievance mechanism (ongoing)</li> </ul>                               | <ul style="list-style-type: none"> <li>→ Uninterrupted availability of products</li> <li>→ Price competitiveness</li> <li>→ Superior product quality</li> <li>→ Assurance on processes, systems and products</li> <li>→ Ease of transactions</li> <li>→ Social and environmental consciousness</li> </ul>                                                                                                             | <ul style="list-style-type: none"> <li>→ Invested in enhancing distribution efficiencies</li> <li>→ Ongoing emphasis on innovation to suit emerging requirements</li> <li>→ Continued compliance to quality, safety and environmental certifications</li> <li>→ Sustained focus on product and process sustainability</li> </ul>                            |
|                     | <br><b>EMPLOYEES</b>   | <ul style="list-style-type: none"> <li>→ Engagement through trade unions (ongoing)</li> <li>→ Satisfaction surveys (annual)</li> <li>→ Performance appraisals (annual)</li> <li>→ Staff meetings (ongoing)</li> <li>→ Work-life balance initiatives (ongoing)</li> </ul>                                                                                                                  | <ul style="list-style-type: none"> <li>→ Physical and mental well-being</li> <li>→ Attractive reward schemes including medical benefits</li> <li>→ Opportunities for skill development and career progression</li> <li>→ Job security</li> <li>→ Safe and conducive work environment</li> </ul>                                                                                                                       | <ul style="list-style-type: none"> <li>→ Financial and non-financial support through financial crisis</li> <li>→ Closer engagement with trade unions</li> <li>→ Continued emphasis on health, safety and well-being</li> <li>→ Invested in improving employee facilities</li> <li>→ Significant investments in training and development</li> </ul>          |
|                     | <br><b>SUPPLIERS</b>   | <ul style="list-style-type: none"> <li>→ Face to face interaction (ongoing)</li> <li>→ Supplier forums (annual)</li> <li>→ Relationship managers (ongoing)</li> <li>→ Firstlight Program (ongoing)</li> </ul>                                                                                                                                                                             | <ul style="list-style-type: none"> <li>→ Financial support in addressing import restrictions</li> <li>→ Ease of transaction</li> <li>→ Consistent demand for produce</li> <li>→ Fair pricing mechanisms</li> <li>→ Ethical business conduct</li> <li>→ Competency development and capacity building</li> </ul>                                                                                                        | <ul style="list-style-type: none"> <li>→ Focus on ensuring commercial sustainability of suppliers through financial and other forms of support</li> <li>→ Increased visibility of future demand</li> <li>→ Supplier development programmes</li> </ul>                                                                                                       |
|                     | <br><b>COMMUNITIES</b> | <ul style="list-style-type: none"> <li>→ CSR and community development initiatives (ongoing)</li> <li>→ Grievance mechanisms (ongoing)</li> </ul>                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>→ Community employment generation</li> <li>→ Minimising adverse environmental impacts</li> <li>→ Community development and corporate philanthropy</li> </ul>                                                                                                                                                                                                                   | <ul style="list-style-type: none"> <li>→ Ongoing investment in community engagement initiatives</li> <li>→ Focus on reducing environmental implications of operations</li> </ul>                                                                                                                                                                            |
|                     | <br><b>GOVERNMENT</b>  | <ul style="list-style-type: none"> <li>→ Engagement at industry forums and corporate engagement platforms (ongoing)</li> <li>→ Written communications (ongoing)</li> <li>→ Face to face interactions (ongoing)</li> </ul>                                                                                                                                                                 | <ul style="list-style-type: none"> <li>→ Generation of export income and conversion of proceeds</li> <li>→ Tax payments</li> <li>→ Compliance to relevant regulations</li> <li>→ Generate socio-economic benefit</li> </ul>                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>→ Fully compliant with all government regulations and guidelines</li> <li>→ Timely payment of taxes</li> <li>→ Generation of export income to support the country's balance of payments</li> </ul>                                                                                                                   |

# DETERMINING MATERIAL MATTERS

The Group's material topics are those that represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights. Material matters identified through the annual materiality assessment form the basis of our strategic priorities and reporting practices.

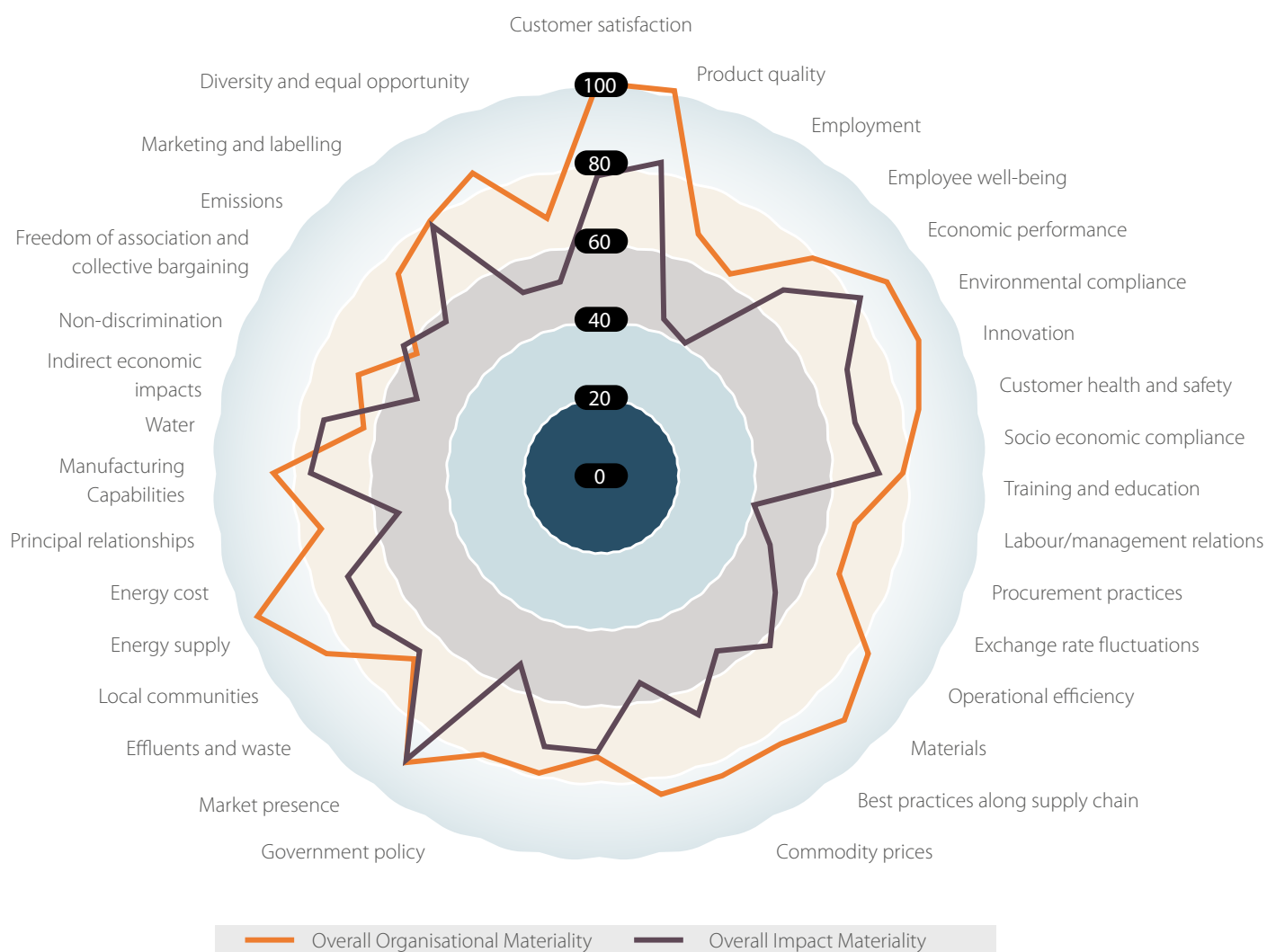
## PROCESS FOR DETERMINING MATERIAL MATTERS

The Group conducts an annual assessment of its material topics, in line with the Hayleys Group. The materiality analysis involves a clearly articulated process that involves a seven part filtration process. (see below). Materiality assessments are conducted separately for the Hand Protection and Plantation Sectors; the results are subsequently consolidated through a scoring system which enables us to identify the topics that are relevant to the DPL Group as a whole.



## MATERIAL ISSUES 2022/23

DPL's materiality map for 2022/23 is presented below; it includes issues that are material to both the Hand Protection and Plantation Sector.



## MATERIAL TOPICS

DPL's material matters for 2022/23 based on the materiality assessment conducted is presented below; it includes issues that are material to both the Hand Protection and Plantation Sector.

| Theme/Category         | Material Topic                          | Category | Materiality Compared to the Previous Year | Relevant GRI Standard/SASB indicator/SDG | SDG                                                                                                                                                                                                                                                                                                                                                  |
|------------------------|-----------------------------------------|----------|-------------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer Relationships | Customer satisfaction                   | Social   | —                                         |                                          |                                                                                                                                                                                |
|                        | On time delivery (OTD)                  | Economic | —                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Market presence                         | Economic | —                                         | GRI 202                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Principal relationships                 | Social   | ▲                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Marketing and labelling                 | Social   | ▲                                         | GRI 417/CG-HP-410a.2                     |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Customer health and safety              | Social   | ▲                                         | GRI 416/CG-HP-250a.4                     |                                                                                                                                                                                                                                                                                                                                                      |
| People Priorities      | Employment                              | Social   | —                                         | GRI 401                                  |     |
|                        | Employee well-being                     | Social   | —                                         | GRI 403                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Labour/Management relations             | Social   | ▲                                         | GRI 402                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Non-discrimination                      |          | —                                         | GRI 406                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Diversity and equal opportunity         | Social   | ▼                                         | GRI 405                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Training and education                  | Social   | —                                         | GRI 404                                  |                                                                                                                                                                                                                                                                                                                                                      |
| Product Capabilities   | Product quality                         | Economic | ▲                                         |                                          |                                                                                       |
|                        | Innovation                              | Economic | ▲                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Manufacturing capabilities & technology | Economic | ▲                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Operational efficiency                  | Economic | ▼                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Agriculture sector productivity         | Economic | —                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
| Economic Conditions    | Macro-economic vulnerabilities          | Economic | ▲                                         |                                          |                                                                                                                                                                                                                                                                 |
|                        | Availability of foreign exchange        | Economic | ▲                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Exchange rate fluctuations              | Economic | ▲                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Economic performance                    | Economic | ▲                                         | GRI 201                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Tax implications                        | Economic | ▲                                         | GRI 207                                  |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Interest rate movements                 | Economic | ▲                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |
|                        | Commodity prices                        | Economic | —                                         |                                          |                                                                                                                                                                                                                                                                                                                                                      |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Theme/Category                         | Material Topic                                   | Category      | Materiality Compared to the Previous Year | Relevant GRI Standard/ SASB indicator/SDG | SDG                                                                                                                                                                                                                                                                |
|----------------------------------------|--------------------------------------------------|---------------|-------------------------------------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resilient Supply Chain                 | Procurement practices                            | Economic      | ▼                                         | GRI 204                                   |                                                                                                                                                                                                                                                                    |
|                                        | Access to uninterrupted energy                   | Economic      | ▲                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Supplier Environmental Assessment                | Environmental | —                                         | GRI 308                                   |                                                                                                                                                                                                                                                                    |
|                                        | Supplier social assessment                       | Social        | —                                         | GRI 414                                   |                                                                                                                                                                                                                                                                    |
|                                        | Short lead time                                  | Economic      | ▲                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Materials                                        | Environmental | —                                         | GRI 301                                   |                                                                                                                                                                                                                                                                    |
| Environment Impacts                    | Water                                            | Environmental | —                                         | GRI 303 /CG-HP-140a.1                     | <br><br> |
|                                        | Energy management                                | Economic      | ▲                                         | GRI 302                                   |                                                                                                                                                                                                                                                                    |
|                                        | Emissions                                        | Environmental | —                                         | GRI 305                                   |                                                                                                                                                                                                                                                                    |
|                                        | Effluents and waste                              | Environmental | ▼                                         | GRI 306                                   |                                                                                                                                                                                                                                                                    |
|                                        | Biodiversity                                     | Environmental | —                                         | GRI 304                                   |                                                                                                                                                                                                                                                                    |
| Regulatory Developments and Compliance | Government policy                                | Economic      | ▲                                         |                                           |                                                                                                                                                                               |
|                                        | Import restrictions                              | Economic      | ▲                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Environmental and socio economic compliance      | Social        | ▼                                         | GRI 2-27                                  |                                                                                                                                                                                                                                                                    |
| Socio- Economic Impacts                | Local communities                                | Social        | —                                         | GRI 413                                   |                                                                                                                                                                                                                                                                    |
|                                        | Indirect economic impacts                        | Economic      | ▲                                         | GRI 203                                   |                                                                                                                                                                                                                                                                    |
|                                        | Freedom of association and collective bargaining | Social        | —                                         | GRI 407                                   |                                                                                                                                                                                                                                                                    |
|                                        | Pandemic-led disruptions                         | Social        | —                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Anti-corruption                                  | Economic      | —                                         | GRI 205                                   |                                                                                                                                                                                                                                                                    |
|                                        | Geo-political dynamics                           | Social        | ▲                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Cyber security                                   | Economic      | —                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Technology                                       | Economic      | ▲                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Risk of fraud                                    | Economic      | —                                         |                                           |                                                                                                                                                                                                                                                                    |
|                                        | Livelihood development                           | Social        | ▲                                         |                                           |                                                                                                                                                                                                                                                                    |

▲ Increased    ▼ Decreased    — Unchanged

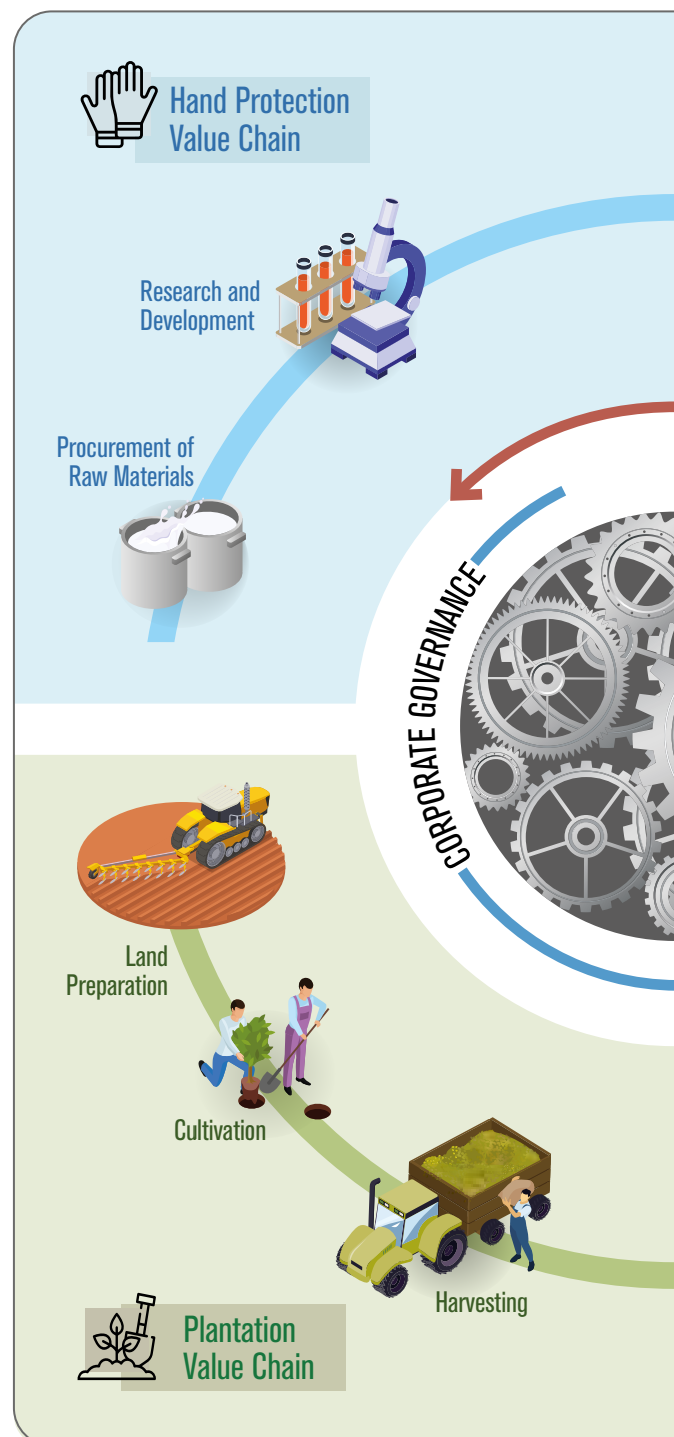
# VALUE CREATION MODEL

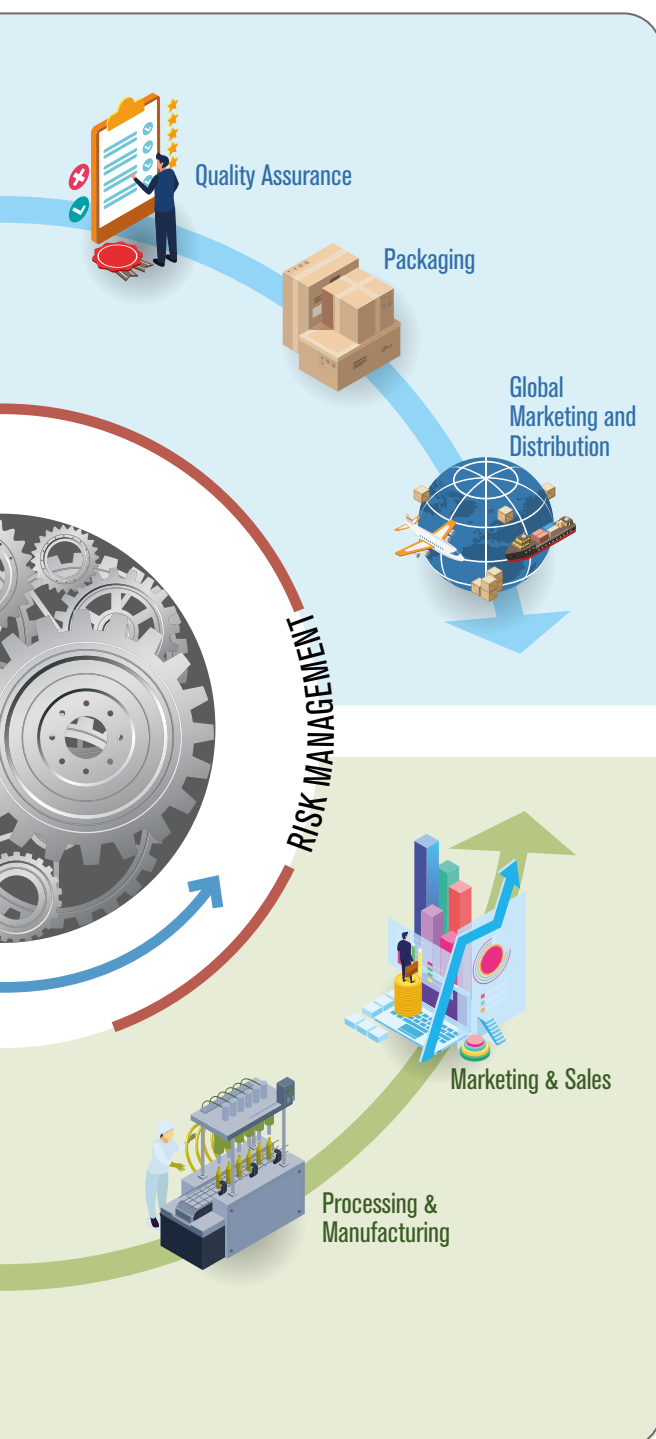
The Group's value creation model depicts how our capital inputs were strategically leveraged during the year to create sustainable value for our key stakeholders.

## Capital Inputs

|                                        |                                                                                                                                                                                                             |                              |                   |        |      |        |                                   |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------|--------|------|--------|-----------------------------------|
|                                        | <b>EQUITY:</b> Rs. 33.5 Bn                                                                                                                                                                                  |                              |                   |        |      |        |                                   |
| <b>Financial Capital</b>               | <b>DEBT:</b> Rs. 11.4 Bn                                                                                                                                                                                    |                              |                   |        |      |        |                                   |
|                                        | <b>MANUFACTURING LOCATIONS:</b><br>06 Manufacturing locations<br>Estates 55                                                                                                                                 |                              |                   |        |      |        |                                   |
| <b>Manufactured Capital</b>            |                                                                                                                                                                                                             |                              |                   |        |      |        |                                   |
|                                        | 14,834 Employees                                                                                                                                                                                            |                              |                   |        |      |        |                                   |
| <b>Human Capital</b>                   |                                                                                                                                                                                                             |                              |                   |        |      |        |                                   |
|                                        | Tacit knowledge and capacity for innovation systems, processes and standards                                                                                                                                |                              |                   |        |      |        |                                   |
| <b>Intellectual Capital</b>            |                                                                                                                                                                                                             |                              |                   |        |      |        |                                   |
|                                        | <table> <tr> <td><b>FARMER RELATIONSHIPS:</b></td> <td><b>CUSTOMERS:</b></td> </tr> <tr> <td>6,000+</td> <td>700+</td> </tr> <tr> <td>6,500+</td> <td><b>OTHER VALUE CHAIN PARTNERS</b></td> </tr> </table> | <b>FARMER RELATIONSHIPS:</b> | <b>CUSTOMERS:</b> | 6,000+ | 700+ | 6,500+ | <b>OTHER VALUE CHAIN PARTNERS</b> |
| <b>FARMER RELATIONSHIPS:</b>           | <b>CUSTOMERS:</b>                                                                                                                                                                                           |                              |                   |        |      |        |                                   |
| 6,000+                                 | 700+                                                                                                                                                                                                        |                              |                   |        |      |        |                                   |
| 6,500+                                 | <b>OTHER VALUE CHAIN PARTNERS</b>                                                                                                                                                                           |                              |                   |        |      |        |                                   |
| <b>Social and Relationship Capital</b> |                                                                                                                                                                                                             |                              |                   |        |      |        |                                   |
|                                        | <b>ENERGY USE:</b> 1.96 GJ Mn                                                                                                                                                                               |                              |                   |        |      |        |                                   |
| <b>Natural Capital</b>                 | <b>LAND EXTENT</b> 26,166 hect.                                                                                                                                                                             |                              |                   |        |      |        |                                   |
|                                        | <b>RAW MATERIALS USE:</b> 111,068 MT                                                                                                                                                                        |                              |                   |        |      |        |                                   |
|                                        | <b>WATER USE:</b> 1.89 M3 Mn                                                                                                                                                                                |                              |                   |        |      |        |                                   |

## Value Creation Process





## Outputs

## Outcomes

## GROUP REVENUE

Rs. 80,099 Mn

## GROUP PBT

Rs. 11,219 Mn

79% CAPACITY UTILISATION

9,735 Mt TEA PRODUCTION

2,682 Mt RUBBER PRODUCTION

## NO. OF NEW EMPLOYEES

618

## TRAINING INVESTMENT

Rs. 14 Mn

## NEW CUSTOMERS (HAND PROTECTION)

42

## NEW SUPPLIERS ONBOARDED DURING THE YEAR

868

3.074 MJ RENEWABLE ENERGY GENERATED

## EMISSIONS GENERATED

36,887 MtCO<sub>2</sub>e

## DIVIDEND PAYMENTS

Rs. 2,688 Mn

## TOTAL ASSETS

Rs. 62,991 Mn

5% INCREASE IN MANUFACTURING CAPACITY IN GLOVES

343 Mt INCREASE IN TEA YIELDS

## NON TRADITIONAL CROPS

Rs. 34 Mn

## TOTAL PAYMENTS TO EMPLOYEES

Rs. 5,007 Mn

## TRAINING HOURS

71,642

84% CUSTOMER SATISFACTION RATE

96% CUSTOMER RETENTION RATE

## TOTAL SUPPLIER PAYMENTS

Rs. 23,696 Mn

9.5% REDUCTION IN CARBON FOOTPRINT

## WASTE GENERATED

2,588 Mt

# STRATEGIC PRIORITIES AND RESOURCE ALLOCATION

Our strategic priorities are aimed at balancing our business objectives and sustainability objectives to achieve triple bottom line growth. Our strategic priorities and how we allocated our resources amongst these priorities are discussed below.

|                                                                                                                                                                        | Profitable Growth                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Customer Focus                                                                                                                                                                                                                                                                                                                         | Innovation & Digitalisation                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <br> | Progress achieved during the year/ Key initiatives                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                                                                                                                                        | <ul style="list-style-type: none"><li>→ As part of our efforts to increase capacity in high volume and high margin product categories such as electrician and sports gloves, invested in a new production facility for precision engineered sports gloves</li><li>→ Invested in a central warehousing facility at our Biyagama factory to reduce distribution costs</li><li>→ Continued to explore high potential emerging markets</li><li>→ Established two new marketing arms in France and Poland</li><li>→ Appointed one new agent for North America.</li></ul> | <ul style="list-style-type: none"><li>→ Deeper engagement with customers to understand evolving needs</li><li>→ Compliance to a range of Quality, Environmental, Occupational health and safety and food safety certifications</li><li>→ Strengthened marketing arms in EU region</li><li>→ Increased ESG focus for products</li></ul> | <ul style="list-style-type: none"><li>→ Strengthened research and development capabilities with the establishment of a new Research and Innovation Centre at the Dipped products PLC facility at Kottawa</li><li>→ Development of 19 new products</li><li>→ Increased R&amp;D focus on sustainable products including compostable and degradable gloves</li><li>→ Ongoing TPM initiatives</li></ul>              |
|                                                                                                                                                                        | <ul style="list-style-type: none"><li>→ Continued investments in automation and mechanization</li><li>→ Ongoing investments in field development</li><li>→ Strategic emphasis on product quality and productivity</li><li>→ Ongoing focus on crop diversification</li></ul>                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"><li>→ Compliance with product quality and responsibility guidelines and standards</li><li>→ Product innovation and enhanced customer proposition at Mabroc Teas</li></ul>                                                                                                                            | <ul style="list-style-type: none"><li>→ Launched a structured program across 55 estates to encourage research-driven solutions to critical challenges</li><li>→ Hosted the industry's first ever "Innovative Business Thinking and Applications 'Management Symposium, showcasing powerful new innovations and best practices developed by its estate teams in response to historic recent challenges.</li></ul> |
|                                                                                                                                                                        | Resources allocated                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Rs. 4,106 Mn</b><br>CAPEX investment                                                                                                                                | <b>26,166 acres</b><br>Of land allocated for crop diversification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>9%</b><br>New recruits to sales teams                                                                                                                                                                                                                                                                                               | <b>Complied all product related certificates</b>                                                                                                                                                                                                                                                                                                                                                                 |
| <b>01</b><br>New agents for emerging market                                                                                                                            | <b>55</b><br>Estates in 4 districts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                        | <b>Rs. 225 Mn</b><br>Investment in R&D innovation centre                                                                                                                                                                                                                                                                                                                                                         |
|                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                        | <b>8</b><br>New recruits to R&D team                                                                                                                                                                                                                                                                                                                                                                             |
| Measuring Delivery of Strategy                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Measuring Delivery of Strategy                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>45%</b><br>Revenue Growth                                                       |  <b>84%</b><br>Customer Satisfaction Score (Hand Protection)                                                                                                                                                                                                                                                                                                                                                                                                                     |  <b>19</b><br>New Products (Hand Protection)                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>48%</b><br>PBT Growth                                                           |  <b>42</b><br>New Customers (Hand Protection)                                                                                                                                                                                                                                                                                                                                                                                                                                    |  <b>2</b><br>New patents                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>21%</b><br>Return on Capital Employed                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  <b>13</b><br>New Products in the Pipeline                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                  |

| Inspired and dedicated team                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Climate action                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                     | Value chain and community development                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Progress achieved during the year/ Key initiatives                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                  |
|                                                        | <ul style="list-style-type: none"><li>→ Investments to improve staff facilities across locations</li><li>→ Additional support for employees such as subsidized meals, dry ration packs and advance bonus to reduce the impact of rising cost of living</li><li>→ Maintained close engagement with unions to ensure concerns were proactively addressed and that operations continued uninterrupted.</li><li>→ Ongoing focus of training and development</li><li>→ Greater focus on mental well-being through awareness creation and support systems</li><li>→ Implementation of more stringent systems to ensure compliance with labour laws and best practices</li></ul> |                                                                                                                                  | <ul style="list-style-type: none"><li>→ Shift to more efficient bio-mass sources such as rubber wood</li><li>→ Continued focus on process efficiencies to drive resource efficiency</li><li>→ Ongoing investments in solar energy</li><li>→ Expansion of effluent treatment capacity</li><li>→ Expansion of rainwater harvesting capacity</li></ul> |                                                                                                                                                              | <ul style="list-style-type: none"><li>→ Expanding local supplier base</li><li>→ Distribution of fertilizer, rain guards and rubber plants under the DPL Firstlight programme</li><li>→ Community development programs</li><li>→ Ongoing engagement with both local and international suppliers</li></ul>                                                                                         |
|                                                                                                                                        | <ul style="list-style-type: none"><li>→ Ongoing focus on training and development</li><li>→ Initiatives to enhance worker productivity such as the recommencement of " Best Tea Harvester Competition"</li><li>→ Continued focus on employee well-being</li></ul>                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                  | <ul style="list-style-type: none"><li>→ Ongoing investment in increasing solar generation capacity</li><li>→ Widespread adoption of sustainable agricultural practices</li><li>→ Launch of Surakimu Ganga conservation program</li></ul>                                                                                                            |                                                                                                                                                              | <ul style="list-style-type: none"><li>→ Closer engagement levels with suppliers to support them through crisis</li><li>→ Ongoing investments in supporting the well-being of our estate communities through the "Home for Every Plantation Worker" programme</li><li>→ Signed a pledge to take part in the "Mother and Child-Friendly Seal for Responsible Business" (Seal initiative)</li></ul> |
| Resources allocated                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Resources allocated                                                                                                              |                                                                                                                                                                                                                                                                                                                                                     | Resources allocated                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Rs. 5,007 Mn</b><br>In payments to Employees                                                                                        | <b>Rs. 14 Mn</b><br>Training Investment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Rs. 5 Mn</b><br>Invested in process improvement                                                                               | <b>05</b><br>Solar projects proposed                                                                                                                                                                                                                                                                                                                | <b>Rs. 9 Mn</b><br>CSR Spend                                                                                                                                 | <b>Rs. 23,696 Mn</b><br>In Payments to Suppliers                                                                                                                                                                                                                                                                                                                                                 |
| Measuring Delivery of Strategy                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Measuring Delivery of Strategy                                                                                                   |                                                                                                                                                                                                                                                                                                                                                     | Measuring Delivery of Strategy                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>86%</b><br>Employee Retention Ratio             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  <b>9%</b><br>Reduction in Carbon Footprint   |                                                                                                                                                                                                                                                                                                                                                     |  <b>79%</b><br>Local Procurement                                        |                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>31%</b><br>Increase in Revenue per Employee     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  <b>28%</b><br>Reduction in Waste             |                                                                                                                                                                                                                                                                                                                                                     |  <b>Over 5,500+</b><br>Beneficiaries for Community Development Projects |                                                                                                                                                                                                                                                                                                                                                                                                  |
|  <b>30%</b><br>Increase in value added per employee |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  <b>4%</b><br>Reduction in Energy Consumption |                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                  |

# INTEGRATING SUSTAINABILITY

ESG FRAMEWORK

In January 2022 the Hayleys group launched “Hayleys Lifecode”, a group-wide integrated framework and action plan for achieving its sustainability goals. The Lifecode which integrates Environment, Social and Governance related targets and goals into business strategy across each of its 16 business sectors is anchored to United Nations Sustainable Development Goals (UNSDGs) – marking an unprecedented level of linkage between ESG targets and value creation systems.

Following its launch in January 2022, DPL has focused on integrating Lifecode targets and goals to its own business strategy and aligning existing ESG goals with groupwide targets. To this end we are now in the process of developing our own framework for the Hand Protection Sector based on the broader Lifecode goals.



## GOAL MAPPING

| Lifecode Goals                                                                                                 |                                                                                                                                                                                                                                                             | DPL Sustainability Goals                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Environmental Lifecode</b> - Minimise our footprint while seizing opportunities to shape a greener future   |                                                                                                                                                                                                                                                             |                                                                                                                                                          |
| <b>Energy and Emissions</b><br>30% reduction in Scope 1&2 GHG emissions by 2030                                |                                                                                       | → 25% reduction in absolute carbon footprint by 2030                                                                                                     |
| <b>Biodiversity</b><br>Enhance biodiversity by 5 times, in the area occupied by the Group                      |                                                                                                                                                                          | → Increase the biodiversity enhancing program to cover 5 times the area occupied by the group                                                            |
| <b>Water Utilisation</b><br>50% sustainable water sourcing by 2030                                             |                                                                                                                                                                          | → 30% sustainable water sourcing by 2030<br>→ 55% re-use of treated waste water by 2030                                                                  |
| <b>Chemicals</b><br>100% safe chemical management practices                                                    |                                                                                                                                                                          | → 100% alignment with safe chemical management practices within the group operations<br>→ 30% of supply chain to implement chemical management practices |
| <b>Materials &amp; Waste</b><br>Zero landfill waste by 2030                                                    |                                                                                                                                                                          | → Zero landfill waste by 2030                                                                                                                            |
| <b>Social Lifecode</b> - Striving and thriving together for a better tomorrow                                  |                                                                                                                                                                                                                                                             |                                                                                                                                                          |
| <b>Engaged Team</b><br>100% coverage of anti-discriminatory training by 2030 to build an inclusive workforce   |                                                                                       | → 100% coverage of anti-discriminatory training by 2030 to build an inclusive workforce                                                                  |
| <b>Supplier Relationships</b><br>40% of suppliers to be screened on social and environmental criteria          |                                                                                                                                                                                                                                                             | → 40% of suppliers to be screened on social and environmental criteria                                                                                   |
| <b>Health, Safety and Well-being</b><br>Zero workplace injuries/disease by 2030                                |    | → LTIFR= 0, TIFR= 0, DSCI= 100%                                                                                                                          |
| <b>Customer Relationships</b><br>Customer satisfaction surveys and grievance mechanisms for 100% of operations |                                                                                                                                                                                                                                                             | → Achieve customer satisfaction levels of 95%                                                                                                            |
| <b>Community Relationships</b><br>50% increase in CSR beneficiaries by 2030                                    |                                                                                                                                                                          | → Increase farmer based beneficiaries by 50% through community engagement programs                                                                       |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Lifecycle Goals                                                                                   |                                                                                   | DPL Sustainability Goals                                       |
|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------|
| <b>Governance Lifecycle</b> - Responsible and responsive corporate citizenry                      |                                                                                   |                                                                |
| <b>Stakeholder Engagement</b><br>Meaningful and impactful stakeholder relationships               |  | → Meaningful and impactful stakeholder relationships           |
| <b>Structure and Oversight</b><br>100% compliance to relevant laws and regulations                |                                                                                   | → 100% compliance to relevant laws and regulations             |
| <b>Transparency and Accurate Reporting</b><br>Internal and external reporting on ESG factor       |  | → Internal and external reporting on ESG factor                |
| <b>Enterprise Risk Management</b><br>Holistic process to identify, measure and mitigate ESG risks |                                                                                   | → Holistic process to identify, measure and mitigate ESG risks |
| <b>Ethics and Culture</b><br>Full compliance to the Hayleys Way                                   |                                                                                   | → Full compliance to the Hayleys Way                           |

### EXTERNAL STANDARDS AND FRAMEWORKS

Hayleys Lifecycle and by extension DPL's sustainability framework seeks to comply with the requirements of the following voluntarily adopted standards, frameworks and codes

- Code of Best Practice on Corporate Governance issued by CA Sri Lanka 2017.

- Integrated Reporting Framework issued by the International Integrated Reporting Council
- GRI Standards issued by the Global Reporting Initiative
- NGRS ( National Green Reporting System) standards issued by the Ministry of Environment
- Ten Principles of United Nations Global Compact
- UN Global Compact CEO Water Mandate

### ESG GOVERNANCE

A clear governance structure( depicted alongside) is in place to ensure alignment between Lifecycle goals and DPL's sustainability goals. A ESG Steering Committee has been established at Hayleys PLC with overall ESG oversight. Separate Lifecycle champions have been appointed for both the Hand Protection and Plantation Sectors. Lifecycle champions report directly to Sector CEO's on ESG Matters. DPL has also established a dedicated ESG team headed by an Executive Director and comprising of a Sustainability Manager, Energy Manager, Safety Manager and Environment Manager to drive sustainability initiatives within the Group. The ESG team directly reports to the DPL Board on ESG matters.



### SUSTAINABILITY POLICY FRAMEWORK

DPL's has aligned its sustainability policy framework with that of the Lifecycle policy architecture.

| Environment                                                                                                                                                                                                                                                                                             | Social                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                          | Governance                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>→ Material and waste management policy</li><li>→ Energy and emissions management policy</li><li>→ Water management policy</li><li>→ Biodiversity conservation policy</li><li>→ Chemical management policy</li><li>→ Sustainability compliance guideline</li></ul> | <ul style="list-style-type: none"><li>→ Employee related policies</li><li>→ Industrial Relations policy</li><li>→ Disciplinary policy</li><li>→ Grievance handling policy</li><li>→ Recruitment policy</li><li>→ Learning &amp; Development policy</li><li>→ Talent Management and Succession Planning policy</li><li>→ Performance Management Policy</li></ul> | <ul style="list-style-type: none"><li>→ Human Rights Policy</li><li>→ Whistleblowing Policy</li><li>→ Anti-Sexual Harassment Policy</li><li>→ Health and Safety Policy</li><li>→ Policies related to other stakeholders</li><li>→ Customer Management Policy</li><li>→ Procurement Policy</li><li>→ CSR Policy</li></ul> | <ul style="list-style-type: none"><li>→ Board Charter</li><li>→ Board Committee Charters</li><li>→ Stakeholder Engagement</li><li>→ Information Disclosure Policies</li><li>→ IT policy</li><li>→ Intellectual Capital Policy</li><li>→ Information Security policy</li><li>→ Business data back-up policy</li></ul> |

# MANAGING OUR TRADE-OFFS

Resource allocation between strategic priorities involves trade-offs between capitals and requires carefully balancing short term and long term objectives. The following section provides an overview of the short term and long term capital trade-offs involved in our strategic priorities.

|                                                                                                                                     | <br><b>Financial Capital</b>                                                                                                                                     | <br><b>Human Capital</b>                                        | <br><b>Intellectual Capital</b>                            |  |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--|
| <br><b>PROFITABLE GROWTH</b>                       | Capex investments to enhance production capacity and distribution capabilities result in the decrease in financial capital in the short run. In the medium to long term however financial capital will benefit from higher revenues and profits.  | The expansion of operations generates more employment opportunities and more opportunities for development and growth                            | Increased profit growth enables the company to invest more in Research and development which enhances intellectual capital                    |  |
| <br><b>CUSTOMER FOCUS</b>                          | Customer focused product offerings drive revenue growth, positively impacting financial capital.                                                                                                                                                  | New opportunities for employees in areas of sales and marketing, customer relationship management.                                               | A customer focused approach enables the company to obtain deep insights into customers which contributes to enhancing intellectual capital.   |  |
| <br><b>INNOVATION &amp; DIGITALISATION</b>       | Research and Development and digitization typically require a significant financial outlay in the short run. However significant financial returns can be accrued in the longer term as a result of product innovations and process efficiencies. | Improves productivity of employees.                                                                                                              | Strong R&D capabilities contribute significantly to the company's intellectual capital.                                                       |  |
| <br><b>INSPIRED AND DEDICATED TEAM</b>           | Investing in and supporting people deplete financial resources in the short run. However this is an investment in employee productivity.                                                                                                          | Investments that result in a stronger employee value proposition attracts and retains the best talent.                                           | Engaged and motivated employees contribute to the company's brand name.                                                                       |  |
| <br><b>CLIMATE ACTION</b>                        | Investments in more sustainable energy sources such as bio-mass and solar power require a significant outlay of financial resources in the short-run. However the long term benefits in terms of cost savings is significant.                     | Improves the working environment for employees                                                                                                   | Research and development into sustainable products such as compostable and bio-degradable gloves are pioneering technologies in the industry. |  |
| <br><b>VALUE CHAIN AND COMMUNITY DEVELOPMENT</b> | Investing in value chain development leads to greater supply chain efficiencies which have a positive effect on financial capital in the medium to long term.                                                                                     | Involvement with the company's CSR initiatives improves employee engagement levels which contributes to their over employee satisfaction levels. | Partnerships the Group has fostered enables it to have a broader impact in the communities it is involved in.                                 |  |



### Natural Capital



### Social and Relationship Capital



### Manufactured Capital

Investments in state-of the art technology reduce the negative impact on the environment.

Profitable growth ensures that stakeholders benefit from sustainable returns in terms of dividends, salaries and payments, which in turn result in stronger relationships.

Manufactured capital is enhanced as a result of the investments made to increase capacity and improve distribution capabilities.

Compliance with product certifications and industry standards ensures that environmental and social best practices are consistently maintained.

Closer engagement with customers strengthen customer relationships.

Sales and digital infrastructure has been enhanced in response to evolving customer needs.

Innovation and digitalisation enables the operation to be more environmentally friendly

Operational efficiencies arising out of greater digitalisation drives greater customer satisfaction.

Improved digital infrastructure.

More productive employees are better able to reduce wastage and ensure responsible consumption of resources.

Stronger relationships with employees

Investments in employee facilities result in improved employee infrastructure.

Reduces the negative impact on the environment by reducing emissions and ensuring responsible consumption of resources.

Progressive action towards climate action improves the reputation of the brand among stakeholders.

Energy efficient buildings and technology enhances the quality of our manufactured capital.

Supplier and community engagement fosters a more sustainable value chain.

Stronger relationships with community.

Stronger partnerships with value chain and community enable the company to reduce its own supply chain infrastructure such as vehicle fleets and warehousing.

# OUR RESPONSE TO THE ECONOMIC CRISIS

Ensuring minimal disruptions to factory operations whilst continuing to focus on cost optimization and innovation to minimize the financial impact enabled us to remain resilient against the impact of the economic crisis.



## Ensuring an Uninterrupted Operation

We maintained ongoing and close engagement with employees to ensure concerns were proactively addressed and that operations continued uninterrupted.



## Cost Optimization

The Group's continued focus on cost management through TPM, Six Sigma and Lean initiatives resulted in a cost saving of Rs. 360 Mn, mitigating the impact of inflationary pressures to some degree.



## Continued Focus on Innovation

A relentless focus on product and process innovation enabled us to continue to address customer needs and retain margins in a highly volatile operating environment.



FY 2022/23 was a challenging year for Sri Lanka amidst heightened economic, social and political tensions that had far reaching socio-economic implications. Despite these challenges DPL emerged stronger by focusing not only on minimizing the impact of the crisis on its own operation but also on supporting its stakeholders successfully navigate the crisis.



## IMPACT

Foreign Exchange  
Generated to Sri Lanka **USD. 79 Mn**

Income Tax to  
Government of Sri Lanka **Rs. 826 Mn**

Payments  
to Employees



We ramped up our efforts to support our stakeholders most impacted by the financial crisis. This included additional support to our employees, suppliers and community

### Ensuring the Financial Wellbeing of our Employees

Understanding the significant impact of the sharp increase in cost of living during the year we took proactive measures to reduce the financial pressure on our employees through additional support such as subsidized meals, dry ration packs and an interim bonus.

Value of additional support to employees  
Rs. 179 Mn

### Supporting Local Businesses Through the Crisis

We increased the proportion of local suppliers in our supplier pool as part of our efforts to support local businesses recover from the economic crisis.

No. of local suppliers onboarded during the year 868

### Community Crisis response

Over 1,000+ children fed through a school meal program initiated during the year in over 5 schools in the vicinity of our factories. We also provided dry ration packs to over 100+ members of our surrounding communities.

Rs. 5,007 Mn

Payments  
to Suppliers

Rs. 23,696 Mn

Community Support

Rs.12 Mn

# MEASURING STAKEHOLDER VALUE CREATED

We create multi stakeholder value through our Strategic actions. The value created during the year for our different stakeholders is shown below.



## Shareholders

Page 206

**Rs. 8,502 Mn**  
Profit After  
Tax

**Rs. 10.87**  
Earnings per  
share

**Rs. 3.00**  
Dividends per  
share

**Rs. 45.06**  
Net assets per  
share



## Customers

Page 103

**42**  
New  
customers

**13**  
New Products in  
the Pipeline

**96%**  
Customer  
retention rate

**84%**  
Satisfaction  
rate



## Employees

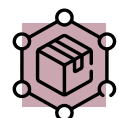
Page 97

**Rs. 5,007 Mn**  
Payments to  
employees

**Rs. 14 Mn**  
Investment in  
training

**29% Female**  
A diverse  
workplace

**86%**  
Employee  
retention rate



## Suppliers and Business Partners

Page 103

**Rs.23,696 Mn**  
Supplier  
payments

**Rs. 3 Mn**  
Investment in Value  
Chain development

**79%**  
Payments to local  
suppliers

**92%**  
Small scale  
suppliers



## Community

Page 103

**Rs. 9 Mn**  
CSR  
Investment

**9.5%**  
reduction in the  
carbon footprint

**4%**  
reduction in energy  
consumption

**28%**  
Reduction in  
Waste



## Government

Page 132

**Rs. 1,550 Mn**  
Tax  
Payments

**USD 86 Mn**  
Foreign Exchange earned by  
Local manufacturing companies

**Zero**  
Non-compliance  
reported

# SECTOR REVIEW

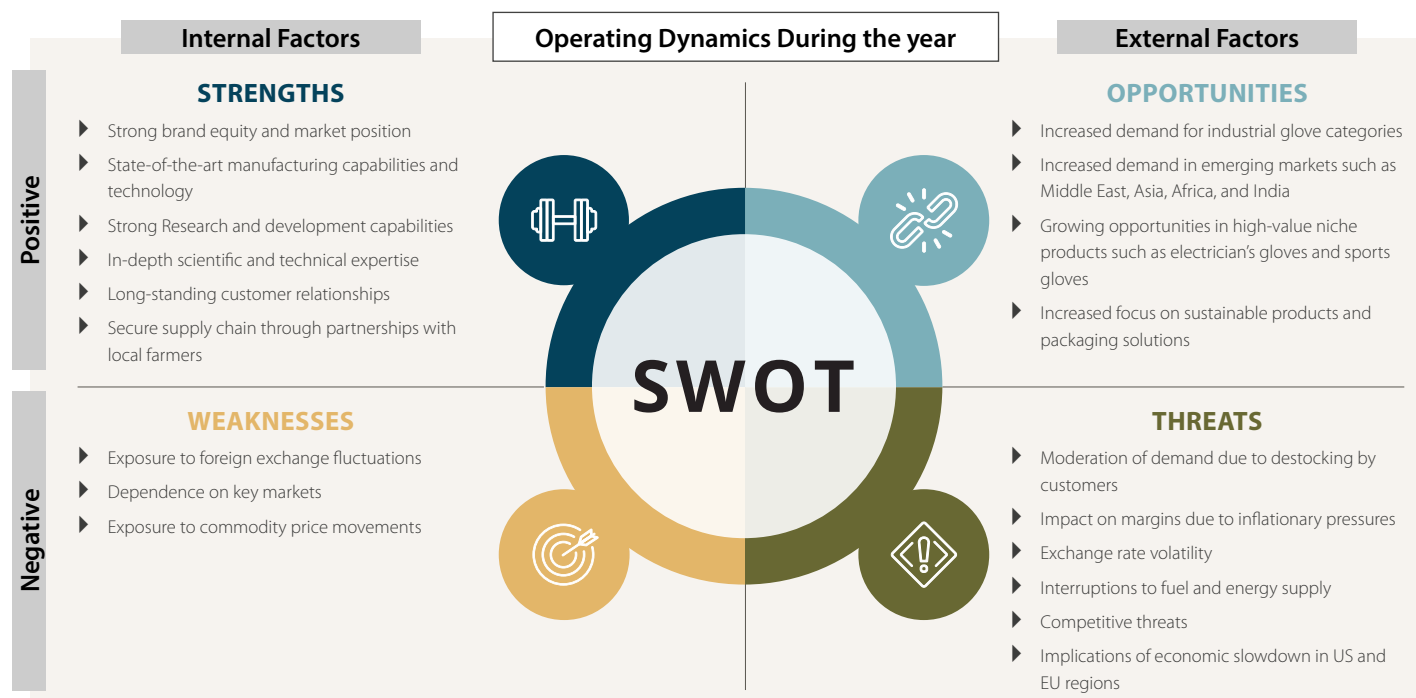
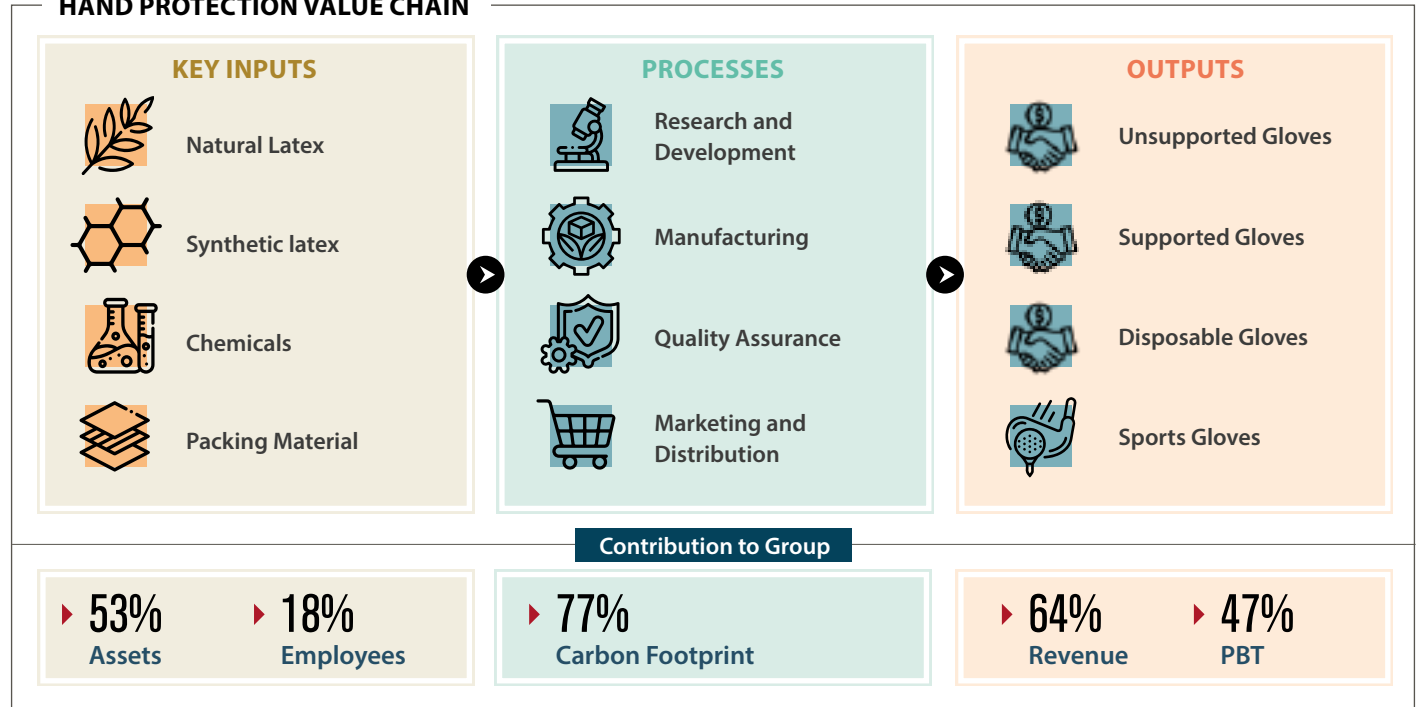


## HAND PROTECTION

The Hand Protection Sector recorded an impressive performance in FY 2022/23 despite weaker market conditions amidst customer de-stocking and higher margin pressure. During the year the sector continued to diversify into new markets while strengthening its presence in high value niche product segments.

## OVERVIEW OF THE SECTOR

### HAND PROTECTION VALUE CHAIN



## SECTOR REVIEW

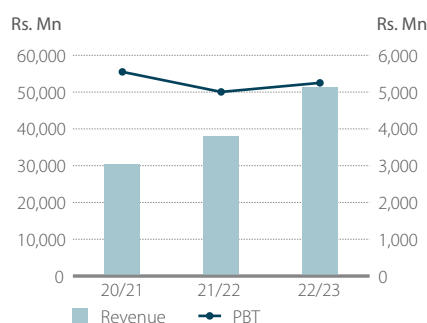
### STRATEGY AND PERFORMANCE

- The Hand Protection Sector continued to perform well during the year recording a revenue growth of 36% and PBT growth of 5% despite a gradual moderation of the elevated pandemic demand.
- Post-pandemic de-stocking by customers seeking to normalize inventory levels impacted demand during the year; however a significant pick up in the industrial segment enabled DPL to maintain its volume growth momentum.
- Meanwhile, the company's ongoing efforts to diversify into new export markets particularly in emerging markets in the Middle East, Asia, Africa, and India also supported volume growth during the year. During the year DPL acquired 42 new customers from emerging markets including Europe & North America.

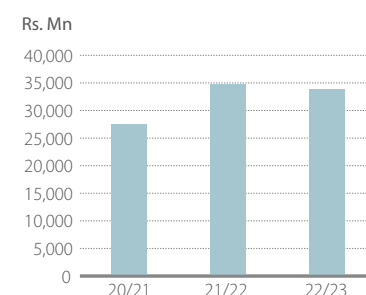
- The company is also increasingly moving towards high-value niche categories such as precision-engineered sports gloves, electrician's gloves. To this end the company invested Rs. 1 Bn in a state-of-the-art manufacturing facility in Biyagama for the production of premium sports gloves.

#### Sector Performance

##### HAND PROTECTION - PERFORMANCE



##### ASSET GROWTH



| How We Nurtured our Capitals                   |                                                                                                                                                                                                                                                                                                                                       | Value Delivered to Stakeholders                            |                                                                                                                                                                                             | More Information |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| <b>Financial</b><br><b>Manufactured</b>        | <ul style="list-style-type: none"> <li>→ Market diversification to drive volumes</li> <li>→ Increased focus on high margin products</li> <li>→ Ongoing focus on TPM to drive efficiency</li> <li>→ Rs. 1 Bn invested in sports glove manufacturing facility</li> <li>→ Rs. 350 Mn invested in central warehousing facility</li> </ul> | <b>Shareholders</b>                                        | <ul style="list-style-type: none"> <li>→ 36% growth in revenue</li> <li>→ 5% growth in PBT</li> <li>→ -3% growth in Assets</li> <li>→ 5% growth in production capacity</li> </ul>           | Page 87 and 92   |
|                                                | <ul style="list-style-type: none"> <li>→ Rs. 13.6 Mn training investment</li> <li>→ Ongoing focus on ensuring mental and physical well-being of employees</li> <li>→ Rs. 470 Mn invested in improving staff facilities</li> </ul>                                                                                                     |                                                            | <ul style="list-style-type: none"> <li>→ Rs. 5,007 Mn payments to employees</li> </ul>                                                                                                      | Page 97          |
| <b>Human</b><br><b>Social and Relationship</b> | <ul style="list-style-type: none"> <li>→ 42 new customers acquired</li> <li>→ Over 1,764 farmer acquired during the year</li> <li>→ Rs. 3.3 Mn invested in community empowerment projects</li> </ul>                                                                                                                                  | <b>Suppliers and Business Partners</b><br><b>Customers</b> | <ul style="list-style-type: none"> <li>→ Increase in distribution efficiency</li> <li>→ Rs. 23,696 Mn in payments to suppliers</li> <li>→ Expansion of Firstlight Farmer Network</li> </ul> | Page 103         |
|                                                | <ul style="list-style-type: none"> <li>→ Strengthening of R&amp;D team and capabilities</li> </ul>                                                                                                                                                                                                                                    |                                                            | <ul style="list-style-type: none"> <li>→ 19 new products launched</li> <li>→ 2 patents received</li> </ul>                                                                                  | Page 109         |
| <b>Intellectual</b><br><b>Natural</b>          | <ul style="list-style-type: none"> <li>→ Increased focus on sustainable manufacturing and packaging</li> <li>→ Ongoing investments to increase dependence on renewable energy</li> <li>→ Ongoing energy efficiency initiatives</li> <li>→ Continued focus on responsible consumption of resources</li> </ul>                          | <b>Community</b>                                           | <ul style="list-style-type: none"> <li>→ 33% reduction in Carbon Emission</li> <li>→ Over 1,000+ children fed through meal program</li> </ul>                                               | Page 115         |
|                                                |                                                                                                                                                                                                                                                                                                                                       |                                                            |                                                                                                                                                                                             |                  |

### WAY FORWARD



Rising utility prices, inflationary pressures and exchange rate volatility will be key concerns going forward into FY 2023/24. Meanwhile a slowdown of the global economy could also impact demand particularly from the US and EU region. Despite the challenging prospects for the forthcoming year, we remain confident that our strong market position and product proposition will enable us to face these headwinds successfully. We will continue to focus on diversifying our markets and products while driving innovation to improve efficiency and customer value.

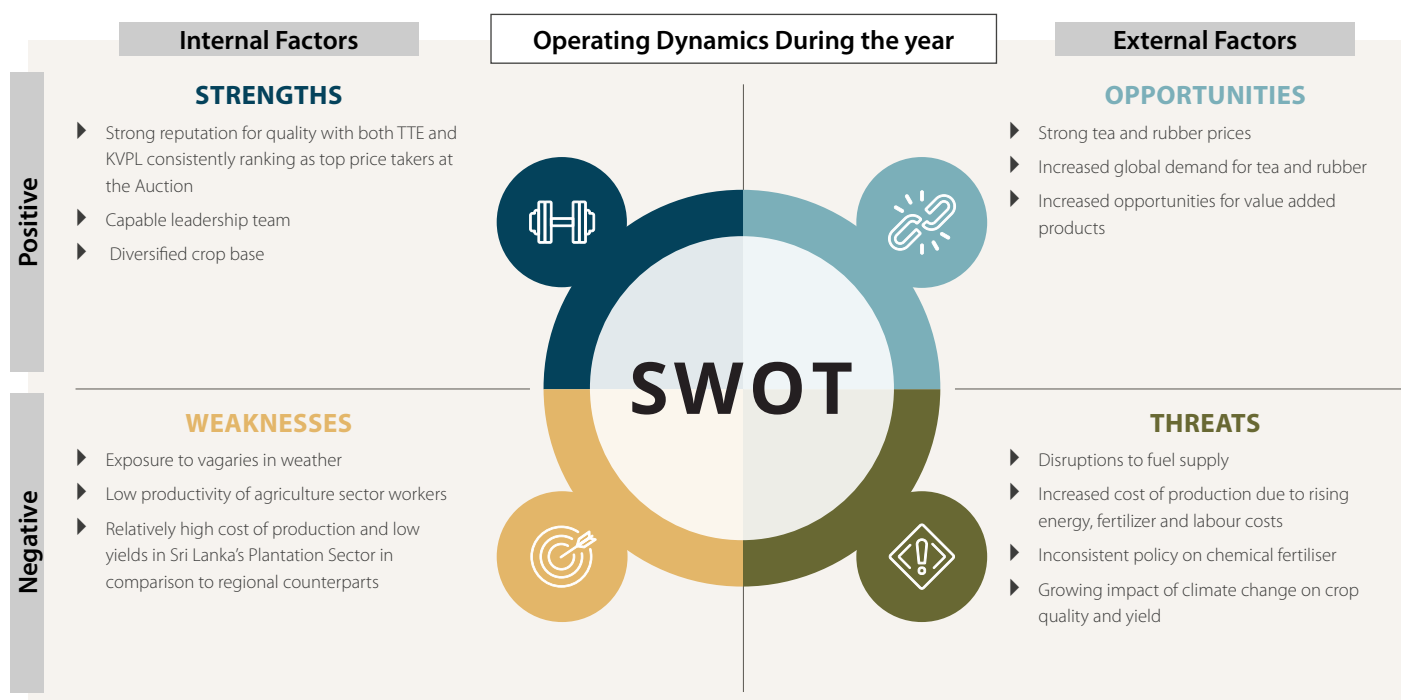
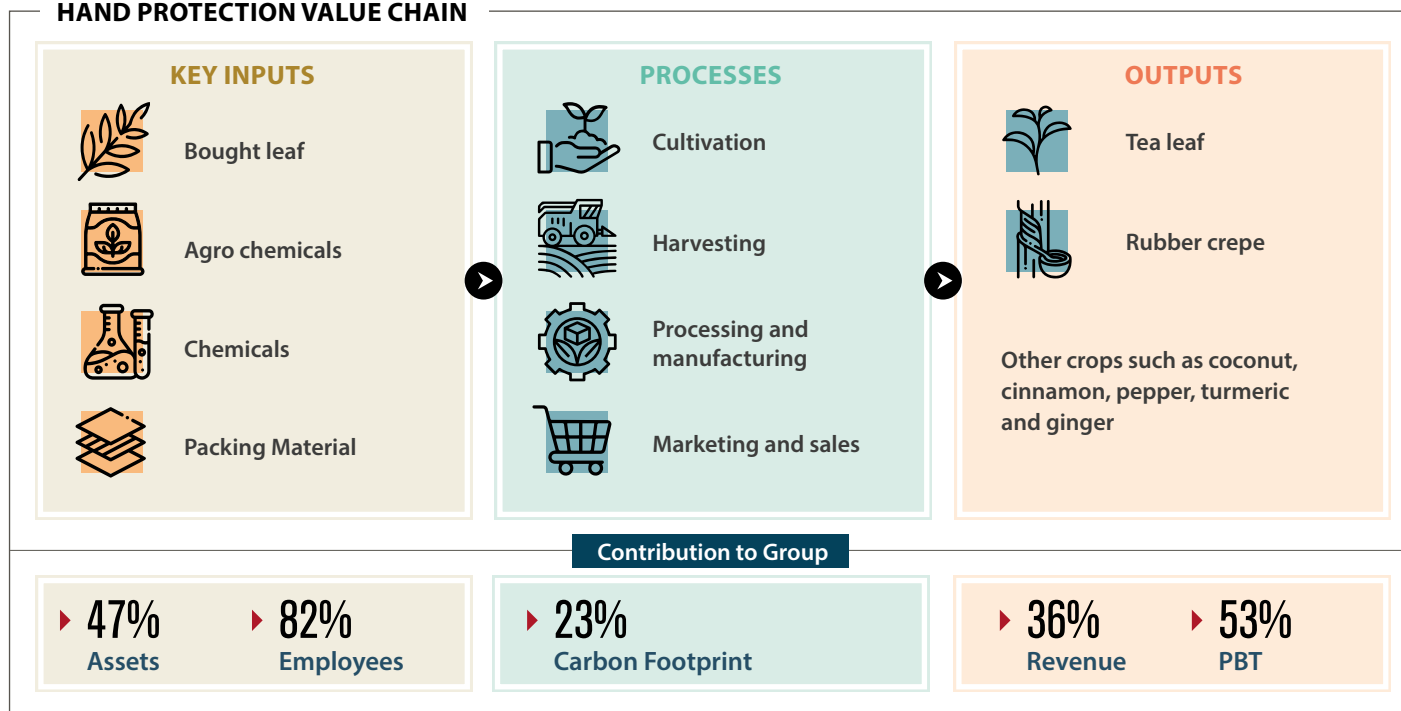


## PLANTATIONS

The Plantation sector performed well during the year, recording a revenue growth of 64% and profit growth of 127% despite continued pressure due to rising costs of production. During the year the sector continued to focus on driving efficiency and productivity gains to mitigate the impact of broad-based cost escalations.

## OVERVIEW OF THE SECTOR

### HAND PROTECTION VALUE CHAIN



## SECTOR REVIEW

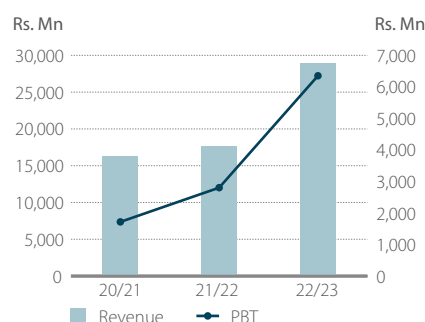
### STRATEGY AND PERFORMANCE

- ➔ Buoyed by strong prices for both tea and rubber throughout the year, the Plantation Sector witnessed a strong revenue growth of 64% in FY 2022/23. Despite rising costs of production, the sector recorded a PBT growth of 127% to Rs. 6,362 Mn reflecting sustained efforts to drive efficiency and productivity gains. The Group's value-added tea exporter, Mabroc also delivered a commendable performance with a profit of Rs. 1 Bn.
- ➔ Enhancing crop yields remains a key focus amidst declining crop volumes in the industry. Both KVPL and TTE continued to invest in automation and mechanization as part of its ongoing efforts to increase efficiency and productivity of employees. Meanwhile sustainable and regenerative agriculture practices adopted across our estates enabled us to reduce our dependence on chemical fertilizer while also improving soil quality and productivity.

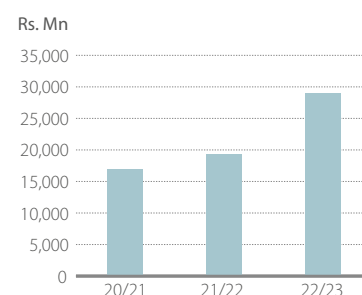
- ➔ The sector's relentless focus on quality continues to enable it to command premium auction prices. The Sector complies with a range of national and international certifications and continues to drive innovation to improve the quality of its products.
- ➔ The sector also continued to pursue selective crop diversification into high value generating crops such as coconut Cinnamon, spices and strawberries as part of its efforts to diversify its revenue sources and enhance land productivity.

#### Sector Performance

##### PLANTATION - PERFORMANCE



##### ASSET GROWTH



| How We Nurtured our Capitals |                                                                                                                                                                                                                | Value Delivered to Stakeholders |                                                                                                                             | More Information |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------|------------------|
| Financial<br>Manufactured    | ➔ Ongoing focus on crop and non-agricultural diversification to drive revenue growth<br>➔ Rs. 458 Mn invested in property, plant & equipment                                                                   | Shareholders                    | ➔ 64% growth in revenue<br>➔ 127% growth in PBT<br>➔ 50% growth in Assets                                                   | Page 87 and 92   |
|                              |                                                                                                                                                                                                                |                                 |                                                                                                                             |                  |
| Human                        | ➔ Recommencement of "best Tea Harvester Competition"<br>➔ Rs. 19.5 Mn training investment<br>➔ Signed a pledge to take part in the "Mother and Child-Friendly Seal for Responsible Business" (Seal initiative) | Employees                       | ➔ Rs. 8,039 Mn in payments to employees<br>➔ Over 92,503 hours of training<br>➔ Great Place to Work Certification           | Page 97          |
| Social and Relationship      | ➔ Over Rs. 363 Mn invested in plantation community development programs & CSR<br>➔ Closer engagement levels with suppliers to support them through crisis                                                      | Suppliers and Business Partners | ➔ Rs. 14,346 Mn in payments to bought leaf suppliers                                                                        | Page 103         |
| Intellectual                 | ➔ Ongoing emphasis on innovation through initiatives such as the "Innovative Business Thinking and Applications 'Management Symposium'"<br>➔ Over 18 national and international certifications                 | Customers                       | ➔ TTE and KVPL both maintained its position as top price takers at Tea Auctions<br>➔ 42 New suppliers<br>➔ 92 new customers | Page 109         |
| Natural                      | ➔ Continued focus on renewable energy generation through solar-roof solutions<br>➔ Widespread adoption of sustainable agricultural practices                                                                   | Community                       | ➔ 4.2% reduction in Carbon footprint<br>➔ Over 600,000 beneficiaries of community development programs                      | Page 115         |



### WAY FORWARD

With declining yields and rising cost of production expected to continue to challenge the industry we remain focused on investing in automation and mechanization to improve labour and land productivity. We will also seek to consolidate our position in value added tea segment while exploring diversification options in high yielding crops and businesses.

# CAPITAL REVIEW



## FINANCIAL CAPITAL

The Group delivered a record-breaking financial performance during the year supported by strong performances by both the Hand Protection and Plantation Sectors. Group revenue increased by almost 45% during the year while PAT increased by almost 33% to Rs. 8.5 Bn recording the highest profit achieved in its operating history.

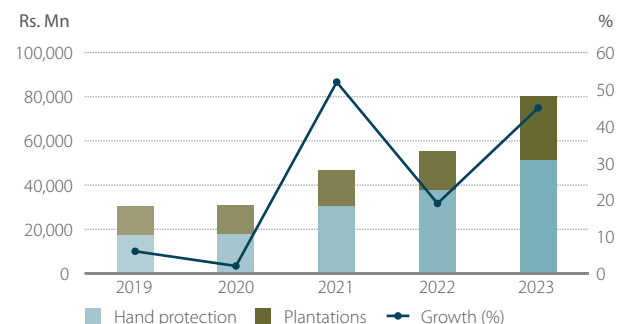


### FINANCIAL PERFORMANCE

#### Revenue

The Group's Consolidated turnover increased by 45% to Rs. 80.1 Bn during the year, supported by strong revenue growth in both the Hand Protection and Plantation Sectors. The Hand Protection Sector which accounted for 64% of total revenue witnessed a revenue growth of 36% to Rs. 51.4 Bn despite a gradual moderation of the elevated pandemic demand. The Plantation sector meanwhile which accounted for 36% of total revenue recorded a growth of almost 64% to Rs. 28.9 Bn buoyed by strong pricing for both tea and rubber particularly during the first half of the year.

#### REVENUE GROWTH



## CAPITAL REVIEW - FINANCIAL CAPITAL

### MARKET DRIVERS

- Exchange Rate Volatility
- Foreign exchange restrictions imposed by CBSL
- Cost escalations due to inflationary pressures
- Continued margin pressure
- Increased cost of borrowing due to higher interest rates



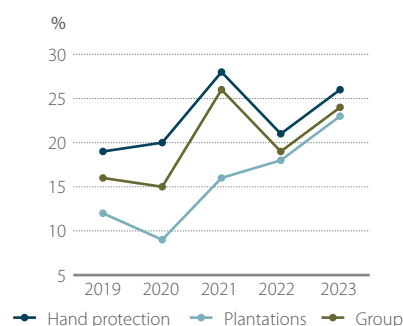
### STRATEGIC RESPONSE

- Continued to focus on cost efficiencies by closely monitoring expenses
- Maintained close engagement with banks to negotiate favourable terms
- Closely monitored pricing strategies
- Efficient Management of working capital
- Prudent investments

### GROSS PROFIT

Consolidated gross profits increased by almost 83% to Rs.19.6 Bn with Group GP margins improving from 19% to 24%. The increase was on account of the addition of DPL France and ROZENBAL POLSKA operations as well as the impact of the sharp depreciation of the Rupee during the year. Meanwhile elevated tea and rubber prices particularly during the early part of the year also contributed to the significant improvement in gross margins.

#### GP MARGINS



### OPERATING EXPENSES

Group operating expenses increased by almost 73% during the year with administrative and distribution costs increasing by 68% and 89% respectively. The addition of the two marketing and distribution entities DPL France and ROZENBAL POLSKA to the Group was the main reason for the increase in operating expenses, although higher staff costs and utility costs due to domestic inflationary pressures also contributed to the increase. The Group's continued focus on cost management through TPM, Six Sigma and Lean initiatives however resulted in a cost saving of Rs. 360 Mn, mitigating the impact of inflationary pressures to some degree.

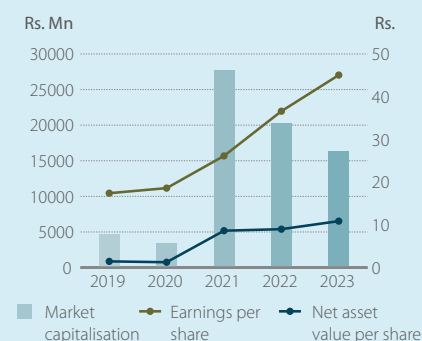
### EARNINGS BEFORE INTEREST AND TAX

Group EBIT margins improved from 10% to 12% with group EBIT recording a growth of almost 80% to Rs. 9.6 Bn. Stronger margins in both the Hand Protection Sector and Plantation sector supported the improvement in core profitability.

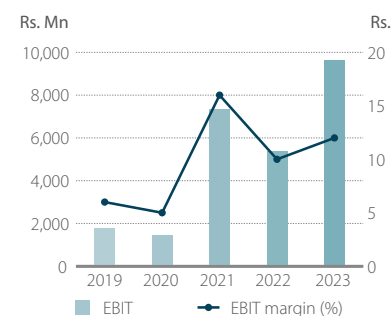
## VALUE CREATED

### Hand Protection Sector

#### SHAREHOLDER VALUE



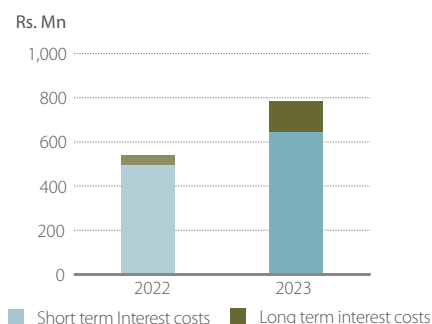
#### EBIT



### NET FINANCE COST

Group finance costs increased by almost 49% during the year despite an overall decrease in borrowings during the year. The increase in interest costs was on account of the sharp increase in Sri Lankan market interest rates as well as an increase in ICOGUANTI's finance cost due to additional borrowing obtained during the year. Approximately 44% of total finance costs consist of interest on borrowings obtained by the Hand Protection Sector for debt funded capacity expansions. Finance income meanwhile declined marginally by 10% to Rs. 2.6 Bn and consists primarily of exchange gain of LKR 1.7 Bn. The sharp increase in finance expenses together with the decline in finance income resulted in net finance income declining by 29% to Rs. 1.6 Bn during the year.

## INTEREST COSTS

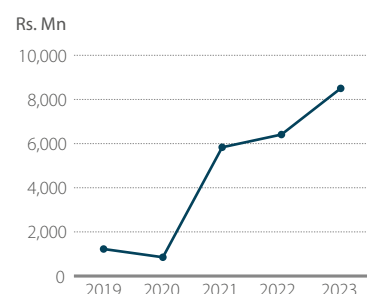


## PROFITABILITY

The group's pre-tax profit increased by 48% to a record high of Rs. 11.2 Bn driven by strong performances in both the Hand Protection and Plantation Sectors. The Hand Protection Sector which accounted for 47% of group pre-tax profit increased by 5% to Rs. 5.25 Bn. The Plantation Sector which contributed to 53% of group PBT during the year also increased by 127% to Rs. 6.36 Bn.

Group tax expense during the year amounted to Rs 2.7 Bn, an increase of almost 129% compared to FY 2021/22 due to higher taxable profits as well as the increase in tax rates applicable. Despite this, Group PAT during the year increased by almost 33% to Rs. 8.5 Bn recording the highest profit achieved in its operating history.

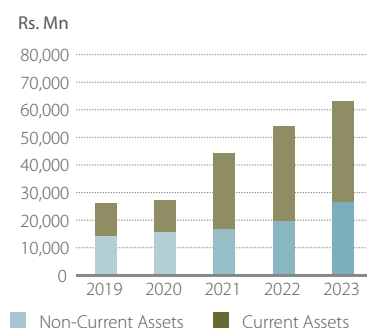
## PROFIT AFTER TAX



## ASSET GROWTH

Group assets increased by Rs. 8.8 Bn to Rs. 62.9 Bn as at the end of FY 2022/23. Rs.4.4 Bn of this increase was on account of assets transferred from Horana Plantations PLC further to its acquisition by DPL. Group PPE meanwhile increased by approximately Rs. 5.5 Bn during the year. Rs. 2.8 Bn of PPE additions were on account of additions from Horana Plantations PLC while Rs. 2.2 Bn of the additions were as a result of Capex investments such as the new sports glove facility and state-of-the-art central warehouse facility in Biyagama. Biological assets of the Plantation sector also increased by approximately Rs. 714 Mn of which Rs. 591.5 Bn are assets of Horana Plantations PLC. Current assets which accounted for approximately 58% of total assets also increased as a result of the higher level of operations during the year.

## ASSET GROWTH

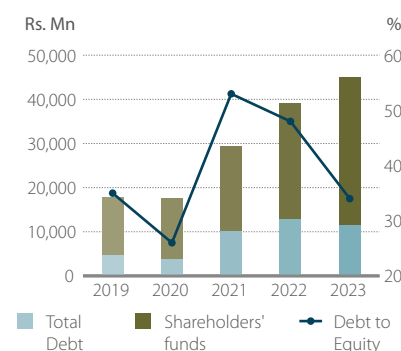


## FUNDING PROFILE

Total borrowings of the Group declined as at the end of the FY 2022/23 as a result of lower short term borrowings during the year. Short term borrowing which accounted for almost 48% of total borrowings amounted to Rs. 4.9 Bn as at the end of FY 2023 compared to Rs. 10.1 Bn as at the end of FY 2022. Long term borrowings meanwhile increased by

approximately Rs. 2.2 Bn and were utilized to partly fund capital expenditure. Group equity increased by almost 27% to Rs. 33.5 Bn supported by higher retained earnings. Total debt-to-equity ratio improved to 0.34 from 0.55 the previous year.

## FUNDING PROFILE



## CASH FLOW

Group operating cash flow improved during the year with a net inflow of Rs. 12.5 Bn on the back of improved revenue flows from both sectors. Net cash flows from investing activities recorded an outflow of Rs. 4.5 Bn mainly on account of the cash outlays for PPE additions in the Hand Protection Sector. Net cash flows from financing activities meanwhile recorded an outflow of Rs. 5.7 Bn due to repayment of long term and short term borrowings as well dividend payments made during the year. Consequently net cash flow for the period amounted to an inflow of Rs. 2.3 Bn compared to the net inflow of Rs. 6.7 Bn during the previous year.

## WAY FORWARD



A moderation of global growth is expected to impact demand conditions of both sectors in the short term. Persistent increases in raw material prices, wage costs and utility costs are also expected to exert pressure on Margins. Considering these headwinds the Group will pursue a strategy of market and product diversification while continuing to focus on driving cost efficiencies across its operations.

## CAPITAL REVIEW - FINANCIAL CAPITAL

### HORIZONTAL & VERTICAL ANALYSIS OF STATEMENT OF PROFIT OR LOSS

| Profit or Loss                                         | FY 22/23<br>Rs'000 | FY 21/22<br>Rs'000 | FY 20/21<br>Rs'000 | FY 19/20<br>Rs'000 | FY 18/19<br>Rs'000 |
|--------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Revenue from contracts with customers</b>           | <b>80,099,312</b>  | <b>55,293,983</b>  | <b>46,386,667</b>  | <b>30,562,982</b>  | <b>30,089,318</b>  |
| Cost of sales                                          | (60,490,240)       | (44,561,333)       | (34,556,902)       | (25,858,623)       | (25,143,301)       |
| <b>Gross profit</b>                                    | <b>19,609,072</b>  | <b>10,732,650</b>  | <b>11,829,765</b>  | <b>4,704,359</b>   | <b>4,946,017</b>   |
| Other income and gains                                 | 766,748            | 833,407            | 340,669            | 282,508            | 229,663            |
| Distribution costs                                     | (2,660,512)        | (1,402,795)        | (1,012,659)        | (701,298)          | (597,762)          |
| Administrative expenses                                | (8,087,179)        | (4,803,655)        | (3,837,952)        | (2,839,358)        | (2,805,922)        |
| Other expenses                                         | -                  | -                  | -                  | (14,944)           | -                  |
| Finance cost                                           | (1,054,716)        | (706,458)          | (618,834)          | (481,576)          | (493,597)          |
| Finance income                                         | 2,645,279          | 2,943,626          | 465,822            | 200,530            | 149,599            |
| Change in fair value of investment properties          | -                  | -                  | 24,462             | 10,205             | 9,895              |
| Deemed disposal gain/loss on equity accounted investee | -                  | -                  | -                  | -                  | 204,653            |
| <b>Profit before tax</b>                               | <b>11,218,692</b>  | <b>7,596,775</b>   | <b>7,191,273</b>   | <b>1,160,426</b>   | <b>1,642,546</b>   |
| Tax (expense) / reversal                               | (2,716,268)        | (1,185,975)        | (1,357,946)        | (310,133)          | (418,720)          |
| <b>Profit for the year</b>                             | <b>8,502,424</b>   | <b>6,410,800</b>   | <b>5,833,327</b>   | <b>850,293</b>     | <b>1,223,826</b>   |

### HORIZONTAL & VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

| ASSETS                                              | FY 22/23<br>Rs'000 | FY 21/22<br>Rs'000 | FY 20/21<br>Rs'000 | FY 19/20<br>Rs'000 | FY 18/19<br>Rs'000 |
|-----------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Non-Current Assets</b>                           |                    |                    |                    |                    |                    |
| Property, plant and equipment                       | 21,811,416         | 16,344,832         | 13,075,168         | 12,316,577         | 12,217,758         |
| Lease rentals paid in advance                       | -                  | -                  | -                  | -                  | 57,115             |
| Formers (moulds)                                    | 608,431            | 436,494            | 379,355            | 344,575            | 293,916            |
| Investment properties                               | -                  | -                  | 392,622            | 368,160            | 357,955            |
| Biological assets                                   | 1,313,068          | 599,064            | 530,543            | 505,240            | 449,926            |
| Right of use assets                                 | 1,469,092          | 1,345,567          | 1,438,123          | 1,237,647          | -                  |
| Intangible assets                                   | 811,467            | 315,131            | 310,532            | 306,486            | 319,844            |
| Other non-current financial assets                  | 397,711            | 393,261            | 391,571            | 392,621            | 390,933            |
| Deferred tax assets                                 | 258,614            | 169,425            | 131,094            | 98,621             | 137,408            |
|                                                     | <b>26,669,799</b>  | <b>19,603,774</b>  | <b>16,649,008</b>  | <b>15,569,927</b>  | <b>14,224,855</b>  |
| <b>Current Assets</b>                               |                    |                    |                    |                    |                    |
| Inventories                                         | 12,648,602         | 12,070,081         | 11,103,664         | 4,661,463          | 4,690,253          |
| Trade and other receivables                         | 12,440,827         | 12,129,696         | 10,110,737         | 4,658,649          | 5,340,315          |
| Advances and prepayments                            | 1,571,793          | 1,201,284          | 2,708,504          | 598,012            | 204,029            |
| Cash and short term deposits                        | 9,659,763          | 9,044,765          | 3,733,478          | 1,791,056          | 1,742,202          |
|                                                     | <b>36,320,985</b>  | <b>34,445,826</b>  | <b>27,656,383</b>  | <b>11,709,180</b>  | <b>11,976,799</b>  |
| <b>Total assets</b>                                 | <b>62,990,784</b>  | <b>54,049,600</b>  | <b>44,305,391</b>  | <b>27,279,107</b>  | <b>26,201,654</b>  |
| <b>EQUITY AND LIABILITIES</b>                       |                    |                    |                    |                    |                    |
| Equity attributable to equity holders of the parent | <b>26,975,061</b>  | <b>21,906,800</b>  | <b>15,646,252</b>  | <b>11,136,862</b>  | <b>10,421,577</b>  |
| Non-controlling interest                            | 6,540,249          | 4,452,443          | 3,495,286          | 2,894,169          | 2,791,075          |
| <b>Equity</b>                                       | <b>33,515,310</b>  | <b>26,359,243</b>  | <b>19,141,538</b>  | <b>14,031,031</b>  | <b>13,212,652</b>  |
| <b>Non-Current Liabilities</b>                      |                    |                    |                    |                    |                    |
| Interest-bearing loans and borrowings               | 3,576,522          | 2,535,569          | 1,819,967          | 1,377,134          | 883,102            |
| Deferred income                                     | 896,440            | 809,083            | 806,159            | 756,156            | 741,178            |
| Defined benefit obligations                         | 3,464,696          | 2,866,645          | 2,725,467          | 2,894,372          | 2,736,670          |
| Agents' indemnity fund                              | 135,865            | 131,118            | 84,992             | 70,136             | 62,905             |
| Deferred tax liabilities                            | 2,277,368          | 775,949            | 747,639            | 717,332            | 761,058            |
| Other non current liabilities                       | -                  | -                  | 71,454             | 200,411            | -                  |
|                                                     | <b>10,350,891</b>  | <b>7,118,364</b>   | <b>6,255,678</b>   | <b>6,015,541</b>   | <b>5,184,913</b>   |
| <b>Current Liabilities</b>                          |                    |                    |                    |                    |                    |
| Trade and other payables                            | 10,052,128         | 8,201,624          | 8,352,217          | 3,794,578          | 3,331,312          |
| Interest-bearing loans and borrowings               | 7,860,179          | 11,873,634         | 9,505,881          | 3,385,085          | 4,387,201          |
| Income tax payable                                  | 1,212,276          | 496,735            | 1,050,077          | 52,872             | 85,576             |
|                                                     | <b>19,124,583</b>  | <b>20,571,993</b>  | <b>18,908,175</b>  | <b>7,232,535</b>   | <b>7,804,089</b>   |
| <b>Total liabilities</b>                            | <b>29,475,474</b>  | <b>27,690,357</b>  | <b>25,163,853</b>  | <b>13,248,076</b>  | <b>12,989,002</b>  |
| <b>Total equity and liabilities</b>                 | <b>62,990,784</b>  | <b>54,049,600</b>  | <b>44,305,391</b>  | <b>27,279,107</b>  | <b>26,201,654</b>  |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Horizontal Analysis |                   |                   |                   | Vertical Analysis       |                         |                         |                         |                         |
|---------------------|-------------------|-------------------|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| FY 22/23<br>YoY %   | FY 21/22<br>YoY % | FY 20/21<br>YoY % | FY 19/20<br>YoY % | FY 22/23<br>% of Assets | FY 21/22<br>% of Assets | FY 20/21<br>% of Assets | FY 19/20<br>% of Assets | FY 18/19<br>% of Assets |
| <b>45</b>           | <b>19</b>         | <b>52</b>         | <b>2</b>          | <b>100</b>              | <b>100</b>              | <b>100</b>              | <b>100</b>              | <b>100</b>              |
| 36                  | 29                | 34                | 3                 | (76)                    | (81)                    | (74)                    | (85)                    | (84)                    |
| <b>83</b>           | <b>(9)</b>        | <b>&gt;100</b>    | <b>(5)</b>        | <b>24</b>               | <b>19</b>               | <b>26</b>               | <b>15</b>               | <b>16</b>               |
| (8)                 | >100              | 21                | 23                | 1                       | 2                       | 1                       | 1                       | 1                       |
| 90                  | 39                | 44                | 17                | (3)                     | (3)                     | (2)                     | (2)                     | (2)                     |
| 68                  | 25                | 35                | 1                 | (10)                    | (9)                     | (8)                     | (9)                     | (9)                     |
| -                   | -                 | (100)             | >100              | -                       | -                       | -                       | (0)                     | -                       |
| 49                  | 14                | 29                | (2)               | (1)                     | (1)                     | (1)                     | (2)                     | (2)                     |
| (10)                | >100              | >100              | 34                | 3                       | 5                       | 1                       | 1                       | 0                       |
| -                   | (100)             | >100              | 3                 | -                       | -                       | 0                       | 0                       | 0                       |
| -                   | -                 | -                 | (100)             | -                       | -                       | -                       | -                       | 1                       |
| <b>48</b>           | <b>6</b>          | <b>&gt;100</b>    | <b>(29)</b>       | <b>14</b>               | <b>14</b>               | <b>16</b>               | <b>4</b>                | <b>5</b>                |
| >100                | (13)              | >100              | (26)              | (3)                     | (2)                     | (3)                     | (1)                     | (1)                     |
| <b>33</b>           | <b>10</b>         | <b>&gt;100</b>    | <b>(31)</b>       | <b>11</b>               | <b>12</b>               | <b>13</b>               | <b>3</b>                | <b>4</b>                |

| Horizontal Analysis |                   |                   |                   | Vertical Analysis       |                         |                         |                         |                         |
|---------------------|-------------------|-------------------|-------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| FY 22/23<br>YoY %   | FY 21/22<br>YoY % | FY 20/21<br>YoY % | FY 19/20<br>YoY % | FY 22/23<br>% of Assets | FY 21/22<br>% of Assets | FY 20/21<br>% of Assets | FY 19/20<br>% of Assets | FY 18/19<br>% of Assets |
| 33                  | 25                | 6                 | 1                 | 35                      | 30                      | 30                      | 45                      | 47                      |
| -                   | -                 | -                 | (100)             | -                       | -                       | -                       | -                       | 0                       |
| 39                  | 15                | 10                | 17                | 1                       | 1                       | 1                       | 1                       | 1                       |
| -                   | (100)             | 7                 | 3                 | -                       | -                       | 1                       | 1                       | 1                       |
| >100                | 13                | 5                 | 12                | 2                       | 1                       | 1                       | 2                       | 2                       |
| 9                   | (6)               | 16                | >100              | 2                       | 2                       | 3                       | 5                       | -                       |
| >100                | 1                 | 1                 | (4)               | 1                       | 1                       | 1                       | 1                       | 1                       |
| 1                   | 0                 | (0)               | 0                 | 1                       | 1                       | 1                       | 1                       | 1                       |
| 53                  | 29                | 33                | (28)              | 0                       | 0                       | 0                       | 0                       | 1                       |
| <b>36</b>           | <b>18</b>         | <b>7</b>          | <b>9</b>          | <b>42</b>               | <b>36</b>               | <b>38</b>               | <b>57</b>               | <b>54</b>               |
| -                   | -                 | -                 | -                 | -                       | -                       | -                       | -                       | -                       |
| 5                   | 9                 | >100              | (1)               | 20                      | 22                      | 25                      | 17                      | 18                      |
| 3                   | 20                | >100              | (13)              | 20                      | 22                      | 23                      | 17                      | 20                      |
| 31                  | (56)              | >100              | >100              | 2                       | 2                       | 6                       | 2                       | 1                       |
| 7                   | >100              | >100              | 3                 | 15                      | 17                      | 8                       | 7                       | 7                       |
| <b>5</b>            | <b>25</b>         | <b>&gt;100</b>    | <b>(2)</b>        | <b>58</b>               | <b>64</b>               | <b>62</b>               | <b>43</b>               | <b>46</b>               |
| <b>17</b>           | <b>22</b>         | <b>62</b>         | <b>4</b>          | <b>100</b>              | <b>100</b>              | <b>100</b>              | <b>100</b>              | <b>100</b>              |
| 23                  | 40                | 40                | 7                 | 43                      | 41                      | 35                      | 41                      | 40                      |
| 47                  | 27                | 21                | 4                 | 10                      | 8                       | 8                       | 11                      | 11                      |
| <b>27</b>           | <b>38</b>         | <b>36</b>         | <b>6</b>          | <b>53</b>               | <b>49</b>               | <b>43</b>               | <b>51</b>               | <b>50</b>               |
| -                   | -                 | -                 | -                 | -                       | -                       | -                       | -                       | -                       |
| 41                  | 39                | 32                | 56                | 6                       | 5                       | 4                       | 5                       | 3                       |
| 11                  | 0                 | 7                 | 2                 | 1                       | 1                       | 2                       | 3                       | 3                       |
| 21                  | 5                 | (6)               | 6                 | 6                       | 5                       | 6                       | 11                      | 10                      |
| 4                   | 54                | 21                | 11                | 0                       | 0                       | 0                       | 0                       | 0                       |
| >100                | 4                 | 4                 | (6)               | 4                       | 1                       | 2                       | 3                       | 3                       |
| -                   | (100)             | (64)              | >100              | -                       | -                       | 0                       | 1                       | -                       |
| <b>45</b>           | <b>14</b>         | <b>4</b>          | <b>16</b>         | <b>16</b>               | <b>13</b>               | <b>14</b>               | <b>22</b>               | <b>20</b>               |
| -                   | -                 | -                 | -                 | -                       | -                       | -                       | -                       | -                       |
| 23                  | (2)               | >100              | 14                | 16                      | 15                      | 19                      | 14                      | 13                      |
| (34)                | 25                | >100              | (23)              | 12                      | 22                      | 21                      | 12                      | 17                      |
| >100                | (53)              | >100              | (38)              | 2                       | 1                       | 2                       | 0                       | 0                       |
| <b>(7)</b>          | <b>9</b>          | <b>&gt;100</b>    | <b>(7)</b>        | <b>30</b>               | <b>38</b>               | <b>43</b>               | <b>27</b>               | <b>30</b>               |
| <b>6</b>            | <b>10</b>         | <b>90</b>         | <b>2</b>          | <b>47</b>               | <b>51</b>               | <b>57</b>               | <b>49</b>               | <b>50</b>               |
| <b>17</b>           | <b>22</b>         | <b>62</b>         | <b>4</b>          | <b>100</b>              | <b>100</b>              | <b>100</b>              | <b>100</b>              | <b>100</b>              |

## CAPITAL REVIEW



## MANUFACTURED CAPITAL

As a manufacturing focused operation our physical capital including our glove manufacturing facilities and tea and rubber factories are an integral part of our value creation process. Having identified emerging opportunities in the sectors we operate in, we focused on expanding manufacturing capacity in high value, niche product segments while continuing to drive manufacturing and distribution efficiencies and excellence. Meanwhile we continued to enhance our staff facilities and office spaces in order to create a conducive work environment for our people.



|                 | Factory                        | Location                        | Product                                                                                  |
|-----------------|--------------------------------|---------------------------------|------------------------------------------------------------------------------------------|
| Hand Protection | Dipped Products PLC            | Kottawa                         | Unsupported household and industrial gloves<br>Supported household and industrial gloves |
|                 | Hanwella Rubber Products Ltd   | Hanwella                        | Unsupported household and industrial gloves                                              |
|                 | DPL Premier Gloves Ltd         | EPZ block B, Biyagama           | Unsupported household and industrial gloves                                              |
|                 | DPL Universal Gloves Ltd       | EPZ block A, Biyagama           | Unsupported household and industrial gloves<br>Supported household and industrial        |
|                 | DPL Sports Glove Facility      | EPZ block B, Biyagama           | Sports Gloves                                                                            |
|                 | Dipped Products (Thailand) Ltd | Khun Nieng, Songkhla (Thailand) | Disposable Gloves                                                                        |
|                 |                                |                                 |                                                                                          |
| Plantations     | Kelani Valley Plantations PLC  | Island wide                     | Tea and Rubber                                                                           |
|                 | Talawakelle Tea Estates PLC    | Island wide                     | Tea                                                                                      |

## MARKET DRIVERS



### Hand Protection Sector

- Growth in demand for nitrile products in both supported and unsupported categories due to the gradual recommencement of economic activity globally
- Ongoing supply chain disruptions due to fuel constraints and unrest
- Rising fuel prices and inflationary pressures in Sri Lanka
- Increased emphasis on sustainable manufacturing practices and ESG factors by end customers



### Plantation Sector

- Margin pressure due to inflationary impacts
- Impact of fertilizer ban on yields



## STRATEGIC RESPONSE



### Hand Protection Sector

- Capacity enhancement in high volume and high margin product categories such as electrician and sports gloves
- Investment in a central warehousing facility at our Biyagama factory to reduce distribution costs
- Investment in enhancing fuel storage capacities at factories to minimize disruptions
- Investments to improve staff facilities across locations



### Plantation Sector

- Invested Rs. 458 Mn on Plant, Machinery and Equipment.
- Factory automation and field development project for estates

## VALUE CREATED

### Hand Protection Sector

▶ **5%**  
Increase in production volumes

▶ **Rs. 360 Mn**  
Cost saving from lean projects

▶ **9%**  
Decrease in carbon footprint

### Plantation Sector

▶ **9,735 Mt**  
Tea production

▶ **2,682 Mt**  
Rubber production

▶ **Rs. 34 Mn**  
Revenue from non traditional crops



## CAPITAL REVIEW - MANUFACTURED CAPITAL

### ENHANCING OUR MANUFACTURING CAPABILITIES

Following the significant Capex Investments carried out during FY 2021/22 to enhance manufacturing capacities, we continued to enhance production capacity in high growth product categories in order to take advantage of emerging opportunities in the market. Our key Capex investment during the year was the Rs. 1 Bn investment in a dedicated manufacturing facility for sports gloves, located in on a 2-acre land block in the Biyagama Export Processing Zone.

#### Manufacturing Facility for Sports Gloves



**Rs. 1 Bn**  
Investment

#### Features of the Sport Glove Building

- Covers 54,000 square feet.
- Boardroom with the spirit of collaboration and innovation.
- Contemporary design elements seamlessly integrated into the sewing, knitting, printing, and R&D operations
- Locally source up to 60% of their raw materials, reducing transportation-related carbon emissions and supporting local communities.
- Actively pursuing Platinum LEED certification, demonstrating commitment to environmentally friendly and energy-efficient practices.
- A Rain Water harvesting system with the capacity of 25000 litres
- Installing 325 kWp Solar panels on the rooftop
- A fully-fledged Fire protection and detection system
- Capacity to accommodate 6 new sewing lines

### Manufacturing Process Optimization

Ongoing productivity initiatives including TPM, Lean, Six Sigma, Kaizen and value stream mapping meanwhile continue to drive operational efficiencies. During the year over 160 projects were undertaken by executive-led teams which led to a total cost saving of almost Rs. 360 Mn in addition to significant improvements in terms of energy savings, waste reduction and improved ergonomics.

### PRODUCTIVITY INITIATIVES

# 160

Projects with employees

# Rs.360 Mn

Total Savings

### Strengthening our distribution Capabilities

During the year we also invested in a 23,000 cubic metre automated, central warehouse facility at the Biyagama Export Processing Zone as part of our efforts to drive greater distribution efficiencies and enhance service delivery excellence. The state-of-the-art new warehouse facility enables DPL to consolidate storage facilities across its Hanwell, Kottawa and Biyagama factories, by streamlining operations, reducing transportation and logistics costs, and increasing visibility and control across DPL's supply chain.

### Automated Central Warehouse Facility



## Rs. 350 Mn

Investment

#### Value Derived from Centralized warehousing Facility

- Barcoding system to meet the logistic aspects and TSP requirements.
- State-of-the-art US National Fire Protection Association (NFPA) compliant safety system
- Extensive storage capacity of 4,200 pallet racks
- Modern articulated truck technologies

### Research and Innovation Centre



## Rs. 75 Mn

Investment

- New state-of-the-art Research and Innovation Centre in DPL Kottawa.
- Upgraded ISO 17025 accredited product testing.

## CAPITAL REVIEW - MANUFACTURED CAPITAL

### Improvements to Staff facilities

During the year we invested almost Rs. 470 Mn in upgrading staff facilities and office spaces. The enhancement of staff facilities directly contribute to the well-being of our employees by creating conducive work spaces , in turn positively impacting labour productivity and employee satisfaction levels.

#### DIPPED PRODUCTS PLC - KOTTAWA



- New staff facility building
- Refurbishment of product testing laboratory

#### DIPPED PRODUCTS PLC - HEAD OFFICE



- Head office renovation

#### HANWELLA RUBBER PRODUCTS LIMITED



- New administrative/ facility building

#### D P L UNIVERSAL GLOVES LIMITED



- New packing & workers facility building



### WAY FORWARD

We will continue to expand and enhance our manufacturing capabilities to effectively respond to emerging opportunities as we pursue an innovation led growth agenda. Ensuring a greener footprint and incorporating ESG concerns into our manufacturing operations will also be key priorities going forward.



## HUMAN CAPITAL

Proactive action to support our employees and closer engagement levels further strengthened our employee relationships, enabling us to continue to operate uninterrupted despite multiple challenges during the year.



| Male         | Composition of our Human Capital | Female     |
|--------------|----------------------------------|------------|
|              | By Contract                      |            |
| 1,460        | Permanent                        | 631        |
| 130          | Contract                         | 24         |
|              | By Region                        |            |
| 1,402        | Sri Lanka                        | 343        |
| 188          | Overseas                         | 312        |
|              | By Employment Type               |            |
| 1,590        | Full time                        | 655        |
| 0            | Part time                        | 0          |
| <b>1,590</b> | <b>Total</b>                     | <b>655</b> |

| Movement in Human Capital |              |      |       |      |
|---------------------------|--------------|------|-------|------|
|                           | New Recruits |      | Exits |      |
|                           | No.          | Rate | No.   | Rate |
| By Gender                 |              |      |       |      |
| Male                      | 493          | 80%  | 389   | 71%  |
| Female                    | 125          | 20%  | 161   | 29%  |
| By Age                    |              |      |       |      |
| Less than 30              | 478          | 77%  | 379   | 69%  |
| 30-50                     | 137          | 22%  | 162   | 29%  |
| Above 50                  | 3            | 0%   | 9     | 2%   |
| By Region                 |              |      |       |      |
| Sri Lanka                 | 558          | 90%  | 461   | 84%  |
| Overseas                  | 60           | 10%  | 89    | 16%  |

## CAPITAL REVIEW - HUMAN CAPITAL

## MARKET DRIVERS



## Hand Protection Sector

- Economic conditions in the country impacted employees physical and mental well-being
- Increased levels of labour unrest in the country
- Rising levels of migration among skilled employee labour categories
- Increased buyer emphasis on social considerations such as labour conditions



## Plantation Sector

- Reverse migration into estates due to financial constraints increased population in estate communities
- Disruptions to food supply networks due to fuel shortages and unrest



## STRATEGIC RESPONSE



## Hand Protection Sector

- Provision of added support such as subsidized meals, dry ration packs and advance bonus, competitive annual increments to reduce the impact of rising cost of living
- Maintained close engagement with unions to ensure concerns were proactively addressed and that operations continued uninterrupted.
- Greater focus on mental well-being through awareness creation and support systems
- Implementation of more stringent systems to ensure compliance with labour laws and best practices



## Plantation Sector

- Signed a pledge to take part in the "Mother and Child-Friendly Seal for Responsible Business" (Seal initiative)
- Recommencement of "best Tea Harvester Competition"
- Ongoing focus on training and development

## VALUE CREATED

## Hand Protection Sector

▶ **Rs. 5,007 Mn**  
In payments to employees

▶ **+71,642**  
Training hours

▶ **86%**  
Employee Retention Ratio in Permanent basis

▶ **29**  
Number of Executive grade promotions

## Plantation Sector

▶ **Rs. 8,039 Mn**  
In payments to employees

▶ **+92,503**  
Training hours

▶ **84%**  
Labour retention levels

▶ **Rs. 20 Mn**  
Investment in training



## HR GOVERNANCE

We strive to incorporate HR best practices through a comprehensive HR policy framework, robust HR processes and a strong governance structure. DPL's HR policy framework and governance structures are broadly aligned to that of its parent - Hayleys Group ensuring alignment to Group's 2030 environmental and social aspirations set out in the recently launched Hayleys Lifecode. The Human Resources Department is responsible for the implementation of the HR strategy and for ensuring the HR strategy is aligned to overall business objective.

We ensure that all laws and regulations pertaining to child labour and forced/ compulsory labour are strictly adhered to. No cases of child labour or forced labour were reported during the year. Meanwhile Strong policies ensure that no form of discrimination is tolerated. There were no reported incidents of discrimination during the year.



## REMUNERATION AND BENEFITS

Understanding the significant impact of the sharp increase in cost of living during the year we took proactive measures to reduce the financial pressure on our employees. Total payments to employees during the year amounted to Rs. 5,007 Mn and included a range of added assistance to support employees through the crisis situation. Employees in both the Hand Protection Sector and Plantation Sectors received subsidized meals and dry ration packs for their families.

Remuneration for all factory personnel in the Hand Protection Sector and manual grade Plantation sector employees is annually negotiated as per the terms of respective collective agreements. Salary increments and bonus payments during the year were granted as per collective agreement taking into considering the increase in cost of living. Meanwhile bonuses were granted in advance to all Hand Protection employees.

Executive pay includes a fixed pay component and a variable component linked to performance. We ensure that our remuneration is in line with market rates by regularly reviewing our pay structures against market rates. Employees across both sectors are also entitled to wide range of benefits including medical benefits, vehicle and fuel allowances, Shift allowances, Loans, Long Service Awards, Higher Educational Assistance, Personal Accident cover, Group Term Life Assurance Cover and Uniforms in addition to statutory benefits.

| Remuneration and Benefits                  |                 |              |
|--------------------------------------------|-----------------|--------------|
|                                            | Hand Protection | Plantation   |
| Total Payments in FY 2022/23               | Rs. 5,007 Mn    | Rs. 8,039 Mn |
| Ratios of entry level wage to Minimum Wage | 1:1             | 1:1          |



## CAPITAL REVIEW - HUMAN CAPITAL

### OCCUPATIONAL HEALTH AND SAFETY

All our facilities are ISO 45001 certified ensuring the highest health and safety standards. The Group also has in place a comprehensive Health and Safety Policy. H&S processes and initiatives of the Group are overseen by a dedicated Health and Safety department which is tasked with implementing and monitoring progress on health and safety initiatives. In addition to ongoing monitoring of work-related injuries, periodic risk assessments and safety audits ensure that health and safety standards are consistently maintained. Regular training and awareness programs are conducted for employees in both the Hand Protection and Plantation Sectors. A range of topics including first aid awareness, safety on the factory floor, general health as well specific areas of concern such as maternal and child health are carried out depending on the sector.

#### ENSURING THE WELL-BEING OF FAMILIES AND CHILDREN IN THE PLANTATION SECTOR



Kelani Valley Plantations PLC and Talawakelle Tea Estates are part of the Sri Lanka's first "Mother and Child-Friendly Seal for Responsible Business" (Seal initiative). The initiative marks the beginning of an industry wide journey to develop and implement strategic action plans to continuously support and improve the well-being of families and children in the tea sector.

All employees in the Plantation Sector are provided healthcare from cradle to grave which includes maternity benefits, childcare, immunization programmes, nutrition support and reproductive health among others. The H&S initiatives are extended beyond our direct employees to the wider estate community. During the year our Plantation Sector companies further strengthened their commitment to ensuring the well-being of families and children in the tea sector by signing a pledge to take part in Mother and Child-Friendly Seal for Responsible Business.

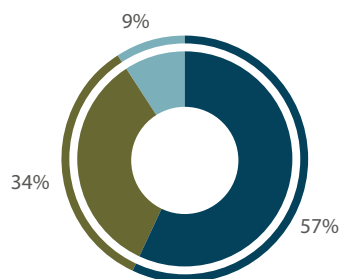
Our health and safety agenda extends beyond physical safety and wellness to include mental wellness as well. During the year over 282 employees participated in emotional and mental wellness programs conducted.

#### Safety Record 2022/23

|                                                  |     |
|--------------------------------------------------|-----|
| Number of high-consequence work related injuries | 04  |
| Number of work-related fatalities                | Nil |

*\*Hand Protection Sector Only*

#### ANALYSIS OF TYPE OF INJURIES



- First Aid Cases
- Medical treated case
- Lost times cases

#### Towards holistic well-being

##### Physical Well-being

- Continuation of COVID-19 protocols such as provision of free PPE
- Safe factory floors
- Access to on-site medical facilities
- Annual Medical Check-Ups
- Safe Chemical Handling Trainings
- First Aid Trainings
- HIV Awareness Trainings

##### Mental Well-being

- Counselling facilities
- Drug Prevention Awareness Programs
- Suicide Prevention Awareness programs

#### Employee Engagement Activities



## TRAINING AND DEVELOPMENT

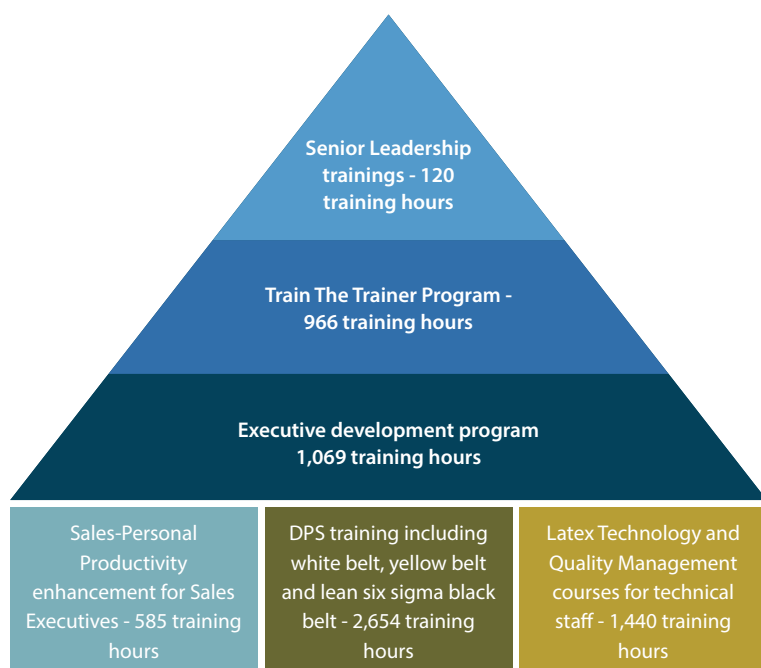
Employee development activities continued during the year with a specific focus on leadership development, productivity management and sales force development. Accordingly, Most of the employees across the Hand Protection Sector received over 71,642 hours of training through external and internal training programs including certification programs. Key training initiatives during the year are as follows;



### LEADERSHIP TRAINING



### FUNCTIONAL TRAINING



Training and development activities continued uninterrupted in our plantation companies as well with over 92,503 training hours being provided across all employee levels.

### TRAINING PROVIDED

*Hand Protection sector only*

**Rs. 14 Mn**

Training Spend  
2022/23

**30 Hrs**

Training Hours  
per Employee

#### Training Hours

|                           |        |
|---------------------------|--------|
| Non Executives            | 60,882 |
| Executives                | 7,888  |
| Assistant Manager & Above | 2,872  |

### DPL Trainers Club

DPL trainers club is a unique initiative where employees with specific knowledge and experience are identified and trained through a train-the-trainer program. The program is an innovative attempt to harness the vast amount of tacit knowledge processed by our employees.

**30%**

Proportion of women employees who received training

### Recognizing Excellence



The Best Tea Harvester competition is part of a series of structured programmes to recognize, support and encourage our Plantation Sector employees.

## PERFORMANCE MANAGEMENT

Annual performance appraisals are carried out for all executive and non-executive employees. Executive appraisals are conducted based on pre-defined SMARTER goals and 100% monitored through online performance management system in mid year and annually. Non-executive appraisals are conducted based on productivity targets and also assessed annually. During the year we automated the Time and Attendance System in DMS of our Thailand operation effectively bringing all our operations under a single time and attendance monitoring system. This has brought in significant benefits in terms of greater visibility and control. Meanwhile in the Plantation Sector we recommenced the "Best Plantation Worker" awards initiatives to motivate and drive our estate employees after a hiatus of two years.

## CAPITAL REVIEW - HUMAN CAPITAL

### Progress on Gender Parity

We continue to create an enabling environment for gender parity through our policies, procedures, codes and work practices.

#### Codes and Standards

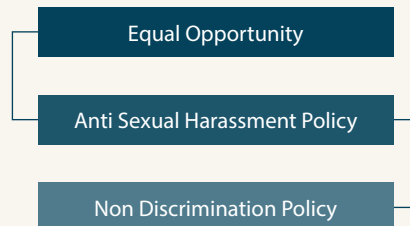
##### Hayleys Lifecode

Diversity and inclusion is a key area of focus

##### Targets

Build an Inclusive and Equitable Organizational Culture by providing suitable training and awareness on anti-discrimination for permanent employees

#### Policy Framework

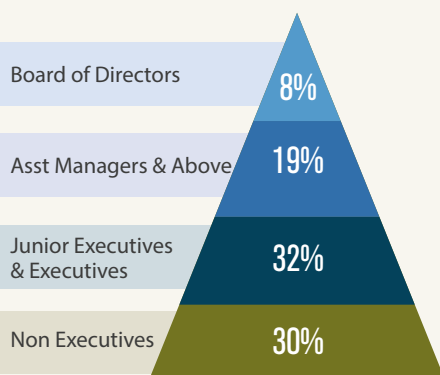


#### Work practices

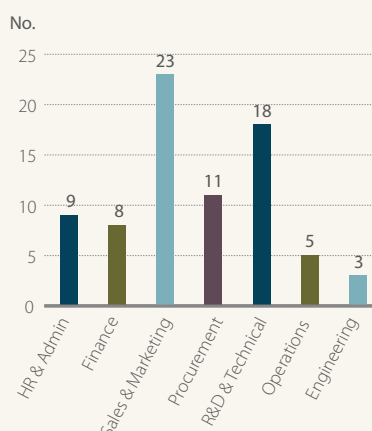
- Flexible work arrangements
- Awareness programs to address gender bias
- Awareness programs on sexual harassment
- Gender Exclusivity related Awareness sessions

### Female Representation

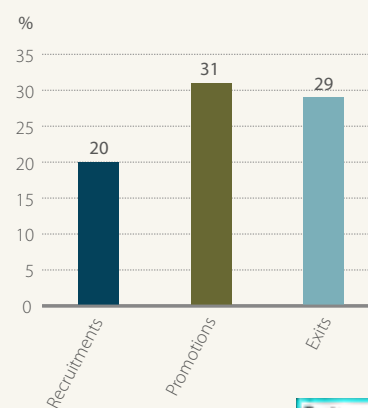
#### CATEGORY WISE



#### DEPARTMENT WISE



#### MOVEMENT WISE



#### Diversity

We recognize the significant benefits of a diverse and inclusive workforce and strive to create a culture that embraces diversity. In particular we recognize the significant benefits of encouraging more women to participate in the labour force and remain committed to creating an environment where our female colleagues can thrive. We are proud to note therefore that we were recognized as a women friendly organization by winning Merit Award at the Satynmag CIMA Women Friendly Workplace Awards 2022, jointly pioneered by CIMA Sri Lanka and Satynmag.com during the year.

**Recognition** Kelani Valley Plantations PLC was recognized among the 15 Best Workplaces™ for Women in Sri Lanka for 2022.



## INDUSTRIAL RELATIONS

83% of our employees in Hand Protection Sector and over 80% of our Plantation sector manual grade employees are represented by Trade Unions. Maintaining a close and ongoing dialogue with trade union was critical to ensuring an uninterrupted operation amidst widespread civil unrest during the first half of the year. The fact that we continued to operate uninterrupted throughout the period is a testament to the success of our industrial relations. Trade union representatives are kept apprised of all significant developments with adequate notice provided for discussion.



### WAY FORWARD

We will continue to expand and enhance our manufacturing capabilities to effectively respond to emerging opportunities as we pursue an innovation led growth agenda. Ensuring a greener footprint and incorporating ESG concerns into our manufacturing operations will also be key priorities going forward.



## SOCIAL AND RELATIONSHIP CAPITAL

*We continued to strengthen our relationships with our customers, suppliers and communities by engaging with them to understand their evolving requirements and by proactively responding to these requirements.*



|                        |                                                                                                                                                                                                                                                                                            |                                |                                                                                                                                                                                                                                                     |                   |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Hand Protection Sector | Our customer base includes over 300+ global distributors in 70+ markets                                                                                                                                                                                                                    | <b>Customer Relationships</b>  | Tea leaf from our plantations is sold to brokers through auctions, who in turn sell to tea exporters and foreign buyers                                                                                                                             | Plantation Sector |
|                        | Our network of suppliers include over 5,000+ local and global suppliers through whom we source key raw material such as natural and synthetic latex, chemicals, fabric liners and packaging materials.  | <b>Supplier Relationships</b>  | Key suppliers in the Plantation Sector include Bought Leaf/Bought Latex suppliers, suppliers of fertilizer, packing material, fuel and other utility suppliers  |                   |
|                        | Communities surrounding our factories and a farmer community of over 5,000 Firstlight farmers                                                                                                                                                                                              | <b>Community Relationships</b> | An estate community of over 750,000+ individuals                                                                                                                                                                                                    |                   |

## CAPITAL REVIEW - SOCIAL AND RELATIONSHIP CAPITAL

## MARKET DRIVERS



## Hand Protection Sector

- Global recession impacting demand in EU and US
- Emerging opportunities in Middle-East, Africa, South America, Asia and Oceania
- Growing importance of sustainability considerations among customers
- Inflationary pressures



## Plantation Sector

- Inflationary pressure
- Challenges in obtaining fertilizer
- Continued supply chain disruption



## STRATEGIC RESPONSE



## Hand Protection Sector

- Establishment of two new marketing arms in France and Poland
- Appointed new agent for North America
- Increased investment in R&D
- Diversification of supplier base
- Investment in Central warehouse to drive operational efficiencies
- Start of global sourcing department



## Plantation Sector

- Closer engagement levels with suppliers to support them through crisis

## VALUE CREATED

## Hand Protection Sector

▶ 42

New Customers

▶ Rs. 23,696 Mn

Payments to Suppliers

▶ Rs. 9 Mn

CSR Investment

## Plantation Sector

▶ 92

New customers (brokers)

▶ Rs. 14,702 Mn

Payments to Suppliers

▶ Rs. 364 Mn

Investment in Community development projects



## CUSTOMER RELATIONSHIPS

Our strong customer relationships enabled us to drive sustainable revenue growth and retain our market position despite an increasingly challenging operating environment in FY 2022/23. The value we continue to offer our customers is indicative from our high customer retention levels and well as consistently high customer satisfaction levels.



# 84%

**Customer satisfaction rate**  
(Hand Protection)

# 96%

**Customer retention rate**  
(Hand Protection)

## Customer strategy in 2022/23

### Diversification of customer base

With the global recession impacting demand in our two key markets EU and USA we are increasingly looking to tap prospects in the Middle-East, Africa, South America, Asia and Oceania to cushion this impact. To this end we strengthened our agent network in emerging markets.

### Strengthening distribution

Reliable and timely distribution of products remain a key priority of customers amidst concerns of supply chain disruptions. During the year we strengthened our marketing arms with the establishment of DPL France and ROZENBAL POLSKA. The strengthening of our presence in these two key markets has enabled DPL to expand its marketing operations in Europe with a wider distribution of network.

### Expanding the range of our offering

We continued to expand our offering during the year, introducing 19 new products to the market. Meanwhile ongoing research and development efforts are aimed at responding to the growing demand for more environmentally sustainable products.



### Product range

Our portfolio includes over 700 products to cater to varying hand protection requirements of our customers. (Refer Page 10 for our full product portfolio)



### Product quality

Our products comply with a range of international and local quality certifications and accreditations. (Refer page 114 for full list)



### Product safety

All our products go through intensive safety and quality checks prior to being released into the market. Clear safety and handling instructions are included in the packaging. During the year, there were no instances of non-compliance pertaining to regulations or standards relating to customer safety or product labelling.



### Product Communications

We ensure responsible marketing by providing accurate, reliable information that enable customers to make an informed choice. There were no instances of non-compliance concerning marketing communications or breaches of customer privacy.

## CAPITAL REVIEW - SOCIAL AND RELATIONSHIP CAPITAL

### SUPPLIER RELATIONSHIPS

Our supplier relationships are a critical aspect of our value creation process not only because it ensures a secure supply of quality raw material but also because it feeds into our overall social agenda of creating sustainable livelihoods for our first-light farmer network.

#### Our supplier eco system

|                   | Local Suppliers        | %     | Global Suppliers   | %    |
|-------------------|------------------------|-------|--------------------|------|
| Nitrile latex     | Nil                    | Nil   | 8 global suppliers | 100% |
| Natural latex     | 5,000+ local suppliers | 80%   | 3 global suppliers | 20%  |
| Chemicals         | 25+ local agents       | 15%   | 100+ Imported      | 85%  |
| Liners and yarn   | <10                    | 30%   | Imported           | 70%  |
| Packing materials | 55+ local suppliers    | 99.9% | 2                  | 0.1% |

#### Supplier strategy in 2022/23

##### Diversification of supplier base

We continued to diversify our supplier base to reduce the risk of supply chain disruptions. The diversification of suppliers also enabled us to negotiate more favourable prices with suppliers. Our supplier diversification strategy involved increasing the proportion of local suppliers and ensuring a pool of suppliers for each raw material.

##### Driving greater supply chain efficiencies

With rising costs continuing to impact margins, we focused on driving cost efficiencies throughout our supply chain. Some of the key initiatives implemented include;

- Shifting warehousing operations at individual factories to the newly opened central warehouse in Biyagama. This brought about a significant reduction in transportation costs
- Reducing fuel costs by shifting to larger bowsers for the transportation of raw materials

##### Increased focus on sustainability considerations

With our key buyer markets increasingly focusing on ESG considerations, creating a sustainable supply chain has become more than a moral obligation for us. Efforts undertaken during the year to streamline our logistics operation has resulted in a 12% reduction in fuel consumption. Meanwhile we continue to work closely with our suppliers to ensure social and environmental compliance. During the year a total of 20% suppliers were screened using environmental and social criteria. There were no identified negative social or environmental impacts or identified risks of suppliers employing child labour or forced labour in our supply chain during the year.



# 79%

Proportion of spending on local suppliers



# Rs. 23,696 Mn

Total Payments to Suppliers



# 100+

No. of capacity building programs for suppliers

## COMMUNITY RELATIONSHIPS

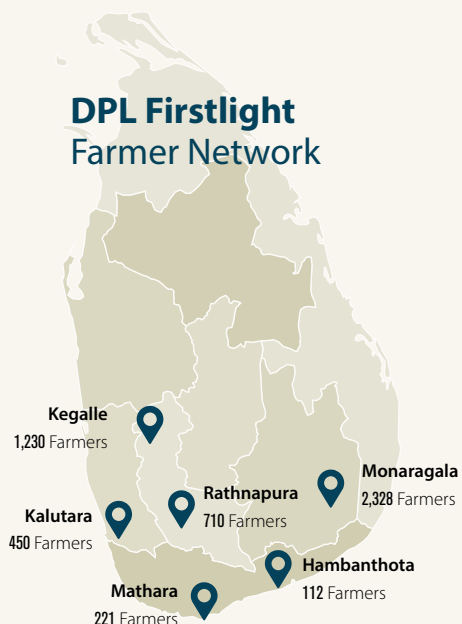
We are committed to contributing to the socio-economic development of the communities we directly deal with. In addition to structured supplier and community empowerment programs in both the sectors we operate in, we also invest extensively in meaningful CSR initiatives that have a significant impact on our communities.

### DPL Firstlight



“Firstlight” is a CSR (Corporate Social Responsibility) initiative of DPL aimed at providing an improved quality of life to disadvantaged farmers across Sri Lanka. This award winning program continues to empower over 5000 farmers island wide by directly contributing to their socio-economic progress.

### DPL Firstlight Farmer Network



### DPL Firstlight Farmer Network



- Farmer training on latex tapping, nursery development, natural rubber collection techniques etc.
- Provision of farm implements and seedlings to maintain and manage rubber plantations
- Healthcare of farming communities
- School development

### Impact

**USD 4.3 Mn**

Savings of annual foreign outflow

**Rs. 3.8 Mn**

Investment in community school projects

**Rs. 3,178 Mn**

Total payments to Firstlight farmers

**100+**

Over farmers participated in farmer education programs

“There used to be just a little yield every time we go to remove the rubber since the animals would have eaten it before us, leaving us with a huge loss which threatens our income. Now, thanks to Hayleys and Dipped Products, we are living a better life. With my savings, I was able to buy a computer for my grandchildren, a water tank for the house and even a golden “Pinnecal” for the temple.” Farmer Testimonial”



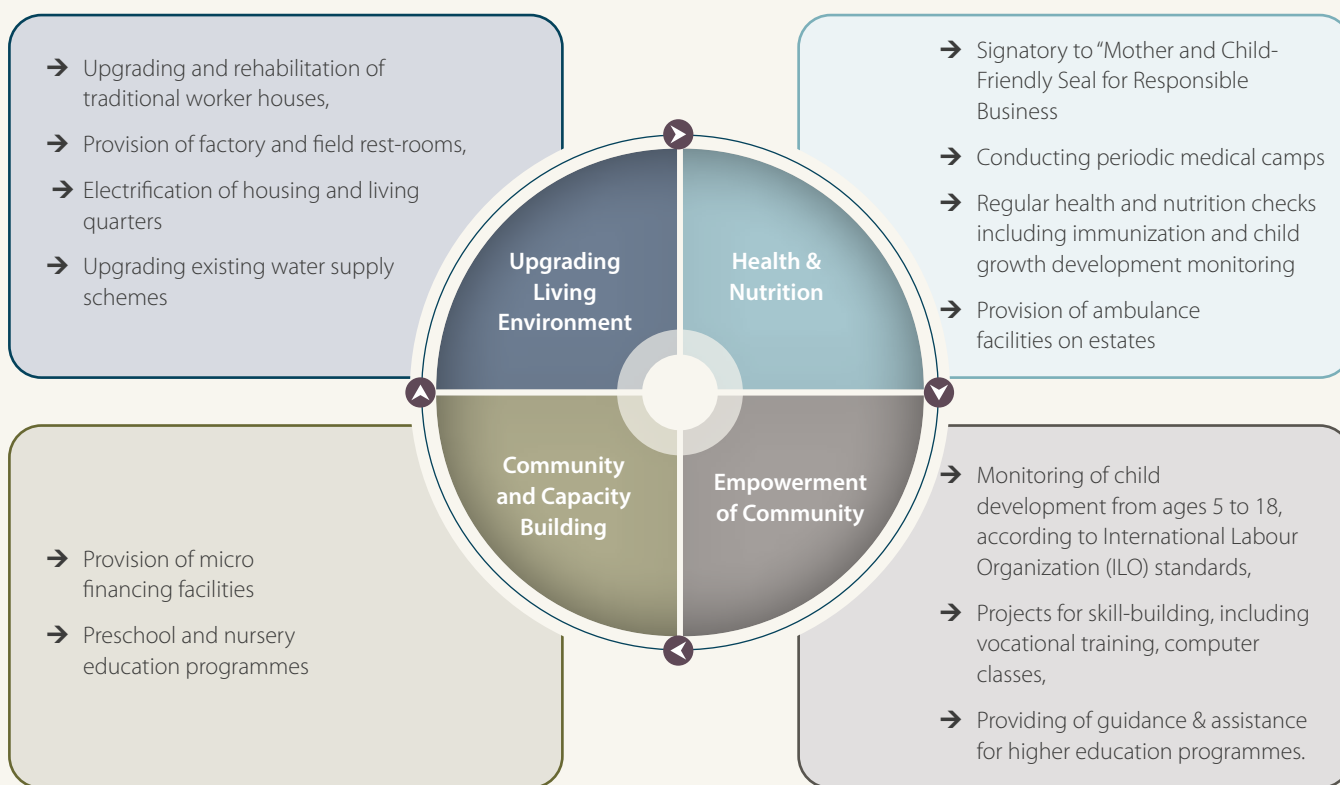
## CAPITAL REVIEW - SOCIAL AND RELATIONSHIP CAPITAL

### HOME FOR EVERY PLANTATION WORKER



Now in its 15th year the 'Home for every plantation worker' is a multi-dimensional initiative undertaken by our plantation group companies to uplift the quality of life of their estate communities.

#### How we create Value



### SOCIO-ECONOMIC COMPLIANCE

A strong governance framework, continuous monitoring of compliance to all relevant laws and regulations through the Internal Audit function and clearly articulated and communicated whistleblowing policy and grievance mechanisms ensure that operations are continuously assessed for risks related corruption or any other unethical behaviour. Meanwhile all employees are provided training on the company's anti-corruption policies and procedures. There were no confirmed incidents of corruption or any legal action taken for anti-competitive behaviour, anti-trust, and monopoly practices during the year. As a policy DPL refrains from making any contributions to any local political party or person or any foreign political party, person or affiliate.



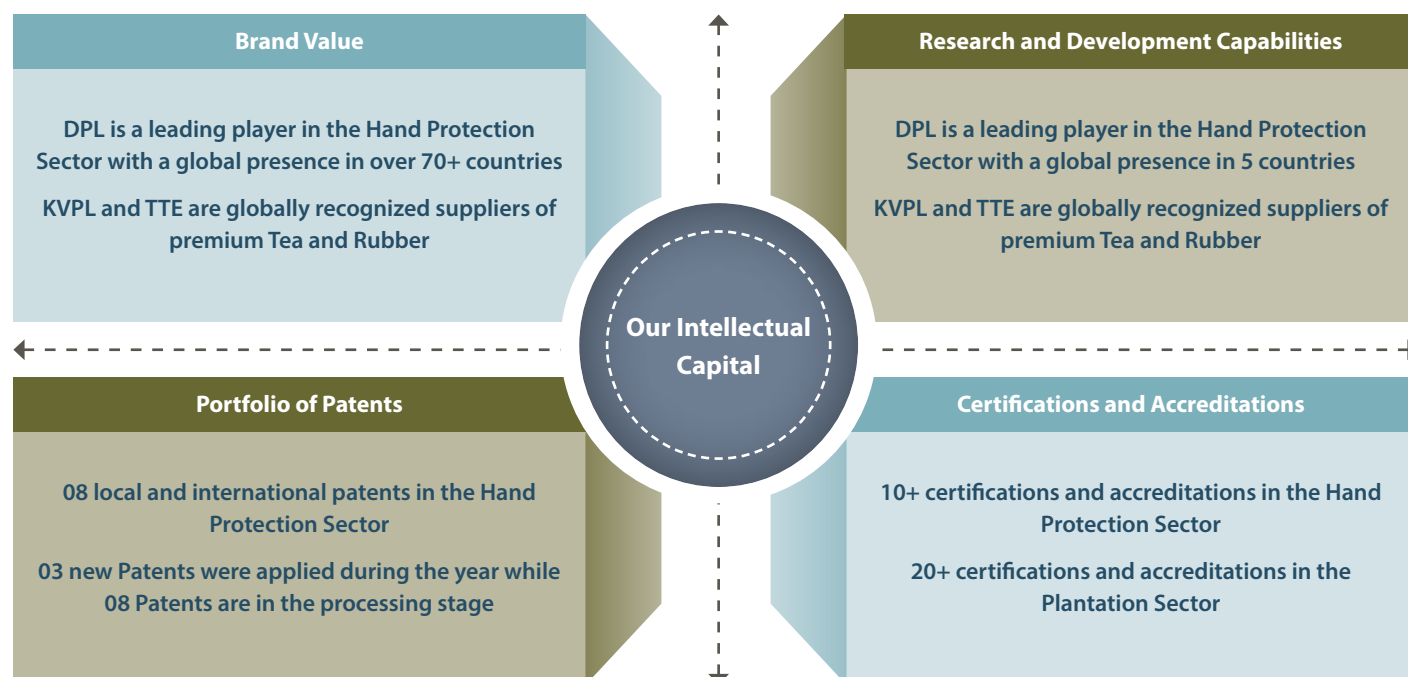
#### WAY FORWARD

Diversifying our customer base and driving supply chain efficiencies will be key priorities in FY 2023/24, with demand moderation and margin pressure expected to continue in the short term. Meanwhile we will continue to invest in our communities as part of our overall efforts to support the country's economic recovery through socio-economic empowerment.



## INTELLECTUAL CAPITAL

*Our intellectual capital consisting of our research and development capabilities, robust manufacturing processes and quality management systems continue to drive our brand value, enabling us to stand apart from our competition in terms of quality and innovation.*



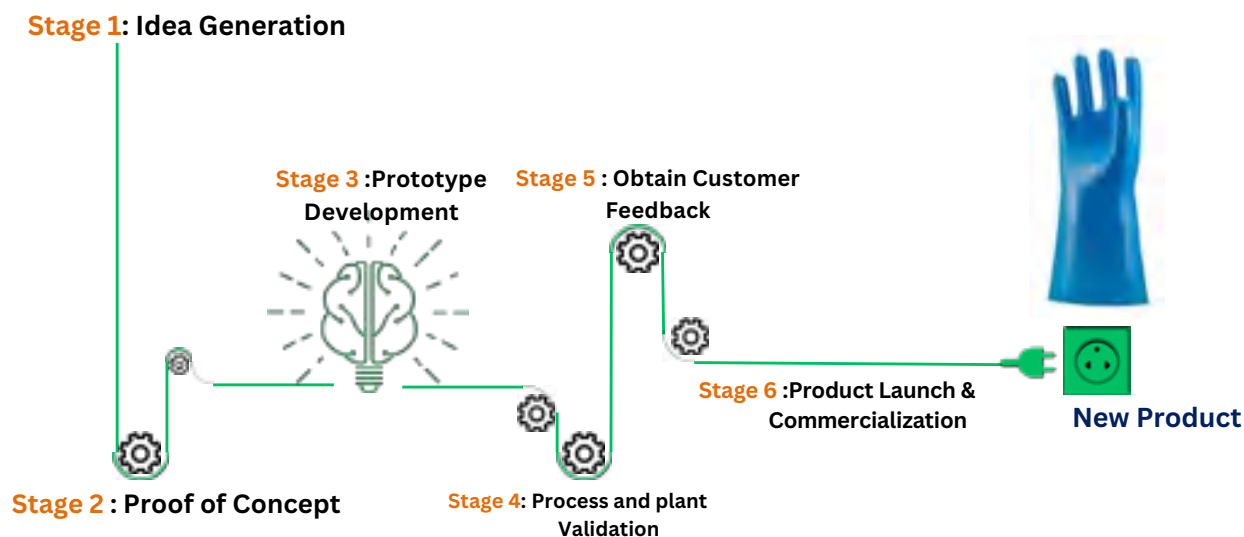
## CAPITAL REVIEW - INTELLECTUAL CAPITAL

### EXCELLENCE IN INNOVATION

Our unrelenting focus on innovation has enabled us to successfully capitalize on emerging opportunities and retain our competitive edge despite increased competition from regional players. DPL received the overall winner award for the project "The next generation innovative solution for the hand protection in which unique patented five products/solutions were introduced under five new technology platforms for export market.

|                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <h4>Hand Protection</h4> <p>DPL received the Overall Winner Award for launching patented hand-protection solutions designed with five unique technological platforms for six export markets</p> |  <h4>Hand Protection</h4> <p>DPL's R&amp;D team also received the Innovation Category Award for their ground-breaking 'fully integrated robot dipping automation' solution</p> |  <h4>Plantation</h4> <p>TTE was acknowledged as the Quality and Lean Management Category Award-winner for its 'Eco-friendly green zip line' project. The novel idea was implemented during fuel shortages and escalating prices, to transport fresh leaves to the factory.</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### DPL INNOVATION PROCESS



**"DPL INNOVATION MAKES THE DIFFERENCE"**

### RESEARCH AND DEVELOPMENT CAPABILITIES

The group's research and development capabilities are one of its key strengths, enabling the company to drive innovation and remain at the forefront of the hand protection market. During the year we established an upgraded Research and Innovation Centre in the Dipped products PLC facility at Kottawa as part of our ongoing efforts to strengthen our research and development capabilities.

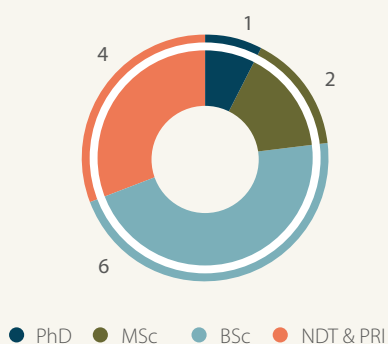


## STRENGTH OF OUR R&D CAPABILITIES

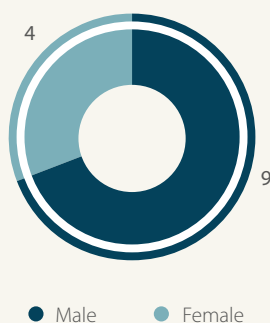
Dedicated R&D teams have been established for each of our key product categories.



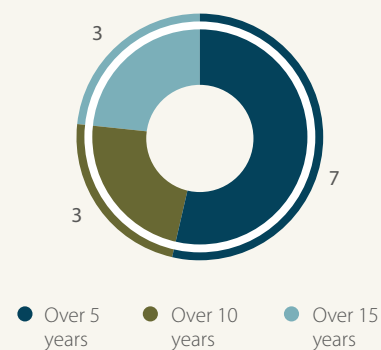
### SKILL PROFILE



### EMPLOYEES BY GENDER WISE



### YEARS OF EXPERIENCE



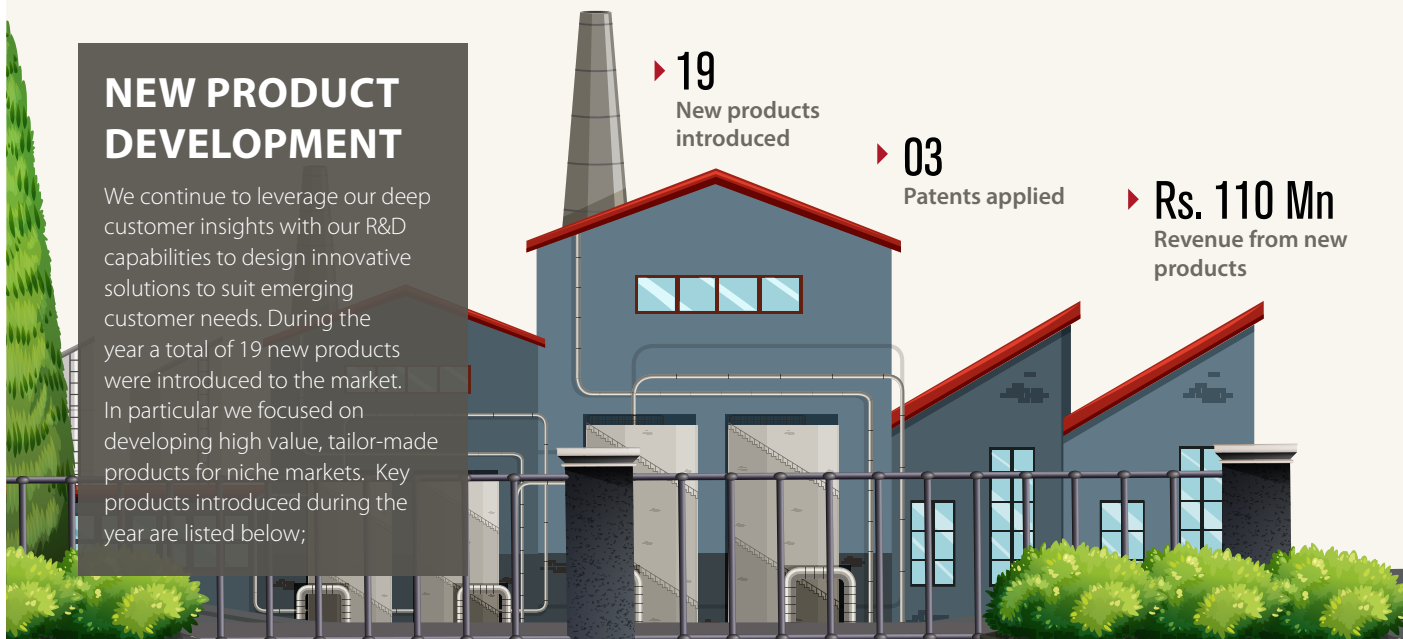
## NEW PRODUCT DEVELOPMENT

We continue to leverage our deep customer insights with our R&D capabilities to design innovative solutions to suit emerging customer needs. During the year a total of 19 new products were introduced to the market. In particular we focused on developing high value, tailor-made products for niche markets. Key products introduced during the year are listed below;

► **19**  
New products introduced

► **03**  
Patents applied

► **Rs. 110 Mn**  
Revenue from new products



## CAPITAL REVIEW - INTELLECTUAL CAPITAL

### NEW PRODUCT DEVELOPMENT



#### UNSUPPORTED GLOVE RANGE

This glove range has a Granulated surface finish and the Nitrile coating provides better resistance to cuts, snags, abrasions and puncture. With chemical resistance to wide range of solvents, caustics and animal fats. Recommended for use in Chemical Handling, Fishing Industry, Food Processing, Refinery work, Automotive Assembly and Painting.

Nitrile coated supported glove with Interlock liner

Nitrile coated supported Glove, Gauntlet Style with Cotton/Poly Insulating liner

Nitrile coated lengthy supported glove with Interlock liner

Nitrile coated over Interlock knit liner

Nitrile coating over cotton insulating

Interface Ultra Soft was developed Under a new DPL – Technology platform namely, “DPL food safe technology”. DPL food safe technology has been introduced to provide the safest glove for the food industry where the transferable chemical substances to the food are below than the lower quantifiable value. The Interface Ultrasoft glove has been developed under the DPL food safe technology integrated with DPL comfort technology to provide the safest food safe glove with comfortability to the end user.

Interface Ultra Soft



#### SUPPORTED GLOVE RANGE

Resist-O Cut A1 Full Dip & Knuckle Dipped Glove

Xtra Chem Impact – Cut 4 & 5

Viking Duplex NM

Xtralite Thermo A4

XLP HC CL / XLP HD CL & XLP HE CL

Double dipped Nitrile gloves with Full dipped or Knuckle dip with a Flat Nitrile coating and Palm dip of new Micro-foamed coating with novel Non-wash dipping technology

Nitrile-coated gauntlet glove with double dip, Fully dipped with flat nitrile coating and Palm dip of new Micro-foamed coating with novel non-wash dipping technology with direct bonded TPR.

Chlorinated Double dipped NR glove with fully dipped NR flat coating and NR Crinkle on palm, this is specially developed for Non-marring applications

Neoprene/Nitrile blended Oil resistant glove with Non-washed dipping technology.

A nitrile glove range with cut levels Cut C, Cut D & Cut E, having Micro-foam Nitrile coating and No Glass & No Steel liners



#### DISPOSABLE GLOVE RANGE

Nitrile 6 grams with bio

Nitrile 7 grams Long Cuff Blue

Nitrile 7grams Long Cuff Black

Nitrile 6 grams -Palm Tex

Nitrile 6 grams – Palm Tex

PF NR 5.5 grams

6 mils Gripper Orange

8 mils Gripper long cuff

K60.1/1 Green & Black Bio

Palm Tex K70 .1 Blue11

K70.1/1 Black

Orange (K60.1 orange)

Green ( K60.1 Green)

A6.1/A6.1/1

K70.1/2 – Bio

Green -K100.1/2 Green G7

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

## PATENTS

Our portfolio of patented products and technologies is testament to commitment to innovation. The Hand Protection Sector currently has 08 patents.

| Product Name         | Awarded Year | Patent Authority                          |
|----------------------|--------------|-------------------------------------------|
| Knock It             | 2010         | National Intellectual Property Office     |
| Trak 45              | 2011         | National Intellectual Property Office     |
| NoSweat              | 2010         | National Intellectual Property Office     |
| Stick Grip           | 2010         | National Intellectual Property Office     |
|                      | 2015         | United States Patent and Trademark Office |
| ESD Pro              | 2017         | National Intellectual Property Office     |
| Neotherm             | 2019         | National Intellectual Property Office     |
| Ketoresistor         | 2022         | National Intellectual Property Office     |
| Interface Ultra Grip | 2023         | National Intellectual Property Office     |

## PATENTS APPLIED DURING THE LAST YEAR

| Product Name         | Year of Patent | Patenting Authority                       |
|----------------------|----------------|-------------------------------------------|
| Interface Ultra Grip | 2022           | European Patent Office                    |
| Interface Neo        | 2022           | United States Patent and Trademark Office |
| Xtralite Prime       | 2022           | United States Patent and Trademark Office |

### Our Strengths

**08**

Patents

**01**

Industrial design

**19**

New products developed

**13**

New products in the pipeline

**03**

Patents applied during the year

**08**

Patents are in the processing stage

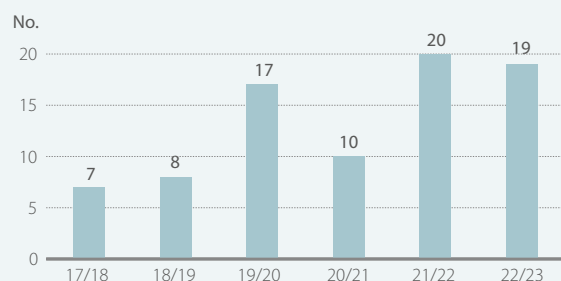
**03**

Modern Laboratory facilities

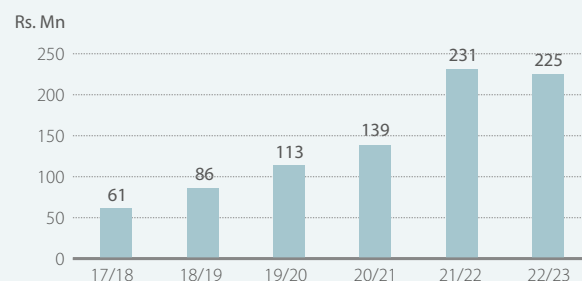
**13**

Technically sound industry experts

### NUMBER OF NEW PRODUCTS



### R & D EXPENSES



## CAPITAL REVIEW - INTELLECTUAL CAPITAL

### COMMITMENT TO QUALITY

Our sustained commitment to quality is a key element of our product proposition. In order to ensure that we maintain the highest standards in all aspects of our operation, we strictly adhere to a wide range of certification and standards as depicted below.

| Hand Protection                         | Dipped products PLC | Hanwella Rubber Products Limited | DPL Premier Gloves Limited | DPL Universal Gloves Limited | Dipped Products (Thailand) Limited |
|-----------------------------------------|---------------------|----------------------------------|----------------------------|------------------------------|------------------------------------|
| ISO 9001:2015                           | ●                   | ●                                | ●                          | ●                            | ●                                  |
| ISO14001:2015                           | ●                   | ●                                | ●                          | ●                            | ●                                  |
| ISO 45001:2018                          | ●                   | ●                                | ●                          | ●                            | ●                                  |
| ISO 13485:2016                          |                     |                                  |                            |                              | ●                                  |
| FSC COC Certification                   | ●                   | ●                                | ●                          |                              |                                    |
| Regulation (EU) 2016/425, Module D      | ●                   | ●                                | ●                          | ●                            |                                    |
| ISO 17025:2017 Laboratory Accreditation | ●                   |                                  | ●                          |                              |                                    |
| BRCGS Consumer Products Certification   | ●                   | ●                                | ●                          |                              |                                    |
| Responsible Wool Standard               |                     |                                  |                            | ●                            |                                    |
| Recycle Claim Standard                  |                     |                                  |                            | ●                            |                                    |

#### Plantation

Organic production methods USDA-NOP HANDLING / PROCESSING

HALAL CERTIFICATE

ISO 9001 2015

ISO 22000 2018 GMP HACCP

Organic production methods Organic EU

Global Standard for Food Safety

Food safety system certification FSSC 22000

KOSHER CERTIFICATE

RAINFOREST ALLIANCE CERTIFICATE

Forest Stewardship Council (FSC)

Organic Rubber (USDA/NOP, EU Organic)

Global Organic Latex Standard (GOLS)

Fair Rubber Partner

Sustainability Framework

ISO 14064-1:2018

ISO 14001:2015

ISO 50001:2018

UN Climate Neutral Now

Science Based Targets

“We are committed to driving innovation to meet the evolving needs of our customers.”



#### WAY FORWARD

New Product Development will remain a key focus as we seek to diversify our markets and develop more environmentally sustainable, high value product options. We will therefore continue to strengthen our R&D capabilities, improve our manufacturing processes and drive innovation to enhance product and brand value.



## NATURAL CAPITAL

*Agricultural inputs play an integral role in both the Hand Protection Sector as well as the Plantation Sector. Nurturing our natural capital by ensuring responsible consumption of our resources and minimizing the negative impacts of our operations is therefore of strategic importance. During the year continued to achieve notable progress on our Lifecode goals by taking proactive measures to minimize our environmental impact across our value chains.*



|        |                           |                              |           | Hand Protection  | Plantation    |
|--------|---------------------------|------------------------------|-----------|------------------|---------------|
| Inputs | <b>Energy Consumption</b> |                              |           |                  |               |
|        | Non renewable Sources     | Furnace Oil                  | MJ Mn     | 6.59             | -             |
|        |                           | Electricity                  | MJ Mn     | 101              | 37            |
|        |                           | Diesel                       | MJ Mn     | 11               | 22            |
|        |                           | LPG                          | MJ Mn     | 19               | 0.31          |
|        | Renewable Sources         | Firewood                     | MJ Mn     | 1,821            | 312           |
|        |                           | Hydro                        | MJ Mn     | -                | 4.01          |
|        |                           | Total Energy Consumed        | MJ Mn     | 1,960            | 384           |
|        | Water Withdrawal          | Surface water                | M3        | 964,699          | 90,910        |
|        |                           | Ground water                 | M3        | 87,340           | -             |
|        |                           | Rainwater                    | M3        | 409              | -             |
|        |                           | Municipal lines              | M3        | 679,918          | 3,625         |
|        |                           | <b>Total Water Withdrawn</b> | <b>M3</b> | <b>1,899,368</b> | <b>94,535</b> |
|        | Materials Consumed        | Non Renewable Materials      | Mt        | 89,890           | 5,211         |
|        |                           | Renewable Materials          | Mt        | 21,178           | 43,402        |

|         |                       |                           |        | Hand Protection | Plantation |
|---------|-----------------------|---------------------------|--------|-----------------|------------|
| Outputs | Emissions             | Scope 1 emissions         | MtCO2e | 19,268          | 5,103      |
|         |                       | Scope 2 emissions         | MtCO2e | 16,174          | 5,889      |
|         |                       | Scope 3 emissions         | MtCO2e | 1,444           | 278        |
|         |                       | Total Emissions           | MtCO2e | 36,887          | 11,271     |
|         | Effluents dis-charged |                           |        |                 |            |
|         | (By Location)         | Surface water             | M3     | 713,266         | 92,245     |
|         |                       | Groundwater               | M3     | 781,412         | N/A        |
|         |                       | Sewerage                  | M3     | N/A             | 20,772     |
|         |                       | Total Effluents Generated | M3     | 1,494,678       | 113,018    |
|         | Solid Waste           | Non hazardous Waste       | Mt     | 2,487           | 321        |
|         |                       | Hazardous Waste           | Mt     | 101             | 2          |
|         |                       | Total Waste Generated     | Mt     | 2,588           | 323        |

## CAPITAL REVIEW - NATURAL CAPITAL

## MARKET DRIVERS



## Hand Protection Sector

- Sourcing of firewood for our bio mass heaters and boilers were impacted by fuel shortages in the country and supply chain disruptions
- Rising energy prices including higher prices for furnace oil
- Climate change and its impact on water availability
- Increased levels of waste and effluents due to higher levels of operations.
- Customers placing increasing importance on ESG considerations



## Plantation Sector

- Inconsistent policy on chemical fertiliser
- Growing impact of climate change on crop quality and yield
- Rising energy prices and impact on margins



## STRATEGIC RESPONSE



## Hand Protection Sector

- Increased the use of more efficient bio-mass sources such as rubber wood
- Process efficiencies to improve boiler efficiency
- Ongoing investments in solar energy
- Greater focus on fuel efficiency
- Expansion of effluent treatment capacity
- Expansion of rainwater harvesting capacity



## Plantation Sector

- Ongoing investment in increasing solar generation capacity
- Research into new renewable energy technology including turbulent technology
- Widespread adoption of sustainable agricultural practices
- Launch of Surakimu Ganga conservation program

## VALUE CREATED

## Hand Protection Sector

- ▶ **9.5%**  
Decrease in carbon footprint
- ▶ **21%**  
Reduction in water intensity  
Litres/turnover Rs. 1 Mn
- ▶ **47%**  
Reduction in waste to landfill  
kg/turnover Rs. 1 Mn
- ▶ **>500**  
Over trees planted

## Plantation Sector

- ▶ **4.2%**  
Decrease in carbon footprint
- ▶ **42%**  
Reduction in water intensity  
Litres/turnover Rs. 1 Mn
- ▶ **53%**  
Reduction in waste to landfill  
kg/turnover Rs. 1 Mn
- ▶ **>50,000**  
Over trees planted

## ENVIRONMENTAL MANAGEMENT FRAMEWORK

DPL's environmental management framework is aligned to 'Hayleys Lifecode'; the Group-wide ESG agenda, that sets out Group's 2030 environmental, social and governance aspirations, roadmap and action plan. The framework includes specific goals and targets in the areas of energy and emission management, water and effluent management, material and waste management and biodiversity conservation. In addition the framework also provides a comprehensive policy framework and governance structure to ensure that the targets and goals are achieved.

## LIFECODE GOVERNANCE STRUCTURE



### Environmental Compliance

We ensure strict compliance with all environment related laws, regulations and standards. Compliance is monitored on an ongoing basis through the group MIS system CUBE with board oversight through the respective Audit Committees in the Hand Protection and Plantation Sector. There were no reported instances of non-compliance to any environmental regulations during the year under review.

## Policy and Standards Architecture

### Policies

- Material and Waste Management Policy
- Energy and Emissions Management Policy
- Water Management Policy
- Biodiversity Conservation Policy
- Chemical Management Policy
- Sustainability Compliance Policy

### External Standards and Certifications

- ISO 14001:2004
- Forest Stewardship Council Certification
- Rainforest Alliance Certification



## CAPITAL REVIEW - NATURAL CAPITAL

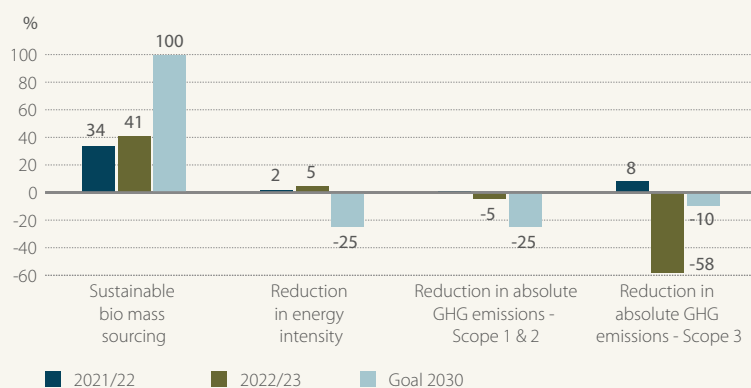
### ENERGY AND EMISSIONS MANAGEMENT

#### GROUP ENERGY AND EMISSION POLICY



“Gradually shift from non-renewable energy sources and increase reliance on renewable energy such as solar, wind, biomass energy etc. Ensure that purchased biomass is sustainably sourced and does not result in deforestation.”

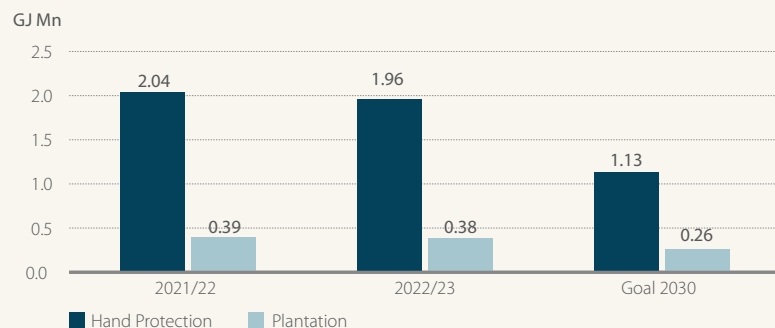
#### PROGRESS AGAINST LIFECODE ENERGY AND EMISSIONS GOALS



#### Energy Efficiency Drive

We continue to focus on improving energy efficiency across our operations amidst rising energy costs. Our newest sports gloves Manufacturing facility includes energy saving technology and sustainable building practices such as maximizing use of daylight which reduces our dependence on grid energy. We also converted all our furnace oil fuelled stand-by boilers to bio mass which enabled us to reduce the consumption of furnace oil. The centralized warehouse established during the year has also resulted in greater fuel efficiency. Meanwhile ongoing TPM initiatives, process improvements and investments in more energy efficient technology have resulted in a 9.5% decline in energy intensity in the Hand Protection Sector. Energy efficiency remains a focus area in our Plantation Sector as well. ISO 50000 2018 energy management certification has been obtained for several of our factories and we are looking to expand the certification to all our factories.

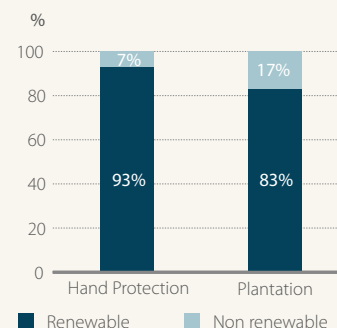
#### TOTAL ENERGY CONSUMPTION



#### Renewable Energy Drive

The Hand Protection Sector has achieved significant progress in the Group's renewable energy drive, having successfully converted all of its thermal plants to bio-mass energy sources in 2018/19. Currently 93% of sectors energy requirements are met through renewable sources. Amidst increasing challenges in sourcing firewood due to fuel shortages and logistical disruptions, we focused on increasing the efficiency of our biomass operations by shifting to more efficient bio-mass sources such as rubber wood and by driving process improvements to enhance the efficiency of boilers and heaters. We are also actively looking to increase our solar generation capacity through rooftop solar panels in our factories. In the Plantation Sector too efforts to increase dependence on renewable energy sources increased amidst rising electricity and fuel costs. Currently 83% of the Plantation Sector energy requirements are met through renewable sources such as solar power and hydro-power and we continue to focus on expanding our solar generation capacity. During the year TTE also initiated a project to explore the feasibility of turbulent technology, a hydro power technology that has a lesser impact on the eco system.

#### ENERGY MIX SECTOR



## EMISSION MANAGEMENT

The targeted shift to renewable energy sources and focused efforts to enhance energy efficiency levels across our operations have enabled us to reduce our carbon foot print and carbon intensity levels across both the Hand Protection and Plantation Sector. In the Plantation Sector, both TTE and KVPL have committed to the Science-Based Target initiative (SBTi) towards transitioning to NetZero emissions by 2050.

|                                                 | Hand Protection |            | Plantation |            |
|-------------------------------------------------|-----------------|------------|------------|------------|
|                                                 | 2022/23         | YoY Change | 2022/23    | YoY Change |
| Total Emissions (MtCO <sub>2</sub> e)           | 36,887          | -9.5%      | 11,271     | -4.2%      |
| Emission Intensity (mtCO <sub>2</sub> e/Rs. Mn) | 0.718           | -33%       | 0.393      | -42%       |

### Climate-related disclosures

We commenced using the Task Force on Climate-related Financial Disclosure (TCFD) framework to disclose climate-related risks and opportunities last financial year.



#### Governance

A robust ESG governance framework ensures board and management oversight in assessing and managing climate-related risks and opportunities

*Refer Page 33 (Corporate Governance)*



#### Strategy

Climate change has a significant impact on both the Hand Protection and Plantation Sector operations. Climate related risks and opportunities are therefore identified and are a part of our strategic priorities.

*Refer Page 76 (Integrating Sustainability)*



#### Risk Management

Climate related risks including the availability and quality of raw material is closely monitored with short, medium and long term mitigatory action taken to address the supply chain risks. Climate related risks are also identified at enterprise level.

*Refer Page 60 (Risk Management)*



#### Metrics and Targets

Clearly articulated emission targets are set out in the Hayleys Lifecode and monitored on an ongoing basis.

*Refer Page 76 (Energy and Emission management)*

**TCFD  
Disclosures**

## CAPITAL REVIEW - NATURAL CAPITAL

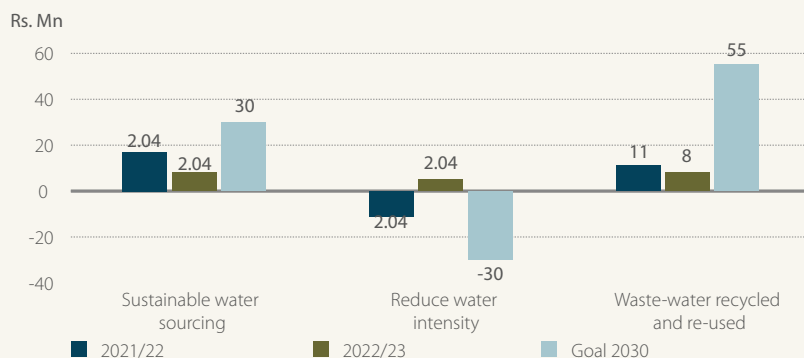
### WATER AND EFFLUENT MANAGEMENT

#### GROUP WATER AND EFFLUENT MANAGEMENT



“Identify, clearly map and measure all water inputs (classified by source), water applications (process and non-process water), water distribution plans and waste water generation (hazardous and non-hazardous) within the defined boundaries”

#### PROGRESS AGAINST LIFECODE WATER MANAGEMENT GOALS



#### Effluent Management

Each of our production facilities having its own Effluent Treatment plant to ensure that waste water discharged into the environment meet all required standards. The quality of the water discharged is also assessed frequently through sample testing, to ensure compliance to regulatory requirements on water quality including BoD and CoD parameters.

Meanwhile chemical free buffer zones have been established in all our plantations to prevent water contamination from chemical fertilizers.

#### Sustainable water sourcing

Water management is a critical concern as both the Hand Protection and Plantation Sector are water intensive operations. As water shortages become an increasingly concern the Group has placed a greater emphasis on reducing water withdrawal by increasing water recycling and rainwater harvesting across our operations. To this end, the water effluent treatment capacity in the Hand Protection Sector was enhanced by almost 50% during the last two years. We also have invested in expanding our rain water harvesting capacity across both the Hand Protection and Plantation Sectors. The Group does not operate in any area of water stress and measures are in place to consistently assess the impact of water withdrawal on bodies of water.



## MATERIAL AND WASTE MANAGEMENT

### GROUP MATERIAL MANAGEMENT POLICY



“Establish a material management programme to prioritises sustainable material sourcing while increasing the use of recycled and reclaimed material inputs where ever possible”

## Lifecode Waste Management Goals

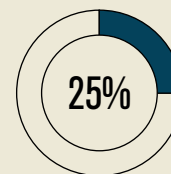
### Zero landfill waste by 2030

### Sustainable raw material Sourcing

Almost 75% of our natural latex requirement for the Hand Protection Sector is sourced locally through our Firstlight farmer network. As part of our commitment to sustainable sourcing we continue to work closely with the Firstlight farmer network, to promote sustainable agricultural practices. Meanwhile stringent procurement and supplier criteria ensure that all raw materials are sourced responsibly and sustainably.

### Efficient Resource Consumption

Efficient resource consumption is a key element of our cost management drive. Ongoing TPM initiatives and process improvements have improved efficiency levels and reduced wastage significantly. Meanwhile ongoing research on product formulations is carried out to find the most optimal consumption of raw materials. We are also increasingly focusing on using renewable and recycled raw material and packaging material.



Percentage of recycled raw material used in production process

### Green Manufacturing

We continue to explore green manufacturing processes and during the year we collaborated with 395,000 to recycle used plastic bottles in our production process.

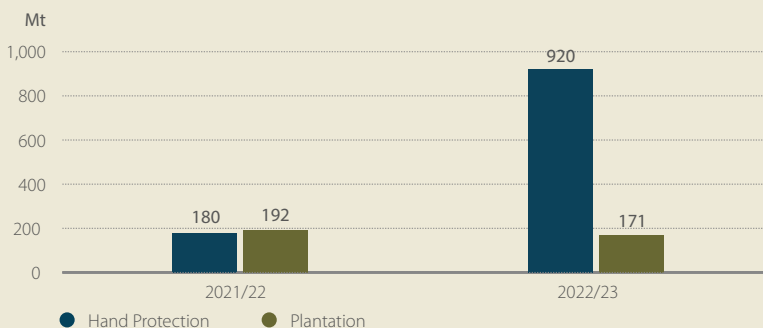
**Rs. 1.1 Mn**

Total Savings From waste reduction

### Waste Disposal

Stringent waste management practices are practiced in both sectors to ensure minimal impact on the environment. Recyclable waste generated in our Hand Protection operation such as waste rubber particles is re-used in the production process, while other recyclable waste is responsibly disposed through third party recyclers. Hazardous The chemical sludge is sent to GeoCycle for incineration while biological sludge is provided to compost manufacturers.

### WASTE TO LANDFILL



## CAPITAL REVIEW - NATURAL CAPITAL

### BIODIVERSITY CONSERVATION

We remain committed to the Hayleys Lifecode goal of enhancing biodiversity by 5 times, in the area occupied by the Group. Accordingly companies within both the Hand Protection Sector and Plantation Sector continue to undertake a range of biodiversity conservation projects. Some of the key projects undertaken during the year are as follows;

#### 'Kirulu' biodiversity conservation initiatives

Over 50,000 trees were planted by the Hand Protection and Plantation Sector as part of Kirulu' biodiversity conservation initiative. Kirula Project is the Hayleys Group's flagship biodiversity projected aimed at restoring biological ecosystems and preserving natural habitats within High Conservation Value Areas (HCVAs).



#### Surakimu Ganga conservation program

KVPL together with the International Union for Conservation of Nature (IUCN) launched the Kelani Valley Protectors Initiative (KVPI) to action a series of efforts to conserve habitats and enhance biodiversity, including aquatic life in the Kelani River Basin and the Weoya Estate Yatiyanthota to enhance water resources for surrounding communities with an initial focus on the Weoya catchment area.



Rainforest Alliance  
Certification

Forest Stewardship  
Council  
Certification

Biodiversity  
corridors by TTE  
and KVPL

Ongoing  
ecosystem  
restoration projects

### WAY FORWARD



We remain committed to achieving our Lifecode goals by continuing to focus on reducing our carbon footprint through targeted efforts to reduce our dependency on non-renewable energy sources and by exploring process improvements and product reformulations aimed at reducing the carbon intensity of our products. Meanwhile with resource scarcity becoming an increasingly significant issue we will continue to drive water and raw material management initiatives to ensure optimization of these resources.

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

## 1. GENERAL

The Directors of Dipped Products PLC present their report together with the audited Financial Statements of the Company and of the Group for the year ended March 31, 2023.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

## 2. REVIEW OF THE BUSINESS

### 2.1 Principal Business Activities of the Company and the Group

The principal activities of the Group and its management team are shown on pages 26 and 210 in this Report.

There were no material changes in the nature of business of company and the group during the financial year.

The directors to the best of their knowledge and belief confirmed that the company and the group has not engaged in any activities that contravene laws and regulations.

### 2.2 Review of Operations of the Company and the Group

The Group's businesses and their performance during the year, with comments on financial results, as well as future business developments are appraised in the joint letter from Chairman and the Managing Director on page 20 of this Report. Those also provide an overall assessment of the state of affairs of the Group and the Company with details of important events that took place during the period.

The segment wise contribution to Group revenue, profit, result, assets and liabilities are provided in Note 30 to the Financial Statements.

### 2.3 Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 139 to 202 of this report.

### 2.4 Independent Auditor's Report

Independent Auditors' Report on the Financial Statements is given on page 135.

### 2.5 Accounting Policies and Changes During the Year

The accounting policies adopted by the Company and its subsidiaries in the preparation of the Financial Statements are given on pages 147.

### 2.6 Entries in the Interests Register

The Company, in compliance with the Companies Act No.7 of 2007, maintains an Interests Register. As further required by the Act, particulars of entries in the

#### 2.6.2 Directors' Interests in Shares

Details of Directors' Shareholdings as defined in Colombo Stock Exchange Rules.

|                                                                              | No of Shares         |                     |
|------------------------------------------------------------------------------|----------------------|---------------------|
|                                                                              | As at March 31, 2023 | As at April 1, 2022 |
| Mr. A.M. Pandithage                                                          | -                    | -                   |
| Mr. H.S.R. Kariyawasan & K.H.S. Kariyawasan - 4,150,850                      |                      |                     |
| Mr. H.S.R. Kariyawasan & H.B. Kariyawasan - 799,860                          | 4,950,710            | 4,125,710           |
| Mr. R.H.P. Janadheera                                                        | 350,000              | -                   |
| Mr. F. Mohideen                                                              | -                    | -                   |
| Mr. S.C. Ganegoda                                                            | 270,000              | 250,000             |
| Mr. S. Rajapakse                                                             | -                    | -                   |
| Mr. N.A.R.R.S. Nanayakkara                                                   | 350,000              | 350,000             |
| Mr. S.P. Peiris                                                              | 61,000               | 61,000              |
| Mr. K.D.G. Gunaratne                                                         | -                    | -                   |
| Mr. K.M.D.I. Prasad                                                          | -                    | -                   |
| Mr. B. K. C. R. Ratnasiri                                                    | -                    | -                   |
| Mr. G. Molinari                                                              | -                    | -                   |
| Ms. K.A.D.B. Perera (appointed w.e.f. 19.10.2022)                            | -                    | -                   |
| Mr. S. Huat Ng (resigned w.e.f. 18.01.2023)                                  | -                    | -                   |
| Mr. K.D.D. Perera (resigned w.e.f. 10.06.2022)                               | 10,000               | 10,000              |
| Ms. Y. Bhaskaran (Alternate to Mr. K.D.D. Perera) (Ceased w.e.f. 10.06.2022) | -                    | -                   |

The Company, in compliance with the companies Act No.07 of 2007, maintains an Interests Register and the details of the entries regard to the Directors shares are as follows:

- ➔ 20,000 shares were purchased during the year by Mr. S.C. Ganegoda,
- ➔ 350,000 shares were purchased during the year by Mr. R.H.P. Janadheera
- ➔ 825,000 shares were purchased during the year by Mr. H.S.R. Kariyawasan and Mrs. K.H.S. Kariyawasan (Joint Account)

interests register of the Company and those subsidiaries, which have not dispensed with the requirement to maintain interest's registers, as permitted under Section 30 of the Companies Act, are detailed below.

#### 2.6.1 Directors' Interest in Transactions

Directors of the Company and its subsidiaries have made the general disclosures provided for in Section 192(2) of the Companies Act No. 7 of 2007. Note 33 to the Financial Statements dealing with related party disclosures include details of their interests in transactions.

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

### 2.6.3 Directors' Remuneration

The Executive Directors' remuneration is established within an established framework. The total remuneration of Executive Directors of the Company for the year ended March 31, 2023 is Rs. 282,365,129 (2022 - Rs. 224,944,001) which includes the value of perquisites granted to them as part of their terms of service. The total remuneration of Non-Executive Directors for the year ended March 31, 2023 is Rs. 7,324,500 (2022 - Rs. 5,469,000) determined according to scales of payment decided upon by the Board. The Board is satisfied that the payment of this remuneration is fair to the Company.

Remuneration paid to the Directors of the subsidiary companies for financial year ended March 31, 2023 is Rs. 205,463,921 (2022 - Rs. 206,471,802).

### 2.6.4 Insurance & Indemnity

The ultimate Parent of the Company, Hayleys PLC has obtained a Directors & Officers liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

### 2.7 Corporate Donations

No donations were made for the year ended March 31, 2023. (2022 - Nil).

## 3. FUTURE DEVELOPMENTS

Future developments are discussed in the joint letter from Chairman and the Managing Director on page 20 of this Report.

## 4. GROUP REVENUE AND INTERNATIONAL TRADE

The gross turnover of the Group during the year was Rs. 80,099,311,486 (2022 - Rs. 55,293,982,736). The Group turnover from international trade in Hand Protection Sector amounted to Rs. 51,384,330,970 (2022 - Rs. 37,917,943,983). Further information on Group turnover is detailed in Note 3 to the Financial Statements.

The Group's exports from Sri Lanka, amounted to Rs. 41,576,404,720 (2022 - Rs. 25,842,097,705) in the year under review.

The Group's revenue from International Trade, which includes the revenue of overseas subsidiaries in addition to exports from Sri Lanka, amounted to Rs. 20,629,549,709 (2022 - Rs. 21,408,855,820) in the year under review.

Trade between Group companies is conducted at fair market prices.

## 5. PERFORMANCE AND RESERVES

### 5.1 Performance

| Profits                                                                                                                                              | 2023        | 2022        |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                                      | Rs.'000     | Rs.'000     |
| After making provisions for all known liabilities and depreciation on property, plant & equipment the profit earned by the Group before taxation was | 11,218,692  | 7,596,775   |
| And taxation on Group profits amounting to were deducted                                                                                             | (2,716,267) | (1,185,975) |
| The Group was left with a profit of                                                                                                                  | 8,502,424   | 6,410,800   |
| And the amount attributable to non-controlling interest of                                                                                           | 1,995,341   | 1,028,149   |
| And other comprehensive income attributable to parent was                                                                                            | (12,726)    | 8,585       |
| And the balance of the previous year net of final dividend and appropriations were adjusted                                                          | 15,180,015  | 11,288,966  |
| The profit before appropriation was                                                                                                                  | 21,674,372  | 16,680,202  |
| <b>Appropriations</b>                                                                                                                                |             |             |
| Your Directors have made appropriations as follows:                                                                                                  |             |             |
| First Interim dividend authorized                                                                                                                    | 748,269     | 568,684     |
| Second Interim dividend authorized                                                                                                                   | 598,615     | 269,377     |
| Third Interim dividend authorized                                                                                                                    | 359,169     | 299,308     |
| Total appropriations                                                                                                                                 | 1,706,053   | 1,137,369   |

### 5.2 Reserves

The total Group reserves as at March 31, 2023 amount to Rs. 26,376,445,640 (2022 - Rs. 21,308,185,000) comprising capital reserves of Rs. 610,315,315 (2022 - Rs. 580,773,000), available-for-sale reserve of Rs. 69,139,000 - (2022 - Rs. 64,776,000) and revenue reserves of Rs. 25,696,991,325 (2022 - Rs. 20,662,636,000). The composition of reserves is shown in the Statement of Changes in Equity in the Financial Statements.

### 5.3 Dividend

First Interim Dividend of Rs.1.25 per share was paid to the shareholders on October 21, 2022. The second Interim Dividend of Rs. 1.00 per share was paid to the shareholders on January 20, 2023. Third Interim Dividend of Rs.0.60 per share was paid to the Shareholders on April 12, 2023.

The Board of Directors has recommended the payment of a final dividend of Rs. 0.50 per share payable on July 12, 2023 to the shareholders of the issued ordinary shares of the Company as at close of business on June 27, 2023. The proposed dividend is subject to shareholder approval at the forthcoming Annual General Meeting.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 and a solvency certificate was obtained from the Auditors in respect of the interim dividends paid and has been sought in respect of the final dividend proposed.

## 6. PROPERTY, PLANT AND EQUIPMENT

Group expenditure on Property, Plant and Equipment during the year amounted to Rs. 4,105,781,000 (2022 - Rs. 3,964,843,631).

The movement in Property, Plant and Equipment during the year is set out in Note 10 to the Financial Statements.

## 7. MARKET VALUE OF FREEHOLD

The freehold land of the Group has in general been subjected to routine revaluation by independent qualified valuers. The most recent revaluations of the lands were carried out as at March 31, 2022. Details of revaluations, carrying values and market values are provided in Note 10.4 to the Financial Statements.

## 8. ISSUE OF SHARES AND DEBENTURES

### 8.1 Issue of Shares and Debentures by the Company

The Company did not issue any shares or Debenture during the year ended March 31, 2023.

### 8.2 Stated Capital and Debentures

The stated capital of the Company, consisting of 598,615,120 ordinary shares, amounts to Rs.598,615,120 as at March 31, 2023.

There was no change in stated capital during the year.

There was no debenture as at March 31, 2023.

## 9. SHARE INFORMATION

Information relating to earnings, dividend, net assets per share and share trading are given on pages 204 to 209.

## 10. SUBSTANTIAL SHAREHOLDINGS

### 10.1 Major Shareholdings

The Twenty major shareholders as at March 31, 2023 are given on page 207 in this Report.

### 10.2 Public Holding

The public holding March 31, 2023 are given on page 207 in this report.

## 11. DIRECTORS

The names of the Directors who served during the year are given on page 28 in this report.

Ms. K.A.D.B. Perera was appointed to the Board as Directors on October 19, 2022 and In terms of Article 27 (2) of the Articles of Association of the Company, shareholders will be requested to re-elect her at the Annual General Meeting.

In terms of Article 29 (1) of the Articles of Association of the Company, Messrs. Mr. S.C. Ganegoda, N.A.R.R.S. Nanayakkara and S.P. Peiris retire by rotation and being eligible offer themselves for re-election.

Pursuant to section 211 of the Companies Act No.07 of 2007 an ordinary Resolutions will be put before the shareholders for the reappointment of Mr. A. M. Pandithage and Mr. F. Mohideen notwithstanding the age limit of seventy years stipulated by section 210 of the Companies Act.

The Directors of the subsidiaries are given on pages 210.

## 12. DISCLOSURE OF DIRECTORS' DEALING IN SHARES AND DEBENTURES

Directors' dealings and Directors' holdings in ordinary shares are given under Note 2.6.2 of this report.

None of the Directors hold debentures in Dipped Products PLC.

## 13. EMPLOYEE SHARE OWNERSHIP PLANS

The Company does not operate any share option schemes

## 14. DIRECTORS' DISCLOSURE OF INTEREST

Disclosure of interest by the Directors of the Company are detailed in Note 2.6 of this report.

## 15. RELATED PARTY TRANSACTIONS

The Board of Directors has given the following statement in respect of the related party transactions.

The related party transactions of the Company during the financial year have been re-viewed by the Related Party Transactions Review Committee of Hayleys PLC, the parent Company of Dipped Products PLC and are in compliance with Section 09 of the CSE Listing Rules.

Please refer to page number 129 for RPTRC Report.

## 16. ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages 115 to 122.

## 17. STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time.

## 18. EVENTS AFTER THE REPORTING DATE

No circumstances have arisen since the reporting period end which would require adjustment to or disclosure in, other than those disclosed in Note 38 to the Financial Statements.

## 19. GOING CONCERN

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

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

### 20. EXPOSURE TO RISK

The Group has a structured risk management process in place to support its operations.

The Audit Committees play a major role in this process. The Risk Management section of this report elaborates these practices and the Group's risk factors.

### 21. APPOINTMENT OF AUDITORS

Messrs Ernst & Young, Chartered Accountants, are deemed reappointed, in terms of Section 158 of the Companies Act No. 7 of 2007, as Auditors of the Company for the year 2023/2024.

### 22. AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS

The Auditors, Messrs Ernst & Young, Chartered Accountants, will be paid Rs. 3,308,140 (2022 – Rs. 2,851,837) and Rs. 19,868,401 (2022 – Rs. 14,666,974) as audit fees by the Company and its Subsidiaries respectively. Messrs Ernst & Young, Chartered Accountants will be paid Rs. 621,992 (2022 – Rs. 1,314,968) and Rs. 2,683,287 (2022 – Rs. 3,216,099) by the Company and the Group, for non-audit related work, which consisted mainly of tax consultancy services. In addition to the above, Rs. 11,887,634 (2022 – Rs. 7,970,649) for ICOGUANTI S.p.A, Rs. 2,361,034 (2022 – Rs. 1,389,398) for Dipped Products (Thailand) Ltd, Rs. 6,581,296 for DPL France SAS, Rs. 2,626,815 for ROZENBAL POLSKA Sp.z.o.o were paid as audit fees respectively.

As far as the Directors are aware, the Auditors of the Company and of the subsidiaries do not have any relationships (other than that of an Auditor) with the Company or any of its subsidiaries other than those disclosed above. The Auditors also do not have any interests in the Company or any of its Group Companies.

A resolution for the re-appointment of Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company for the year 2023/2024 will be proposed at the Annual General Meeting.

A resolution authorizing the Directors be determined their remuneration will be submitted at the Annual General Meeting.

### 23. RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirements of the Colombo Stock Exchange are given on page 204 of this Report.

### 24. EMPLOYEES & INDUSTRIAL RELATIONS

The Group has a structure and a culture that recognises the aspirations, competencies and commitment of its employees. Career growth and advancement within the Group is promoted. Details of Group's human resource practices and employee and industrial relationships are given in Social Performance section of the Sustainability Review.

### 25. SHAREHOLDERS

It is the Group's policy to endeavour to ensure equitable treatment to its shareholders.

### 26. INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

### 27. BOARD SUBCOMMITTEES

Please refer the pages number 127 to 131 for board subcommittee reports.

### 28. CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange.

The Corporate Governance Report on pages 33 discusses this further.

### 29. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Registered office No. 400, Deans Road, Colombo 10, Sri Lanka on Tuesday, June 27, 2023 at 3.30 p.m. The Notice of the Annual General Meeting appears on page 222.

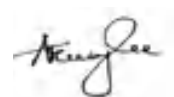
For and on behalf of the Board,



**Mohan Pandithage**  
Chairman



**Pushpika Janadheera**  
Managing Director



**Hayleys Group Services (Private) Limited**  
Secretaries  
400, Deans Road,  
Colombo 10

May 18, 2023

# NOMINATION COMMITTEE REPORT

The Nomination Committee of Hayleys PLC, the parent Company functions as the Committee of the Company.

## Composition

- Mr. A.M. Pandithage\* - Chairman
- Dr. H. Cabral PC \*\*\*
- Mr. M.Y.A. Perera \*\*\* – appointed w.e.f. April 21, 2023
- Mr. K.D.D. Perera \*\* – resigned w.e.f. June 10, 2022

\* Executive Director

\*\* Non-Executive Director

\*\*\*Independent Non-Executive Director

## Attendance at Committee Meetings

| Director                                                         | Attendance |
|------------------------------------------------------------------|------------|
| Mr. A.M. Pandithage                                              | 9/9        |
| Dr. H.C. Cabral                                                  | 9/9        |
| Mr. K.D.D. Perera<br>(or by his Alternate<br>Ms. K. Amarasinghe) | 1/2        |

## DUTIES OF THE NOMINATION COMMITTEE

- Consider the making of any appointment of new Directors or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking in to consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.
- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. S.C. Ganegoda, Mr. N.A.R.R.S. Nanayakkara and Mr. S.P. Peiris to the Board at the Annual General Meeting to be held on June 27, 2023.
- The Committee has recommended to reappoint Mr. A.M. Pandithage and Mr. F Mohideen who retire having attained the age of over seventy years.
- Ms. K.A.D.B. Perera has been recommended to the Board by the Committee and have been appointed to the Board on October 19, 2022 subject to the election by the shareholders at the Annual General Meeting.



**Mohan Pandithage**

Chairman

Nomination Committee

May 19, 2023

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee of Hayleys PLC, the parent Company functions as the Committee of the Company.

## Composition

- Dr. H. Cabral, PC \*\* - Chairman
- Mr. M.Y.A Perera \*\*
- Mr. M.H. Jamaldeen \*\*
- Mr. K.D.G. Gunaratne\*\* - appointed w.e.f April 21, 2023
- Mr. K.D.D. Perera\* - Resigned w.e.f June 10, 2022

\* Non-Executive Director

\*\*Independent Non-Executive Director

The Chairman assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

## Attendance at Committee Meetings

| Director           | Attendance |
|--------------------|------------|
| Dr. H. Cabral, PC  | 2/2        |
| Mr. M.Y.A. Perera  | 2/2        |
| Mr. M.H. Jamaldeen | 2/2        |
| Mr. K.D.D. Perera  | 1/1        |

## DUTIES OF THE REMUNERATION COMMITTEE

- Duties of the Remuneration Committee The Committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include:
- Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.
- Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company.
- Review information related to executive pay from time to time to ensure same is in par with the market/industry rates.
- Evaluate the performance of the Chairman & Chief Executive and Key Management Personnel against the predetermined targets and goals.
- Assess and recommending to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Approving annual salary increments and bonuses

## REMUNERATION POLICY

The remuneration policy is to attract and retain a highly qualified and experienced work force, and reward performance accordingly in the backdrop of industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

## ACTIVITIES IN 2022/2023

During the year the committee reviewed the performance of the Chairman and Executive Directors based on the targets set in the previous year and determined the bonus payable and the annual increments.

Recommended the bonus payable and annual increments to be paid to Executive and Non-Executive staff based on the ratings of the Performance Management System.

**Dr. Harsha Cabral, PC.**

Chairman

Remuneration Committee

May 19, 2023

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transaction Review Committee of Hayleys PLC, the parent Company functions as the Committee of the Company in terms of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

## Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprised of the following members;

- Dr H Cabral, PC\*\* - Chairman
- Mr. M.Y.A. Perera \*\*
- Mr. S C Ganegoda\*

\* Executive Director

\*\* Independent Non-Executive Director

The committee met 4 times during the financial year 2022/2023 and the meetings held on May 17, 2022, August 10, 2022, November 8, 2022 and February 10, 2023.

## Attendance at Committee Meetings

| Director         | Attendance |
|------------------|------------|
| Dr H Cabral, PC  | 4/4        |
| Mr. M.Y.A.Perera | 4/4        |
| Mr. S C Ganegoda | 4/4        |

## THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties to with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary including obtaining appropriate professional and expert advice from suitably qualified persons.
- To recommend, where necessary, to the Board and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

## TASK OF THE COMMITTEE

- The Committee re-viewed the related party transactions and their compliances of Dipped Products PLC and communicated the same to the Board.
- The Committee in its re-view process recognized the adequacy of the content and quality of the information forwarded to its members by the management.

## DISCLOSURES

- A detailed disclosure of all the related party transactions including recurrent and non-recurrent related party transactions which are required to be disclosed under section 9.3.2 of the listing rules of the Colombo Stock Exchange has been made in note 33 to the financial statements given in page 191 to this report.

**Dr. Harsha Cabral, PC.**

Chairman

Related Party Transactions Review Committee of Hayleys PLC

May 17, 2023

# AUDIT COMMITTEE REPORT

The Audit Committee, appointed by and responsible to the Board of Directors, comprises the following three Independent Non-Executive Directors:

- Mr. S Rajapakse (Chairman)
- Mr. F Mohideen
- Mr. S P Peiris

The Chairman of the committee, Mr. S Rajapakse is an Independent Non - Executive Director. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA from Postgraduate Institute of Management, University of Sri Jayawardenepura.

Brief profiles of each member are given on pages 28 to 30 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

Company secretary acts as the secretary to the audit committee. The Chairman, Hayleys Group Chief Finance Officer, the Managing Director and Finance Director of the Company and, Head of Group Management Audit & System Review attend meetings of the Committee by invitation.

## CHARTER OF THE AUDIT COMMITTEE

The audit committee Charter is periodically reviewed and revised with the concurrence of Board of Directors. The terms of reference of the committee are clearly defined in the Charter of the Audit Committee.

Rules on Corporate Governance under listing rules of corporate governance under Colombo Stock Exchange and Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka further regulate the composition, role and functions of the Board Audit Committee.

## MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met 4 times during the year. The attendance of the members at these meetings is as follows:

| Director                   | Attendance |
|----------------------------|------------|
| Mr. S Rajapakse (Chairman) | 4/4        |
| Mr. F Mohideen             | 4/4        |
| Mr. S P Peiris             | 4/4        |

## THE OBJECTIVE AND ROLE OF THE AUDIT COMMITTEE

The role of the committee, which has specific terms of reference, is described in the Corporate Governance Report on page 33 of this report.

## TASKS OF THE AUDIT COMMITTEE

### Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The methodology included obtaining statements of compliance from Heads of Finance and Directors-in-charge of operating units. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognised the adequacy of the content and quality of routine management information reports forwarded to its members.

## INTERNAL AUDITS

The Committee reviewed the process to assess the effectiveness of the Internal Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial

reporting system can be relied upon in preparation and presentation of Financial Statements. The Hayleys Group Management Audit & Systems Review Department (MA & SRD) reports on key control elements and procedure in Group companies that are selected according to an annual plan were reviewed. Internal Audits are outsourced wherever necessary, to leading audit firms in line with an agreed annual audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon. The Committee appraised the independence of the Group MA & SRD and other internal auditors, in the conduct of their assignments.

The committee reviewed statements that indicated major business risks, mitigating actions or contemplated for management of these risks.

## SUBSIDIARY COMPANY AUDIT COMMITTEES

Kelani Valley Plantations PLC, Talawakelle Tea Estates PLC and Horana Plantations PLC the other quoted companies in the Group have independent Non-Executive Directors constituted in their own Audit Committees to review activities. Their terms of reference are similar to the terms of the DPL Group Audit Committee and reports from these committees will be forwarded to the DPL Group Audit Committee.

## EXTERNAL AUDITS

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of Group Companies. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business units. Remedial action was recommended wherever necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure that their independence as External Auditors has not been impaired.

The Audit Committee provides the opportunity to External Auditors to meet Audit Committee members independently, if necessary.

### APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messers Ernst & Young; continued as External Auditors for the financial year ending March 31, 2024.

### SUPPORT TO THE COMMITTEE

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

### ETHICS AND GOOD GOVERNANCE

The committee continuously emphasized on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistle- Blowing or identified through other means. The Whistle-Blower Policy guarantees strict confidentiality of the identity of the Whistle-Blowers.

### SRI LANKA ACCOUNTING STANDARDS

Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Group companies and made recommendation to the Board of Directors. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals.

The committee has pursued the assistance of Messers Ernst and Young to assess and review the existing SLFRS policies and procedures adopted by the Group.



**Sujeewa Rajapakse**

Chairman

Audit Committee

May 15, 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible under sections 150 (1), 151, 152 (1) & 153 of the Companies Act No. 7 of 2007 (The Companies Act.), to ensure compliance with the requirements set out therein to prepare financial statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

The Directors are also responsible, under section 148 of the Companies Act to ensure that proper accounting records are kept to enable, determination of the financial position with reasonable accuracy, preparation of financial statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the financial statements presented. The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected.

They also confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting standards, the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the company, key operations and specific inquiries that adequate resources exist to support the Company on a going concern basis over the next year. These financial statements have been prepared on that basis.

The Directors have taken proper and sufficient measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect frauds and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

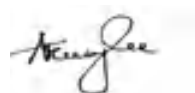
The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the interim dividends paid and final dividend proposed. Also a solvency certificate was obtained from the Auditors in respect of the said interim dividends paid and will be obtained for final dividend proposed.

The external Auditors, Messrs Ernst & Young chartered Accountants who were re-appointed in terms of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The report of the Auditors, shown on page 135 sets out their responsibilities in relation to the Financial Statements.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and its Subsidiaries as at the Balance Sheet date have been paid or provided where relevant.

By order of the Board



**HAYLEYS GROUP SERVICES (PVT) LTD**

Secretaries

May 18, 2023

## FINANCIAL STATEMENTS

# HANDS THAT



# ADD VALUE

We are well-equipped to leverage our resources and explore new avenues to carry forth the value we have secured today into the future.

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# FINANCIAL CALENDAR 2022/23

## Interim Reports

|                                  |                   |
|----------------------------------|-------------------|
| Quarter ended June 30, 2022      | August 9, 2022    |
| Quarter ended September 30, 2022 | November 10, 2022 |
| Quarter ended December 31, 2022  | February 13, 2023 |
| Quarter ended March 31, 2023     | May 19, 2023      |

|                                      |                  |
|--------------------------------------|------------------|
| Annual Report - 2022/23              | June 2, 2023     |
| Forty Seventh Annual General Meeting | June 27, 2023    |
| First Interim dividend paid          | October 21, 2022 |
| Second Interim dividend paid         | January 20, 2023 |
| Third Interim dividend paid          | April 12, 2023   |
| Final dividend proposed              | May 18, 2023     |
| Final dividend payable               | July 12, 2023    |

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
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Colombo 10, Sri Lanka

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DIPPED PRODUCTS PLC

### Report on the audit of the Consolidated Financial Statements

#### Opinion

We have audited the financial statements of Dipped Products PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the Statement of Financial Position as at 31 March 2023, and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditors' 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 Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue Recognition</b><br>The Group recognized revenue from contracts with customers amounting to Rs. 80,099 Mn in accordance with the Group accounting policy as disclosed in Note 2.19.1 and 3.<br><br>Revenue Recognition was a key audit matter due to: <ul style="list-style-type: none"> <li>its significance coupled with the significant increase (45%) in revenue recorded by the Group during the year; and</li> <li>considerations to be made on terms attached to sales arrangements relating to the timing of transfer of control of the goods.</li> </ul> | Our audit procedures to address this area of focus included the following: <ul style="list-style-type: none"> <li>Obtained an understanding of the nature of revenue contracts entered into by the Group and performed inquiries of management and appropriate analytical procedures to understand and assess the reasonableness of the reported revenues,</li> <li>where appropriate, evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to the sale of goods,</li> <li>tested the appropriateness of revenue recognised by reviewing relevant sales contracts and other supporting documents, and</li> <li>tested transactions recorded at year-end, assessing whether revenue was recognized in the correct accounting period, particularly testing how terms of sales arrangements were considered within the revenue recognition process.</li> </ul> We also assessed the appropriateness and completeness of the related disclosures provided in Notes 2.19.1 and 3 to the financial statements. |

## INDEPENDENT AUDITOR'S REPORT

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Retirement Benefit Obligation</b></p> <p>The retirement benefit obligation as at 31 March 2023 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group.</p> <p>Measurement of the retirement benefit obligation was a key audit matter due to following reasons:</p> <ul style="list-style-type: none"> <li>The retirement benefit obligation of the Group is significant (Rs. 3,464 Mn) in the context of the total liabilities of the Group (12% of total liabilities).</li> <li>The actuarial valuation involves making significant assumptions about discount rate. Further, the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation.</li> <li>The determination of the base salary/wage rate and the future salary/wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end.</li> </ul> <p>Key areas of significant judgements, estimates and assumptions are disclosed in Note 25 to the financial statements.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We assessed the competency, capability and objectivity of the external actuary engaged by the Group.</li> <li>We read the external actuary's report and understood the key estimates made and the approach taken by the actuary in determining the present value of retirement benefit obligation.</li> <li>We assess the reasonableness of the discount rate used, to our internally developed benchmarks.</li> <li>We validated the key data used by the actuary to the underlying data held by the Group.</li> </ul> <p>We have also assessed the adequacy of the disclosures made in Notes 25 to the financial statements relating to the significant judgements and estimates.</p>                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>Bearer Biological Assets</b></p> <p>Bearer Biological Assets are a significant non-current asset in the Group representing 9% of the total assets consisting with Rs. 4,425 Mn as Mature Plantations and Rs 1,459 Mn as Immature Plantations as at 31 March 2023</p> <p>Assessing the valuation of Bearer Biological asset in the financial statements is a key audit matter due to following factors:</p> <ul style="list-style-type: none"> <li>Materiality of the balance and its significance to total assets of the group.</li> <li>Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers are to be made from immature plantations to mature plantations and for the identification of triggers of impairment.</li> </ul>                                                                                                                                                                                                                                                                                              | <p>Our audit procedures to address this area of focus included the following:</p> <ul style="list-style-type: none"> <li>Assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations.</li> <li>Validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidence.</li> <li>Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations.</li> <li>Assessed the reasonableness of depreciation provided on the matured plantations by performing independent computation.</li> <li>Inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment are identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements.</li> </ul> <p>We also assessed the adequacy of the related disclosures given in Notes 10 in the financial statements.</p> |

### Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. The 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 on this regard.

### Responsibilities of management and those charged with governance

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditors' 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 auditors' 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 Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the



# STATEMENT OF PROFIT OR LOSS

| Year ended March 31,                         | Notes | Group           |                 | Company         |                 |
|----------------------------------------------|-------|-----------------|-----------------|-----------------|-----------------|
|                                              |       | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>Revenue from contracts with customers</b> | 3     | 80,099,312      | 55,293,983      | 10,589,861      | 6,610,277       |
| Cost of sales                                |       | (60,490,240)    | (44,561,333)    | (6,982,555)     | (5,289,337)     |
| <b>Gross profit</b>                          |       | 19,609,072      | 10,732,650      | 3,607,306       | 1,320,940       |
| Other income and gains                       | 4     | 766,748         | 833,407         | 2,747,078       | 1,455,815       |
| Distribution costs                           |       | (2,660,512)     | (1,402,795)     | (315,972)       | (38,364)        |
| Administrative expenses                      |       | (8,087,179)     | (4,803,655)     | (1,384,231)     | (1,028,196)     |
| Finance cost                                 | 5.1   | (1,054,716)     | (706,458)       | (449,490)       | (311,712)       |
| Finance income                               | 5.2   | 2,645,279       | 2,943,626       | 1,436,940       | 1,644,069       |
| <b>Profit before tax</b>                     | 6     | 11,218,692      | 7,596,775       | 5,641,631       | 3,042,552       |
| Tax expense                                  | 7     | (2,716,268)     | (1,185,975)     | (339,212)       | (242,132)       |
| <b>Profit for the year</b>                   |       | 8,502,424       | 6,410,800       | 5,302,419       | 2,800,420       |
| <b>Attributable to:</b>                      |       |                 |                 |                 |                 |
| Equity holders of the parent                 |       | 6,507,083       | 5,382,651       | 5,298,176       | 2,800,420       |
| Non-controlling interest                     |       | 1,995,341       | 1,028,149       | -               | -               |
|                                              |       | 8,502,424       | 6,410,800       | 5,298,176       | 2,800,420       |
| Basic earnings per share (Rs.)               | 8     | 10.87           | 8.99            | 8.86            | 4.68            |
| Diluted earnings per share (Rs.)             | 8     | 10.87           | 8.99            | 8.86            | 4.68            |
| Dividends per share (Rs.)                    | 9     | 3.00            | 2.50            | 3.00            | 2.50            |

Figures in brackets indicate deductions.

The Notes on pages 147 to 202 form an integral part of the Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

| Year ended March 31,                                                                                          | Notes    | Group           |                 | Company         |                 |
|---------------------------------------------------------------------------------------------------------------|----------|-----------------|-----------------|-----------------|-----------------|
|                                                                                                               |          | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Profit for the year                                                                                           |          | 8,502,424       | 6,410,800       | 5,302,419       | 2,800,420       |
| <b>Other comprehensive income (OCI)</b>                                                                       |          |                 |                 |                 |                 |
| <b>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)</b>     |          |                 |                 |                 |                 |
| Currency translation of foreign operations                                                                    |          | 689,335         | 2,276,284       | -               | -               |
| <b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax)</b> |          |                 |                 |                 |                 |
| Actuarial gain/(loss) on defined benefit plans and agents' indemnity fund                                     | 25.2/26  | (43,701)        | 40,589          | (9,519)         | (55,248)        |
| Tax effect on actuarial gain/(loss)                                                                           | 7.2/18.2 | 31,133          | 3,055           | 2,856           | 7,735           |
| Net gain on equity instruments designated at Fair Value through Other Comprehensive Income                    | 17       | 6,024           | 32              | -               | -               |
| Revaluation of land                                                                                           | 10       | -               | 128,028         | -               | 51,862          |
| Tax effect on land revaluation                                                                                | 7.2/18.2 | (27,542)        | (16,041)        | (17,508)        | (7,261)         |
| <b>Other comprehensive income for the year (net of tax)</b>                                                   |          | 655,249         | 2,431,947       | (24,171)        | (2,912)         |
| <b>Total comprehensive income for the year (net of tax)</b>                                                   |          | 9,157,673       | 8,842,747       | 5,278,248       | 2,797,508       |
| <b>Attributable to:</b>                                                                                       |          |                 |                 |                 |                 |
| Equity holders of the parent                                                                                  |          | 7,156,488       | 7,756,719       | 5,278,248       | 2,797,508       |
| Non-controlling interest                                                                                      |          | 2,001,185       | 1,086,028       | -               | -               |
| <b>Total comprehensive income for the year (net of tax)</b>                                                   |          | 9,157,673       | 8,842,747       | 5,278,248       | 2,797,508       |

Figures in brackets indicate deductions.

The Notes on pages 147 to 202 form an integral part of the Financial Statements.

# STATEMENT OF FINANCIAL POSITION

| Year ended March 31,                                             | Notes | Group          |                | Company        |                |
|------------------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                                                  |       | 2023<br>Rs:000 | 2022<br>Rs:000 | 2023<br>Rs:000 | 2022<br>Rs:000 |
| <b>ASSETS</b>                                                    |       |                |                |                |                |
| <b>Non-Current Assets</b>                                        |       |                |                |                |                |
| Property, plant and equipment                                    | 10    | 21,811,416     | 16,344,832     | 1,385,791      | 1,166,197      |
| Formers (moulds)                                                 | 11    | 608,431        | 436,494        | 122,950        | 90,166         |
| Biological assets                                                | 13    | 1,313,068      | 599,064        | -              | -              |
| Right of use assets                                              | 14    | 1,469,092      | 1,345,567      | 9,974          | 24,657         |
| Intangible assets                                                | 15    | 811,467        | 315,131        | 11,826         | 23,666         |
| Investments in subsidiaries                                      | 16.1  | -              | -              | 7,352,658      | 5,892,658      |
| Other non-current financial assets                               | 17    | 397,711        | 393,261        | 678            | 1,000          |
| Deferred tax assets                                              | 18.1  | 258,614        | 169,425        | 57,629         | -              |
|                                                                  |       | 26,669,799     | 19,603,774     | 8,941,506      | 7,198,344      |
| <b>Current Assets</b>                                            |       |                |                |                |                |
| Inventories                                                      | 19    | 12,648,602     | 12,070,081     | 1,253,196      | 1,170,925      |
| Trade and other receivables                                      | 20    | 12,440,827     | 12,129,696     | 1,760,783      | 1,644,784      |
| Advances and prepayments                                         |       | 1,571,793      | 1,201,284      | 278,614        | 115,490        |
| Amounts due from subsidiaries                                    | 21.2  | -              | -              | 203,361        | 1,686,497      |
| Cash and short term deposits                                     |       | 9,659,763      | 9,044,765      | 2,397,144      | 3,088,241      |
|                                                                  |       | 36,320,985     | 34,445,826     | 5,893,098      | 7,705,937      |
| <b>Total assets</b>                                              |       | 62,990,784     | 54,049,600     | 14,834,604     | 14,904,281     |
| <b>EQUITY AND LIABILITIES</b>                                    |       |                |                |                |                |
| <b>Equity</b>                                                    |       |                |                |                |                |
| Stated capital                                                   | 22    | 598,615        | 598,615        | 598,615        | 598,615        |
| Capital reserves                                                 |       | 610,315        | 580,773        | 266,277        | 283,785        |
| Fair value reserve of financial assets at fair value through OCI |       | 69,139         | 64,776         | -              | -              |
| Revenue reserves                                                 |       | 25,696,991     | 20,662,636     | 9,066,481      | 5,770,095      |
| <b>Equity attributable to equity holders of the parent</b>       |       | 26,975,061     | 21,906,800     | 9,931,374      | 6,652,495      |
| Non-controlling interest                                         |       | 6,540,249      | 4,452,443      | -              | -              |
| <b>Total equity</b>                                              |       | 33,515,310     | 26,359,243     | 9,931,374      | 6,652,495      |
| <b>Non-Current Liabilities</b>                                   |       |                |                |                |                |
| Interest-bearing loans and borrowings                            | 23.1  | 3,576,522      | 2,535,569      | -              | 351            |
| Deferred income                                                  | 24    | 896,440        | 809,083        | -              | -              |
| Defined benefit obligations                                      | 25.2  | 3,464,696      | 2,866,645      | 737,427        | 611,422        |
| Agents' indemnity fund                                           | 26    | 135,865        | 131,118        | -              | -              |
| Deferred tax liabilities                                         | 18.2  | 2,277,368      | 775,949        | -              | 113,377        |
|                                                                  |       | 10,350,891     | 7,118,364      | 737,427        | 725,150        |
| <b>Current Liabilities</b>                                       |       |                |                |                |                |
| Trade and other payables                                         | 27    | 10,052,128     | 8,201,624      | 1,408,840      | 1,196,580      |
| Interest-bearing loans and borrowings                            | 23.2  | 7,860,179      | 11,873,634     | 731,876        | 5,232,926      |
| Amounts due to subsidiaries                                      | 28    | -              | -              | 1,508,812      | 1,064,548      |
| Income tax payable                                               | 29.2  | 1,212,276      | 496,735        | 516,274        | 32,582         |
|                                                                  |       | 19,124,583     | 20,571,993     | 4,165,803      | 7,526,636      |
| <b>Total liabilities</b>                                         |       | 29,475,474     | 27,690,357     | 4,903,230      | 8,251,786      |
| <b>Total equity and liabilities</b>                              |       | 62,990,784     | 54,049,600     | 14,834,604     | 14,904,281     |

Figures in brackets indicate deductions.

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007

The Notes on pages 147 to 202 form an integral part of the Financial Statements.



**Ramesh Nanayakkara**  
Director - Finance

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



**Mohan Pandithage**  
Chairman



**Pushpika Janadheera**  
Managing Director

# STATEMENT OF CHANGES IN EQUITY

| Year ended March 31,                                                                    | Stated Capital | Attributable to Equity holders of the Parent |                      |                        |                                                                  |                 |                |                                   |                   |                                  |             |           |             | Total  | Non-Controlling Interest | Total Equity |
|-----------------------------------------------------------------------------------------|----------------|----------------------------------------------|----------------------|------------------------|------------------------------------------------------------------|-----------------|----------------|-----------------------------------|-------------------|----------------------------------|-------------|-----------|-------------|--------|--------------------------|--------------|
|                                                                                         |                | Capital Reserves                             |                      | Revenue Reserves       |                                                                  |                 |                |                                   |                   | Total Other Components of Equity |             |           |             |        |                          |              |
|                                                                                         |                | Reserve on Scrip Issue                       | Revaluation Reserves | Other Capital Reserves | Fair Value Reserve of Financial Assets at Fair Value Through OCI | General Reserve | Timber Reserve | Bearer Biological Produce Reserve | Retained Earnings | Exchange Fluctuation Reserve     |             |           |             |        |                          |              |
|                                                                                         |                | Rs:000                                       | Rs:000               | Rs:000                 | Rs:000                                                           | Rs:000          | Rs:000         | Rs:000                            | Rs:000            | Rs:000                           | Rs:000      |           |             |        |                          |              |
| GROUP                                                                                   | Rs:000         | Rs:000                                       | Rs:000               | Rs:000                 | Rs:000                                                           | Rs:000          | Rs:000         | Rs:000                            | Rs:000            | Rs:000                           | Rs:000      | Rs:000    | Rs:000      | Rs:000 | Rs:000                   |              |
| Balance as at April 1, 2021                                                             | 598,615        | 167,409                                      | 269,724              | 83,289                 | 64,752                                                           | 1,190,950       | 201,516        | 17,997                            | 11,465,289        | 1,586,711                        | 15,646,252  | 3,495,286 | 19,141,538  |        |                          |              |
| Profit for the year                                                                     | -              | -                                            | -                    | -                      | -                                                                | -               | 25,593         | 2,988                             | 5,354,070         | -                                | 5,382,651   | 1,028,149 | 6,410,800   |        |                          |              |
| Other comprehensive income                                                              |                |                                              |                      |                        |                                                                  |                 |                |                                   |                   |                                  |             |           |             |        |                          |              |
| Currency translation of foreign operations                                              | -              | -                                            | -                    | -                      | -                                                                | -               | -              | -                                 | -                 | 2,268,468                        | 2,268,468   | 7,816     | 2,276,284   |        |                          |              |
| Net gain on equity instrument designated at fair value through OCI                      | -              | -                                            | -                    | -                      | 24                                                               | -               | -              | -                                 | -                 | -                                | 24          | 8         | 32          |        |                          |              |
| Actuarial gain/(loss) on defined benefit plans and agents' indemnity fund               | -              | -                                            | -                    | -                      | -                                                                | -               | -              | -                                 | 3,946             | -                                | 3,946       | 36,643    | 40,589      |        |                          |              |
| Tax effect on actuarial gain/(loss) on defined benefit plans and agents' indemnity fund | -              | -                                            | -                    | -                      | -                                                                | -               | -              | -                                 | 4,639             | -                                | 4,639       | (1,584)   | 3,055       |        |                          |              |
| Revaluation of land                                                                     | -              | -                                            | 110,638              | -                      | -                                                                | -               | -              | -                                 | -                 | -                                | 110,638     | 17,390    | 128,028     |        |                          |              |
| Tax effect on land revaluation                                                          | -              | -                                            | (13,620)             | -                      | -                                                                | -               | -              | -                                 | -                 | -                                | (13,620)    | (2,421)   | (16,041)    |        |                          |              |
| Total other comprehensive income                                                        | -              | -                                            | 97,018               | -                      | 24                                                               | -               | -              | -                                 | 8,585             | 2,268,468                        | 2,374,095   | 57,852    | 2,431,947   |        |                          |              |
| Total comprehensive income for the year                                                 | -              | -                                            | 97,018               | -                      | 24                                                               | -               | 25,593         | 2,988                             | 5,362,655         | 2,268,468                        | 7,756,746   | 1,086,001 | 8,842,747   |        |                          |              |
| Transactions with owners, recorded directly in equity                                   |                |                                              |                      |                        |                                                                  |                 |                |                                   |                   |                                  |             |           |             |        |                          |              |
| Dividends to equity holders                                                             | -              | -                                            | -                    | -                      | -                                                                | -               | -              | -                                 | (1,496,538)       | -                                | (1,496,538) | (126,924) | (1,623,462) |        |                          |              |
| Realisation of investment properties                                                    | -              | -                                            | (36,667)             | -                      | -                                                                | -               | -              | -                                 | 36,667            | -                                | -           | -         | -           |        |                          |              |
| Total contributions by and distributions to owners                                      | -              | -                                            | (36,667)             | -                      | -                                                                | -               | -              | -                                 | (1,459,871)       | -                                | (1,496,538) | (126,924) | (1,623,462) |        |                          |              |
| Change in ownership interest in subsidiaries                                            |                |                                              |                      |                        |                                                                  |                 |                |                                   |                   |                                  |             |           |             |        |                          |              |
| Acquisition of non-controlling interest                                                 | -              | -                                            | -                    | -                      | -                                                                | -               | -              | -                                 | 340               | -                                | 340         | (1,920)   | (1,580)     |        |                          |              |
| Total change in ownership interest in subsidiaries                                      | -              | -                                            | -                    | -                      | -                                                                | -               | -              | -                                 | 340               | -                                | 340         | (1,920)   | (1,580)     |        |                          |              |
| Balance as at March 31, 2022                                                            | 598,615        | 167,409                                      | 330,075              | 83,289                 | 64,776                                                           | 1,190,950       | 227,109        | 20,985                            | 15,368,413        | 3,855,179                        | 21,906,800  | 4,452,442 | 26,359,243  |        |                          |              |

Other Capital Reserve comprises legal reserve of ICOGUANTI S.p.A

Revaluation Reserve relates to the revaluation of land

Fair Value Reserve of Financial Assets at FVTOCI relates to change in fair value of financial assets at FVTOCI.

General Reserve comprises profits set aside for future distribution and investment.

Timber Reserve relates to changes in fair value of managed trees and commercial timber plantations cultivated on estates

Bearer Biological Produce Reserve relates to the changes in the fair value of agricultural produce of bearer biological assets on plantation estates.

Exchange Fluctuation Reserve comprises all foreign currency differences arising from translation of the Financial Statements of foreign operations.

Figures in brackets indicate deductions.

The Notes on pages 147 to 202 form an integral part of the Financial Statements.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Year ended March 31,                                                      | Stated Capital | Attributable to Equity holders of the Parent |                      |                                  |                                                                  |                  |                |                                   |                   |                              |             |           |             | Total  | Non-Controlling Interest | Total Equity |
|---------------------------------------------------------------------------|----------------|----------------------------------------------|----------------------|----------------------------------|------------------------------------------------------------------|------------------|----------------|-----------------------------------|-------------------|------------------------------|-------------|-----------|-------------|--------|--------------------------|--------------|
|                                                                           |                | Capital Reserves                             |                      | Total/Other Components of Equity |                                                                  | Revenue Reserves |                |                                   |                   |                              |             |           |             |        |                          |              |
|                                                                           |                | Reserve on Scrip Issue                       | Revaluation Reserves | Other Capital Reserves           | Fair Value Reserve of Financial Assets at Fair Value Through OCI | General Reserve  | Timber Reserve | Bearer Biological Produce Reserve | Retained Earnings | Exchange Fluctuation Reserve |             |           |             |        |                          |              |
| GROUP                                                                     | Rs:000         | Rs:000                                       | Rs:000               | Rs:000                           | Rs:000                                                           | Rs:000           | Rs:000         | Rs:000                            | Rs:000            | Rs:000                       | Rs:000      | Rs:000    | Rs:000      | Rs:000 | Rs:000                   |              |
| Balance as at April 1, 2022                                               | 598,615        | 167,409                                      | 330,075              | 83,289                           | 64,776                                                           | 1,190,950        | 227,109        | 20,985                            | 15,368,413        | 3,855,179                    | 21,906,800  | 4,452,442 | 26,359,243  |        |                          |              |
| Adjustment for surcharge tax levied under surcharge tax act.              | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | -                 | -                            | (292,382)   | (29,282)  | (321,664)   |        |                          |              |
| Adjusted Balance as at April 1, 2022                                      | 598,615        | 167,409                                      | 330,075              | 83,289                           | 64,776                                                           | 1,190,950        | 227,109        | 20,985                            | 15,076,031        | 3,855,179                    | 21,614,418  | 4,423,161 | 26,037,579  |        |                          |              |
| Profit for the year                                                       | -              | -                                            | -                    | -                                | -                                                                | -                | 58,350         | 11,826                            | 6,436,907         | -                            | 6,507,083   | 1,995,341 | 8,502,424   |        |                          |              |
| Other comprehensive income                                                |                |                                              |                      |                                  |                                                                  |                  |                |                                   |                   |                              |             |           |             |        |                          |              |
| Currency translation of foreign operations                                | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | -                 | 682,544                      | 682,544     | 6,791     | 689,335     |        |                          |              |
| Net gain/(loss) on equity instrument designated at fair value through OCI | -              | -                                            | -                    | -                                | 4,363                                                            | -                | -              | -                                 | -                 | -                            | 4,363       | 1,661     | 6,024       |        |                          |              |
| Actuarial gain/(loss) on defined benefit plans                            | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | (36,724)          | -                            | (36,724)    | (6,977)   | (43,701)    |        |                          |              |
| Tax effect on actuarial loss on defined benefit plans                     | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | 23,998            | -                            | 23,998      | 7,135     | 31,133      |        |                          |              |
| Tax effect on land revaluation                                            | -              | -                                            | (24,776)             | -                                | -                                                                | -                | -              | -                                 | -                 | -                            | (24,776)    | (2,766)   | (27,542)    |        |                          |              |
| Total other comprehensive income                                          | -              | -                                            | (24,776)             | -                                | 4,363                                                            | -                | -              | -                                 | (12,726)          | 682,544                      | 649,405     | 5,844     | 655,249     |        |                          |              |
| Total comprehensive income for the year                                   | -              | -                                            | (24,776)             | -                                | 4,363                                                            | -                | 58,350         | 11,826                            | 6,424,181         | 682,544                      | 7,156,488   | 2,001,185 | 9,157,673   |        |                          |              |
| Transactions with owners, recorded directly in equity                     |                |                                              |                      |                                  |                                                                  |                  |                |                                   |                   |                              |             |           |             |        |                          |              |
| Dividends to equity holders                                               | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | (1,795,845)       | -                            | (1,795,845) | (638,735) | (2,434,580) |        |                          |              |
| Transfers                                                                 | -              | -                                            | -                    | 54,318                           | -                                                                | -                | -              | -                                 | (54,318)          | -                            | -           | -         | -           |        |                          |              |
| Realisation of investment properties                                      | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | -                 | -                            | -           | -         | -           |        |                          |              |
| Total contributions by and distributions to owners                        | -              | -                                            | -                    | 54,318                           | -                                                                | -                | -              | -                                 | (1,850,164)       | -                            | (1,795,845) | (638,735) | (2,434,580) |        |                          |              |
| Changes in ownership interests in subsidiaries                            |                |                                              |                      |                                  |                                                                  |                  |                |                                   |                   |                              |             |           |             |        |                          |              |
| Net investment by non-controlling interest                                | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | -                 | -                            | -           | 74,508    | 74,508      |        |                          |              |
| Adjustment due to change in holding                                       | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | -                 | -                            | -           | 680,130   | 680,130     |        |                          |              |
| Total changes in ownership interests in subsidiaries                      | -              | -                                            | -                    | -                                | -                                                                | -                | -              | -                                 | -                 | -                            | -           | 754,638   | 754,638     |        |                          |              |
| Balance as at March 31, 2023                                              | 598,615        | 167,409                                      | 305,299              | 137,607                          | 69,139                                                           | 1,190,950        | 285,459        | 32,811                            | 19,650,048        | 4,537,723                    | 26,975,061  | 6,540,249 | 33,515,310  |        |                          |              |

Other Capital Reserve comprises legal reserve of ICOGUANTI S.p.A and Dipped Products (Thailand) Ltd.

Revaluation Reserve relates to the revaluation of land

Fair Value Reserve of Financial Assets at FVTOCI relates to change in fair value of financial assets at FVTOCI.

General Reserve comprises profits set aside for future distribution and investment.

Timber Reserve relates to changes in fair value of managed trees and commercial timber plantations cultivated on estates

Bearer Biological Produce Reserve relates to the changes in the fair value of agricultural produce of bearer biological assets on plantation estates.

Exchange Fluctuation Reserve comprises all foreign currency differences arising from translation of the Financial Statements of foreign operations.

Figures in brackets indicate deductions.  
The Notes on pages 147 to 202 form an integral part of the Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

| Year ended March 31,<br>Company                                    | Stated<br>Capital<br>Rs.'000 | Capital Reserves                  |                                         | Reserves<br>Retained<br>Earnings<br>Rs.'000 | Total<br>Equity<br>Rs.'000 |
|--------------------------------------------------------------------|------------------------------|-----------------------------------|-----------------------------------------|---------------------------------------------|----------------------------|
|                                                                    |                              | Revaluation<br>Reserve<br>Rs.'000 | Other<br>Capital<br>Reserves<br>Rs.'000 |                                             |                            |
| <b>Balance as at April 01, 2021</b>                                | 598,615                      | 239,004                           | 180                                     | 4,513,726                                   | 5,351,525                  |
| Profit for the year                                                | -                            | -                                 | -                                       | 2,800,420                                   | 2,800,420                  |
| <b>Other comprehensive income</b>                                  |                              |                                   |                                         |                                             |                            |
| Actuarial gain/(loss) on defined benefit plans                     | -                            | -                                 | -                                       | (55,248)                                    | (55,248)                   |
|                                                                    | -                            | -                                 | -                                       | 7,735                                       | 7,735                      |
| Tax effect on actuarial gain/(loss) on defined benefit plans       |                              |                                   |                                         |                                             |                            |
| Revaluation of land                                                | -                            | 51,862                            | -                                       | -                                           | 51,862                     |
| Tax effect on land revaluation                                     | -                            | (7,261)                           | -                                       | -                                           | (7,261)                    |
| Total other comprehensive income                                   | -                            | 44,601                            | -                                       | (47,513)                                    | (2,912)                    |
| <b>Total comprehensive income for the year</b>                     | -                            | 44,601                            | -                                       | 2,752,907                                   | 2,797,508                  |
| <b>Transactions with owners, recorded directly in equity</b>       |                              |                                   |                                         |                                             |                            |
| Dividends to equity holders                                        | -                            | -                                 | -                                       | (1,496,538)                                 | (1,496,538)                |
| <b>Total transactions with owners, recorded directly in equity</b> | -                            | -                                 | -                                       | (1,496,538)                                 | (1,496,538)                |
| <b>Balance as at March 31, 2022</b>                                | 598,615                      | 283,605                           | 180                                     | 5,770,095                                   | 6,652,495                  |
| <b>Balance as at April 01, 2022</b>                                | 598,615                      | 283,605                           | 180                                     | 5,770,095                                   | 6,652,495                  |
| Adjustment for surcharge tax levied under surcharge tax act.       | -                            | -                                 | -                                       | (203,525)                                   | (203,525)                  |
| <b>Adjusted Balance as at April 01, 2022</b>                       | 598,615                      | 283,605                           | 180                                     | 5,566,570                                   | 6,448,970                  |
| Profit for the year                                                | -                            | -                                 | -                                       | 5,302,419                                   | 5,302,419                  |
| <b>Other comprehensive income</b>                                  |                              |                                   |                                         |                                             |                            |
| Actuarial gain on defined benefit plans                            | -                            | -                                 | -                                       | (9,519)                                     | (9,519)                    |
| Tax effect on actuarial loss on defined benefit plans              | -                            | -                                 | -                                       | 2,856                                       | 2,856                      |
| Tax effect on land revaluation                                     | -                            | (17,508)                          | -                                       | -                                           | (17,508)                   |
| <b>Total other comprehensive income</b>                            | -                            | (17,508)                          | -                                       | (6,663)                                     | (24,171)                   |
| <b>Total comprehensive income for the year</b>                     | -                            | (17,508)                          | -                                       | 5,295,756                                   | 5,278,248                  |
| <b>Transactions with owners, recorded directly in equity</b>       |                              |                                   |                                         |                                             |                            |
| Dividends to equity holders                                        | -                            | -                                 | -                                       | (1,795,845)                                 | (1,795,845)                |
| <b>Total transactions with owners, recorded directly in equity</b> | -                            | -                                 | -                                       | (1,795,845)                                 | (1,795,845)                |
| <b>Balance as at March 31, 2023</b>                                | 598,615                      | 266,097                           | 180                                     | 9,066,481                                   | 9,931,374                  |

Figures in brackets indicate deductions.

The Notes on pages 147 to 202 form an integral part of the Financial Statements.

# STATEMENT OF CASH FLOWS

| Year ended March 31,                                                | Notes  | Group              |                    | Company            |                  |
|---------------------------------------------------------------------|--------|--------------------|--------------------|--------------------|------------------|
|                                                                     |        | 2023<br>Rs.'000    | 2022<br>Rs.'000    | 2023<br>Rs.'000    | 2022<br>Rs.'000  |
| <b>Cash flows from/(used in) operating activities</b>               |        |                    |                    |                    |                  |
| Cash generated from operations (Note A)                             |        | 15,502,531         | 10,765,934         | 5,138,735          | 1,045,892        |
| Interest paid                                                       | 5.1    | (939,228)          | (688,678)          | (449,490 )         | (311,712)        |
| Taxes paid                                                          | 29     | (1,229,040)        | (1,976,236)        | (41,178)           | (187,970)        |
| Retiring gratuity paid                                              | 25.2   | (535,897)          | (290,428)          | (17,722)           | (60,987)         |
| Release in defined benefit obligation due to employee transfers     | 25.2   | -                  | 1,107              | 757                | 1,266            |
| Agents' indemnity paid                                              | 26     | -                  | (4,110)            | -                  | -                |
| Surcharge Tax Paid                                                  | 2.16   | (321,664)          | -                  | (203,525)          | -                |
| <b>Net cash flow from operating activities</b>                      |        | <b>12,476,702</b>  | <b>7,807,589</b>   | <b>4,427,578</b>   | <b>486,489</b>   |
| <b>Cash flows from/(used in) investing activities</b>               |        |                    |                    |                    |                  |
| Purchase & construction of property,plant and equipment             |        | (4,105,781)        | (3,964,844)        | (357,677)          | (399,256)        |
| Purchase of formers (moulds)                                        | 11     | (275,472)          | (126,335)          | (47,009)           | (5,039)          |
| Acquisition of intangible assets                                    | 15     | (90,884)           | (19,483)           | -                  | -                |
| Grants received                                                     | 24     | 18,408             | 38,874             | -                  | -                |
| Proceeds from disposal of property, plant and equipment             |        | 34,470             | 62,929             | 8,279              | 11,189           |
| Proceeds from disposal of investment property                       |        | -                  | 400,000            | -                  | 195,000          |
| Development cost (net) incurred on biological assets net of harvest | 13     | 16,170             | 1,060              | -                  | -                |
| Interest and dividend received                                      | 5.2    | 1,005,288          | 238,629            | 367,111            | 196,677          |
| Dividend received from subsidiary companies                         |        | -                  | -                  | 1,462,603          | 709,549          |
| Net payments to non-controlling interest                            |        | 82,113             | -                  | -                  | -                |
| Proceed from share buyback by subsidiaries                          |        | -                  | -                  | -                  | 509,017          |
| Acquisition of subsidiary net of cash and short term borrowings     | 16.3   | (1,159,599)        | -                  | -                  | -                |
| <b>Net cash flows from investing activities</b>                     |        | <b>(4,475,287)</b> | <b>(3,369,170)</b> | <b>1,433,305</b>   | <b>1,217,138</b> |
| <b>Cash flows from/(used in) financing activities</b>               |        |                    |                    |                    |                  |
| Long term loans obtained                                            | 23.1.1 | 3,264,755          | 2,205,964          | -                  | -                |
| Repayment of long term loans                                        | 23.1.1 | (2,665,187)        | (1,075,356)        | -                  | -                |
| Loan repayment by subsidiary company                                |        | -                  | -                  | -                  | 8,270            |
| Capital payment on lease liabilities                                | 23.1.2 | (66,390)           | (64,203)           | (15,541)           | (21,383)         |
| Dividend paid to equity holders of the parent                       |        | (2,050,579)        | (1,188,076)        | (2,050,579)        | (1,188,076)      |
| Dividend paid to shareholders with non-controlling interest         |        | (638,735)          | (126,924)          | -                  | -                |
| Net movement of short term loans                                    | 23.2   | (3,518,245)        | 2,512,606          | (3,231,500)        | 1,510,000        |
| <b>Net cash flows from financing activities</b>                     |        | <b>(5,674,380)</b> | <b>2,264,009</b>   | <b>(5,297,621)</b> | <b>308,811</b>   |
| Net increase / (decrease) in cash & cash equivalents                |        | <b>2,327,034</b>   | <b>6,702,427</b>   | <b>563,262</b>     | <b>2,012,437</b> |
| <b>Cash &amp; cash equivalents at the beginning of the year</b>     |        | <b>5,546,966</b>   | <b>(1,155,461)</b> | <b>1,609,999</b>   | <b>(402,438)</b> |
| <b>Cash &amp; cash equivalents at the end of the year (Note B)</b>  |        | <b>7,874,000</b>   | <b>5,546,966</b>   | <b>2,173,261</b>   | <b>1,609,999</b> |

## STATEMENT OF CASH FLOWS

| Year ended March 31,                                                  | Note | Group           |                 | Company         |                 |
|-----------------------------------------------------------------------|------|-----------------|-----------------|-----------------|-----------------|
|                                                                       |      | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>A Cash generated from operations</b>                               |      |                 |                 |                 |                 |
| Profit before tax                                                     |      | 11,218,692      | 7,596,775       | 5,641,631       | 3,042,552       |
| <b>Adjustments for:</b>                                               |      |                 |                 |                 |                 |
| Interest cost                                                         | 5.1  | 939,228         | 688,678         | 446,732         | 311,712         |
| Gain on fair value change in consumable biological assets             | 19.1 | (17,173)        | (2,510)         | -               | -               |
| Gain on change in fair value of produce on bearer biological assets   | 13   | (138,628)       | (67,692)        | -               | -               |
| Depreciation on property, plant and equipment                         | 10   | 1,518,079       | 1,148,362       | 130,812         | 108,282         |
| Depreciation on right of use assets                                   | 14   | 114,512         | 118,333         | 14,682          | 20,879          |
| Impairment of formers                                                 | 11   | 70,664          | 49,866          | 10,027          | 2,297           |
| Write-off & breakages of formers                                      |      | 34,555          | 27,290          | 4,198           | 4,126           |
| Amortisation of intangible assets                                     | 15   | 39,346          | 18,736          | 11,840          | 11,839          |
| Gain on disposal of property, plant & equipment                       | 4    | (3,896)         | (26,507)        | (1,006)         | (11,189)        |
| Gain on disposal of investments property                              | 4    | -               | (7,378)         | -               | (6,720)         |
| Amortisation of grants                                                | 24   | (37,526)        | (35,950)        | -               | -               |
| Impairment provision for / (reversal of) bad & doubtful debts         | 20.1 | (12,346)        | 50,075          | (1,196)         | (564)           |
| Provision for retiring gratuity                                       | 25.2 | 581,800         | 397,332         | 133,450         | 88,529          |
| Provision for agents' indemnity fund                                  | 26   | 18,445          | 18,654          | -               | -               |
| Provision for slow-moving / obsolete inventories                      | 19.2 | 168,595         | 304,381         | 5,456           | (15,543)        |
| Interest and dividend income                                          | 5.2  | (1,005,288)     | (238,629)       | (3,059,193)     | (1,262,426)     |
| Differences of exchange on translation of foreign entities            |      | 950,519         | 2,877,279       | -               | -               |
| Gain on share buyback by subsidiaries                                 | 4    | -               | -               | -               | (251,129)       |
|                                                                       |      | 14,439,580      | 12,917,096      | 3,326,511       | 2,042,645       |
| (Increase) / decrease in trade and other receivables                  |      | (32,790)        | (1,858,004)     | (243,293)       | (2,251,192)     |
| (Increase) / decrease in advances and prepayments                     |      | (370,509)       | 1,507,220       | (163,124)       | 116,358         |
| (Increase) / decrease in inventories                                  |      | (243,710)       | (1,268,288)     | (77,727)        | 205,101         |
| Increase / (decrease) in trade and other payables                     |      | 1,709,960       | (532,090)       | 2,296,368       | 932,980         |
|                                                                       |      | 1,062,951       | (2,151,162)     | 1,812,224       | (996,753)       |
|                                                                       |      | 15,502,531      | 10,765,934      | 5,138,735       | 1,045,892       |
| <b>B Analysis of cash &amp; cash equivalents at end of the period</b> |      |                 |                 |                 |                 |
| Cash at bank and in hand                                              |      | 2,798,228       | 4,329,403       | 672,144         | 720,220         |
| Short term deposits                                                   |      | 6,861,535       | 4,715,362       | 1,725,000       | 2,368,021       |
| Bank overdraft                                                        | 23.2 | (1,785,763)     | (3,497,799)     | (223,883)       | (1,478,242)     |
|                                                                       |      | 7,874,000       | 5,546,966       | 2,173,261       | 1,609,999       |

The Notes on pages 147 to 202 form an integral part of the Financial Statements.

The figures in brackets indicate deductions

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

### 1.1 General

Dipped Products PLC, is a Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is given on the back inner cover in this report.

The Consolidated Financial Statements of Dipped Products PLC, as at and for the year ended March 31, 2023 encompass the Company and its Subsidiaries (together referred to as the 'Group'). All subsidiaries in the Group are limited liability companies incorporated and domiciled in Sri Lanka other than Dipped Products (Thailand) Ltd., ICOGUANTI S.p.A, DPL France SAS and ROZENBAL POLSKA Sp.z.o.o which are incorporated and domiciled in Thailand, Italy, France and Poland respectively.

Descriptions of the nature of the operations and principal activities of the Company and its Subsidiaries are given on the pages 210 and 211. There were no significant changes in the nature of the principle activities of the Company and the Group during the financial year under review.

The Company's ultimate Parent undertaking and controlling entity is Hayleys PLC which is incorporated in Sri Lanka.

The Financial Statements of all companies in the Group other than those mentioned in Note 2.2.5 to the Financial Statements are prepared for a common financial year which ends on March 31.

The Consolidated Financial Statements of the Group for the year ended March 31, 2023 were authorized for issue by the Directors on May 18, 2023.

### 1.2 Responsibility for Financial Statements

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report.

## 1.3 Basis of Preparation

### 1.3.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and with the requirements of the Companies Act No. 7 of 2007.

### 1.3.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following items in the Statement of Financial Position:

- Land which is recognized as property plant and equipment is measured at cost at the time of the acquisition and subsequently carried at fair value.
- Financial instruments reflected at fair value through profit or loss and fair value through OCI measured at fair value.
- Consumable biological assets are measured at fair value, less cost to sell.
- Agricultural produce from biological assets are reflected at fair value, less cost to sell.

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

### 1.3.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees which is the Group's functional currency except for certain subsidiaries whose functional currencies are different as they operate in different economic environments. All financial information presented in Sri Lankan Rupees have been given to the nearest thousand (Rs. '000), unless stated otherwise.

### 1.3.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements.

Items of a dissimilar nature or function are presented separately unless they are immaterial.

### 1.3.5 Changes in Accounting Policies New and Amended Standards and Interpretations

No significant impact resulted on the financial statements of the Group due to changes in Accounting Standards and disclosures during the year.

### 1.3.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

In addition, the Group presents an additional Statement of Financial Position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in Financial Statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Significant Accounting Judgments, Estimates and Assumptions

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

## NOTES TO THE FINANCIAL STATEMENTS

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows.

### 2.1.1 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Such includes management's assessment of the existing and anticipated effects of the current state of the national economy and the circumstances surrounding volatility of the external environment on the Company and its subsidiaries. Therefore, the Financial Statements continue to be prepared on the going concern basis.

### 2.1.2 Taxation

Uncertainties exist with respect to the interpretation of complex tax regulation, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income

tax for a period of 5 years effective from 01 April 2019. In addition to above the prevailing tax rate up to 31 December 2022 was 14%. This was increased with effect from 01 October 2023 to 30%. As per tax amendment issued by the Inland Revenue (Amendment) Act, No. 45 of 2022, companies have to allocate business income based on pro-rata basis for 06 months and 06 months periods. Accordingly, where applicable, the Group has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates.

Further, the Group has separated assets and liabilities as at March 31, 2023 as Agro farming and Agro processing for deferred tax purposes.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on upon the likely timing and the level of future taxable profits together as with future tax planning strategies.

### 2.1.3 Employee Benefit Liability - Gratuity

The present value of the employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined benefit obligations are given in Note 25 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of employee benefit obligations.

### 2.1.4 Biological Assets

The group measures consumable Biological Assets at fair value and changes in value being recognised in the Statement of Profit or Loss. Fair valuation involves assumptions which are provided in Note 13. Such estimations are subject to significant uncertainties.

Judgement is also required in relation to bearer biological assets in assessing immature plantation for indicators of impairment and determining the point at which transfers to mature plantation are to be made.

## 2.2 Basis of Consolidation

The Consolidated Financial Statements (referred to as the 'Group') comprise the Financial Statements of the Company and its Subsidiaries. List of subsidiaries are disclosed in Note 16 to the Financial Statements.

### 2.2.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and when it has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has the power over an investee.

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting right.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in Statement of Profit or Loss. Any investment retained is recognised at its fair value.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Investments in subsidiaries are carried at cost less any accumulated impairment in the separate financial statements of the Company.

## 2.2.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with business combinations are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss recognised in Statement of Profit or Loss.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 financial instruments, is measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain on bargain purchase is recognised in Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of,

the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion the cash-generating unit retained.

## 2.2.3 Transactions with Non-Controlling Interests

Profit or loss and each component of Other Comprehensive Income are attributed to equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

## 2.2.4 Transactions Eliminated on Consolidation

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and intra-group dividends are eliminated in full in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

## 2.2.5 Companies with Different Accounting Years

The Financial Statements of all subsidiaries in the Group other than those mentioned below are prepared on a common financial year, which ends on March 31.

The subsidiaries with December 31 financial year ends prepare additional financial information as of the same date as the Financial Statements of the Parent for consolidation purpose except for ICOGUANTI S.p.A, DPL France SAS and ROZENBAL POLSKA Sp.z.o.o as explained below.

ICOGUANTI S.p.A, DPL France SAS and ROZENBAL POLSKA Sp.z.o.o statutory financial year ends on December 31. However for the consolidation purposes, financial statements for the 12 months period from March 1 to February 28 has been used.

## NOTES TO THE FINANCIAL STATEMENTS

Dipped Products (Thailand) Ltd's statutory financial year ends on December 31. Financial statements for the 12 months period from April 1 to March 31 has been consolidated.

### 2.3. Foreign Currency Translation

The Group's Consolidated Financial Statements are presented in Sri Lanka Rupees, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency.

#### 2.3.1 Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the Statement of Profit or Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Other Comprehensive Income or Statement of Profit or Loss.

#### 2.3.2 Foreign Operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lanka Rupee are translated into Sri Lanka Rupees as follows:

- assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated to Sri Lanka Rupees at the

exchange rate at the reporting date;

- income and expenses are translated at the average exchange rates for the period.

Foreign currency differences are recognised in exchange fluctuation reserve through Other Comprehensive Income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to Statement of Profit or Loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is re-attributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to Statement of Profit or Loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in Other Comprehensive Income in the exchange fluctuation reserve.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

#### 2.3.3 Current Versus Non-current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in a 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 Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

#### 2.3.4 Fair Value Measurement

The Group measures financial instruments such as financial assets at fair value through other comprehensive income/derivatives, and non-financial assets such as owner occupied land, investment property, consumable biological assets and agricultural produce from bearer plants, at fair value. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

- Disclosures for valuation methods, estimates and assumptions Note 34.
- Quantitative disclosures of fair value measurement hierarchy Note 34.
- Property (land) under revaluation model Note 10.
- Investment Properties Note 12.
- Financial instruments (including those carried at amortised cost) Note 34.
- Biological assets Note 13 and 34.
- Agricultural produce from bearer plants Note 19.1.

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 Group.

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 Group 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 at fair value on a recurring basis, the Group 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.

For the purpose of fair value disclosures, the Group 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.

## 2.4 Property, Plant and Equipment

### 2.4.1 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of the services or for administration purpose and are expected to be used for more than one year.

#### 2.4.2 Basis of Recognition

Property, plant and equipment is recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

#### 2.4.3 Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any, whilst land is measured at fair value

#### Owned Assets

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

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

When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Revaluation of land is done with sufficient frequency to ensure that the fair value of the land does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Any revaluation surplus is recorded in Other Comprehensive Income and credited to the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case, the increase is recognised in profit or loss. A revaluation deficit is recognised in the Statements of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### 2.4.4 Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of property, plant and equipment are recognised in Statement of Profit or Loss as incurred.

#### 2.4.5 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) in Statement of Profit or Loss and gains are not classified as revenue. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.4.6 Depreciation

Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The Group reviews its residual values, useful lives and method of depreciation at each reporting date. Judgement by management is exercised in the estimation of these values, rates and methods and hence they are subject to uncertainty.

The estimated useful lives for the current and comparative periods are as follows:

| Description                | years |
|----------------------------|-------|
| Buildings                  | 20-40 |
| Plant and Machinery        | 10-30 |
| Stores Equipment           | 5     |
| Laboratory Equipment       | 5     |
| Office & Canteen Equipment | 5-8   |
| Furniture & Fittings       | 6-10  |
| Motor Vehicles             | 4-10  |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

In respect of formers, a 10% provision on the written down value is recognised as an impairment in the Statement of Profit or Loss.

### 2.5 Leases

The group assesses at contract inception whether a contract is or contains a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

#### Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use

assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described in Note 14.

#### Leasehold Rights of the Plantation Sector

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

| Description                       | years     |
|-----------------------------------|-----------|
| Bare land                         | 53        |
| Improvements to land              | 30        |
| Mature plantations (Tea & rubber) | 20-33 1/2 |
| Building                          | 25        |

#### Land Development Costs

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold land. The costs have been capitalised and amortised over the remaining lease periods.

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the

lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings in Note 23 to the Financial Statements. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of computer equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### 2.6 Intangible Assets

#### Basis of Recognition

An Intangible asset is recognised if it is probable that the future economic benefits associated with the assets will flow to the Group and cost of the assets can be reliably measured.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

The amortisation period and method are reviewed annually.

### 2.6.1 Research and Development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

Amortisation is recorded in Statement of Profit or Loss. During the period of development, the asset is tested for impairment annually.

### 2.6.2 Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill is recognised in the Statement of Profit or Loss as incurred.

### 2.6.3 Amortisation

Amortisation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date on which they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Development Cost - 15 years
- Computer Software - 5 to 8 years

### 2.6.4 De-recognition of Intangible Assets

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

### 2.7 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment 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 Statement of Profit or Loss in the year in which they arise. Fair values are evaluated with sufficient frequency 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 Statement of Profit or Loss 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, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

### 2.8 Biological Assets

Biological assets are classified as either mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

#### 2.8.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment. The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure

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incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

### 2.8.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

| Description          | year                                                                                                                                                                                                                                                                       |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Timber content       | Estimate based on physical verification of girth, height and considering the growth of the each spices in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company. |
| Economic useful life | Estimate based on the normal life span of each spices by factoring the forestry plan of the Company.                                                                                                                                                                       |
| Selling price        | Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.                                                                                                                              |
| Planting cost        | Estimated costs for the further development of immature areas are deducted.                                                                                                                                                                                                |

### 2.8.3 Consumable Biological Assets

Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 13.

#### The Main Variables in DCF Model Concerns;

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in Statement of Profit or Loss for the period in which it arises.

Permanent impairments to Biological Asset are charged to the Statement of Profit or Loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

### 2.8.4 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

## 2.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

### 2.9.1 Financial Assets - Initial Recognition and Subsequent Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

## Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

## Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group 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, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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 profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and amounts due from related parties.

## Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments:

Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the Statement of Profit or Loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## Derecognition

### Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired or;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised

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to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of Financial Assets

The Group 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 an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 2.9.2 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 Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, derivatives and amounts due to related parties.

#### Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of SLFRS 9 are satisfied. The group has not designated any financial liability at fair value through profit or loss.

#### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss 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 in finance costs in the Statement of Profit or Loss.

#### Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

#### 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 Statement of Profit or Loss.

### 2.9.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if;

There is a currently enforceable legal right to offset the recognised amounts and

There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.9.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for

long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.

### 2.9.5 Derivative Financial Instruments

#### Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when net cash inflows are expected to be delivered to the entity and as financial liabilities when net cash outflows are expected to be delivered from the entity.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Profit or Loss.

### 2.9.6 Non-Current Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value

less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in Statement of Profit or Loss. Gains are not recognised in excess of any cumulative impairment loss.

### 2.10 Inventories

Inventories are measured at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- All inventory items, except manufactured inventories and work-in-progress are measured at weighted average directly attributable cost
- Manufactured inventories and work-in-progress are measured at weighted-average factory cost which includes all direct expenditure and appropriate shares of production overhead based on standard operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### Finished Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

### Agricultural Produce Harvested from Biological Assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

### 2.11 Impairment of Non-Financial Assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use.

The recoverable amount 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. When the carrying amount of an asset or CGU 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.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income (OCI). For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which goodwill relates. Where the recoverable value of the cash generating unit is

less than the carrying amount, an impairment loss is recognized. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets on a pro-rata basis to carrying amount to each asset in the unit.

### 2.12 Cash and Short Term Deposits

Cash in hand and at bank and short term deposits in the Statement of Financial Position comprise cash at banks and cash on hand and short term deposits with a maturity of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

### 2.13 Employee Benefits

#### 2.13.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in Statement Profit or Loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund respectively.

#### 2.13.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 on 'Employee Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on 'Employee Benefits'. However, 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.

### 2.13.3 Short Term Benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as and when the related service is provided.

### 2.13.4 Recognition of Actuarial Gains or Losses

Actuarial gains or losses are recognised in full in Other Comprehensive Income

### 2.14 Provisions

Provisions are recognised when the Group 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. When the Group 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 Statement of Profit or Loss 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.15 Grants and Subsidies

Grants and subsidies are recognised at their fair value where there is a reasonable assurance the grant / subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an income item is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and subsidies related to assets, including non-monetary grants at fair value are deducted at arriving at the carrying value of the asset (or are deferred in the Statement of Financial Position and credited to the Statement of Profit or Loss over the useful life of the asset).

Grants received for forestry are initially deferred and credited to Statement of Profit or Loss once when the related blocks of trees are harvested.

## 2.16 Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

### Current Tax

Income 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 by the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognised directly in Other Comprehensive Income is recognised in Other Comprehensive Income and not in the Statement of Profit or Loss. 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.

Tax withheld on dividend income from Subsidiaries recognised as an expense in the Consolidated Statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

### Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries and equity accounted investees when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries, equity accounted investees deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognized 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 the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in the Statement of Profit or Loss.

### Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables that are stated with the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS

### Surcharge Tax

Surcharge Tax Act No. 14 of 2022 was enacted on April 8, 2022 and is applicable to the Dipped Products PLC Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs. 2,000 million, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on April 1, 2020.

Total Surcharge Tax liability of Rs. 322 Mn and Rs. 204 Mn was recognized in the financial statements of financial year 2022-23 for the Group and the Company respectively as an opening adjustment to the April 1, 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

The Group and the Company were liable to pay Surcharge Tax on the respective individual entity level. The Group share of total Surcharge Tax liability of Rs. 322 Mn has been included in Surcharge Tax charge recognised in the Group Statement of Changes in Equity as an adjustment to the April 01, 2022 opening retained earnings

### 2.17 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes 31 & 32 to the Financial Statements.

### 2.18 Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the Issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### 2.19 Statements of Profit or Loss

For the purpose of presentation of the Statement of Profit or Loss, the function of expenses method is adopted.

### 2.19.1 Revenue from 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 Group expects to be entitled in exchange for those goods or services.

The Group's operating segments are described in Note 30 to these financial statements. In all operating segments, the Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

### Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, while exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

### Sale of Plantation Produce

Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognised at the point in time when the control of the goods has transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

### Rendering of Services

The Group recognises revenue from services over time, using an output method to measure progress towards complete satisfaction of the

service, because the customer simultaneously receives and consumes the benefits provided by the Group.

### Generation of Hydro Power

Revenue from the generation of hydro energy is recognised at the point of hydro energy releases to the national grid calculated at a pre-determined unit price.

### 2.19.2 Other Income

#### Dividend

Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### Grants

Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### Gains and Losses

Gains and losses on disposal of an item of property, plant & equipment are determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other income" in profit or loss.

### Other Income

Other income is recognized on an accrual basis.

### 2.19.3 Expenses

Expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earnings of specific items of income.

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred.

### Borrowing Costs

Borrowing costs are recognised as an incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

### Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised based on the EIR in the Statement of Profit or Loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in the Statement of Profit or Loss.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

### 2.20 Statement of Cash Flows

The Cash Flow Statement has been prepared using the 'indirect method'.

Interest paid is classified as an operating cash flow. Grants received, which are related to purchase and construction of property, plant and equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

### 2.21 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the

Chairman to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

### 2.22 Events After the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

### 2.23 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 2.24 Related Party Transactions

#### Terms and Conditions of Transactions with Related Parties

The Group and the Company carried out transactions in the ordinary course of business with related parties and those transactions are made on terms equivalent to those that prevail in arm's length transactions.

#### Non-recurrent Related Party Transactions

Non-recurrent related party transaction which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per March 31, 2022 audited financial statements, which required additional disclosures in the 2022/2023 Annual Report under Colombo Stock Exchange listing Rule

9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act, is disclosed in the annual report under note 33.1.

### Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per March 31, 2022 audited financial Statements, which required additional disclosures in the 2022/2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### 2.25 Standards Issued but not yet Effective

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

### Amendments to LKAS 8 – Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

## NOTES TO THE FINANCIAL STATEMENTS

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

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

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

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

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

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

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

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

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

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

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

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

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### 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

| Year ended March 31,       | Group           |                 |
|----------------------------|-----------------|-----------------|
|                            | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Hand Protection (Note 3.1) | 51,384,331      | 37,917,944      |
| Plantations (Note 3.2)     | 28,903,579      | 17,665,702      |
|                            | 80,287,910      | 55,583,646      |
| Inter-group sales/services | (188,598)       | (289,663)       |
|                            | 80,099,312      | 55,293,983      |

#### 3.1 Hand Protection

| Year ended March 31,              | Group           |                 |
|-----------------------------------|-----------------|-----------------|
|                                   | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>Sale of Manufactured Goods</b> |                 |                 |
| Dipped Products PLC               | 10,412,274      | 6,428,756       |
| Dipped Products (Thailand) Ltd    | 8,018,099       | 7,211,902       |
| Hanwella Rubber Products Ltd      | 6,229,378       | 3,606,875       |
| D P L Premier Gloves Ltd          | 9,348,618       | 6,116,038       |
| D P L Universal Gloves Ltd        | 2,943,813       | 1,989,818       |
|                                   | 36,952,182      | 25,353,389      |
| <b>Rendering of Services</b>      |                 |                 |
| Dipped Products PLC               | 177,587         | 181,521         |
| <b>Distribution Operations</b>    |                 |                 |
| ICOGUANTI S.p.A                   | 12,611,452      | 14,196,954      |
| DPL France SAS                    | 3,029,045       | -               |
| ROZENBAL POLSKA Sp.z.o.o          | 662,576         | -               |
|                                   | 53,432,842      | 39,731,865      |
| Intra-group sales/services        | (2,048,511)     | (1,813,921)     |
|                                   | 51,384,331      | 37,917,944      |

#### 3.2 Plantations

| Year ended March 31,       | Group           |                 |
|----------------------------|-----------------|-----------------|
|                            | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Sale of Plantation Produce | 8,449,619       | 2,039,266       |
| Sale of Manufactured Goods | 20,695,462      | 15,794,583      |
| Generation of Hydro Power  | 94,583          | 96,395          |
| Hospitality Services       | 33,311          | 28,532          |
|                            | 29,272,975      | 17,958,776      |
| Intra-group sales/services | (369,396)       | (293,074)       |
|                            | 28,903,579      | 17,665,702      |

Geographical segmentation of revenue is presented in Note 30.1.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.3 Contract Balances

| Year ended March 31,        | Group           |                 | Company         |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|                             | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Contract liabilities        |                 |                 |                 |                 |
| Advances received (Note 27) | 723,946         | 649,399         | 473,807         | 295,170         |

Contract liability balance at the beginning of the period is fully realised in the revenue recognized in the reporting period.

### 4. OTHER INCOME AND GAINS

| Year ended March 31,                                                  | Group           |                 | Company         |                 |
|-----------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                       | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Gain on disposal of property, plant and equipment                     | 3,896           | 26,507          | 1,006           | 11,189          |
| Lease rental income                                                   | 105,788         | 44,040          | -               | -               |
| Amortisation of Government grants (Note 24)                           | 37,526          | 35,950          | -               | -               |
| Gain on fair value change in consumable biological assets (Note 19.1) | 17,173          | 2,511           | -               | -               |
| Gain on fair value of produce on bearer biological assets (Note 13)   | 138,628         | 67,692          | -               | -               |
| Dividend income                                                       | 25,916          | -               | 2,705,763       | 1,065,749       |
| Facilitation Fee                                                      | 737             | 367,638         | -               | 98,939          |
| Sale of trees                                                         | -               | 31,769          | -               | -               |
| Hydro Power/ Solar Income                                             | 13,737          | 7,179           | -               | -               |
| Sundry income                                                         | 213,657         | 242,743         | 40,309          | 22,089          |
| Gain on disposal of investment property                               | -               | 7,378           | -               | 6,720           |
| Gain on share buyback by subsidiaries                                 | -               | -               | -               | 251,129         |
| Gain on bargain purchase on Acquisition (Note 16.3)                   | 209,690         | -               | -               | -               |
|                                                                       | 766,748         | 833,407         | 2,747,078       | 1,455,815       |

### 5. FINANCE COSTS/INCOME

#### 5.1 Finance Cost

| Year ended March 31,              | Group           |                 | Company         |                 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                   | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Interest on short-term borrowings | 642,581         | 492,607         | 446,732         | 306,377         |
| Interest on long-term borrowings  | 140,561         | 49,198          | -               | -               |
| Interest on leases liabilities    | 156,086         | 146,873         | 2,758           | 5,335           |
| Exchange loss                     | 115,488         | 17,780          | -               | -               |
|                                   | 1,054,716       | 706,458         | 449,490         | 311,712         |

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## 5.2 Finance Income

| Year ended March 31,         | Group           |                 | Company         |                 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
|                              | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Interest income              | 1,005,283       | 238,629         | 367,111         | 196,677         |
| Exchange gain                | 1,639,991       | 2,704,997       | 1,069,829       | 1,447,392       |
| Dividend Income -Other Group | 5               | -               | -               | -               |
|                              | 2,645,279       | 2,943,626       | 1,436,940       | 1,644,069       |

## 6. PROFIT BEFORE TAX

|                                                                                      | Group           |                 | Company         |                 |
|--------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                      | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Directors' emoluments                                                                | 495,153         | 436,885         | 289,690         | 230,413         |
| Staff costs (Note 6.1)                                                               | 13,642,315      | 10,143,399      | 1,224,578       | 1,068,302       |
| Staff training and development cost                                                  | 26,966          | 23,646          | 9,613           | 10,456          |
| Depreciation and amortization of property, plant and equipment (Note 10)             | 1,518,079       | 1,148,363       | 130,812         | 108,281         |
| Depreciation on right of use assets (Note 14)                                        | 114,512         | 118,333         | 14,682          | 20,879          |
| Amortisation of intangible assets (Note 15)                                          | 39,346          | 18,736          | 11,840          | 11,840          |
| Impairment of formers (moulds) (Note 11)                                             | 70,664          | 49,866          | 10,027          | 2,297           |
| Auditors' remuneration                                                               |                 |                 |                 |                 |
| Audit services                                                                       | 46,050          | 26,375          | 3,007           | 2,593           |
| Non-audit services                                                                   | 6,220           | 5,976           | 622             | 1,315           |
| Provision for/(reversal of) impairment of trade receivables (Note 20.1)              | (12,346)        | 50,075          | (1,196)         | (564)           |
| Provision for impairment of slow moving inventories/obsolete inventories (Note 19.2) | 168,595         | 304,381         | 5,456           | (15,543)        |
| Legal fees                                                                           | 86,527          | 50,759          | -               | 8,868           |
| Donations                                                                            | 2,117           | 2,051           | -               | -               |
| Social security levy expense                                                         | 9,149           | -               | 6,470           | -               |

### 6.1 Staff Costs

|                                | Group           |                 | Company         |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Defined contribution plan cost | 1,132,876       | 863,700         | 119,218         | 101,150         |
| Defined benefit plan costs     | 581,800         | 397,332         | 133,450         | 88,529          |
| Staff costs - others           | 11,927,639      | 8,882,367       | 971,910         | 878,623         |
|                                | 13,642,315      | 10,143,399      | 1,224,578       | 1,068,302       |
| No. of employees at year - end | 18,208          | 16,181          | 618             | 611             |

## NOTES TO THE FINANCIAL STATEMENTS

### 7. TAX EXPENSE

#### 7.1 Income Statement

|                                                     | Group           |                 | Company         |                 |
|-----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                     | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Income tax on current year profits                  | 1,569,261       | 1,039,169       | 529,113         | 63,942          |
| Under/(over) provision in respect of previous years | 10,669          | 6,254           | (4,244)         | (7,514)         |
| Irrecoverable/(reversal) economic service charges   | -               | (6,582)         | -               | -               |
|                                                     | 1,579,928       | 1,038,841       | 524,869         | 56,428          |
| Deferred tax expense / (reversal) (Note 18.2)       | 852,145         | 11,438          | (185,658)       | 185,704         |
| Withholding tax on dividends                        | 284,193         | 135,696         | -               | -               |
|                                                     | 2,716,268       | 1,185,975       | 339,211         | 242,132         |

#### 7.2 Statement of Other Comprehensive Income

|                                                                                        | Group           |                 | Company         |                 |
|----------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                        | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Deferred tax effect on actuarial (gain)/loss on defined benefit obligation (Note 18.2) | (31,133)        | (3,055)         | (2,856)         | (7,735)         |
| Land Revaluation (Note 18.2)                                                           | 27,542          | 16,041          | 17,508          | 7,261           |
|                                                                                        | (3,591)         | 12,986          | 14,652          | (474)           |

Reconciliation of accounting profit to income tax expense

|                          | Group            |                  | Company          |                 |
|--------------------------|------------------|------------------|------------------|-----------------|
|                          | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000  | 2022<br>Rs.'000 |
| Profit before tax        | 11,218,692       | 7,596,775        | 5,641,632        | 3,042,552       |
| Intra-group eliminations | 3,294,193        | 1,299,322        | -                | -               |
|                          | 14,512,885       | 8,896,097        | 5,641,632        | 3,042,552       |
| Disallowable expenses    | 4,883,088        | 667,324          | (126,288)        | (1,301,866)     |
| Tax deductible expenses  | (4,858,075)      | (2,926,144)      | (209,691)        | (232,540)       |
| Tax exempt income        | (6,494,273)      | (2,039,250)      | (2,137,953)      | (1,222,855)     |
| Tax loss brought forward | (1,842,969)      | (1,223,194)      | -                | -               |
| Tax loss carried forward | 2,279,756        | 949,595          | -                | -               |
| <b>Taxable income</b>    | <b>8,480,412</b> | <b>4,324,428</b> | <b>3,167,700</b> | <b>285,291</b>  |

|                   |                            |                    |                       |         |
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|                                    | Group           |                 | Company         |                 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                    | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Income tax @ 7%                    | 59,378          | -               | 59,378          | -               |
| Income tax @ 14%                   | 568,881         | 249,976         | 188,406         | 16,872          |
| income Tax @ 15%                   | 47,159          | -               | 2,383           | -               |
| Income tax @ 18%                   | 8,003           | 6,142           | 1,642           | -               |
| Income tax @ 20%                   | 23,505          | 280,147         | -               | -               |
| Income tax @ 24%                   | 120,913         | 445,121         | 29,194          | 42,005          |
| Income tax @ 30%                   | 587,990         | -               | 248,110         | -               |
| Income tax @ other tax rates       | 153,432         | 57,783          | -               | 5,065           |
| Income tax on current year profits | 1,569,261       | 1,039,169       | 529,113         | 63,942          |
| Effective tax rate                 | 22%             | 14%             | 6%              | 8%              |

Qualified profit earned by Dipped Products PLC, Hanwella Rubber Products Ltd, Mabroc Teas (Pvt) Ltd, Kalupahana Power Company (Pvt) Ltd, Kelani Valley Resorts (Pvt) Ltd, TTEL Hydro Power Company (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd were subject to tax at the rate of 14% (2022 - 14%) and manufacturing profit earned by Dipped Products PLC, Hanwella Rubber Products Ltd and Mabroc Teas (Pvt) Ltd were subject to tax at the rate of 18% for the period from April 01, 2022 to September 30, 2022.

Kelani Valley Plantation PLC and Talawakelle Tea Estate PLC's business income which is derived from agro farming was exempt for income tax and earnings from manufacturing was subject to tax at the rate of 14% (2022 - 14%) for the period from April 01, 2022 to September 30, 2022.

Palma Ltd, Venigros (Pvt) Ltd, Texnil (Pvt) Ltd, Feltex (Pvt) Ltd, D P L Plantations (Pvt) Ltd, Kelani Valley Instant Tea (Pvt) Ltd and Hayleys Plantation Services (Pvt) Ltd were subject to tax at 24% based on the Inland Revenue Act No. 24 of 2017. for the period from April 01, 2022 to September 30, 2022.

Pursuant to the Inland Revenue (Amendment) Act, No. 45 of 2022 certified on 19th of December, 2022, corporate income tax arising from business income has been increased from 14% to 30% w.e.f. October 01, 2022. As a result of this amendment, income tax has been calculated based on a tax rate of 30% from October 01, 2022.

Dipped Products (Thailand) Ltd is liable to corporate tax rate of 20%.

ICOGUANTI S.p.A., Italy is liable to a corporate tax rate of 24% and a regional tax of 3.9% on its taxable income. DPL France SAS is liable to a corporate tax rate of 25% and ROZENBAL POLSKA Sp.z.o.o is liable to a corporate tax rate of 19%.

Other income of the companies in the Group are liable for income tax at relevant tax rates.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. EARNINGS PER SHARE

#### Basic Earnings Per Share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted - average number of ordinary shares outstanding during the year.

The following reflects the profit and share data used in the basic earnings per share computations:

|                                                             | Group           |                 | Company         |                 |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                             | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>Amount used as the Numerator:</b>                        |                 |                 |                 |                 |
| Net profit attributable to the equity holders of the parent | 6,507,083       | 5,382,651       | 5,298,176       | 2,800,420       |
| <b>Number of Ordinary Shares used as the Denominator:</b>   |                 |                 |                 |                 |
| Weighted-average number of ordinary shares in issue         | 598,615,120     | 598,615,120     | 598,615,120     | 598,615,120     |
| Earnings per ordinary share - basic (Rs.)                   | 10.87           | 8.99            | 8.86            | 4.68            |

#### Diluted Earnings Per Share

There are no potentially dilutive ordinary shares of the Company and as a result, the diluted earnings per share is the same as the basic earnings per share shown above.

### 9. DIVIDENDS PER SHARE

|                              | Company         |                 |
|------------------------------|-----------------|-----------------|
|                              | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Final dividend - 2021 / 2022 | 89,792          | 359,169         |
| First Interim dividend       | 748,269         | 568,684         |
| Second Interim dividend      | 598,615         | 269,377         |
| Third Interim dividend       | 359,169         | 299,308         |
| Gross dividend               | 1,795,845       | 1,496,538       |
| Number of shares             | 598,615,120     | 598,615,120     |
| Dividend per share (Rs.)     | 3.00            | 2.50            |

Out of the total distribution of dividend Rs. 3.00 per share, Rs. 2.40 per share (2022 - Rs. 1.90 per share) distributed to shareholders comprise redistribution of dividends received by the Company.

## 10. PROPERTY, PLANT & EQUIPMENT

### 10.1 Group

|                                                                 | Group            |                                    |                  |                      |                     |                         |                                    |                              |                   |                   | 2022<br>Total     |
|-----------------------------------------------------------------|------------------|------------------------------------|------------------|----------------------|---------------------|-------------------------|------------------------------------|------------------------------|-------------------|-------------------|-------------------|
|                                                                 | Land             | Mature/<br>Immature<br>Plantations | Buildings        | Plant &<br>Machinery | Stores<br>Equipment | Laboratory<br>Equipment | Office and<br>Canteen<br>Equipment | Furniture<br>and<br>Fittings | Motor<br>Vehicles | 2023<br>Total     |                   |
|                                                                 | Rs:000           | Rs:000                             | Rs:000           | Rs:000               | Rs:000              | Rs:000                  | Rs:000                             | Rs:000                       | Rs:000            | Rs:000            | Rs:000            |
| <b>Freehold</b>                                                 |                  |                                    |                  |                      |                     |                         |                                    |                              |                   |                   |                   |
| <b>Cost/Valuation</b>                                           |                  |                                    |                  |                      |                     |                         |                                    |                              |                   |                   |                   |
| At beginning of the year                                        | 1,012,639        | 7,959,024                          | 4,338,747        | 12,342,413           | 914,486             | 144,790                 | 407,229                            | 410,823                      | 878,231           | 28,408,382        | 24,148,017        |
| Acquisition of subsidiary                                       | -                | 3,244,510                          | 380,891          | 516,473              | -                   | -                       | 15,496                             | 287,239                      | 203,215           | 4,647,824         | -                 |
| Effect of movement in foreign exchange                          | 16,795           | -                                  | 116,941          | 400,260              | 35,427              | 3,488                   | 9,377                              | 5,427                        | 2,599             | 590,314           | 1,961,788         |
| Additions                                                       | -                | 469,830                            | 582,688          | 2,625,361            | 291,079             | 44,156                  | 86,028                             | 92,811                       | 219,975           | 4,411,928         | 2,352,006         |
| Revaluation                                                     | -                | -                                  | -                | -                    | -                   | -                       | -                                  | -                            | -                 | -                 | 128,028           |
| Disposals                                                       | -                | -                                  | (13,436)         | (71,456)             | (31,312)            | -                       | (5,813)                            | (9,664)                      | (6,148)           | (137,829)         | (179,569)         |
| Write off during the Year                                       | -                | (8,082)                            | -                | -                    | -                   | -                       | -                                  | -                            | -                 | (8,082)           | -                 |
| Transfer to biological assets (Note 13)                         | -                | -                                  | -                | -                    | -                   | -                       | -                                  | -                            | -                 | -                 | (1,888)           |
| <b>At end of the year</b>                                       | <b>1,029,434</b> | <b>11,665,282</b>                  | <b>5,405,831</b> | <b>15,813,051</b>    | <b>1,209,680</b>    | <b>192,434</b>          | <b>512,317</b>                     | <b>786,636</b>               | <b>1,297,872</b>  | <b>37,912,537</b> | <b>28,408,382</b> |
| <b>Depreciation and Impairment</b>                              |                  |                                    |                  |                      |                     |                         |                                    |                              |                   |                   |                   |
| At beginning of the year                                        | -                | 2,307,730                          | 1,762,118        | 8,330,089            | 703,412             | 104,355                 | 323,593                            | 302,146                      | 627,621           | 14,461,064        | 11,857,526        |
| Acquisition of subsidiary                                       | -                | 948,463                            | 133,216          | 311,394              | -                   | -                       | 3,524                              | 125,028                      | 184,242           | 1,705,867         | -                 |
| Effect of movement in foreign exchange                          | -                | -                                  | 61,089           | 416,594              | 34,953              | 2,917                   | 8,129                              | 3,466                        | 2,038             | 529,186           | 1,598,323         |
| Charge for the year                                             | -                | 263,793                            | 192,566          | 823,157              | 51,103              | 14,865                  | 36,125                             | 51,364                       | 85,106            | 1,518,079         | 1,148,362         |
| Disposals                                                       | -                | -                                  | (4,687)          | (57,870)             | (31,312)            | -                       | (5,813)                            | (9,507)                      | (6,148)           | (115,337)         | (143,147)         |
| <b>At end of the year</b>                                       | <b>-</b>         | <b>3,519,986</b>                   | <b>2,144,302</b> | <b>9,823,364</b>     | <b>758,156</b>      | <b>122,137</b>          | <b>365,558</b>                     | <b>472,497</b>               | <b>892,859</b>    | <b>18,098,859</b> | <b>14,461,064</b> |
| <b>Net book value at year end</b>                               | <b>1,029,434</b> | <b>8,145,296</b>                   | <b>3,261,529</b> | <b>5,989,687</b>     | <b>451,524</b>      | <b>70,297</b>           | <b>146,759</b>                     | <b>314,139</b>               | <b>405,013</b>    | <b>19,813,678</b> | <b>13,947,318</b> |
| Capital work-in-progress (Note 10.3)                            |                  |                                    |                  |                      |                     |                         |                                    |                              |                   | 1,997,738         | 2,397,514         |
| <b>Carrying value of freehold property, plant and equipment</b> |                  |                                    |                  |                      |                     |                         |                                    |                              |                   | <b>21,811,416</b> | <b>16,344,832</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT & EQUIPMENT CONTD.

#### 10.2 Company

|                                                              | Company |           |                      |                     |                         |                                    |                              |                   | 2023<br>Total | 2022<br>Total |
|--------------------------------------------------------------|---------|-----------|----------------------|---------------------|-------------------------|------------------------------------|------------------------------|-------------------|---------------|---------------|
|                                                              | Land    | Buildings | Plant &<br>Machinery | Stores<br>Equipment | Laboratory<br>Equipment | Office and<br>Canteen<br>Equipment | Furniture<br>and<br>Fittings | Motor<br>Vehicles | Rs'000        | Rs'000        |
|                                                              | Rs'000  | Rs'000    | Rs'000               | Rs'000              | Rs'000                  | Rs'000                             | Rs'000                       | Rs'000            | Rs'000        | Rs'000        |
| <b>Freehold</b>                                              |         |           |                      |                     |                         |                                    |                              |                   |               |               |
| <b>Cost/Valuation</b>                                        |         |           |                      |                     |                         |                                    |                              |                   |               |               |
| At beginning of the year                                     | 295,265 | 272,676   | 1,174,120            | 103,292             | 73,042                  | 170,963                            | 25,728                       | 136,284           | 2,251,372     | 1,818,334     |
| Additions                                                    | -       | 123,098   | 84,115               | 22,603              | 29,441                  | 32,122                             | 27,424                       | 26,400            | 345,203       | 401,371       |
| Revaluation                                                  | -       | -         | -                    | -                   | -                       | -                                  | -                            | -                 | -             | 51,862        |
| Disposals                                                    | -       | -         | (10,532)             | -                   | -                       | -                                  | (5)                          | -                 | (10,537)      | (20,195)      |
| <b>At end of the year</b>                                    | 295,265 | 395,774   | 1,247,703            | 125,896             | 102,483                 | 203,085                            | 53,148                       | 162,684           | 2,586,038     | 2,251,372     |
| <b>Depreciation and impairment</b>                           |         |           |                      |                     |                         |                                    |                              |                   |               |               |
| At beginning of the year                                     | -       | 126,393   | 691,368              | 85,740              | 51,624                  | 143,507                            | 17,458                       | 73,486            | 1,189,576     | 1,101,490     |
| Charge for the year                                          | -       | 10,472    | 73,908               | 6,779               | 8,147                   | 10,494                             | 2,800                        | 18,212            | 130,812       | 108,282       |
| Disposals                                                    | -       | (3,260)   | -                    | -                   | -                       | (5)                                | -                            | -                 | (3,265)       | (20,196)      |
| <b>At end of the year</b>                                    | -       | 133,605   | 765,276              | 92,519              | 59,771                  | 153,996                            | 20,258                       | 91,698            | 1,317,123     | 1,189,576     |
| <b>Net book value</b>                                        | 295,265 | 262,169   | 482,427              | 33,377              | 42,712                  | 49,089                             | 32,890                       | 70,986            | 1,268,915     | 1,061,796     |
| Capital work-in-progress<br>(Note 10.3)                      |         |           |                      |                     |                         |                                    |                              |                   | 116,876       | 104,401       |
| <b>Carrying value of property,<br/>plant &amp; equipment</b> |         |           |                      |                     |                         |                                    |                              |                   | 1,385,791     | 1,166,197     |

#### 10.3 Capital work in progress

|                              | Group          |                | Company        |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2023<br>Rs'000 | 2022<br>Rs'000 | 2023<br>Rs'000 | 2022<br>Rs'000 |
| At the beginning of the year | 2,397,514      | 784,676        | 104,401        | 106,516        |
| Addition during the year     | 1,563,761      | 3,322,100      | 275,362        | 376,322        |
| Acquisition of subsidiary    | 45,634         | -              | -              | -              |
| Capitalised during the year  | (2,009,171)    | (1,709,262)    | (262,887)      | (378,437)      |
| At end of the year           | 1,997,738      | 2,397,514      | 116,876        | 104,401        |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

#### 10.4 Other Explanatory Information

(i) The value of lands which have been revalued by independently qualified valuers are indicated below together with the last date of revaluation. Valuations were performed by Mr. P. B. Kalugalgedara (Chartered valuation surveyor-UK) for Dipped Products PLC and Mabroc Teas (Private) Limited and S.L Standard Appraisal Company Limited for Dipped Products (Thailand) Limited.

| Company                            | Location & date of last revaluation               | Land in Acres | Written up as at     |                      |
|------------------------------------|---------------------------------------------------|---------------|----------------------|----------------------|
|                                    |                                                   |               | 31-Mar-23<br>Rs.'000 | 31-Mar-22<br>Rs.'000 |
| Dipped Products PLC                | Brahmanagama, Kottawa (March 31,2022)             | 10.67         | 266,104              | 266,104              |
| Dipped Products (Thailand) Limited | Khuan Niang, Songkhla (March 31,2022)             | 13.05         | 175,371              | 175,371              |
| Mabroc Teas (Private) Limited      | New Hunupitiya Road, Kiribathgoda (March 31,2022) | 1.94          | 542,000              | 542,000              |

(ii) Cost of revalued lands given above, amounts to Rs. 670,369,125/-

(iii) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at reporting date is Rs. 867,122,028/- (2022 - Rs. 842,852,243/-) and for the Group is Rs. 8,031,269,012/- (2022 - Rs. 6,657,162,953/-).

(iv) No. of buildings owned by the Company and the Group are 20 and 123 respectively.

(v) Value of immature and mature plantations in the Group as at March 31, 2023 is Rs. 1,459,309,967 and Rs. 4,425,585,802 respectively

#### 11. FORMERS (MOULDS)

|                                 | Group            |                 | Company         |                 |
|---------------------------------|------------------|-----------------|-----------------|-----------------|
|                                 | 2023<br>Rs.'000  | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>Cost</b>                     |                  |                 |                 |                 |
| At beginning of the year        | 962,827          | 806,704         | 243,486         | 242,573         |
| Additions                       | 275,472          | 126,335         | 47,009          | 5,039           |
| Write off / breakage of formers | (34,555)         | (27,290)        | (4,198)         | (4,126)         |
| Forex revaluation gain          | 17,433           | 57,078          | -               | -               |
| <b>At end of the year</b>       | <b>1,221,177</b> | <b>962,827</b>  | <b>286,297</b>  | <b>243,486</b>  |
| <b>Impairment</b>               |                  |                 |                 |                 |
| At beginning of the year        | 526,333          | 427,349         | 153,320         | 151,023         |
| Charge for the year             | 70,664           | 49,866          | 10,027          | 2,297           |
| Forex revaluation gain          | 15,749           | 49,118          | -               | -               |
| <b>At end of the year</b>       | <b>612,746</b>   | <b>526,333</b>  | <b>163,347</b>  | <b>153,320</b>  |
| <b>Net book value</b>           |                  |                 |                 |                 |
| At beginning of the year        | 436,494          | 379,355         | 90,166          | 91,550          |
| <b>At end of the year</b>       | <b>608,431</b>   | <b>436,494</b>  | <b>122,950</b>  | <b>90,166</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 12. INVESTMENT PROPERTIES

| Group                                | 2023            |                     |                  | 2022            |                     |                  |
|--------------------------------------|-----------------|---------------------|------------------|-----------------|---------------------|------------------|
|                                      | Land<br>Rs.'000 | Building<br>Rs.'000 | Total<br>Rs.'000 | Land<br>Rs.'000 | Building<br>Rs.'000 | Total<br>Rs.'000 |
| Carrying value                       |                 |                     |                  |                 |                     |                  |
| At the beginning of the year         | -               | -                   | -                | 330,168         | 62,454              | 392,622          |
| Change in fair value during the year | -               | -                   | -                | -               | -                   | -                |
| Disposal during the year             | -               | -                   | -                | (330,168)       | (62,454)            | (392,622)        |
| <b>At the end of the year</b>        | -               | -                   | -                | -               | -                   | -                |

| Company                              | 2023            |                     |                  | 2022            |                     |                  |
|--------------------------------------|-----------------|---------------------|------------------|-----------------|---------------------|------------------|
|                                      | Land<br>Rs.'000 | Building<br>Rs.'000 | Total<br>Rs.'000 | Land<br>Rs.'000 | Building<br>Rs.'000 | Total<br>Rs.'000 |
| Carrying value                       |                 |                     |                  |                 |                     |                  |
| At the beginning of the year         | -               | -                   | -                | 188,280         | -                   | 188,280          |
| Change in fair value during the year | -               | -                   | -                | -               | -                   | -                |
| Disposal during the year             | -               | -                   | -                | (188,280)       | -                   | (188,280)        |
| <b>At the end of the year</b>        | -               | -                   | -                | -               | -                   | -                |

#### 12.1 Rental Income

|                                                  | Group           |                 |
|--------------------------------------------------|-----------------|-----------------|
|                                                  | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Rental income derived from investment properties | -               | 4,750           |

### 13. BIOLOGICAL ASSETS

|                                                           | Group            |                 |
|-----------------------------------------------------------|------------------|-----------------|
|                                                           | 2023<br>Rs.'000  | 2022<br>Rs.'000 |
| At beginning of the year                                  | 599,064          | 530,543         |
| Transfer from immature plantations (Note 10.1)            | -                | 1,888           |
| Increase due to development                               | 16,654           | 19,131          |
| Gain arising from changes in fair value less cost to sell | 138,628          | 67,692          |
| Decrease due to harvest                                   | (32,824)         | (20,190)        |
| On Acquisition of Subsidiaries                            | 591,546          | -               |
| <b>At end of the year</b>                                 | <b>1,313,068</b> | <b>599,064</b>  |

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of mature managed trees were ascertained in accordance with SLFRS 13 & LKAS 41. The valuation of Kelani Valley Plantations PLC was carried out by Messers FRT Valuation Services (Pvt) Ltd using market approach method and valuation of Talawakelle Tea Estates PLC was carried out by Messers FRT Valuation Services (Pvt) Ltd using Discounted Cash Flow (DCF) method. The valuation of Horana Plantations PLC was carried out by Messers Mr.A.A.M.Fathihu- Proprietor of FM Valuers using Discounted Cash Flow (DCF) method. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

Information about fair value measurements using significant unobservable inputs (Level 3)

| Non Financial Asset                  | Valuation Technique | Unobservable Inputs         | Range of Unobservable Inputs (Probability weighted average.) |                       | Relationship of Unobservable Inputs to Fair Value   |
|--------------------------------------|---------------------|-----------------------------|--------------------------------------------------------------|-----------------------|-----------------------------------------------------|
|                                      |                     |                             | 2023                                                         | 2022                  |                                                     |
| Consumable managed biological assets | DCF/Market approach | Discounting Rate            | 17.5%-19.5%                                                  | 15.40%                | Higher the discount rate, lesser the fair value     |
|                                      |                     | Optimum rotation (Maturity) | 20-25 Years                                                  | 20-25 Years           | Lower the rotation period, higher the fair value    |
|                                      |                     | Volume at rotation          | 95-140 cu.ft                                                 | 25-140 cu.ft          | Higher the volume, higher the fair value            |
|                                      |                     | Price per cu.ft.            | Rs.80/- to Rs.6,600/-                                        | Rs.50/- to Rs.3,000/- | Higher the price per cu. ft., higher the fair value |

### Key Assumptions Used in Valuation

1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
2. The price adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting, yet the cost is not taken into consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable.

### Sensitivity Analysis

#### Sensitivity Variation - Sales Price

Values of biological assets are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

| Group                | -10%      |           | +10%      |
|----------------------|-----------|-----------|-----------|
| Managed Timber       | Rs.'000   | Rs.'000   | Rs.'000   |
| As at March 31, 2023 | 1,191,191 | 1,313,068 | 1,434,945 |
| As at March 31, 2022 | 545,756   | 599,064   | 652,372   |

#### Sensitivity Variation - Discount Rate

Values of biological assets are very sensitive to changes of the discount rate applied. Simulations made timber trees show that a rise or decrease by 1.5% of the estimated discounted rate has the following effect on the net present value of biological assets:

| Group                | -1.5%     |           | +1.5%     |
|----------------------|-----------|-----------|-----------|
| Managed Timber       | Rs.'000   | Rs.'000   | Rs.'000   |
| As at March 31, 2023 | 1,340,422 | 1,313,068 | 1,288,905 |
| As at March 31, 2022 | 600,819   | 599,064   | 597,396   |

## NOTES TO THE FINANCIAL STATEMENTS

### 14. RIGHT OF USE ASSETS

| Group                                        | Land      | Building | Mature/<br>Immature<br>Plantation | Machinery &<br>Equipments | Office<br>Equipment | 2023<br>Total | 2022<br>Total |
|----------------------------------------------|-----------|----------|-----------------------------------|---------------------------|---------------------|---------------|---------------|
| Carrying value                               | Rs.'000   | Rs.'000  | Rs.'000                           |                           | Rs.'000             | Rs.'000       | Rs.'000       |
| <b>Cost</b>                                  |           |          |                                   |                           |                     |               |               |
| At beginning of the year                     | 1,294,048 | 365,397  | 635,524                           | 35,101                    | 26,850              | 2,356,920     | 2,331,143     |
| Re-assessment                                | -         | -        | -                                 | -                         | -                   | -             | 25,777        |
| Addition                                     | 52,761    | 16,782   | 9,422                             | 351                       | -                   | 79,316        | -             |
| On Acquisition of Subsidiaries               | 158,721   | -        | -                                 | -                         | -                   | 158,721       | -             |
| At end of the year                           | 1,505,530 | 382,179  | 644,946                           | 35,452                    | 26,850              | 2,594,957     | 2,356,920     |
| <b>Depreciation and Impairment</b>           |           |          |                                   |                           |                     |               |               |
| At beginning of the year                     | 135,861   | 270,640  | 544,965                           | 35,101                    | 24,786              | 1,011,353     | 893,020       |
| Charge for the year                          | 47,220    | 50,437   | 14,791                            | -                         | 2,064               | 114,512       | 118,333       |
| At end of the year                           | 183,081   | 321,077  | 559,756                           | 35,101                    | 26,850              | 1,125,865     | 1,011,353     |
| <b>Carrying value of right of use assets</b> | 1,322,449 | 61,102   | 85,190                            | 351                       | -                   | 1,469,092     | 1,345,567     |

| Company                                      | Building | Office<br>Equipment | 2023<br>Total | 2022<br>Total |
|----------------------------------------------|----------|---------------------|---------------|---------------|
|                                              | Rs.'000  | Rs.'000             | Rs.'000       | Rs.'000       |
| <b>Cost</b>                                  |          |                     |               |               |
| At beginning of the year                     | 52,718   | 26,850              | 79,568        | 79,568        |
| <b>At end of the year</b>                    | 52,718   | 26,850              | 79,568        | 79,568        |
| <b>Depreciation and Impairment</b>           |          |                     |               |               |
| At beginning of the year                     | 30,125   | 24,786              | 54,911        | 34,032        |
| Charge for the year                          | 12,619   | 2,064               | 14,683        | 20,879        |
| <b>At end of the year</b>                    | 42,744   | 26,850              | 69,594        | 54,911        |
| <b>Carrying value of right of use assets</b> | 9,974    | -                   | 9,974         | 24,657        |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
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## 15. INTANGIBLE ASSETS

|                                | Group    |                  |                   |            |         | Company |                   |         |         |
|--------------------------------|----------|------------------|-------------------|------------|---------|---------|-------------------|---------|---------|
|                                | Goodwill | Development Cost | Computer Software | Trade Mark | 2023    | 2022    | Computer Software | 2023    | 2022    |
| Carrying value                 | Rs.'000  | Rs.'000          | Rs.'000           | Rs.'000    | Rs.'000 | Rs.'000 | Rs.'000           | Rs.'000 | Rs.'000 |
| <b>Cost</b>                    |          |                  |                   |            |         |         |                   |         |         |
| At beginning of the year       | 253,933  | 18,297           | 124,492           | -          | 396,722 | 371,046 | 71,025            | 71,025  | 71,025  |
| On Acquisition of subsidiaries | 443,251  | -                | -                 | -          | 443,251 | -       | -                 | -       | -       |
| Additions                      | -        | -                | -                 | 90,884     | 90,884  | 19,483  | -                 | -       | -       |
| Forex revaluation gain         | -        | -                | 2,126             | -          | 2,126   | 6,193   | -                 | -       | -       |
| <b>At end of the year</b>      | 697,184  | 18,297           | 126,618           | 90,884     | 932,983 | 396,722 | 71,025            | 71,025  | 71,025  |
| <b>Amortisation</b>            |          |                  |                   |            |         |         |                   |         |         |
| At beginning of the year       | -        | 16,662           | 64,929            | -          | 81,591  | 60,514  | 47,359            | 47,359  | 35,520  |
| Charge for the year            | -        | 820              | 21,003            | 17,523     | 39,346  | 18,736  | 11,840            | 11,840  | 11,839  |
| Forex revaluation gain         | -        | -                | 579               | -          | 579     | 2,341   | -                 | -       | -       |
| <b>At end of the year</b>      | -        | 17,482           | 86,511            | 17,523     | 121,516 | 81,591  | 59,199            | 59,199  | 47,359  |
| <b>Net book value</b>          |          |                  |                   |            |         |         |                   |         |         |
| At beginning of the year       | 253,933  | 1,635            | 59,563            | -          | 315,131 | 310,532 | 23,666            | 23,666  | 35,506  |
| <b>At end of the year</b>      | 697,184  | 815              | 40,107            | 73,361     | 811,467 | 315,131 | 11,826            | 11,826  | 23,666  |

Goodwill acquired through business combinations have been allocated to the following cash-generating units (CGUs) for impairment testing:

| Carrying value              | Group   |         |
|-----------------------------|---------|---------|
|                             | 2023    | 2022    |
|                             | Rs.'000 | Rs.'000 |
| Mabroc Teas (Pvt) Ltd       | 33,310  | 33,310  |
| Talawakelle Tea Estates PLC | 220,623 | 220,623 |
| Horana Plantations PLC      | 443,251 | -       |
|                             | 697,184 | 253,933 |

The recoverable value of goodwill for all CGUs have been based on Value In Use (VIU) calculations which have been determined by discounting the future cash flows generated from the continuing use of the CGUs. Key assumptions used are given below:

|                             | Discount Rate | Terminal Growth Rate |
|-----------------------------|---------------|----------------------|
| Mabroc Teas (Pvt) Ltd       | 18%-28%       | 1%                   |
| Talawakelle Tea Estates PLC | 17%-21%       | 4%                   |
| Horana Plantations PLC      | 18%-28%       | 2%                   |

### Terminal Growth Rate

For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity is applied immediately at the end of the five year forecast period and is based on the lower of

- the nominal GDP growth rate forecasts for the country of operations; and
- the long-term compound annual growth rate in adjusted EBITDA as estimated by the management

Long-term compound annual growth rates determined by the management may be lower than forecast nominal GDP growth rates due to the following market-specific factors: competitive intensity levels, maturity of business, regulatory environment or sector-specific inflation expectations.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. INTANGIBLE ASSETS CONTD.

#### Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings; the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

### 16. INVESTMENTS

#### 16.1 Investments in Subsidiaries (at cost) - Unquoted Investments

| Carrying value                                         | % Holding |           | No. of Shares |             | Company         |                 |
|--------------------------------------------------------|-----------|-----------|---------------|-------------|-----------------|-----------------|
|                                                        | 2023<br>% | 2022<br>% | 2023<br>No.   | 2022<br>No. | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Palma Ltd.                                             | -         | 100       | -             | 4,000,000   | -               | 40,000          |
| DPL Plantations (Pvt) Ltd.                             | 100       | 100       | 55,000,000    | 55,000,000  | 550,000         | 550,000         |
| Venigros (Pvt) Ltd.                                    | 100       | 100       | 8,000,000     | 8,000,000   | 202,450         | 202,450         |
| Texnil (Pvt) Ltd.                                      | -         | 100       | -             | 29,000,000  | -               | 290,000         |
| Dipped Products (Thailand) Ltd.                        | 99        | 99        | 3,722,184     | 3,722,184   | 1,208,854       | 1,208,854       |
| ICOGUANTI S.p.A.                                       | 100       | 100       | 3,150,000     | 3,150,000   | 624,734         | 624,734         |
| Feltex (Pvt) Ltd.                                      | 100       | 100       | 1,500,000     | 1,500,000   | 15,000          | 15,000          |
| Hanwella Rubber Products Ltd.                          | 73        | 73        | 18,152,000    | 18,152,000  | 151,620         | 151,620         |
| D P L Premier Gloves Ltd.                              | 100       | 100       | 145,000,000   | 145,000,000 | 1,450,000       | 1,450,000       |
| D P L Universal Gloves Ltd.                            | 100       | 100       | 350,000,000   | 200,000,000 | 3,500,000       | 2,000,000       |
|                                                        |           |           |               |             | 7,702,658       | 6,532,658       |
| Impairment of investment in subsidiaries (Note 16.1.1) |           |           |               |             | (350,000)       | (640,000)       |
|                                                        |           |           |               |             | 7,352,658       | 5,892,658       |

#### 16.1.1 Impairment of Investments in Subsidiaries

| Carrying value                             | Company                                     |                                                     |                                 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
|--------------------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------------|-----------------|-----------------|
|                                            | D P L<br>Universal<br>Gloves Ltd<br>Rs.'000 | Dipped<br>Products<br>(Thailand)<br>Ltd.<br>Rs.'000 | Texnil<br>(Pvt) Ltd.<br>Rs.'000 |                 |                 |
| At beginning of the year                   | 100,000                                     | 250,000                                             | 290,000                         | 640,000         | 640,000         |
| Written off on liquidation during the year | -                                           | -                                                   | (290,000)                       | (290,000)       | -               |
| <b>At end of the year</b>                  | 100,000                                     | 250,000                                             | -                               | 350,000         | 640,000         |

16.2 Palma Ltd and Texnil (Pvt) Ltd were liquidated on November 14, 2022 and January 10, 2023 respectively.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
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### 16.3 Acquisition of Subsidiaries

**16.3.1** In April 14, 2022, ICOGUANTI S.p.A, acquired 96.5% equity stake of ROZENBAL POLSKA Sp.z.o.o for a consideration of Euro 1.00 and on March 29, 2023, Hayleys Plantations Services (Pvt) Ltd. acquired a stake of 51% in Horana Plantations PLC for a consideration of Rs. 699.98 Mn.

|                                                | Horana<br>Plantations PLC<br>(Provisional<br>amounts)*<br>Rs.'000 | ROZENBAL<br>POLSKA Sp.z.o.o<br>Rs.'000 | Total<br>Rs.'000 |
|------------------------------------------------|-------------------------------------------------------------------|----------------------------------------|------------------|
| Property, plant & equipment                    | 2,848,327                                                         | -                                      | 2,848,327        |
| Right-of-use assets                            | 184,743                                                           | -                                      | 184,743          |
| Biological assets                              | 591,546                                                           | -                                      | 591,546          |
| Inventories                                    | 486,233                                                           | 157,286                                | 643,519          |
| Trade and other receivables                    | 206,944                                                           | 154,001                                | 360,945          |
| Deferred tax asset/(liability)                 | (583,026)                                                         | -                                      | (583,026)        |
| Employee benefit obligations                   | (458,832)                                                         | -                                      | (458,832)        |
| Differed Income                                | (106,475)                                                         | -                                      | (106,475)        |
| Trade and other payables                       | (394,609)                                                         | (176,792)                              | (571,401)        |
| Interest Bearing Borrowings                    | (1,385,272)                                                       | -                                      | (1,385,272)      |
| <b>Net identifiable assets and liabilities</b> | <b>1,389,579</b>                                                  | <b>134,495</b>                         | <b>1,524,074</b> |
| Non-controlling <sup>1</sup> interests         | (673,231)                                                         | (7,605)                                | (680,836)        |
| Goodwill acquired                              | 443,251                                                           | -                                      | 443,251          |
| Gain on bargain purchase                       | -                                                                 | (209,690)                              | (209,690)        |
|                                                | <b>1,159,599</b>                                                  | <b>(82,800)</b>                        | <b>1,076,799</b> |

#### 16.3.2 Satisfied by

|                                | Horana<br>Plantations PLC<br>Rs.'000 | ROZENBAL<br>POLSKA Sp.z.o.o<br>Rs.'000 | Total<br>Rs.'000   |
|--------------------------------|--------------------------------------|----------------------------------------|--------------------|
| Cash consideration             | (699,975)                            | -                                      | (699,975)          |
| Short term deposits acquired   | 22,681                               | -                                      | 22,681             |
| Cash in hand and bank acquired | 14,698                               | 82,800                                 | 97,498             |
| Short term borrowings acquired | (497,003)                            | -                                      | (497,003)          |
|                                | <b>(1,159,599)</b>                   | <b>82,800</b>                          | <b>(1,076,799)</b> |

\*As of the reporting date the management is in the process of obtaining information pertaining to the acquisition of Horana Plantations PLC, particularly information supporting the determination of fair value of assets acquired and liabilities assumed through the acquisition. As the process pertaining to initial accounting of the investment was incomplete, management has used provisional amounts in determining the goodwill arising from the acquisition and intends on making the required adjustments retrospectively in accordance with the provisions of Sri Lanka Accounting Standards.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. OTHER NON-CURRENT FINANCIAL ASSETS

|                                                  | Group           |                 | Company         |                 |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                  | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Financial assets at fair value through OCI       |                 |                 |                 |                 |
| Quoted equity shares (Note 17.1)                 | 63              | 89              | -               | -               |
| Unquoted equity shares (Note 17.2)               | 396,970         | 390,920         | -               | -               |
| Total financial assets at fair value through OCI | 397,033         | 391,009         | -               | -               |
| Loan debtors                                     | 678             | 2,252           | 678             | 1,000           |
| <b>Total non-current Financial Assets</b>        | <b>397,711</b>  | <b>393,261</b>  | <b>678</b>      | <b>1,000</b>    |

#### 17.1 Quoted Equity Shares

|                               | Group           |                 |
|-------------------------------|-----------------|-----------------|
|                               | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Royal Ceramic Lanka PLC       |                 |                 |
| At the beginning of the year  | 89              | 57              |
| Change in fair value          | (26)            | 32              |
| <b>At the end of the year</b> | <b>63</b>       | <b>89</b>       |

#### 17.2 Unquoted Equity Shares

|                                               | Group           |                 |
|-----------------------------------------------|-----------------|-----------------|
|                                               | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Wellassa Rubber Company Ltd                   |                 |                 |
| (No. of shares 2023 and 2022 - 255,000)       | 2,550           | 2,550           |
| Mabroc International (Pvt) Ltd                | 732             | 732             |
| Mabroc Japan Ltd.                             | 4,567           | 4,567           |
| <b>Total short term investments</b>           | <b>7,849</b>    | <b>7,849</b>    |
| Provision for fall in value of investment     | (7,849)         | (7,849)         |
| Martin Bauer Hayleys (Pvt) Ltd. (Note 17.2.1) | 396,970         | 390,920         |
| <b>Total long term investments</b>            | <b>396,970</b>  | <b>390,920</b>  |

##### 17.2.1 Martin Bauer Hayleys (Pvt) Ltd.

|                           | No of<br>Shares   | Group           |                 |
|---------------------------|-------------------|-----------------|-----------------|
|                           |                   | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year  | 39,091,550        | 390,920         | 390,920         |
| Change in fair value      | -                 | 6,050           | -               |
| <b>At end of the year</b> | <b>39,091,550</b> | <b>396,970</b>  | <b>390,920</b>  |

|                         | Group        |              |
|-------------------------|--------------|--------------|
|                         | 2023<br>Rs.' | 2022<br>Rs.' |
| <b>As at 31st March</b> |              |              |
| Fair value of a share   | 10.15        | 10.00        |

|                   |                            |                    |                       |         |
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*Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*

|                                                         | Valuation technique | Unobservable inputs | Range unobservable inputs |        |
|---------------------------------------------------------|---------------------|---------------------|---------------------------|--------|
|                                                         |                     |                     | 2023                      | 2022   |
| Financial Asset                                         | DCF                 | Discounting rate    | 12.00%                    | 11.00% |
| (Investment in shares of Martin Bauer Hayleys (Pvt) Ltd |                     | Growth rate         | 7.30%                     | 1.50%  |

*Sensitivity Analysis - Based on Discounting Rate*

| Discount Rate               | -1%     | 1%       |
|-----------------------------|---------|----------|
|                             | Rs.'000 | Rs.'000  |
| <b>As at March 31, 2023</b> | 132,989 | (75,587) |
| As at March 31, 2022        | 50,455  | (36,160) |

*Sensitivity Analysis - Based on Growth Rate*

| Growth Rate                 | -1%      | 1%      |
|-----------------------------|----------|---------|
|                             | Rs.'000  | Rs.'000 |
| <b>As at March 31, 2023</b> | (64,706) | 115,053 |
| As at March 31, 2022        | (24,673) | 36,217  |

## 18. DEFERRED TAX ASSETS AND LIABILITIES

|                                        | Group            |                 | Company         |                 |
|----------------------------------------|------------------|-----------------|-----------------|-----------------|
|                                        | 2023<br>Rs.'000  | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>18.1 Deferred Tax Assets</b>        |                  |                 |                 |                 |
| At end of the year (Note 18.2)         | 258,614          | 169,425         | 57,629          | -               |
| <b>18.2 Deferred Tax Liability</b>     |                  |                 |                 |                 |
| At beginning of the year               | 606,524          | 616,545         | 113,377         | (71,853)        |
| Recognised during the year             |                  |                 |                 |                 |
| In Statement of Profit or Loss         | 852,145          | 11,438          | (185,658)       | 185,704         |
| In OCI - Actuarial gain/(loss)         | (31,133)         | (3,055)         | (2,856)         | (7,735)         |
| Land Revaluation                       | 27,542           | 16,041          | 17,508          | 7,261           |
| Effect of movement in foreign exchange | (14,867)         | (34,445)        | -               | -               |
| Acquisition on subsidiaries            | 578,543          | -               | -               | -               |
| <b>At end of the year</b>              | <b>2,018,754</b> | <b>606,524</b>  | <b>(57,629)</b> | <b>113,377</b>  |
| Deferred tax assets                    | 258,614          | 169,425         | 57,629          | -               |
| Deferred tax liability                 | 2,277,368        | 775,949         | -               | 113,377         |

## 18.3 Recognised Deferred Tax Assets and Liabilities

|                                                           | Group            |                 | Company         |                 |
|-----------------------------------------------------------|------------------|-----------------|-----------------|-----------------|
|                                                           | 2023<br>Rs.'000  | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Deferred tax relates to the following:                    |                  |                 |                 |                 |
| Accelerated depreciation for tax purposes                 | 3,558,655        | 869,295         | 66,876          | 24,636          |
| Biological assets                                         | 64,631           | 56,453          | -               | -               |
| Defined benefit obligation                                | (931,135)        | (251,538)       | (221,228)       | (85,444)        |
| Losses available for offset against future taxable income | (167,853)        | (2,718)         | -               | -               |
| Others                                                    | (505,545)        | (64,968)        | 96,723          | 174,185         |
| <b>Net deferred tax liability/(assets)</b>                | <b>2,018,752</b> | <b>606,524</b>  | <b>(57,629)</b> | <b>113,377</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

### 18.4 Impact on Deferred Tax Due to Tax Rate Change

|                                                                                  | Group<br>2023<br>Rs.'000 | Company<br>2023<br>Rs.'000 |
|----------------------------------------------------------------------------------|--------------------------|----------------------------|
| Recognised in Statement of Profit or Loss due to during the year transactions    | (100,812)                | (86,640)                   |
| Recognized in Statement of Profit or Loss due to (increase)/decrease in Tax Rate | 952,957                  | (99,017)                   |
| <b>Income tax expense recognised in Statement of Profit or Loss</b>              | <b>852,145</b>           | <b>(185,657)</b>           |
| Recognized in Other Comprehensive Income during the year transactions            | (31,133)                 | (2,856)                    |
| Recognized in Other Comprehensive Income due to (increase)/decrease in Tax Rate  | 27,542                   | 17,508                     |
| <b>Income tax expense recorded in OCI</b>                                        | <b>(3,591)</b>           | <b>14,652</b>              |

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on December 19, 2022, (with retrospective effect from October 01, 2022) therefore rate of 30% has been used for Deferred Tax from October 01, 2022 onwards. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

- 18.5** A deferred tax asset has not been recognised by the Group in relation to carried forward tax losses amounting to Rs. 2,154,212,389 as at March 31, 2023 (2022 Rs. 661,776,959) and tax losses amounting to Rs. 1,752,651,082 will expire in year 2023/24.

### 19. INVENTORIES

|                                                            | Group           |                 | Company         |                 |
|------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                            | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Raw materials and consumables                              | 4,971,707       | 4,411,081       | 890,540         | 811,190         |
| Finished goods                                             | 5,302,676       | 6,080,572       | 138,146         | 231,434         |
| Work-in-progress                                           | 1,486,384       | 1,336,541       | 266,009         | 164,344         |
| Produce stock                                              | 1,572,509       | 784,987         | -               | -               |
| Produce on bearer biological assets (Note 19.1)            | 61,438          | 34,417          | -               | -               |
|                                                            | 13,394,714      | 12,647,598      | 1,294,695       | 1,206,968       |
| Provision for slow-moving/obsolete inventories (Note 19.2) | (746,112)       | (577,517)       | (41,499)        | (36,043)        |
|                                                            | 12,648,602      | 12,070,081      | 1,253,196       | 1,170,925       |

#### 19.1 Produce on Bearer Biological Assets

|                                        | Group           |                 |
|----------------------------------------|-----------------|-----------------|
|                                        | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At the beginning of the year           | 34,417          | 31,907          |
| Change in fair value less cost to sell | 17,173          | 2,510           |
| On Acquisition of Subsidiaries         | 9,848           | -               |
| <b>At end of the year</b>              | <b>61,438</b>   | <b>34,417</b>   |

#### 19.2 Movement in the provision for slow-moving/obsolete inventories

|                                | Group           |                 | Company         |                 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year       | 577,517         | 273,136         | 36,043          | 51,586          |
| Charge/(Reversal) for the year | 168,595         | 304,381         | 5,456           | (15,543)        |
| <b>At end of the year</b>      | <b>746,112</b>  | <b>577,517</b>  | <b>41,499</b>   | <b>36,043</b>   |

|                   |                            |                    |                       |         |
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## 20. TRADE AND OTHER RECEIVABLES

|                                                             | Group           |                 | Company         |                 |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                             | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Trade receivables - Related parties                         | 68,395          | 81,989          | 240,750         | 178,608         |
| - Others                                                    | 11,219,542      | 11,042,321      | 1,495,494       | 1,447,402       |
| Total trade receivables                                     | 11,287,937      | 11,124,310      | 1,736,244       | 1,626,010       |
| Impairment provision for bad and doubtful debts (Note 20.1) | (114,621)       | (126,967)       | (713)           | (1,909)         |
|                                                             | 11,173,316      | 10,997,343      | 1,735,531       | 1,624,101       |
| Income tax recoverable (Note 29)                            | 311,892         | 254,415         | -               | -               |
| Other receivables - Parent                                  | 1,116           | 319,491         | 989             | 3,267           |
| - Other                                                     | 954,503         | 558,447         | 24,263          | 17,416          |
| Total other receivable                                      | 955,619         | 877,938         | 25,252          | 20,683          |
|                                                             | 12,440,827      | 12,129,696      | 1,760,783       | 1,644,784       |

### 20.1 Movement in Impairment Provision

|                          | Group           |                 | Company         |                 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
|                          | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year | 126,967         | 76,892          | 1,909           | 2,473           |
| Charge for the year      | 6,934           | 61,814          | -               | -               |
| Reversal for the year    | (19,280)        | (11,739)        | (1,196)         | (564)           |
| At end of the year       | 114,621         | 126,967         | 713             | 1,909           |

### 20.2 Age Analysis of the Trade Receivables

| Group                | Total<br>Rs.'000 | Neither past<br>due nor<br>impaired<br>Rs.'000 | Past due but not impaired |                             |                            |                            |                          |
|----------------------|------------------|------------------------------------------------|---------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|
|                      |                  |                                                | 0 - 60<br>days<br>Rs.'000 | 61 - 120<br>days<br>Rs.'000 | 121-180<br>days<br>Rs.'000 | 181-365<br>days<br>Rs.'000 | > 365<br>days<br>Rs.'000 |
| As at March 31, 2023 | 11,287,937       | 9,459,617                                      | 1,537,100                 | 103,330                     | 67,216                     | 77,130                     | 43,544                   |
| As at March 31, 2022 | 11,124,310       | 9,098,934                                      | 1,377,577                 | 84,983                      | 19,178                     | 47,480                     | 496,158                  |

| Company              | Total<br>Rs.'000 | Neither past<br>due nor<br>impaired<br>Rs.'000 | Past due but not impaired |                             |                            |                            |                          |
|----------------------|------------------|------------------------------------------------|---------------------------|-----------------------------|----------------------------|----------------------------|--------------------------|
|                      |                  |                                                | 0 - 60<br>days<br>Rs.'000 | 61 - 120<br>days<br>Rs.'000 | 121-180<br>days<br>Rs.'000 | 181-365<br>days<br>Rs.'000 | > 365<br>days<br>Rs.'000 |
| As at March 31, 2023 | 1,736,244        | 1,354,960                                      | 366,129                   | 8,017                       | 6,424                      | 177                        | 537                      |
| As at March 31, 2022 | 1,626,010        | 1,194,950                                      | 407,716                   | 11,845                      | 9,705                      | -                          | 1,794                    |

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. AMOUNT DUE FROM SUBSIDIARIES

#### 21.1 Amounts due from Subsidiaries - Non-Current

|                                    | Company         |                 |
|------------------------------------|-----------------|-----------------|
|                                    | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year           | -               | 8,270           |
| Loan granted during the year       | -               | -               |
| Settlement of loan during the year | -               | (8,270)         |
| <b>At end of the year</b>          | <b>-</b>        | <b>-</b>        |

#### 21.2 Amounts due from Subsidiaries - Current

|                           | Company         |                  |
|---------------------------|-----------------|------------------|
|                           | 2023<br>Rs.'000 | 2022<br>Rs.'000  |
| Fully-owned subsidiaries  | 189,380         | 940,081          |
| Partly-owned subsidiaries | 13,981          | 746,416          |
|                           | <b>203,361</b>  | <b>1,686,497</b> |

### 22. STATED CAPITAL

|                              | 2023               |                | 2022               |                |
|------------------------------|--------------------|----------------|--------------------|----------------|
|                              | Number             | Rs.'000        | Number             | Rs.'000        |
| <b>Issued and fully-paid</b> |                    |                |                    |                |
| At beginning of the year     | 598,615,120        | 598,615        | 598,615,120        | 598,615        |
| <b>At end of the year</b>    | <b>598,615,120</b> | <b>598,615</b> | <b>598,615,120</b> | <b>598,615</b> |

### 23. INTEREST-BEARING BORROWINGS

#### 23.1 Interest-Bearing Borrowings - Non-Current

|                                 | Group            |                  | Company         |                 |
|---------------------------------|------------------|------------------|-----------------|-----------------|
|                                 | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Long term loans (Note 23.1.1)   | 2,234,118        | 1,402,351        | -               | -               |
| Lease liabilities (Note 23.1.2) | 1,342,404        | 1,133,218        | -               | 351             |
|                                 | <b>3,576,522</b> | <b>2,535,569</b> | <b>-</b>        | <b>351</b>      |

#### 23.1.1 Long Term Loans

|                                                                                                         | Group            |                  |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                         | 2023<br>Rs.'000  | 2022<br>Rs.'000  |
| At beginning of the year                                                                                | 3,104,278        | 1,182,617        |
| Obtained during the year                                                                                | 3,264,755        | 2,205,964        |
| On Acquisition of Subsidiaries                                                                          | 1,190,814        | -                |
| Repayments during the year                                                                              | (2,665,187)      | (1,075,356)      |
| Effect of movement in foreign exchange                                                                  | 261,012          | 791,053          |
| <b>At end of the year</b>                                                                               | <b>5,155,672</b> | <b>3,104,278</b> |
| Repayments due within one year from the reporting date (included under current liabilities - Note 23.2) | 2,921,554        | 1,701,927        |
| Repayment due after one year                                                                            | 2,234,118        | 1,402,351        |

*Maturity profile of long term loans*

|                                                                     | Group           |                 |
|---------------------------------------------------------------------|-----------------|-----------------|
|                                                                     | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Long term loans repayable within one year from the reporting date   | 2,921,555       | 1,701,927       |
| Long term loans repayable between 1-5 years from the reporting date | 2,234,117       | 1,384,894       |
| Long term loans repayable after 5 years from the reporting date     | -               | 17,457          |
|                                                                     | 5,155,672       | 3,104,278       |

**23.1.2 Lease Liabilities**

|                                                                                                         | Group            |                  | Company         |                 |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|-----------------|-----------------|
|                                                                                                         | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year                                                                                | 1,210,698        | 1,170,469        | 30,035          | 51,418          |
| Re-assessment/New Lease                                                                                 | 53,295           | 25,777           | -               | -               |
| Accretion of interest                                                                                   | 156,086          | 146,873          | 2,758           | 5,335           |
| Payments                                                                                                | (222,476)        | (211,076)        | (18,300)        | (26,718)        |
| Effects of movements in foreign exchange                                                                | 25,023           | 78,655           | -               | -               |
| Acquisition of subsidiaries                                                                             | 194,458          | -                | -               | -               |
| <b>At end of the year</b>                                                                               | <b>1,417,084</b> | <b>1,210,698</b> | <b>14,493</b>   | <b>30,035</b>   |
| Repayments due within one year from the reporting date (included under current liabilities - Note 23.2) | 74,680           | 77,480           | 14,493          | 29,684          |
| Repayment due after one year                                                                            | 1,342,404        | 1,133,218        | -               | 351             |

*Maturity profile of Lease Liabilities*

|                                                                       | Group           |                 | Company         |                 |
|-----------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                       | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Lease Liabilities repayable within one year from the reporting date   | 74,680          | 77,480          | 14,493          | 29,684          |
| Lease Liabilities repayable between 1-5 years from the reporting date | 225,203         | 330,584         | -               | 351             |
| Lease Liabilities repayable after 5 years from the reporting date     | 1,117,201       | 802,634         | -               | -               |
|                                                                       | 1,417,084       | 1,210,698       | 14,493          | 30,035          |

*The following are the amounts recognised in Statement of Profit or Loss*

|                                                        | Group           |                 | Company         |                 |
|--------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                        | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Depreciation expense of right of use assets (Note 14)  | 114,513         | 118,333         | 14,682          | 20,879          |
| Interest expense on lease liabilities (Note 23.1.2)    | 156,085         | 146,873         | 2,758           | 5,335           |
| Total amount recognised in Statement of Profit or Loss | 270,598         | 265,206         | 17,440          | 26,214          |

**23.2 Interest-Bearing Borrowings - Current**

|                                 | Group           |                 | Company         |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Long term loans (Note 23.1.1)   | 2,921,554       | 1,701,927       | -               | -               |
| Lease liabilities (Note 23.1.2) | 74,680          | 77,480          | 14,493          | 29,684          |
| Short term loans                | 3,078,182       | 6,596,428       | 493,500         | 3,725,000       |
| Bank overdrafts                 | 1,785,763       | 3,497,799       | 223,883         | 1,478,242       |
|                                 | 7,860,179       | 11,873,634      | 731,876         | 5,232,926       |

**23.3** Payments relating to short term and low value lease payments of Rs. 28,979,667 (2022 - Rs. 15,317,424) and Rs. 4,981,071 (2022 - Rs. 3,674,247) have been recognised by the Group and the Company respectively, within administrative expenses.

## NOTES TO THE FINANCIAL STATEMENTS

### 23 INTEREST-BEARING BORROWINGS CONTD.

#### 23.3 Details of Term Loans

| Company                         | Lender/rate of interest (p.a.)                                                                     | 31-Mar-23<br>Rs.'000 | 31-Mar-22<br>Rs.'000 |
|---------------------------------|----------------------------------------------------------------------------------------------------|----------------------|----------------------|
| D P L Premier Gloves Ltd.       | SCB 1 month LIBOR +0.4% till 31.12.2021 and 1 month LIBOR +2.85% from 01.01.2022 (USD 1.6 million) | 105,280              | 287,041              |
| Hanwella Rubber Products Ltd    | SCB 1 month LIBOR +0.4% till 31.12.2021 and 1 month LIBOR +2.85% from 01.01.2022 (USD 2 million)   | 146,222              | 398,668              |
| Kelani Valley Plantations PLC.  | Amana Bank SLIBOR with a cap of 14% and floor of 7.25%                                             | -                    | 2,706                |
|                                 | Amana Bank SLIBOR + 3.25%                                                                          | -                    | 10,261               |
|                                 | NDB 6.3%                                                                                           | 6,366                | 10,003               |
|                                 | NDB 6.3%                                                                                           | 1,509                | 2,372                |
|                                 | NDB 4%                                                                                             | -                    | 5,400                |
|                                 | NDB 4%                                                                                             | -                    | 8,200                |
| Mabroc Teas (Pvt) Ltd.          | Sampath Bank AWPLR + 1%                                                                            | 75,000               | 150,000              |
|                                 | Sampath Bank 4%                                                                                    | -                    | 2,450                |
|                                 | HNB AWPLR+0.25%                                                                                    | 11,652               | 21,660               |
|                                 | HNB AWPLR+0.50%                                                                                    | 29,021               | 45,605               |
| Kelani Valley Resorts (Pvt) Ltd | Pan Asia Bank 4%                                                                                   | 4,006                | 4,775                |
| ICOQUANTI S.p.A                 | Alessandria Financing 1.95% (EURO 1 million)                                                       | 62,705               | 81,095               |
|                                 | BANCO BPM Financing 1% (EURO 1 million)                                                            | -                    | 25,371               |
|                                 | BANCO BPM Financing 0.95% (EURO 1.5 million)                                                       | 90,387               | 492,278              |
|                                 | BANCO BPM 1.3% (EURO 3 million)                                                                    | 1,026,299            | -                    |
|                                 | BNL - BNP PARIBAS 0.27% (EURO 3 million)                                                           | 448,221              | 738,417              |
|                                 | BNL 0.3% (EURO 2 million)                                                                          | 358,577              | -                    |
|                                 | UNICREDIT 0.85% (EURO 1.2 million)                                                                 | 215,603              | 393,823              |
|                                 | INTESA SAN PAOLO 1% (EURO 1 million)                                                               | 250,144              | 328,185              |
|                                 | INTESA SAN PAOLO 0.54% (EURO 0.25 million)                                                         | -                    | 82,213               |
|                                 | INTESA 1.1% (EURO 1 million)                                                                       | 338,883              | -                    |
|                                 | CREDEM 1.2% (EURO 1.2 million)                                                                     | 430,293              | -                    |
|                                 | BPER 0.95% (EURO 1.5 million)                                                                      | 358,577              | -                    |
| Talawakelle Tea Estates PLC     | NDB Bank 6.6%                                                                                      | 6,112                | 9,605                |
|                                 | Commercial Bank PLC 4%                                                                             | -                    | 4,150                |
| Horana Plantations PLC          | HNB AWPLR + 0.75%                                                                                  | 16,850               | -                    |
|                                 | HNB AWPLR + 2.00%                                                                                  | 83,600               | -                    |
|                                 | HNB AWPLR + 1.75%                                                                                  | 111,800              | -                    |
|                                 | HNB AWPLR + 1.25%                                                                                  | 171,880              | -                    |
|                                 | HNB AWPLR + 0.85% or 3 months TB +0.5% Whichever is Higher                                         | 275,000              | -                    |
|                                 | Commercial Bank AWPLR + 2.00%                                                                      | 48,570               | -                    |
|                                 | Sampath Bank AWPLR + 1.80%                                                                         | 116,000              | -                    |
|                                 | Commercial Bank 8.50%                                                                              | 209,984              | -                    |
|                                 | HNB AWPLR + 0.75%                                                                                  | 90,250               | -                    |
|                                 | Seylan Bank 4%                                                                                     | 2,149                | -                    |
|                                 | Commercial Bank 7.75%                                                                              | 37,680               | -                    |
|                                 | Commercial Bank AWPLR + 1.5%                                                                       | 27,052               | -                    |
|                                 |                                                                                                    | 5,155,672            | 3,104,278            |

| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Repayment<br>Rs.'000                    |                             | Security                                                                                                                                                                                                     |
|-----------------------------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| as per schedule                         | Monthly ending 18.09.2023   | Nil                                                                                                                                                                                                          |
| as per schedule                         | Monthly ending 15.09.2023   | Nil                                                                                                                                                                                                          |
| as per schedule                         | Monthly ending 21.01.2023   | Nil                                                                                                                                                                                                          |
| 833 x 60 inst.                          | Monthly ending 17.11.2022   | Nil                                                                                                                                                                                                          |
| 303 x 72 inst                           | Monthly ending 19.01.2025   | Primary mortgage over the leasehold rights, Buildings, Plant & Machinery of Pedro, Mahagastota & Panawatte estates                                                                                           |
| 72 x 72 inst                            | Monthly ending 19.01.2025   |                                                                                                                                                                                                              |
| 1,400 x 18 inst                         | Monthly ending 24.08.2022   |                                                                                                                                                                                                              |
| 1,400 x 18 inst                         | Monthly ending 24.12.2022   |                                                                                                                                                                                                              |
| 6,250 x 48 inst                         | Monthly ending 31.03.2023   | Negative pledge over fixed assets held at No 427, 427/A & 431; New Hunupitiya Road; Eriyawetiya; Kiribathgoda                                                                                                |
| 1,333 x 15 inst                         | Monthly ending 26.05.2022   |                                                                                                                                                                                                              |
| 834 x 36 inst                           | Monthly ending 12.05.2024   | Nil                                                                                                                                                                                                          |
| 1,382 x 36 inst                         | Monthly ending 06.12.2024   | Nil                                                                                                                                                                                                          |
| 208 x 24 inst                           | Monthly ending 30.10.2023   | Nil                                                                                                                                                                                                          |
| Repayment over 2 years as per schedule  | Monthly ending 30.06.2025   | Nil                                                                                                                                                                                                          |
| Repayment within 1 year as per schedule | Monthly ending 31.03.2022   | Nil                                                                                                                                                                                                          |
| Repayment over 1 year as per schedule   | Monthly ending 28.02.2023   | Nil                                                                                                                                                                                                          |
| Repayment over 2 years as per schedule  | Monthly ending 30.05.2026   | Nil                                                                                                                                                                                                          |
| Repayment over 2 years as per schedule  | Quarterly ending 02.03.2024 | Nil                                                                                                                                                                                                          |
| Repayment within 1 year                 | Quarterly ending 01.09.2023 | Nil                                                                                                                                                                                                          |
| Repayment over 1 year as per schedule   | Quarterly ending 31.08.2023 | Nil                                                                                                                                                                                                          |
| Repayment over 2 years as per schedule  | Monthly ending 30.03.2025   | Nil                                                                                                                                                                                                          |
| Repayment within 1 year as per schedule | Monthly ending 06.05.2022   | Nil                                                                                                                                                                                                          |
| Repayment over 1 year and 3 months      | Monthly ending 12.07.2024   | Nil                                                                                                                                                                                                          |
| Repayment over 3 years                  | Quarterly ending 31.03.2026 | Nil                                                                                                                                                                                                          |
| Repayment within 1 year                 | Quarterly ending 31.12.2023 | Nil                                                                                                                                                                                                          |
| 975 x 72 Inst.                          | Monthly ending 31.01.2025   | Fixed Deposits of Rs.24 Mn with the letter of set off.                                                                                                                                                       |
| 1,390 x 18 Inst.                        | Monthly ending 30.09.2022   | Concurrent mortgage over stocks and debtors for Rs. 165 Mn                                                                                                                                                   |
| 2775 x 72 inst                          | Monthly ending 19.09.2023   | Primary Floating Mortgage for Rs.550 Million, over leasehold rights of Frocester Estate/ Primary Floating Mortgage for Rs.400 Million, over leasehold rights of Bambrakelly Estate.                          |
| 5200 x 48 inst                          | Monthly ending 24.07.2024   |                                                                                                                                                                                                              |
| 4200 x 48 inst                          | Monthly ending 30.05.2025   |                                                                                                                                                                                                              |
| 5208 x 48 inst                          | Monthly ending 31.12.2025   |                                                                                                                                                                                                              |
| 5730 x 48 inst                          | Monthly ending 28.02.2027   | Primary Floating Mortgage Bond for Rs.275 Million, over Leasehold property of Mirishena Estate.                                                                                                              |
| 1390 x 72 inst                          | Monthly ending 25.01.2026   | Primary Floating Mortgage for Rs.120 Million, over the leasehold rights land and buildings of Stockholm Estate.                                                                                              |
| 4200 x 48 inst                          | Monthly ending 25.06.2025   | "Primary Mortgage for Rs.200 Million, over the leasehold rights land and buildings of Gouravilla Estate. Primary Mortgage for Rs.150 Million, over the leasehold rights land and buildings of Alton Estate." |
| 5834 x 60 inst                          | Monthly ending 25.02.2026   | Primary Mortgage Bond over receivables of Tea sales routed through Forbes and Workers Tea Brokers (Pvt) Ltd and John Keels PLC.                                                                              |
| 3475 x 36 inst                          | Monthly ending 05.04.2025   | Primary Floating Mortgage Bond for Rs.125 Million, over Leasehold property of Mirishena Estate.                                                                                                              |
| 537 x 24 inst                           | Monthly ending 30.07.2023   | Nil                                                                                                                                                                                                          |
| 726 x 60 inst                           | Monthly ending 24.07.2027   | Primary mortgage bond over Solar Panels and related equipment of Alton, Fairlawn & Stockholm Estates.                                                                                                        |
| 484 x 60 inst                           | Monthly ending 24.11.2027   | Primary mortgage bond over Solar Panels and related equipment of Gouravilla & Mahanilu Estates.                                                                                                              |

## NOTES TO THE FINANCIAL STATEMENTS

### 24. DEFERRED INCOME

#### Government Grants

|                                | Group            |                  |
|--------------------------------|------------------|------------------|
|                                | 2023<br>Rs.'000  | 2022<br>Rs.'000  |
| <b>Grants</b>                  |                  |                  |
| At beginning of the year       | 1,255,129        | 1,216,255        |
| Received during the year       | 18,408           | 38,874           |
| On Acquisition of Subsidiaries | 106,475          | -                |
| <b>At end of the year</b>      | <b>1,380,012</b> | <b>1,255,129</b> |
| <b>Amortisation</b>            |                  |                  |
| At beginning of the year       | 446,046          | 410,096          |
| Amortised during the year      | 37,526           | 35,950           |
| At end of the year             | 483,572          | 446,046          |
| <b>Carrying amount</b>         | <b>896,440</b>   | <b>809,083</b>   |

Kelani Valley Plantations group received grants from the Plantation Reform Project (PRP), Plantation Human Development Trust, Ministry of Community Development, Asian Development Bank, Social Welfare Project, Estate Infrastructures Development Project, Plantation Development Support Project, Ceylon Electricity Board, Tea Board, Save the Children International and Rubber Development Department of Ministry of Plantation Industries. Talawakelle Tea Estates PLC received grants from Tea Board.

The amount spent is capitalised under relevant classification of improvement to right of use assets corresponding grant component is reflected under deferred grants and subsidies and amortised over the useful life span of the asset.

### 25. DEFINED BENEFIT OBLIGATIONS

The Group measures the Present Value of Defined Benefit Obligation (PVDBO) which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method (PUC).

The actuarial valuation involves making assumptions about discount rate, average expected future working lives, salary escalation rate, promotion rates and mortality rates.

Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit obligation actuarial valuation as of March 31, 2023, carried out by Messrs Actuarial & Management Consultants (Pvt) Ltd, except for Dipped Products (Thailand) Limited and ICOGUANTI S.p.A which were valued by Messrs Aon Solutions (Thailand) Ltd and Messrs Managers & Partners - Actuarial Services S.p.A. respectively.

The key assumptions used by the actuary include the following:

Assumptions regarding future mortality are based on a A1967/70 mortality table, issued by the Institute of Actuaries, London.

The demographic assumptions underlying the valuation with respect to retirement age, early withdrawals from service and retirement on medical grounds were considered.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Company                             | 2023      |      |      |      |      |          | 2022      |      |      |      |           |
|-------------------------------------|-----------|------|------|------|------|----------|-----------|------|------|------|-----------|
|                                     | ICOGUANTI | DPTL | KVPL | HPSL | HPL  | Other*   | ICOGUANTI | DPTL | KVPL | HPSL | Other*    |
| Discount rate (%)                   | 3.8       | 2.7  | 20   | 20   | 18.5 | 18       | 1.6       | 1.9  | 15   | 15   | 15        |
| <b>Salary Escalation Rate (%)</b>   |           |      |      |      |      |          |           |      |      |      |           |
| Workers (%)                         | 1         | 4.5  | 16   | 16   | 13   | 16       | 1         | 4    | 8    | 8    | 13.5      |
| Executive and clerical (%)          | 1         | 4.5  | 15   | 15   | 16   | 16       | 1         | 4    | 13.5 | 13.5 | 13.5      |
| <b>Retirement age</b>               |           |      |      |      |      |          |           |      |      |      |           |
| Workers                             | 67        | 60   | 60   | 60   | 60   | 60       | 67        | 60   | 60   | 60   | 55        |
| Executive and clerical              | 67        | 60   | 60   | 60   | 60   | 60       | 67        | 60   | 60   | 60   | 60        |
| <b>Expected future working life</b> |           |      |      |      |      |          |           |      |      |      |           |
| Workers                             | 12.2      | 10   | 5    | 5.8  | 7.9  | 6.6-10.3 | 13.4      | 9    | 5.7  | 5.07 | 6.81-7.49 |
| Executive and clerical              | 12.2      | 10   | 5    | 5.6  | 9.2  | 6.6      | 13.4      | 9    | 4.55 | 5.85 | 7.49      |

\* Other - Refers to companies in the Hand Protection sector excluding Dipped Products (Thailand) Ltd. and ICOGUANTI S.p.A.

ICOGUANTI : ICOGUANTI S.p.A., DPTL : Dipped Products (Thailand) Ltd, KVPL : Kelani Valley Plantations PLC, HPSL : Hayleys Plantation Services (Pvt) Ltd), HPL : Horana Plantations PLC

## 25.1 Net Benefit Expense Categorised under Administrative Expenses and Other Comprehensive Income.

|                                                          | Group           |                 | Company         |                 |
|----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                          | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Current service cost (under Administrative Expense)      | 202,315         | 198,039         | 42,896          | 35,752          |
| Past service cost (under Administrative Expense)         | -               | 18,728          | -               | 12,915          |
| Interest cost (under Administrative Expense)             | 379,485         | 180,565         | 90,554          | 39,861          |
| Actuarial loss/(gain) (under Other Comprehensive Income) | 69,924          | (35,888)        | 9,519           | 55,248          |
|                                                          | 651,724         | 361,444         | 142,969         | 143,776         |

## 25.2 Movement in the Present Value of the Defined Benefit Obligations are as Follows:

|                                           | Group            |                  | Company         |                 |
|-------------------------------------------|------------------|------------------|-----------------|-----------------|
|                                           | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year                  | 2,866,645        | 2,725,467        | 611,422         | 527,367         |
| Effect of movement in foreign exchange    | 23,392           | 69,055           | -               | -               |
| On acquisition of Subsidiaries            | 458,832          | -                | -               | -               |
| Benefits paid                             | (535,897)        | (290,428)        | (17,722)        | (60,987)        |
| Received to DBO due to employee transfers | -                | 1,107            | 757             | 1,266           |
| Current service cost                      | 379,485          | 198,039          | 90,554          | 35,752          |
| Interest cost                             | 202,315          | 180,565          | 42,897          | 39,861          |
| Past Service Cost                         | -                | 18,728           | -               | 12,915          |
| Actuarial loss/(gain)                     |                  |                  |                 |                 |
| Experience adjustments                    | (6,276)          | 332,939          | 20,996          | 45,625          |
| Change in financial assumptions           | 61,038           | (378,369)        | (11,477)        | 2,085           |
| Change in demographic assumptions         | 15,162           | 9,542            | -               | 7,538           |
| <b>At end of the year</b>                 | <b>3,464,696</b> | <b>2,866,645</b> | <b>737,427</b>  | <b>611,422</b>  |

The liability as per Payment of Gratuity Act for Group and Company as at March 31, 2023 are Rs. 4,409,565,890 (2022 - Rs. 3,835,236,303 ) and Rs. 602,841,914 (2022 Rs. 497,362,596) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 25 DEFINED BENEFIT OBLIGATIONS CONTD.

#### 25.3 Sensitivity Analysis - Salary Escalation Rate and Discount Rate:

Values appearing in the Financial Statements are very sensitive to the changes in financial and non-financial assumptions used.

A sensitivity analysis was carried out as follows:

|                                                             | Group    |           | Company  |          |
|-------------------------------------------------------------|----------|-----------|----------|----------|
|                                                             | Rs.'000  | Rs.'000   | Rs.'000  | Rs.'000  |
|                                                             | 1%       | -1%       | 1%       | -1%      |
| A one percentage point change in the salary escalation rate |          |           |          |          |
| - The present value of defined benefit obligation           | 192,434  | (176,373) | 47,384   | (43,291) |
| A one percentage point change in the discount rate          |          |           |          |          |
| - The present value of defined benefit obligation           | (85,472) | 103,874   | (39,275) | 43,580   |

#### 25.4 Distribution of Defined Benefit Obligations Over Future Working Life:

|                           | Group           |                 | Company         |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Within the next 12 months | 431,988         | 478,546         | 103,178         | 39,519          |
| Between 2 to 5 years      | 1,361,583       | 1,134,219       | 302,003         | 278,615         |
| Beyond 5 years            | 1,671,125       | 1,253,880       | 332,246         | 293,288         |
|                           | 3,464,696       | 2,866,645       | 737,427         | 611,422         |

### 26. AGENTS' INDEMNITY FUND

|                                             | Group           |                 |
|---------------------------------------------|-----------------|-----------------|
|                                             | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| At beginning of the year                    | 131,118         | 84,992          |
| Provision for the year                      | 18,445          | 18,654          |
| Actuarial Loss/ (Gain)                      | (26,223)        | (4,701)         |
| Payments during the year                    | -               | (4,110)         |
| Effect of movement in foreign exchange rate | 12,525          | 36,283          |
| <b>At end of the year</b>                   | <b>135,865</b>  | <b>131,118</b>  |

Agents' Indemnity Fund consist of provisions made for sales agents' retirement benefits of ICOQUANTI S.p.A as set by the provisions in Italian Law.

## 27. TRADE AND OTHER PAYABLES

|                                           |                   | Group           |                 | Company         |                 |
|-------------------------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
|                                           |                   | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Trade payables                            | - Related parties | 144,843         | 60,889          | 45,490          | 27,525          |
|                                           | - Others          | 4,781,361       | 4,579,625       | 272,409         | 243,630         |
| Total trade payables                      |                   | 4,926,204       | 4,640,514       | 317,899         | 271,155         |
| Other payables including accrued expenses | - Parent          | 189,567         | 107,696         | 50,101          | 37,012          |
|                                           | - Others          | 4,151,406       | 2,488,276       | 506,028         | 277,504         |
| Advance received                          |                   | 723,946         | 649,399         | 473,807         | 295,170         |
| Unclaimed dividends/Dividends payable     |                   | 61,005          | 315,739         | 61,005          | 315,739         |
|                                           |                   | 10,052,128      | 8,201,624       | 1,408,840       | 1,196,580       |

## 28. AMOUNTS DUE TO SUBSIDIARIES

|                           |  | Company         |                 |
|---------------------------|--|-----------------|-----------------|
|                           |  | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Fully-owned subsidiaries  |  | 535,139         | 889,978         |
| Partly-owned subsidiaries |  | 973,673         | 174,570         |
|                           |  | 1,508,812       | 1,064,548       |

## 29. INCOME TAX

### 29.1 Income Tax Recoverable

|                        |  | Group           |                 | Company         |                 |
|------------------------|--|-----------------|-----------------|-----------------|-----------------|
|                        |  | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| As at 31st March       |  |                 |                 |                 |                 |
| At the end of the year |  | 311,892         | 254,415         | -               | -               |

### 29.2 Income Tax Payable

|                                                                 |  | Group           |                 | Company         |                 |
|-----------------------------------------------------------------|--|-----------------|-----------------|-----------------|-----------------|
|                                                                 |  | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| As at 31st March                                                |  |                 |                 |                 |                 |
| At the beginning of the year                                    |  | 242,320         | 1,008,349       | 32,582          | 164,124         |
| Income tax on current year profit (Note 7.1)                    |  | 1,569,261       | 1,039,169       | 529,113         | 63,942          |
| Under /(Over) provision in respect of previous years (Note 7.1) |  | 10,667          | 6,254           | (4,244)         | (7,514)         |
| Irrecoverable/(reversal) economic service charge (Note 7.1)     |  | -               | (6,582)         | -               | -               |
| Withholding tax on dividends (Note 7.1)                         |  | 284,193         | 135,696         | -               | -               |
| Effect of movements in exchange rates                           |  | 22,983          | 35,670          | -               | -               |
| Payments made during the year                                   |  | (1,229,040)     | (1,976,236)     | (41,178)        | (187,970)       |
| Net Income Tax payable/(recoverable)                            |  | 900,384         | 242,320         | 516,273         | 32,582          |
| Income tax recoverable                                          |  | 311,892         | 254,415         | -               | -               |
| At the end of the year                                          |  | 1,212,276       | 496,735         | 516,273         | 32,582          |

## NOTES TO THE FINANCIAL STATEMENTS

### 30. SEGMENT INFORMATION

The Group's results have been identified to the Hand Protection sector and the Plantation sector having considered the nature of operations and principle activities of entities.

#### 30.1 Geographical Segment Information

|                         | Hand Protection Sector |           | Plantation Sector |           |
|-------------------------|------------------------|-----------|-------------------|-----------|
|                         | 2023<br>%              | 2022<br>% | 2023<br>%         | 2022<br>% |
| Asia/Africa/Middle East | 8.91                   | 8.43      | 36.79             | 37.45     |
| South America           | 12.47                  | 10.95     | -                 | -         |
| Australia/New Zealand   | 1.89                   | 1.44      | 1.00              | 0.98      |
| Europe                  | 58.99                  | 66.22     | 6.42              | 5.12      |
| North America           | 17.41                  | 12.37     | 0.72              | 1.01      |
|                         | 99.67                  | 99.41     | 44.93             | 44.56     |
| Indirect exports        | -                      | -         | 54.14             | 53.59     |
| Sri Lanka               | 0.33                   | 0.59      | 0.93              | 1.85      |
|                         | 100.00                 | 100.00    | 100.00            | 100.00    |

#### 30.2 Business Segment Information

|                                                                                    | Hand Protection |                 | Plantations     |                 | Inter - Segment |                 | Total           |                 |
|------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                                                    | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Revenue from contracts with customers                                              | 51,384,331      | 37,917,944      | 28,903,579      | 17,665,702      | (188,598)       | (289,663)       | 80,099,312      | 55,293,983      |
| Operating profit                                                                   | 4,493,615       | 3,107,451       | 5,528,417       | 2,463,356       | (394,900)       | (211,200)       | 9,627,132       | 5,359,807       |
| Profit before tax                                                                  | 5,251,360       | 5,004,893       | 6,362,232       | 2,803,082       | (394,900)       | (211,200)       | 11,218,692      | 7,596,775       |
| <b>Non cash Expenses</b>                                                           |                 |                 |                 |                 |                 |                 |                 |                 |
| Depreciation and impairment of property, plant & equipment and right of use assets | 951,969         | 624,498         | 566,110         | 523,865         | -               | -               | 1,518,079       | 1,148,363       |
| Provision for defined benefit obligation                                           | 195,124         | 130,453         | 386,676         | 266,879         | -               | -               | 581,800         | 397,332         |
| Provision for / (reversal of) agents indemnity fund                                | 18,445          | 18,654          | -               | -               | -               | -               | 18,445          | 18,654          |
| Provision for slow moving/obsolete Inventories                                     | 142,670         | 304,564         | 25,925          | (183)           | -               | -               | 168,595         | 304,381         |
| Finance cost                                                                       | 707,756         | 434,077         | 346,960         | 272,381         | -               | -               | 1,054,716       | 706,458         |
| Finance income                                                                     | 1,464,505       | 2,331,519       | 1,180,774       | 612,107         | -               | -               | 2,645,279       | 2,943,426       |
| Tax expense                                                                        | 948,760         | 953,609         | 1,767,507       | 232,366         | -               | -               | 2,716,267       | 1,185,975       |
| Capital expenditure                                                                | 2,624,842       | 3,200,402       | 1,480,939       | 764,442         | -               | -               | 4,105,781       | 3,964,844       |
| Total assets                                                                       | 34,038,957      | 34,777,864      | 28,962,916      | 19,302,130      | (11,089)        | (30,394)        | 62,990,784      | 54,049,601      |
| Non - interest bearing liabilities                                                 | 8,486,957       | 8,080,895       | 9,560,105       | 5,620,015       | (8,289)         | (27,151)        | 18,038,773      | 13,673,759      |
| <b>Cash Flows</b>                                                                  |                 |                 |                 |                 |                 |                 |                 |                 |
| - Cash flows from operating activities                                             | 7,718,213       | 6,135,180       | 4,758,489       | 1,672,409       | -               | -               | 12,476,702      | 7,807,589       |
| - Cash flows from investing activities                                             | (3,710,040)     | (2,603,260)     | (370,347)       | (554,710)       | (394,900)       | (211,200)       | (4,475,287)     | (3,369,170)     |
| - Cash flows from financing activities                                             | (3,939,838)     | 2,439,167       | (2,161,207)     | (386,358)       | 394,900         | 211,200         | (5,706,145)     | 2,264,009       |

### 31. CAPITAL EXPENDITURE COMMITMENTS

The approximate amount of capital expenditure approved by the Directors and not contracted for as at March 31, 2023 amounts to Rs.1,034,826,075/- (2022 - Rs. 1,721,231,355). The approximate capital expenditure contracted for which no provision is made in the Financial Statements as at March 31, 2023 amounts to Rs. 784,890,236/- (2022 - Rs. 774,148,933).

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

### 32. CONTINGENT LIABILITIES

- (i) Letter of Credit outstanding is Nil (2022 - Rs. 47,965,945/-) and Bank guarantees provided on behalf of the companies within the group Rs. 14,267,013/- at the end of the year (2022 - Rs. 1,080,000).
- (ii) Having discussed with the legal experts and based on information available, the Board of Directors are confident that the ultimate resolution on the cases against the group are unlikely to have a material effect on the financial position of the group.

### 33. RELATED PARTY DISCLOSURES

Key Management Personal(KMP) comprise the Directors of the group and the ultimate parent entity. Directors' remuneration in respect of the Company and the Group for the financial year ended March 31,2023 are given in Note 6 to the Financial Statements. The remuneration to the Managing Director and Director Operations are paid by the parent and included within the services related expenses given below.

|                                                   | Group           |                 | Company         |                 |
|---------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                   | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| <b>Transactions with related parties</b>          |                 |                 |                 |                 |
| <b>Subsidiaries</b>                               |                 |                 |                 |                 |
| Inventory transfers                               | -               | -               | 309,902         | 171,796         |
| Purchase of latex                                 | -               | -               | (47,443)        | (95,583)        |
| Skim sales                                        | -               | -               | 5,503           | 12,181          |
| Export sales                                      | -               | -               | 245,131         | 269,700         |
| Export sales Commission                           | -               | -               | (6,742)         | (3,156)         |
| Export Services                                   | -               | -               | 177,587         | 181,522         |
| Services-related expenses reimbursed              | -               | -               | 907,653         | 590,702         |
| Reimbursement of cost (Electricity, Fuel & Water) | -               | -               | 2,326           | 2,517           |
| Dividend income                                   | -               | -               | 1,750,090       | 1,065,749       |
| Fund Transfers                                    | -               | -               | (1,165,898)     | 1,363,699       |
| Processing-related expenses reimbursed            | -               | -               | 12,990          | 21,688          |
| Current account interest paid                     | -               | -               | 125,998         | 65,294          |
| Purchase of goods                                 | -               | -               | (1,071)         | -               |
| Flock purchases                                   | -               | -               | (49,607)        | (26,601)        |
| Asset transferred                                 | -               | -               | 7,273           | -               |
| Investment made in shares                         | -               | -               | (1,500,000)     | (1,750,000)     |
| Packing Material Disposal                         | -               | -               | 2,271           | 577             |
| Subsidiary Company liquidation proceeds           | -               | -               | 55,821          | -               |
| <b>Parent - Hayleys PLC</b>                       |                 |                 |                 |                 |
| Services related expenses paid                    | (1,008,239)     | (703,359)       | (336,082)       | (234,538)       |
| Dividend paid                                     | (665,569)       | (504,219)       | (665,569)       | (504,219)       |
| Loan provided                                     | -               | (281,469)       | -               | -               |
| <b>Affiliates</b>                                 |                 |                 |                 |                 |
| Sale of gloves                                    | 6,990           | 4,900           | 4,292           | 2,714           |
| Sale of rubber products                           | 21,810          | 5,387           | -               | -               |
| Sale of Latex                                     | 40,501          | 22,373          | -               | -               |
| Sale of Raw Material                              | 299             | 460             | -               | 460             |
| Sale of Investment Property                       | -               | 400,000         | -               | 195,000         |
| Rental income                                     | -               | 4,750           | -               | -               |
| Services-related expenses                         | (859,052)       | (2,237,140)     | (339,793)       | (220,153)       |
| Purchase of Latex                                 | (6,014)         | (8,863)         | -               | -               |
| Purchase of goods                                 | (1,108,102)     | (530,985)       | (154,232)       | (52,658)        |
| Facilitation Fee                                  | -               | 367,639         | -               | 98,939          |
| Dividend paid                                     | (127,426)       | (190,188)       | (127,426)       | (190,188)       |
| Consideration paid for purchase of investment     | (699,975)       | -               | -               | -               |

## NOTES TO THE FINANCIAL STATEMENTS

### Terms and conditions of transactions with related parties.

Companies within the group engage in trading transactions under relevant commercial terms and conditions. Outstanding current account balances at the year end are unsecured, charged with weighted average cost of debt rate, and settlements occur in cash.

Transactions with Advantis Express (Pvt) Ltd., Advantis Freight (Pvt) Ltd., Advantis Project & Engineering (Pvt) Ltd., Alumex PLC., Ceva Logistics Lanka (Pvt) Ltd., Clarion Shipping (Pvt) Ltd., CMA-CGM Lanka (Pvt) Ltd., COSCO Shipping Line Lanka (Pvt) Ltd., Creative Polymats (Pvt) Ltd., Culture Clube Resorts (Pvt) Ltd., Delmege Forsyth & Company Ltd., Energynet (Pvt) Ltd., Expeloxig (Pvt) Ltd., Fentons Ltd., Haycarb PLC., Hayleys Agriculture Holdings Ltd., Hayleys Agro Farms (Pvt) Ltd., Hayleys Agro Fertilizers (Pvt) Ltd., Hayleys Aventura (Pvt) Ltd., Hayleys Aviation Projects Pvt Ltd., Hayleys Business Solutions International (Pvt) Ltd., Hayleys Consumer Products Ltd., Hayleys Fabric PLC., Hayleys Lifesciences (Pvt) Ltd., Hayleys Travels (Pvt) Ltd., Horana Plantations PLC., Logiwiz Ltd., MIT Global Solutions (Pvt) Ltd., Moceti International (Pvt) Ltd., Ocean Network Express Lanka (Pvt) Ltd., Puritas (Pvt) Ltd., Quality Seed Co. (Pvt) Ltd., Ravi Industries Ltd., Rileys (Pvt) Ltd., Royal Ceramics Lanka PLC., Singer (Sri Lanka) PLC., The Kingsbury PLC., Toyo Cushion Lanka (Pvt) Ltd., Uni Dil Packaging (Pvt) Ltd., Uni Dil Packaging Solution Ltd., Vallibel Plantation Management Ltd., Volanka (Pvt) Ltd and are Yusen Logistics & Kusuvara Lanka (Pvt) Ltd given above under details of related party transactions with affiliates.

### 33.1 Disclosure in terms of Section 9.3(1) of the Listing Rules

| Name of the Related Party  | Relationship | Nature of transaction    | Value<br>Rs.'000 | Value of transaction as a % |        | The rationale for entering into the transaction                                                                                                          |
|----------------------------|--------------|--------------------------|------------------|-----------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
|                            |              |                          |                  | Equity                      | Assets |                                                                                                                                                          |
| D P L Universal Gloves Ltd | Subsidiary   | Investment in Subsidiary | 1,500,000        | 23%                         | 10%    | Infusion of capital to fund the modernization of the factory plant and machinery and to fund the incremental working capital requirements of the company |

### 34. FAIR VALUE MEASUREMENT

The fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants of the measurement date.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments and certain non-financial asset that are carried in the Financial Statements.

| Group                                                   | Carrying Amount   |                   | Fair Value        |                   |
|---------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                         | 2023<br>Rs.'000   | 2022<br>Rs.'000   | 2023<br>Rs.'000   | 2022<br>Rs.'000   |
| <b>Financial Assets</b>                                 |                   |                   |                   |                   |
| Equity instrument designated at fair value through OCI  |                   |                   |                   |                   |
| - Quoted equity shares                                  | 63                | 89                | 63                | 89                |
| - Unquoted equity shares                                | 396,970           | 390,920           | 396,970           | 390,920           |
|                                                         | <b>397,033</b>    | <b>391,009</b>    | <b>397,033</b>    | <b>391,009</b>    |
| <b>Loans and Receivables</b>                            |                   |                   |                   |                   |
| - Trade and other receivables                           | 12,440,827        | 12,129,696        | 12,440,827        | 12,129,696        |
| Cash and short term deposits                            | 9,659,763         | 9,044,765         | 9,659,763         | 9,044,765         |
| <b>Total</b>                                            | <b>22,100,590</b> | <b>21,174,461</b> | <b>22,100,590</b> | <b>21,174,461</b> |
| <b>Non-Financial Assets</b>                             |                   |                   |                   |                   |
| Freehold land                                           | 1,029,434         | 1,012,639         | 1,029,434         | 1,012,639         |
| Biological assets                                       | 1,313,068         | 599,064           | 1,313,068         | 599,064           |
| <b>Total</b>                                            | <b>2,342,502</b>  | <b>1,611,703</b>  | <b>2,342,502</b>  | <b>1,611,703</b>  |
| <b>Financial Liabilities</b>                            |                   |                   |                   |                   |
| Interest-bearing loans and borrowings                   |                   |                   |                   |                   |
| - Lease liabilities                                     | 1,417,085         | 1,210,698         | 1,417,085         | 1,210,698         |
| - Long term loans                                       | 5,155,672         | 3,104,279         | 5,155,672         | 3,104,279         |
| - Short term loans and bank overdraft                   | 4,863,945         | 10,094,227        | 4,863,945         | 10,094,227        |
| Trade and other payables (excluding unclaimed dividend) | 9,991,123         | 7,885,885         | 9,991,123         | 7,885,885         |
| <b>Total</b>                                            | <b>21,427,825</b> | <b>22,295,089</b> | <b>21,427,825</b> | <b>22,295,089</b> |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Company                                                 | Carrying Amount  |                  | Fair Value       |                  |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                         | 2023<br>Rs.'000  | 2022<br>Rs.'000  | 2023<br>Rs.'000  | 2022<br>Rs.'000  |
| <b>Financial Assets</b>                                 |                  |                  |                  |                  |
| Trade and other receivables                             | 1,760,783        | 1,644,785        | 1,760,783        | 1,644,785        |
| Amount due from subsidiaries                            | 203,361          | 1,686,497        | 203,361          | 1,686,497        |
| Cash and short term deposits                            | 2,397,144        | 3,088,241        | 2,397,144        | 3,088,241        |
| <b>Total</b>                                            | <b>4,361,288</b> | <b>6,419,523</b> | <b>4,361,288</b> | <b>6,419,523</b> |
| <b>Non-Financial Assets</b>                             |                  |                  |                  |                  |
| Freehold land                                           | 295,265          | 295,265          | 295,265          | 295,265          |
| <b>Total</b>                                            | <b>295,265</b>   | <b>295,265</b>   | <b>295,265</b>   | <b>295,265</b>   |
| <b>Financial Liabilities</b>                            |                  |                  |                  |                  |
| Interest-bearing loans and borrowings                   |                  |                  |                  |                  |
| - Obligations under lease liabilities                   | 14,493           | 30,035           | 14,493           | 30,035           |
| - Short term loans and bank overdrafts                  | 717,383          | 5,203,242        | 717,383          | 5,203,242        |
| Amount due to subsidiaries                              | 1,508,812        | 1,064,548        | 1,508,812        | 1,064,548        |
| Trade and other payables (excluding unclaimed dividend) | 1,347,835        | 880,841          | 1,347,835        | 880,841          |
| <b>Total</b>                                            | <b>3,588,523</b> | <b>7,178,665</b> | <b>3,588,523</b> | <b>7,178,665</b> |

The following methods and assumptions were used to estimate the fair values:

Cash and short term deposits, trade and other receivables, amounts due to/from related parties and trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.

Long term loans and lease liabilities approximate their carrying amount as majority of the loan portfolio consist of loans obtained at variable interest rates.

The methods and assumptions used to estimate fair value of freehold land and biological assets are reflected in Note 10.1 and 13 respectively.

#### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1 :** Quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2 :** Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3 :** Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at March 31, 2023 the Group/Company held the following financial assets carried at fair value in the Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. FAIR VALUE MEASUREMENT CONTD.

|                                            | Group           |         |         |           | Company         |         |         |         |
|--------------------------------------------|-----------------|---------|---------|-----------|-----------------|---------|---------|---------|
|                                            | 2023<br>Rs.'000 | Level 1 | Level 2 | Level 3   | 2023<br>Rs.'000 | Level 1 | Level 2 | Level 3 |
| <b>Assets Measured at Fair Value</b>       |                 |         |         |           |                 |         |         |         |
| Financial assets at fair value through OCI |                 |         |         |           |                 |         |         |         |
| Equity shares                              | 397,033         | 63      | -       | 396,970   | -               | -       | -       | -       |
| Freehold land                              | 1,029,434       | -       | -       | 1,029,434 | 295,265         | -       | -       | 295,265 |
| Biological asset                           | 1,313,068       | -       | -       | 1,313,068 | -               | -       | -       | -       |

During the reporting period ended March 31, 2023 there were no transfers between Level 1 and Level 2 fair value measurements.

As at March 31, 2022, the Group/Company held the following financial instruments measured at fair value:

|                                            | Group           |         |         |           | Company         |         |         |         |
|--------------------------------------------|-----------------|---------|---------|-----------|-----------------|---------|---------|---------|
|                                            | 2022<br>Rs.'000 | Level 1 | Level 2 | Level 3   | 2022<br>Rs.'000 | Level 1 | Level 2 | Level 3 |
| <b>Assets Measured at Fair Value</b>       |                 |         |         |           |                 |         |         |         |
| Financial assets at fair value through OCI |                 |         |         |           |                 |         |         |         |
| Equity shares                              | 391,009         | 89      | -       | 390,920   | -               | -       | -       | -       |
| Freehold land                              | 1,012,639       | -       | -       | 1,012,639 | 295,265         | -       | -       | 295,265 |
| Biological asset                           | 599,064         | -       | -       | 599,064   | -               | -       | -       | -       |

During the reporting period ended March 31, 2022 there were no transfers between Level 1 and Level 2 fair value measurements.

The table below sets out information about significant unobservable inputs used in measuring non-financial assets measured at fair value categorised as level 3 in the fair value hierarchy as at March 31, 2023.

|                         | Fair Value<br>as at 31-<br>Mar<br>Rs.'000 | Valuation<br>Technique                 | Significant<br>Unobservable<br>Inputs | Estimates for<br>Unobservable |                 | Fair value Measurement<br>Unobservable Inputs                                                                                  | Sensitivity to<br>Measurement |
|-------------------------|-------------------------------------------|----------------------------------------|---------------------------------------|-------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
|                         |                                           |                                        |                                       | 2023<br>Rs.'000               | 2022<br>Rs.'000 |                                                                                                                                |                               |
| Freehold land (Kottawa) | 295,265                                   | Direct Capital<br>Comparison<br>Method | Rate Per Perch                        | Rs.105-175                    | Rs.105-175      | Significant increases (decreases) in<br>estimated price per perch would result in<br>a significantly higher (lower) fair value |                               |
| Freehold land (Mabroc)  | 542,000                                   | Direct Capital<br>Comparison<br>Method | Rate Per Perch                        | Rs. 1,500-2,500               | Rs. 1,500-2,500 | Significant increases (decreases) in<br>estimated price per perch would result in<br>a significantly higher (lower) fair value |                               |
| Freehold land (DPTL)    | 192,166                                   | Market<br>Comparable<br>Approach       | Value per Ngan                        | Rs.1,319                      | Rs.1,319        | Significant increases (decreases) in<br>estimated price per perch would result in<br>a significantly higher (lower) fair value |                               |

### 35. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from financial instruments:

- 1 Credit risk
- 2 Liquidity risk
- 3 Market risk

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

#### Risk management framework

The Board of Directors have the overall responsibility for the establishment and oversight of the Group's risk management framework, which includes developing and monitoring the Group's risk management policies.

#### Credit risk

Group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

#### Trade and Other Receivables

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

The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date by currency-wise was as follows:

|                      | Group           |                 | Company         |                 |
|----------------------|-----------------|-----------------|-----------------|-----------------|
|                      | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Rupees               | 2,006,568       | 3,389,726       | 124,464         | 531,697         |
| United States Dollar | 4,203,582       | 3,396,382       | 1,500,535       | 1,063,002       |
| Euro                 | 5,629,273       | 5,219,182       | 135,784         | 50,085          |
| Thai Baht            | 601,404         | 124,406         | -               | -               |
|                      | 12,440,827      | 12,129,696      | 1,760,783       | 1,644,784       |

Management has assessed the existing and anticipated effect of the current state of the national economy on recoverability of trade and other receivable and concluded that Company and its subsidiaries don't have significant doubt on recoverability of trade and other receivable. Therefore, no incremental impairment allowance has been recognised.

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL RISK MANAGEMENT CONTD.

#### Investments

Credit risk from invested balances with the financial institutions are managed by the Hayleys Group Treasury Department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore, mitigate financial loss through potential counterparty's failure.

#### Cash and Cash Equivalents

The Group and Company held cash at bank and in hand of Rs. 9,660 million and Rs. 2,397 million respectively as at March 31, 2023 (Rs. 9,045 million and Rs. 3,088 million respectively in 2022) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held are as follows:

Citibank, N.A. - AAA(Ika)

Standard Chartered Bank - AAA(Ika)

Hongkong and Shanghai Banking Corporation Ltd. - AA-(Ika)

Sampath Bank PLC - BBB+ (Ika)

Hatton National Bank PLC - A(Ika)

Bank of Ceylon - A(Ika)

Deutsche Bank AG-BBB+

People's Bank- A (Ika)

Commercial Bank of Ceylon PLC-A(Ika)

National Development Bank PLC - A-(Ika)

#### Liquidity Risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The liquidity requirements of business units and subsidiaries are met through short term loans to cover any short term fluctuations and longer term funding to address any structural liquidity requirements. The Group monitors the cash flows of its group companies and obtains adequate bank facilities to meet the funding requirements. The Group does not concentrate on a single financial institution, thereby minimising the expose to liquidity risk. The Group aims to fund investment activities of its group companies by funding the long term investment with long term financial sources. Short term investments are funded using short term loans.

The monthly liquidity position is monitored by the Hayleys Group Treasury. All liquidity policies and procedures are subject to review and approval by the Hayleys Group Treasury.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| Year ended March 31, 2023             | On Demand<br>Rs.'000 | Less than 3 Months<br>Rs.'000 | 3 to 12 Months<br>Rs.'000 | 1 to 5 Years<br>Rs.'000 | >5 Years<br>Rs.'000 | Total<br>Rs.'000 |
|---------------------------------------|----------------------|-------------------------------|---------------------------|-------------------------|---------------------|------------------|
| <b>Group</b>                          |                      |                               |                           |                         |                     |                  |
| Interest-bearing loans and borrowings | 1,785,763            | 3,827,241                     | 2,247,176                 | 2,667,956               | 1,251,265           | 11,779,401       |
| Trade payables                        | -                    | 7,250,883                     | 727,926                   | 682,377                 | 605,991             | 9,267,177        |
|                                       | 1,785,763            | 11,078,124                    | 2,975,102                 | 3,350,333               | 1,857,256           | 21,046,578       |
| <b>Company</b>                        |                      |                               |                           |                         |                     |                  |
| Interest-bearing loans and borrowings | 223,883              | 497,123                       | 10,870                    | -                       | -                   | 731,876          |
| Trade payables                        | -                    | 846,886                       | 27,141                    | -                       | -                   | 874,027          |
| Amount due to related parties         | 1,508,812            | -                             | -                         | -                       | -                   | 1,508,812        |
|                                       | 1,732,695            | 1,344,009                     | 38,011                    | -                       | -                   | 3,114,715        |

| Year ended March 31, 2022             | On Demand<br>Rs.'000 | Less than 3 Months<br>Rs.'000 | 3 to 12 Months<br>Rs.'000 | 1 to 5 Years<br>Rs.'000 | >5 Years<br>Rs.'000 | Total<br>Rs.'000 |
|---------------------------------------|----------------------|-------------------------------|---------------------------|-------------------------|---------------------|------------------|
| <b>Group</b>                          |                      |                               |                           |                         |                     |                  |
| Interest-bearing loans and borrowings | 3,497,800            | 7,041,279                     | 1,334,555                 | 1,808,992               | 882,897             | 14,565,523       |
| Trade payables                        | -                    | 6,031,226                     | 605,485                   | 476,633                 | 123,142             | 7,236,486        |
|                                       | 3,497,800            | 13,072,505                    | 1,940,040                 | 2,285,625               | 1,006,039           | 21,802,009       |
| <b>Company</b>                        |                      |                               |                           |                         |                     |                  |
| Interest-bearing loans and borrowings | 1,478,242            | 3,725,000                     | 29,684                    | 386                     | -                   | 5,233,312        |
| Trade payables                        | -                    | 470,494                       | 90,793                    | 24,384                  | -                   | 585,671          |
| Amount due to related parties         | 1,064,548            | -                             | -                         | -                       | -                   | 1,064,548        |
|                                       | 2,542,790            | 4,195,494                     | 120,477                   | 24,770                  | -                   | 6,883,531        |

Management has assessed the existing and anticipated effect of the current state of the national economy on liquidity of the Company and its subsidiaries to settle liabilities when it is due and management are satisfied that the Company and its subsidiaries don't have significant concerns relating to the Group's liquidity.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group mainly borrows in the short term to fund its working capital requirement which are linked to floating interest rates. For other funding needs the Group maintains a proper mix of interest rate based on the basis of the predictability of future cash flows. The Hayleys Group Treasury closely monitors the interest rate fluctuations in the market and advises the sectors on a daily basis.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the Group's and Company's profit before tax is affected through the impact on rate of borrowings as follows:

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL RISK MANAGEMENT CONTD.

|                                           | Increase/<br>decrease<br>in interest rate | Effect on profit before<br>tax 2023 |                    |
|-------------------------------------------|-------------------------------------------|-------------------------------------|--------------------|
|                                           |                                           | Group<br>Rs.'000                    | Company<br>Rs.'000 |
| Originated from Sri Lanka                 |                                           |                                     |                    |
| Sensitivity only using borrowings         |                                           |                                     |                    |
| Increase                                  | 10%                                       | (618,869)                           | (73,188)           |
| Decrease                                  | -10%                                      | 618,869                             | 73,188             |
| Sensitivity using borrowings and deposits |                                           |                                     |                    |
| Increase                                  | 10%                                       | 67,284                              | 99,312             |
| Decrease                                  | -10%                                      | (67,284)                            | (99,312)           |
| Originated from outside Sri Lanka         |                                           |                                     |                    |
| Sensitivity only using borrowings         |                                           |                                     |                    |
| Increase                                  | 1%                                        | (52,480)                            | -                  |
| Decrease                                  | -1%                                       | 52,480                              | -                  |
| Sensitivity using borrowings and deposits |                                           |                                     |                    |
| Increase                                  | 1%                                        | (52,480)                            | -                  |
| Decrease                                  | -1%                                       | 52,480                              | -                  |

|                                           | Increase/<br>decrease<br>in interest rate | Effect on profit before<br>tax 2022 |                    |
|-------------------------------------------|-------------------------------------------|-------------------------------------|--------------------|
|                                           |                                           | Group<br>Rs.'000                    | Company<br>Rs.'000 |
| Originated from Sri Lanka                 |                                           |                                     |                    |
| Sensitivity only using borrowings         |                                           |                                     |                    |
| Increase                                  | 10%                                       | (1,029,888)                         | (523,328)          |
| Decrease                                  | -10%                                      | 1,029,888                           | 523,328            |
| Sensitivity using borrowings and deposits |                                           |                                     |                    |
| Increase                                  | 10%                                       | (558,352)                           | (286,526)          |
| Decrease                                  | -10%                                      | 558,352                             | 286,526            |
| Originated from outside Sri Lanka         |                                           |                                     |                    |
| Sensitivity only using borrowings         |                                           |                                     |                    |
| Increase                                  | 1%                                        | (41,103)                            | -                  |
| Decrease                                  | -1%                                       | 41,103                              | -                  |
| Sensitivity using borrowings and deposits |                                           |                                     |                    |
| Increase                                  | 1%                                        | (41,103)                            | -                  |
| Decrease                                  | -1%                                       | 41,103                              | -                  |

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar, Euro, Thai Baht, Yuan and Sterling Pounds exchange rate, with all other variables held constant.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

## Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings and net investments in foreign subsidiaries that are denominated in a currency other than the respective functional currencies of the Group. These currencies primarily are: the Euro, US Dollars (USD) and Thai Baht (THB).

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency forwards contracts. Hayleys Group Treasury closely monitors the exchange rate fluctuations and advices to the sectors on a daily basis.

The impact on the Group's and Company's profit before tax due to the change in exchange rate is as follows:

|                                        | 2023           |                 |                |                 |                |                |                 |                |
|----------------------------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|
|                                        | Group          |                 |                |                 |                | Company        |                 |                |
|                                        | USD<br>Rs.'000 | EURO<br>Rs.'000 | THB<br>Rs.'000 | YUAN<br>Rs.'000 | GBP<br>Rs.'000 | USD<br>Rs.'000 | EURO<br>Rs.'000 | GBP<br>Rs.'000 |
| Closing exchange rate (Rs.)            | 329.0          | 358.6           | 9.7            | 47.9            | 407.5          | 329.0          | 358.6           | 407.5          |
| Increase in exchange rate by 15% (Rs.) | 378.4          | 412.4           | 11.1           | 55.1            | 468.6          | 378.4          | 412.4           | 468.6          |
| Impact to the Profit before tax        | 366,886        | 44,791          | -              | (120,025)       | (28)           | 206,836        | 20,299          | (26)           |
| Impact to the Equity                   | -              | 578,574         | 653,284        | -               | -              | -              | -               | -              |
| Decrease in exchange rate by 15% (Rs.) | 279.7          | 304.8           | 8.2            | 40.7            | 346.4          | 279.7          | 304.8           | 346.4          |
| Impact to the Profit before tax        | (366,886)      | (44,791)        | -              | 120,025         | 28             | (206,836)      | (20,299)        | 26             |
| Impact to the Equity                   | -              | (578,574)       | (653,284)      | -               | -              | -              | -               | -              |

|                                        | 2022           |                 |                |                |                |                |                 |                |
|----------------------------------------|----------------|-----------------|----------------|----------------|----------------|----------------|-----------------|----------------|
|                                        | Group          |                 |                |                |                | Company        |                 |                |
|                                        | USD<br>Rs.'000 | EURO<br>Rs.'000 | THB<br>Rs.'000 | YEN<br>Rs.'000 | GBP<br>Rs.'000 | USD<br>Rs.'000 | EURO<br>Rs.'000 | GBP<br>Rs.'000 |
| Closing exchange rate (Rs.)            | 293.9          | 328.2           | 8.8            | 2.4            | 385.6          | 293.9          | 328.2           | 385.6          |
| Increase in exchange rate by 30% (Rs.) | 382.0          | 426.6           | 11.5           | 3.1            | 501.2          | 382.0          | 426.6           | 501.2          |
| Impact to the Profit before tax        | 1,104,527      | 43,961          | -              | (197,185)      | (6,756)        | 1,008,882      | 14,927          | (1,374)        |
| Impact to the Equity                   | -              | 1,154,513       | 1,386,645      | -              | -              | -              | -               | -              |
| Decrease in exchange rate by 30% (Rs.) | 205.7          | 229.7           | 6.2            | 1.7            | 269.9          | 205.7          | 229.7           | 269.9          |
| Impact to the Profit before tax        | (1,104,527)    | (43,961)        | -              | 197,185        | 6,756          | (1,008,882)    | (14,927)        | 1,374          |
| Impact to the Equity                   | -              | (1,154,513)     | (1,386,645)    | -              | -              | -              | -               | -              |

## NOTES TO THE FINANCIAL STATEMENTS

### 35. FINANCIAL RISK MANAGEMENT CONTD.

#### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows:

|                                                          | Group           |                 | Company         |                 |
|----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                          | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2023<br>Rs.'000 | 2022<br>Rs.'000 |
| Interest-Bearing borrowing (non-current)                 | 3,576,522       | 2,535,569       | -               | 351             |
| Current portion of long term interest-bearing borrowings | 2,996,234       | 1,779,407       | 14,493          | 29,684          |
| Short term interest-bearing borrowings                   | 4,863,945       | 10,094,227      | 717,383         | 5,203,242       |
| Total borrowings                                         | 11,436,701      | 14,409,203      | 731,876         | 5,233,277       |
| Equity                                                   | 33,515,310      | 26,359,243      | 9,931,374       | 6,652,495       |
| Equity and debts                                         | 44,952,011      | 40,768,446      | 10,663,250      | 11,885,772      |
| Gearing Ratio (%)                                        | 25%             | 35%             | 7%              | 44%             |

### 36. EFFECT ON CONSOLIDATION OF COMPANIES WITH DIFFERENT ACCOUNTING YEARS

Financial year end of ICOGUANTI S.p.A, DPL France SAS and ROZENBAL POLSKA Sp.z.o.o ends on 31 December. However, in order to minimise the gap with parent company's year end which is 31 March, financial statements for the 12 months period from March 1, 2022 to February 28, 2023 have been consolidated.

Financial year end of Dipped Products (Thailand) Ltd also ends on 31 December. However its Financial Statements for the 12 months ended March 31, 2023 have been consolidated with Group Financial Statements.

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

### 37. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

#### Proportion of Equity Interest Held by Non - Controlling Interests

| Company Name                          | Country of incorporation and operation | 2023 % | 2022 % |
|---------------------------------------|----------------------------------------|--------|--------|
| Kelani Valley Plantations PLC         | Sri Lanka                              | 27.57  | 27.57  |
| Hayleys Plantation Services (Pvt) Ltd | Sri Lanka                              | 33.33  | 33.33  |

#### Accumulated Balances of Material Non - Controlling Interest

| Company Name                                    | 2023 %    | 2022 %    |
|-------------------------------------------------|-----------|-----------|
| Kelani Valley Plantations PLC                   | 2,022,578 | 1,673,797 |
| Hayleys Plantation Services (Pvt) Ltd           | 3,981,155 | 2,380,813 |
| Accumulated Material Non - Controlling Interest | 6,003,733 | 4,054,610 |

#### Profit Allocated to Material Non - Controlling Interest

| Company Name                                    | 2023 %    | 2022 %  |
|-------------------------------------------------|-----------|---------|
| Kelani Valley Plantations PLC                   | 575,952   | 495,793 |
| Hayleys Plantation Services (Pvt) Ltd           | 1,297,767 | 410,873 |
| Accumulated Material Non - Controlling Interest | 1,873,719 | 906,666 |

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. MATERIAL PARTLY-OWNED SUBSIDIARIES CONTD.

#### Summarised Statements of Profit or Loss for the year ended March 31

|                                             | Kelani Valley Plantations PLC<br>(Group) |                 | Hayleys Plantation Services (Pvt)<br>Ltd (Group) |                 |
|---------------------------------------------|------------------------------------------|-----------------|--------------------------------------------------|-----------------|
|                                             | 2023<br>Rs.'000                          | 2022<br>Rs.'000 | 2023<br>Rs.'000                                  | 2022<br>Rs.'000 |
| Revenue from contracts with customers       | 20,704,226                               | 12,925,850      | 8,199,353                                        | 4,739,853       |
| Cost of sales                               | (17,045,863)                             | (10,661,213)    | (5,342,967)                                      | (3,802,669)     |
| Other Income                                | 249,654                                  | 347,846         | 185,916                                          | 107,183         |
| Administrative & distribution expenses      | (1,082,300)                              | (936,966)       | (338,189)                                        | (255,361)       |
| Finance costs and income                    | 214,953                                  | 289,655         | 606,210                                          | 47,331          |
| Profit / (loss) before tax                  | 3,040,671                                | 1,965,172       | 3,310,323                                        | 836,337         |
| Tax expense                                 | (952,826)                                | (187,706)       | (788,650)                                        | (29,045)        |
| Profit for the year                         | 2,087,845                                | 1,777,466       | 2,521,673                                        | 807,292         |
| Total comprehensive income                  | (73,086)                                 | 108,979         | 41,043                                           | 849,057         |
| Attributable to non-controlling interests   | (423)                                    | 7,903           | 696,265                                          | 223,222         |
| Dividends paid to non-controlling interests | -                                        | -               | (259,950)                                        | (45,500)        |

#### Summarised Statement of Financial Position as at March 31

|                          | Kelani Valley Plantations PLC<br>(Group) |                 | Hayleys Plantation Services (Pvt)<br>Ltd (Group) |                 |
|--------------------------|------------------------------------------|-----------------|--------------------------------------------------|-----------------|
|                          | 2023<br>Rs.'000                          | 2022<br>Rs.'000 | 2023<br>Rs.'000                                  | 2022<br>Rs.'000 |
| Current Assets           | 6,502,649                                | 5,282,805       | 5,868,376                                        | 2,868,704       |
| Non-Current Assets       | 7,814,552                                | 7,226,749       | 8,334,011                                        | 3,863,268       |
| Current Liabilities      | 3,739,552                                | 3,691,086       | 3,166,496                                        | 658,015         |
| Non-Current Liabilities  | 3,371,856                                | 2,876,389       | 3,822,273                                        | 1,443,678       |
| Total equity             | 7,205,794                                | 5,942,079       | 7,213,619                                        | 4,630,277       |
| <b>Attributable to:</b>  |                                          |                 |                                                  |                 |
| Equity holders of parent | 7,156,211                                | 5,892,994       | 4,848,779                                        | 3,374,277       |
| Non-controlling interest | 49,582                                   | 49,085          | 2,364,841                                        | 1,256,000       |

### 38. EVENTS AFTER THE REPORTING PERIOD

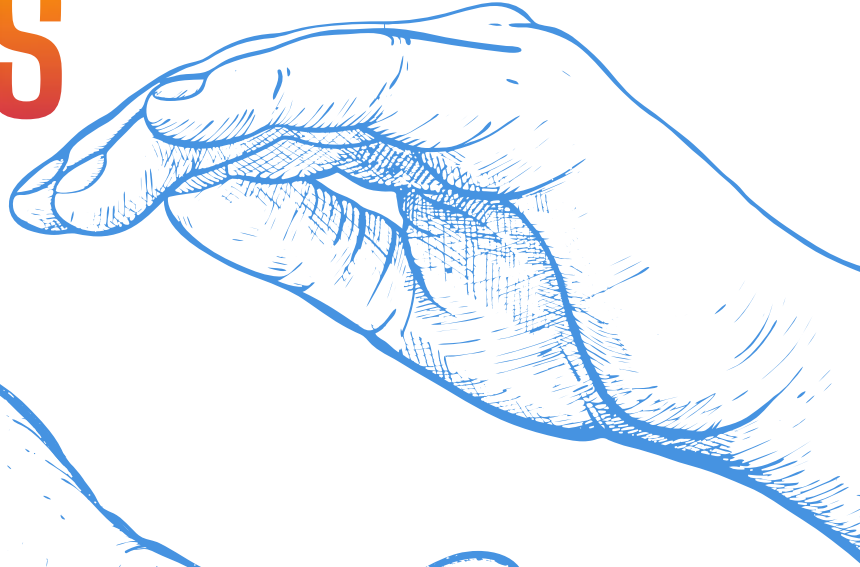
#### Dividend

At the Board Meeting held on May 18, 2023, the Directors have recommended the Final Dividend of Rs. 0.50 per share subject to the approval by the shareholders at the Annual General Meeting to be held on June 27, 2023 to be paid to the shareholders on July 12, 2023 and in accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at March 31, 2023.

No other circumstances have arisen since the reporting period end which would require adjustments to, or disclosure in the Financial Statements.

## ANNEXES

# HANDS THAT



# HOLD INSIGHT

We are committed to leveraging our deep insights and passion for innovation to mould the future of Hand Protection.

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# DECADE AT A GLANCE

|                                                      | 2023<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Trading Results</b>                               |                 |                 |                 |                 |                 |
| Revenue                                              | 80,099,312      | 55,293,983      | 46,386,667      | 30,562,982      | 30,089,318      |
| Profit before tax                                    | 11,218,692      | 7,596,775       | 7,191,273       | 1,160,426       | 1,642,546       |
| Taxation                                             | (2,716,268)     | (1,185,975)     | (1,357,946)     | (310,133)       | (418,720)       |
| Profit after tax                                     | 8,502,424       | 6,410,800       | 5,833,327       | 850,293         | 1,223,826       |
| Non-controlling interest                             | (1,995,341)     | (1,028,149)     | (669,293)       | (102,196)       | (355,402)       |
| Profit attributable to equity holders of the Company | 6,507,083       | 5,382,651       | 5,164,034       | 748,097         | 868,424         |
| <b>Non-Current Assets</b>                            |                 |                 |                 |                 |                 |
| Property, plant & equipment                          | 21,811,416      | 16,344,832      | 13,075,168      | 12,316,577      | 12,217,758      |
| Investments                                          | 397,711         | 391,009         | 390,977         | 390,932         | 390,933         |
| Other non-current assets                             | 4,460,672       | 2,867,933       | 3,182,863       | 2,862,418       | 1,616,164       |
|                                                      | 26,669,799      | 19,603,774      | 16,649,008      | 15,569,927      | 14,224,855      |
| Current Assets                                       | 36,320,985      | 34,445,826      | 27,656,383      | 11,709,180      | 11,976,799      |
| Total Assets                                         | 62,990,784      | 54,049,600      | 44,305,391      | 27,279,107      | 26,201,654      |
| <b>Capital &amp; Reserves</b>                        |                 |                 |                 |                 |                 |
| Stated capital                                       | 598,615         | 598,615         | 598,615         | 598,615         | 598,615         |
| Capital reserves                                     | 679,455         | 645,549         | 585,174         | 585,142         | 573,686         |
| Revenue reserves                                     | 25,696,991      | 20,662,636      | 14,462,463      | 9,953,105       | 9,249,276       |
| Shareholders' funds                                  | 26,975,061      | 21,906,800      | 15,646,252      | 11,136,862      | 10,421,577      |
| Non-controlling interest                             | 6,540,249       | 4,452,443       | 3,495,286       | 2,894,169       | 2,791,075       |
| Total Equity                                         | 33,515,310      | 26,359,243      | 19,141,538      | 14,031,031      | 13,212,652      |
| <b>Non-Current Liabilities</b>                       |                 |                 |                 |                 |                 |
| Deferred tax liability                               | 2,277,368       | 775,949         | 747,639         | 717,332         | 761,058         |
| Interest bearing borrowings                          | 3,576,522       | 2,535,569       | 1,819,967       | 1,377,134       | 883,102         |
| Other non-current liabilities                        | 4,497,001       | 3,806,846       | 3,688,072       | 3,921,075       | 3,540,753       |
|                                                      | 10,350,891      | 7,118,364       | 6,255,678       | 6,015,541       | 5,184,913       |
| <b>Current Liabilities</b>                           |                 |                 |                 |                 |                 |
| Current portion of interest bearing borrowings       | 2,996,234       | 1,779,406       | 533,119         | 261,082         | 435,988         |
| Short term loans and bank overdrafts                 | 4,863,945       | 10,094,227      | 8,972,762       | 3,124,003       | 3,951,213       |
| Other current liabilities                            | 11,264,404      | 8,698,360       | 9,402,294       | 3,847,450       | 3,416,888       |
|                                                      | 19,124,583      | 20,571,993      | 18,908,175      | 7,232,535       | 7,804,089       |
| Total Equity and Liabilities                         | 62,990,784      | 54,049,600      | 44,305,391      | 27,279,107      | 26,201,654      |
| <b>Ratios &amp; Other Information</b>                |                 |                 |                 |                 |                 |
| Earnings per share (Rs.)*                            | 10.87           | 8.99            | 8.63            | 1.25            | 1.45            |
| Return on equity (%)                                 | 25.37           | 24.57           | 33.00           | 6.72            | 8.33            |
| Market price per share (Rs.)                         | 27.70           | 32.50           | 46.40           | 57.00           | 78.00           |
| Price earnings ratio (times)*                        | 2.55            | 3.61            | 5.38            | 4.56            | 5.38            |
| Dividend per share (Rs.)                             | 3.00            | 2.50            | 2.30            | 0.40            | 0.45            |
| Net assets per share (Rs.)*                          | 45.06           | 36.60           | 26.14           | 18.60           | 17.41           |
| Dividend yield (%)                                   | 10.83           | 7.69            | 4.96            | 7.02            | 5.77            |
| Dividend cover (times)                               | 3.62            | 3.60            | 3.75            | 3.12            | 3.22            |
| Debt to equity ratio (times)                         | 0.34            | 0.55            | 0.59            | 0.34            | 0.40            |
| Current ratio                                        | 1.90            | 1.67            | 1.46            | 1.62            | 1.53            |

Figures in brackets indicate deductions.

\*Computed based on 598,615,120 shares on issue as at March 31, 2023. Earning per share, Dividend per share and Net asset per share in all reporting periods were adjusted based on post sub-division of ten shares for every one ordinary share held.

| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|
|-------------------|----------------------------|--------------------|-----------------------|---------|

| 2018<br>Rs.'000                       | 2017<br>Rs.'000 | 2016<br>Rs.'000 | 2015<br>Rs.'000 | 2014<br>Rs.'000 |                                                      |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|------------------------------------------------------|
| <b>Trading Results</b>                |                 |                 |                 |                 |                                                      |
| 28,484,874                            | 24,334,423      | 21,931,303      | 27,738,672      | 23,092,215      | Revenue                                              |
| 1,240,494                             | 1,057,260       | 690,608         | 1,946,819       | 1,519,246       | Profit before tax                                    |
| (439,644)                             | (139,526)       | (214,653)       | (385,449)       | (362,189)       | Taxation                                             |
| 800,850                               | 917,734         | 475,955         | 1,561,370       | 1,157,057       | Profit after tax                                     |
| (305,382)                             | (164,533)       | (127,826)       | (285,953)       | (361,979)       | Non-controlling interest                             |
| 495,468                               | 753,201         | 348,129         | 1,275,417       | 795,078         | Profit attributable to equity holders of the Company |
| <b>Non-Current Assets</b>             |                 |                 |                 |                 |                                                      |
| 12,408,303                            | 12,414,457      | 12,188,554      | 12,058,013      | 10,414,861      | Property, plant & equipment                          |
| 23                                    | 26              | 22              | 24              | 17              | Investments                                          |
| 1,446,534                             | 1,692,470       | 1,788,001       | 1,422,904       | 1,078,443       | Other non-current assets                             |
| 13,854,860                            | 14,106,953      | 13,976,577      | 13,480,941      | 11,493,321      |                                                      |
| 10,775,220                            | 9,063,244       | 7,381,572       | 8,546,008       | 8,551,704       | Current Assets                                       |
| 24,630,080                            | 23,170,197      | 21,358,149      | 22,026,949      | 20,045,025      | Total Assets                                         |
| <b>Capital &amp; Reserves</b>         |                 |                 |                 |                 |                                                      |
| 598,615                               | 598,615         | 598,615         | 598,615         | 598,615         | Stated capital                                       |
| 447,227                               | 478,788         | 450,178         | 444,347         | 457,262         | Capital reserves                                     |
| 8,693,473                             | 8,044,601       | 7,115,483       | 7,225,571       | 6,271,286       | Revenue reserves                                     |
| 9,739,315                             | 9,122,004       | 8,164,276       | 8,268,533       | 7,327,163       | Shareholders' funds                                  |
| 2,566,261                             | 2,312,205       | 2,406,025       | 2,513,282       | 2,322,191       | Non-controlling interest                             |
| 12,305,576                            | 11,434,209      | 10,570,301      | 10,781,815      | 9,649,354       | Total Equity                                         |
| <b>Non-Current Liabilities</b>        |                 |                 |                 |                 |                                                      |
| 713,849                               | 686,093         | 565,781         | 494,555         | 458,093         | Deferred tax liability                               |
| 1,397,541                             | 2,114,650       | 2,136,957       | 1,372,989       | 1,405,877       | Interest bearing borrowings                          |
| 3,090,164                             | 2,859,687       | 3,359,121       | 3,157,461       | 3,071,331       | Other non-current liabilities                        |
| 5,201,554                             | 5,660,430       | 6,061,859       | 5,025,005       | 4,935,301       |                                                      |
| <b>Current Liabilities</b>            |                 |                 |                 |                 |                                                      |
| 874,758                               | 801,486         | 321,495         | 306,521         | 406,609         | Current portion of interest bearing borrowings       |
| 2,767,380                             | 2,201,582       | 1,891,333       | 2,813,367       | 2,104,466       | Short term loans and bank overdrafts                 |
| 3,480,812                             | 3,072,490       | 2,513,161       | 3,100,241       | 2,949,295       | Other current liabilities                            |
| 7,122,950                             | 6,075,558       | 4,725,989       | 6,220,129       | 5,460,370       |                                                      |
| 24,630,080                            | 23,170,197      | 21,358,149      | 22,026,949      | 20,045,025      | <b>Total Equity and Liabilities</b>                  |
| <b>Ratios &amp; Other Information</b> |                 |                 |                 |                 |                                                      |
| 0.83                                  | 1.26            | 0.58            | 2.13            | 1.33            | Earnings per share (Rs.)*                            |
| 6.50                                  | 8.26            | 4.26            | 15.42           | 10.85           | Return on equity (%)                                 |
| 85.50                                 | 76.00           | 73.00           | 138.00          | 87.10           | Market price per share (Rs.)                         |
| 10.33                                 | 6.00            | 12.60           | 6.50            | 6.60            | Price earnings ratio (times)*                        |
| 0.30                                  | 0.25            | 0.20            | 0.70            | 0.55            | Dividend per share (Rs.)                             |
| 16.27                                 | 15.24           | 13.64           | 13.81           | 12.24           | Net assets per share (Rs.)*                          |
| 3.50                                  | 3.30            | 2.70            | 5.10            | 6.30            | Dividend yield (%)                                   |
| 2.76                                  | 5.00            | 2.90            | 3.00            | 2.40            | Dividend cover (times)                               |
| 0.41                                  | 0.45            | 0.41            | 0.42            | 0.41            | Debt to equity ratio (times)                         |
| 1.51                                  | 1.49            | 1.56            | 1.37            | 1.58            | Current ratio                                        |

# THE SHARE

## 1. STOCK EXCHANGE LISTING

The ordinary shares of Dipped Products PLC, are listed with the Colombo Stock Exchange of Sri Lanka. Interim Financial Statements of the 4th quarter for the year ended March 31, 2023 have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

## 2. ORDINARY SHAREHOLDERS

Number of shareholders as at March 31, 2023 - 15,236 (as at March 31, 2022 - 14,991).

| Number of Shares held | Resident             |                    |              | Non-Resident         |                  |             | Total                |                    |               |
|-----------------------|----------------------|--------------------|--------------|----------------------|------------------|-------------|----------------------|--------------------|---------------|
|                       | No. of Share-holders | No. of Shares      | %            | No. of Share-holders | No. of Shares    | %           | No. of Share-holders | No. of Shares      | %             |
| 1 - 1,000             | 6,820                | 2,510,563          | 0.42         | 11                   | 5,804            | 0.00        | 6,831                | 2,516,367          | 0.42          |
| 1,001 - 10,000        | 5,651                | 22,207,965         | 3.71         | 23                   | 126,755          | 0.02        | 5,674                | 22,334,720         | 3.73          |
| 10,001 - 100,000      | 2,361                | 68,964,683         | 11.52        | 20                   | 875,302          | 0.15        | 2,381                | 69,839,985         | 11.67         |
| 100,001 - 1,000,000   | 311                  | 78,484,755         | 13.11        | 12                   | 3,256,290        | 0.54        | 323                  | 81,741,045         | 13.65         |
| Over 1000,000         | 27                   | 422,183,003        | 70.53        | -                    | -                | -           | 27                   | 422,183,003        | 70.53         |
| <b>Total</b>          | <b>15,170</b>        | <b>594,350,969</b> | <b>99.29</b> | <b>66</b>            | <b>4,264,151</b> | <b>0.71</b> | <b>15,236</b>        | <b>598,615,120</b> | <b>100.00</b> |

Of the issued Share Capital over 90% is held by residents of Sri Lanka.

| Number of Shares held | Resident             |                    |              | Non-Resident         |                  |             | Total                |                    |               |
|-----------------------|----------------------|--------------------|--------------|----------------------|------------------|-------------|----------------------|--------------------|---------------|
|                       | No. of Share-holders | No. of Shares      | %            | No. of Share-holders | No. of Shares    | %           | No. of Share-holders | No. of Shares      | %             |
| <b>CATEGORY</b>       |                      |                    |              |                      |                  |             |                      |                    |               |
| Individuals           | 14,501               | 158,949,796        | 26.55        | 57                   | 3,526,660        | 0.59        | 14,558               | 162,476,456        | 27.14         |
| Institutions          | 669                  | 435,401,173        | 72.74        | 9                    | 737,491          | 0.12        | 678                  | 436,138,664        | 72.86         |
|                       | <b>15,170</b>        | <b>594,350,969</b> | <b>99.29</b> | <b>66</b>            | <b>4,264,151</b> | <b>0.71</b> | <b>15,236</b>        | <b>598,615,120</b> | <b>100.00</b> |

## 3. SHARE VALUATION

The market value of an ordinary share of Dipped Products PLC:

|          | 2022/23                        | 2021/22                     |
|----------|--------------------------------|-----------------------------|
| Highest  | Rs. 48.70 (September 20, 2022) | Rs. 79.50 (August 31, 2021) |
| Lowest   | Rs. 21.00 (April 27, 2022)     | Rs. 30.60 (March 31, 2022)  |
| Year end | Rs. 27.70                      | Rs. 32.40                   |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

#### 4 SHARE TRADING

|                              | 2023          | 2022           |
|------------------------------|---------------|----------------|
| Number of transactions       | 65,267        | 254,065        |
| Number of shares traded      | 107,567,295   | 464,000,636    |
| Value of shares traded (Rs.) | 3,725,542,210 | 26,010,352,199 |

#### 5. FIRST TWENTY SHAREHOLDERS AS AT MARCH 31, 2023

|    | Name of the Shareholder                                    | No.of Shares as at 31/03/2023 | %            | No.of Shares as at 31/03/2022 | %            |
|----|------------------------------------------------------------|-------------------------------|--------------|-------------------------------|--------------|
| 1  | HAYLEYS PLC                                                | 252,109,380                   | 42.12        | 252,109,380                   | 42.12        |
| 2  | VOLANKA (PRIVATE) LIMITED                                  | 48,736,400                    | 8.14         | 48,736,400                    | 8.14         |
| 3  | HAYCARB PLC                                                | 40,687,460                    | 6.80         | 40,687,460                    | 6.80         |
| 4  | EMPLOYEES PROVIDENT FUND                                   | 27,551,107                    | 4.60         | 27,551,107                    | 4.60         |
| 5  | EMPLOYEES TRUST FUND BOARD                                 | 5,916,261                     | 0.99         | 5,211,729                     | 0.87         |
| 6  | RAVI INDUSTRIES LIMITED                                    | 5,670,000                     | 0.95         | 5,670,000                     | 0.95         |
| 7  | DR.D.JAYANNTHA                                             | 4,800,000                     | 0.80         | 4,150,000                     | 0.69         |
| 8  | MR.HS.R.KARIYAWASAN & MRS. K.H.S. KARIYAWASAN              | 4,150,850                     | 0.69         | 3,325,850                     | 0.56         |
| 9  | MR.N.SAMARASURIYA                                          | 3,175,860                     | 0.53         | 3,175,860                     | 0.53         |
| 10 | MR.H.A.R.PIERIS                                            | 3,150,000                     | 0.53         | 3,015,000                     | 0.50         |
| 11 | AMANA BANK PLC / MR.M.N.DEEN                               | 2,961,994                     | 0.49         | 2,961,994                     | 0.49         |
| 12 | MR. S. RAMESHAN                                            | 2,377,480                     | 0.40         | 747,040                       | 0.12         |
| 13 | MRS.S.H.SARDAKHAN                                          | 2,100,000                     | 0.35         | 1,875,000                     | 0.31         |
| 14 | MR. M. I. M. SHAFIE & MRS. F.R. SHAFIE                     | 2,000,362                     | 0.33         | 1,572,743                     | 0.26         |
| 15 | RENUKA HOTELS PLC                                          | 1,997,990                     | 0.33         | -                             | -            |
| 16 | RENUKA PROPERTIES LIMITED                                  | 1,660,000                     | 0.28         | 1,660,000                     | 0.28         |
| 17 | MISS. L.A. PIERIS                                          | 1,563,980                     | 0.26         | 1,563,980                     | 0.26         |
| 18 | MERCHANT BANK OF SRI LANKA & FINANCE PLC / U.D.PREMAKUMARA | 1,556,229                     | 0.26         | 1,581,579                     | 0.26         |
| 19 | PERERA AND SONS BAKERS PVT LIMITED                         | 1,500,000                     | 0.25         | -                             | -            |
| 20 | FIRST CAPITAL LIMITED                                      | 1,493,063                     | 0.25         | 1,493,063                     | 0.25         |
|    | <b>TOTAL</b>                                               | <b>415,158,416</b>            | <b>69.35</b> | <b>407,088,185</b>            | <b>68.00</b> |

#### 6. SHARES HELD BY THE PUBLIC

Public Holding as at 31.03.2023

Percentage of Public Holding 41.00

Total number of shareholders representing the public holding 15,224

Float - Adjusted Market Capitalization (Rs.) 6,798,471,917.84

The Company complies with option 3 of the Listing Rules 7.13.1 (a) which requires 7.5% minimum Public Holding.

## THE SHARE

### 7. HISTORY OF DIVIDEND AND SCRIP ISSUES (LAST 33 YEARS)

The number of shareholders represent in public holding 15,236

| Year ended<br>March 31 | Issue                      | Basis | No. of<br>shares<br>'000 | Cumulative<br>No. of shares<br>'000 | Dividend<br>per Share<br>Rs. | Dividend<br>paid<br>Rs'000 |
|------------------------|----------------------------|-------|--------------------------|-------------------------------------|------------------------------|----------------------------|
| 1991                   | Bonus                      | 1:05  | 1,000                    | 6,000                               | 3.30                         | 19,800                     |
| 1992                   |                            |       |                          | 6,000                               | 2.60                         | 15,600                     |
| 1993                   |                            |       |                          | 6,000                               | 2.60                         | 15,600                     |
| 1994                   | Share Trust (at Rs. 41.00) |       | 600                      | 6,600                               | 3.00                         | 19,800                     |
| 1995                   |                            |       |                          | 6,600                               | 3.50                         | 23,100                     |
| 1996                   | Bonus                      | 1:05  | 1,320                    | 7,920                               | 1.75                         | 13,860                     |
|                        | Rights (at Rs. 60.00)      | 1:05  | 1,584                    | 9,504                               | 17.50                        | 16,632                     |
| 1997                   | Bonus                      | 1:05  | 1,901                    | 11,405                              | 3.50                         | 39,917                     |
| 1998                   | Bonus                      | 1:05  | 2,281                    | 13,686                              | 4.00                         | 54,743                     |
| 1999                   | Bonus                      | 1:05  | 2,737                    | 16,423                              | 3.50                         | 57,480                     |
| 2000                   | Bonus                      | 1:08  | 2,053                    | 18,476                              | 3.00                         | 55,427                     |
| 2001                   |                            |       |                          | 18,476                              | 4.00                         | 73,903                     |
| 2002                   |                            |       |                          | 18,476                              | 3.50                         | 64,665                     |
| 2003                   | Bonus                      | 1:08  | 2,309                    | 20,785                              | 3.50                         | 72,748                     |
| 2004                   | Bonus                      | 1:05  | 4,157                    | 24,942                              | 4.00                         | 99,769                     |
| 2005                   | Bonus                      | 1:05  | 4,988                    | 29,931                              | –                            | –                          |
|                        | Bonus                      | 1:01  | 29,931                   | 59,861                              | 4.00                         | 239,446                    |
| 2006                   |                            |       |                          | 59,861                              | 3.00                         | 179,585                    |
| 2007                   |                            |       |                          | 59,861                              | 4.50                         | 269,377                    |
| 2008                   |                            |       |                          | 59,861                              | 3.00                         | 179,585                    |
| 2009                   |                            |       |                          | 59,861                              | 3.00                         | 179,585                    |
| 2010                   |                            |       |                          | 59,861                              | 3.75                         | 224,480                    |
| 2011                   |                            |       |                          | 59,861                              | 3.00                         | 179,585                    |
| 2012                   |                            |       |                          | 59,861                              | 6.00                         | 359,169                    |
| 2013                   |                            |       |                          | 59,861                              | 7.00                         | 419,031                    |
| 2014                   |                            |       |                          | 59,861                              | 5.50                         | 329,238                    |
| 2015                   |                            |       |                          | 59,861                              | 7.00                         | 419,031                    |
| 2016                   |                            |       |                          | 59,861                              | 2.00                         | 119,723                    |
| 2017                   |                            |       |                          | 59,861                              | 2.50                         | 149,653                    |
| 2018                   |                            |       |                          | 59,861                              | 3.00                         | 179,585                    |
| 2019                   |                            |       |                          | 59,861                              | 4.50                         | 269,374                    |
| 2020                   |                            |       |                          | 59,861                              | 4.00                         | 239,444                    |
| 2021                   | Share Split                | 1:10  |                          | 598,615                             | 2.30                         | 1,376,815                  |
| 2022                   |                            |       |                          | 598,615                             | 2.50                         | 1,496,538                  |
| 2023                   |                            |       |                          | 598,615                             | 3.00                         | 1,795,845                  |

## Market Capitalisation (Last 33 years)

| Year ended<br>March 31 | Market<br>capitalisation<br>Rs. million | Net<br>assets<br>Rs. million |
|------------------------|-----------------------------------------|------------------------------|
| 1991                   | 690                                     | 178                          |
| 1992                   | 618                                     | 210                          |
| 1993                   | 537                                     | 223                          |
| 1994                   | 574                                     | 284                          |
| 1995                   | 574                                     | 340                          |
| 1996                   | 893                                     | 492                          |
| 1997                   | 984                                     | 611                          |
| 1998                   | 1,505                                   | 794                          |
| 1999                   | 854                                     | 961                          |
| 2000                   | 905                                     | 1,032                        |
| 2001                   | 859                                     | 1,179                        |
| 2002                   | 1,109                                   | 1,312                        |
| 2003                   | 1,143                                   | 1,498                        |
| 2004                   | 2,120                                   | 1,782                        |
| 2005                   | 5,507                                   | 2,148                        |
| 2006                   | 4,909                                   | 2,179                        |
| 2007                   | 6,540                                   | 2,646                        |
| 2008                   | 4,759                                   | 2,810                        |
| 2009                   | 3,307                                   | 3,079                        |
| 2010                   | 6,211                                   | 3,310                        |
| 2011                   | 6,950                                   | 5,142                        |
| 2012                   | 5,992                                   | 5,801                        |
| 2013                   | 6,645                                   | 6,845                        |
| 2014                   | 5,214                                   | 7,327                        |
| 2015                   | 8,261                                   | 8,044                        |
| 2016                   | 4,370                                   | 7,896                        |
| 2017                   | 4,550                                   | 9,122                        |
| 2018                   | 5,118                                   | 9,739                        |
| 2019                   | 4,669                                   | 10,422                       |
| 2020                   | 3,412                                   | 11,136                       |
| 2021                   | 27,776                                  | 15,646                       |
| 2022                   | 19,455                                  | 21,907                       |
| 2023                   | 16,582                                  | 26,975                       |

# GROUP STRUCTURE



## Manufacture and marketing of industrial and general purpose rubber gloves, Management of tea and rubber plantations

### DIPPED PRODUCTS PLC

Incorporated in 1976 in Sri Lanka

Stated capital - Rs 598,615,120

#### Directors:

A M Pandithage - Chairman

H S R Kariyawasan - Deputy Chairman

R H P Janadheera - Managing Director

F Mohideen

S C Ganegoda

S Rajapakse

N A R R S Nanayakkara

S P Peiris

K D G Gunaratne

K M D I Prasad

B K C R Ratnasiri

G Molinari

Ms. K A D B Perera (Appointed October 19,2022)

Ng Soon Huat (Resigned January 18, 2023)

K D D Perera (Resigned June 10, 2022)

Ms. Y Baskaran (Alt to Mr. K D D Perera) (Ceased June 10, 2022)

## HAND PROTECTION

### Manufacture and export of household and industrial gloves

#### HANWELLA RUBBER PRODUCTS LTD

Incorporated in 1987 in Sri Lanka

Stated capital - Rs 250,000,000

Group interest - 72.6%

#### Directors:

A M Pandithage - Chairman

R H P Janadheera

K M D I Prasad

B A D H C Mahipala

Ng Soon Huat (Resigned January 18, 2023)

### Manufacture and export of household and industrial gloves

#### D P L PREMIER GLOVES LTD

Incorporated in 2014 in Sri Lanka

Stated capital - Rs. 1,450,000,000

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

R H P Janadheera

R M U N Rathnayake

S A N Pushpakumara (Appointment April 01,2023)

Ng Soon Huat (Resigned January 18, 2023)

### Manufacture and export of fabric supported and industrial gloves

#### D P L UNIVERSAL GLOVES LTD

Incorporated in 2014 in Sri Lanka

Stated capital - Rs. 2,000,000,000

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

R H P Janadheera

N A R R S Nanayakkara

B K C R Ratnasiri

H U A Fonseka

Ng Soon Huat (Resigned January 18, 2023)

### Manufacture and export of examination gloves

#### DIPPED PRODUCTS (THAILAND) LTD

Incorporated in 2002 in Thailand

Share capital - THB 375,000,000

Group interest - 99.26%

#### Directors:

A M Pandithage - Chairman

R H P Janadheera

N A R R S Nanayakkara

S C Ganegoda

T G Thoradeniya

D P P Mendis

H S R Kariyawasan (Appointment June 01,2022)

K M D I Prasad (Appointment June 01,2022)

Ng Soon Huat

### Marketing and distribution of household, industrial and medical gloves and personal protective wear

#### ICOQUANTI S.p.A

Registered in Milan and successors to ICO Srl

Incorporated in 1968 in Genoa

Share capital - Euro 3,500,000

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

G Molinari - Joint Managing Director

Ng Soon Huat - Joint Managing Director

H S R Kariyawasan

R H P Janadheera

N A R R S Nanayakkara

M Orlando (Resigned February 20,2023)

### Marketing and distribution of Household and Professional cleaning equipments

#### DPL FRANCE SAS

Incorporated in 2022 in Avignon

Share capital - Euro 1,000,000

Group interest - 80%

### Marketing and distribution of Household and Professional cleaning equipments

#### ROZENBAL POLSKA Sp.z.o.o

Incorporated in 2001 in Żwirów

Share capital - PLN 922 000

Group interest - 96.5%

### Manufacture and export of fabric supported and unsupported gloves

#### VENIGROS (PVT) LTD

Incorporated in 1994 in Sri Lanka

Stated capital - Rs. 80,000,000

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

S C Ganegoda

Ng Soon Huat (Resigned January 18, 2023)

## Manufacture of cotton and synthetic flock

### FELTEX (PVT) LTD

Incorporated in 2005 in Sri Lanka

Stated capital - Rs 15,000,000

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

N A R R S Nanayakkara

S C Ganegoda

Ng Soon Huat (Resigned January 18, 2023)

## Export trading

### D P L INTERNATIONAL LTD

Incorporated in 2016 in Sri Lanka

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

R H P Janadheera

N A R R S Nanayakkara

Ng Soon Huat (Resigned January 18, 2023)

## PLANTATIONS

### Plantation management

#### DPL PLANTATIONS (PVT) LTD

Incorporated in 1992 in Sri Lanka

Stated capital - Rs. 550,000,000

Group interest - 100%

#### Directors:

A M Pandithage - Chairman

Dr. W G R Rajadurai

S C Ganegoda

A Weerakoon

Ng Soon Huat (Resigned January 18, 2023)

## Tea and rubber plantations

### KELANI VALLEY PLANTATIONS PLC

Incorporated in 1992 in Sri Lanka

Stated capital - Rs. 340,000,010

Group interest - 72.43%

#### Directors:

A M Pandithage - Chairman

Dr. W G R Rajadurai - Managing Director

A Weerakoon - Chief Executive Officer

F Mohideen

S C Ganegoda

C V Cabraal

N Ekanayake (appointed 29th June 2022)

L N De S Wijeyeratne (retired 28th June 2022)

## Plantation management

### HAYLEYS PLANTATION SERVICES (PVT) LTD

Incorporated in 1992 in Sri Lanka

Stated capital - Rs. 408,030,000

Group interest - 66.67%

#### Directors:

A M Pandithage - Chairman

Dr. W G R Rajadurai

Merrill J Fernando

Malik J Fernando

N R Ranatunga

S C Ganegoda

(Alternate to Mr. A M Pandithage)

D C Fernando

(Alternate to Mr. Merrill J Fernando)

Ms. M Perera

(Alternate to Mr. Malik J Fernando)

# GLOSSARY

## ACCOUNTING POLICIES

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

## BORROWINGS

Bank loans, overdrafts and finance lease obligations.

## CAPITAL EMPLOYED

Total assets less interest free liabilities.

## CAPITAL RESERVES

Reserves identified for specific purposes and considered not available for distribution.

## CASH EQUIVALENTS

Liquid investments with original maturities of three months or less.

## CONTINGENT LIABILITIES

Conditions or situations at the Statement of Financial Position date, the financial effect of which are to be determined by future events which may or may not occur.

## CURRENT RATIO

Current assets divided by current liabilities.

## DIVIDEND COVER

Post-tax profit divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

## DIVIDEND YIELD

Gross dividend per share as a percentage of the market price.

## EARNINGS PER SHARE

Profit attributable to ordinary shareholders divided by a weighted average number of ordinary shares in issue and ranking for dividend.

## GROSS DIVIDEND

Portion of profits inclusive of tax withheld distributed to shareholders.

## NET ASSETS PER SHARE

Shareholders' funds divided by the number of ordinary shares issued.

## OPERATING PROFIT MARGIN

Operating profit divided by Group turnover.

## PRICE EARNINGS RATIO

Market price of a share divided by earnings per share.

## RELATED PARTIES

A person or entity that is reporting to the reporting entity.

## RETURN ON EQUITY

Attributable profits divided by average shareholders' funds.

## REVENUE RESERVES

Reserves considered as being available for distributions and investments.

## SEGMENT

Constituent business units grouped in terms of nature and similarity of operations.

## SLFRS/LKAS

Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards.

## TOTAL EQUITY

Share capital, reserves and minority interest.

## VALUE ADDITION

The quantum of wealth generated by the activities of the Group and its distribution.

## WORKING CAPITAL

Capital required to finance the day-to-day operations (current assets minus current liabilities)

# INDEPENDENT ASSURANCE REPORT



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Independent Assurance Report to the Board of Directors of Dipped Products PLC on the Integrated Annual Report- 2022/23

## Introduction and scope of the engagement

The management of Dipped Products PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- Reasonable assurance on the information on financial capital management as specified on pages 87 to 91 of the Report.
- Limited assurance on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Report on pages 87 to 91, prepared in accordance with the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

## Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The capital management criteria used for this limited assurance engagement are based on the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

## Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation and presentation and self-declaration of the information and statement contained within the Report, and for maintaining adequate records and internal controls that are designed to support the Integrated Reporting process under the Integrated Reporting Framework (<IR> Framework).

## Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

This report is made solely to the Company in accordance with our engagement letter dated May 2, 2023. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality

control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

## Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances.

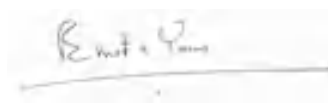
Key assurance procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.

## INDEPENDENT ASSURANCE REPORT

- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement
- Nothing has come to our attention that causes us to believe that other information on stakeholder engagement, business model, organization overview & external environment and outlook presented in the Report are not fairly presented, in all material respects, in accordance with the Integrated Annual Reporting practices and policies which are derived from the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.



May 18, 2023

Colombo

### Limitations and considerations

Social, Natural and Intellectual capital management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

### Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- The information on financial performance as specified on page 87 to 91 of the Report are properly derived from the audited financial statements for the year ended 31 March 2023.

Partners: H M A Jayasinghe FCA FCMA, B N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. V A De Silva FCA, Ms. A B M Fernando FCA ACMA, N P H L Fernando ACA, W N S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA, D K Hulangamvira FCA FCMA LLB LL(MS), Ms. G G S Mahipurega FCA, A A J H Perera ACA ACMA, Ms. P V K N Sajewani FCA, N M Subraman ACA ACMA, B E Wijetunge FCA FCMA, C A Yagala ACA ACMA

Principals: W E J De Silva BSc (Hons) MSc MSc(T), G B Gousian ACMA, D L B Kurugilthilaka ACMA, Ms. P S Parakkillang ACA ACMA LLB (Colombo), T P M Ruberu FCA FCMA

A member firm of Ernst & Young Global Limited

# GRI CONTEXT INDEX

|                                   |                                                                                                                     |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------|
| Statement of use                  | Dipped Products PLC has reported in accordance with the GRI Standards for the period 01 April 2022 to 31 March 2023 |
| GRI 1 used                        | GRI 1: Foundation 2021                                                                                              |
| Applicable GRI Sector Standard(s) | N/a                                                                                                                 |

| GRI Standard/<br>Other Source         | Disclosure                                                                       | Page No. | Omission                                                                                                                                                |                                                                     |             | GRI Sector<br>Standard Ref.<br>No. |
|---------------------------------------|----------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-------------|------------------------------------|
|                                       |                                                                                  |          | Requirement(S)<br>Omitted                                                                                                                               | Explanation                                                         | Explanation |                                    |
| General disclosures                   |                                                                                  |          |                                                                                                                                                         |                                                                     |             |                                    |
| GRI 2: General<br>Disclosures<br>2021 | 2-1 Organizational details                                                       | 4 to 223 | "A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available." |                                                                     |             |                                    |
|                                       | 2-2 Entities included in the organization's sustainability reporting             | 4        |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-3 Reporting period, frequency and contact point                                | 4,5      |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-4 Restatements of information                                                  | 4        |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-5 External assurance                                                           | 4        |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-6 Activities, value chain and other business relationships                     | 8        |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-7 Employees                                                                    | 97       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-8 Workers who are not employees                                                |          | Not applicable                                                                                                                                          | Company does not have workers who are not employees by the company. |             |                                    |
|                                       | 2-9 Governance structure and composition                                         | 34       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-10 Nomination and selection of the highest governance body                     | 43       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-11 Chair of the highest governance body                                        | 41       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-12 Role of the highest governance body in overseeing the management of impacts | 40       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-13 Delegation of responsibility for managing impacts                           | 34       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-14 Role of the highest governance body in sustainability reporting             | 38       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-15 Conflicts of interest                                                       | 50       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-16 Communication of critical concerns                                          | 39       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-17 Collective knowledge of the highest governance body                         | 35       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-18 Evaluation of the performance of the highest governance body                | 44       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-19 Remuneration policies                                                       | 44       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-20 Process to determine remuneration                                           | 44       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-21 Annual total compensation ratio                                             |          | Information unavailable/incomplete                                                                                                                      | This indicator is not tracked currently                             |             |                                    |
|                                       | 2-22 Statement on sustainable development strategy                               | 76       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-23 Policy commitments                                                          | 76       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-24 Embedding policy commitments                                                | 76       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-25 Processes to remediate negative impacts                                     | 108      |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-26 Mechanisms for seeking advice and raising concerns                          | 108      |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-27 Compliance with laws and regulations                                        | 108      |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-28 Membership associations                                                     | 28       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-29 Approach to stakeholder engagement                                          | 67       |                                                                                                                                                         |                                                                     |             |                                    |
|                                       | 2-30 Collective bargaining agreements                                            | 102      |                                                                                                                                                         |                                                                     |             |                                    |

## GRI CONTEXT INDEX

| GRI Standard/<br>Other Source                    | Disclosure                                                                           | Page No. | Omission                                                                                                                                              |                                    |                                                       | GRI Sector<br>Standard Ref.<br>No. |
|--------------------------------------------------|--------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-------------------------------------------------------|------------------------------------|
|                                                  |                                                                                      |          | Requirement(S)<br>Omitted                                                                                                                             | Explanation                        | Explanation                                           |                                    |
| Material topics                                  |                                                                                      |          |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 3: Material<br>Topics 2021                   | 3-1 Process to determine material topics                                             | 68       | A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available. |                                    |                                                       |                                    |
|                                                  | 3-2 List of material topics                                                          | 70       |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 3-3 Management of material topics                                                    | 70       |                                                                                                                                                       |                                    |                                                       |                                    |
| Economic performance                             |                                                                                      |          |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 201:<br>Economic<br>Performance<br>2016      | 201-1 Direct economic value generated and distributed                                | 9        |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 201-2 Financial implications and other risks and opportunities due to climate change | 63       |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 201-3 Defined benefit plan obligations and other retirement plans                    | 158      |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 201-4 Financial assistance received from government                                  | 186      | 201-4                                                                                                                                                 | Not applicable                     | Not received any financial assistance from Government |                                    |
| Market presence                                  |                                                                                      |          |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 3: Material<br>Topics 2021                   | 3-3 Management of material topics                                                    | 99       |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 202: Market<br>Presence 2016                 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage   | 99       |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 202-2 Proportion of senior management hired from the local community                 |          | 202-2                                                                                                                                                 | Information unavailable/incomplete | Not tracked currently                                 |                                    |
| Indirect economic impacts                        |                                                                                      |          |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 3: Material<br>Topics 2021                   | 3-3 Management of material topics                                                    | 107      |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 203:<br>Indirect<br>Economic<br>Impacts 2016 | 203-1 Infrastructure investments and services supported                              | 107      |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 203-2 Significant indirect economic impacts                                          | 9, 107   |                                                                                                                                                       |                                    |                                                       |                                    |
| Procurement practices                            |                                                                                      |          |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 3: Material<br>Topics 2021                   | 3-3 Management of material topics                                                    | 121,106  |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 204:<br>Procurement<br>Practices 2016        | 204-1 Proportion of spending on local suppliers                                      | 106      |                                                                                                                                                       |                                    |                                                       |                                    |
| Anti-corruption                                  |                                                                                      |          |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 3: Material<br>Topics 2021                   | 3-3 Management of material topics                                                    | 108      |                                                                                                                                                       |                                    |                                                       |                                    |
| GRI 205: Anti-<br>corruption<br>2016             | 205-1 Operations assessed for risks related to corruption                            | 108      |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 205-2 Communication and training about anti-corruption policies and procedures       | 108      |                                                                                                                                                       |                                    |                                                       |                                    |
|                                                  | 205-3 Confirmed incidents of corruption and actions taken                            | 108      |                                                                                                                                                       |                                    |                                                       |                                    |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| GRI Standard/<br>Other Source                   | Disclosure                                                                                                                                            | Page No. | Omission                  |                                           |                                                                                          | GRI Sector<br>Standard Ref.<br>No. |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------|-------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------|
|                                                 |                                                                                                                                                       |          | Requirement(S)<br>Omitted | Explanation                               | Explanation                                                                              |                                    |
| Anti-competitive behaviour                      |                                                                                                                                                       |          |                           |                                           |                                                                                          |                                    |
| GRI 3: Material<br>Topics 2021                  | 3-3 Management of material topics                                                                                                                     | 108      |                           |                                           |                                                                                          |                                    |
| GRI 206: Anti-<br>competitive<br>Behaviour 2016 | 206-1 Legal actions for anti-competitive<br>behaviour, anti-trust, and monopoly practices                                                             | 108      |                           |                                           |                                                                                          |                                    |
| Materials                                       |                                                                                                                                                       |          |                           |                                           |                                                                                          |                                    |
| GRI 3: Material<br>Topics 2021                  | 3-3 Management of material topics                                                                                                                     | 121      |                           |                                           |                                                                                          |                                    |
| GRI 301:<br>Materials 2016                      | 301-1 Materials used by weight or volume                                                                                                              | 115      |                           |                                           |                                                                                          |                                    |
|                                                 | 301-2 Recycled input materials used                                                                                                                   | 121      |                           |                                           |                                                                                          |                                    |
|                                                 | 301-3 Reclaimed products and their packaging<br>materials                                                                                             | 121      |                           |                                           |                                                                                          |                                    |
| Energy                                          |                                                                                                                                                       |          |                           |                                           |                                                                                          |                                    |
| GRI 3: Material<br>Topics 2021                  | 3-3 Management of material topics                                                                                                                     | 118      |                           |                                           |                                                                                          |                                    |
| GRI 302: Energy<br>2016                         | 302-1 Energy consumption within the<br>organization                                                                                                   | 115      |                           |                                           |                                                                                          |                                    |
|                                                 | 302-2 Energy consumption outside of the<br>organization                                                                                               |          | 302-2                     | Information<br>unavailable/<br>incomplete | Energy<br>consumption<br>outside the<br>organization is<br>not tracked at<br>the moment. |                                    |
|                                                 | 302-3 Energy intensity                                                                                                                                | 15       |                           |                                           |                                                                                          |                                    |
|                                                 | 302-4 Reduction of energy consumption                                                                                                                 | 118      |                           |                                           |                                                                                          |                                    |
|                                                 | 302-5 Reductions in energy requirements of<br>products and services                                                                                   | 118      |                           |                                           |                                                                                          |                                    |
|                                                 |                                                                                                                                                       |          |                           |                                           |                                                                                          |                                    |
| Water and effluents                             |                                                                                                                                                       |          |                           |                                           |                                                                                          |                                    |
| GRI 3: Material<br>Topics 2021                  | 3-3 Management of material topics                                                                                                                     | 120      |                           |                                           |                                                                                          |                                    |
| GRI 303: Water<br>and Effluents<br>2018         | 303-1 Interactions with water as a shared resource                                                                                                    | 120      |                           |                                           |                                                                                          |                                    |
|                                                 | 303-2 Management of water discharge-related<br>impacts                                                                                                | 120      |                           |                                           |                                                                                          |                                    |
|                                                 | 303-3 Water withdrawal                                                                                                                                | 115      |                           |                                           |                                                                                          |                                    |
|                                                 | 303-4 Water discharge                                                                                                                                 | 115      |                           |                                           |                                                                                          |                                    |
|                                                 | 303-5 Water consumption                                                                                                                               | 115      |                           |                                           |                                                                                          |                                    |
| Biodiversity                                    |                                                                                                                                                       |          |                           |                                           |                                                                                          |                                    |
| GRI 3: Material<br>Topics 2021                  | 3-3 Management of material topics                                                                                                                     | 122      |                           |                                           |                                                                                          |                                    |
| GRI 304:<br>Biodiversity<br>2016                | 304-1 Operational sites owned, leased, managed<br>in, or adjacent to, protected areas and areas of<br>high biodiversity value outside protected areas |          | 304-1                     | Not applicable                            |                                                                                          |                                    |
|                                                 | 304-2 Significant impacts of activities, products<br>and services on biodiversity                                                                     | 122      |                           |                                           |                                                                                          |                                    |
|                                                 | 304-3 Habitats protected or restored                                                                                                                  |          | 304-3                     | Not applicable                            |                                                                                          |                                    |
|                                                 | 304-4 IUCN Red List species and national<br>conservation list species with habitats in areas<br>affected by operations                                |          | 304-4                     | Not applicable                            |                                                                                          |                                    |

## GRI CONTEXT INDEX

| GRI Standard/<br>Other Source                       | Disclosure                                                                                               | Page No. | Omission                  |                                    |                                  | GRI Sector<br>Standard Ref.<br>No. |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------|---------------------------|------------------------------------|----------------------------------|------------------------------------|
|                                                     |                                                                                                          |          | Requirement(S)<br>Omitted | Explanation                        | Explanation                      |                                    |
| Emissions                                           |                                                                                                          |          |                           |                                    |                                  |                                    |
| GRI 3: Material<br>Topics 2021                      | 3-3 Management of material topics                                                                        | 119      |                           |                                    |                                  |                                    |
| GRI 305:<br>Emissions 2016                          | 305-1 Direct (Scope 1) GHG emissions                                                                     | 115      |                           |                                    |                                  |                                    |
|                                                     | 305-2 Energy indirect (Scope 2) GHG emissions                                                            | 115      |                           |                                    |                                  |                                    |
|                                                     | 305-3 Other indirect (Scope 3) GHG emissions                                                             | 115      |                           |                                    |                                  |                                    |
|                                                     | 305-4 GHG emissions intensity                                                                            | 115      |                           |                                    |                                  |                                    |
|                                                     | 305-5 Reduction of GHG emissions                                                                         | 115      |                           |                                    |                                  |                                    |
|                                                     | 305-6 Emissions of ozone-depleting substances (ODS)                                                      |          | 305-6                     | Not applicable                     |                                  |                                    |
|                                                     | 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions                   |          | 305-7                     | Not applicable                     |                                  |                                    |
| Waste                                               |                                                                                                          |          |                           |                                    |                                  |                                    |
| GRI 3: Material<br>Topics 2021                      | 3-3 Management of material topics                                                                        | 121      |                           |                                    |                                  |                                    |
| GRI 306: Waste<br>2020                              | 306-1 Waste generation and significant waste-related impacts                                             | 121      |                           |                                    |                                  |                                    |
|                                                     | 306-2 Management of significant waste-related impacts                                                    | 121      |                           |                                    |                                  |                                    |
|                                                     | 306-3 Waste generated                                                                                    | 115      |                           |                                    |                                  |                                    |
|                                                     | 306-4 Waste diverted from disposal                                                                       | 121      |                           |                                    |                                  |                                    |
|                                                     | 306-5 Waste directed to disposal                                                                         | 121      |                           |                                    |                                  |                                    |
| Supplier environmental assessment                   |                                                                                                          |          |                           |                                    |                                  |                                    |
| GRI 3: Material<br>Topics 2021                      | 3-3 Management of material topics                                                                        | 106      |                           |                                    |                                  |                                    |
| GRI 308:<br>Supplier                                | 308-1 New suppliers that were screened using environmental criteria                                      | 106      |                           |                                    |                                  |                                    |
| Environmental<br>Assessment<br>2016                 | 308-2 Negative environmental impacts in the supply chain and actions taken                               | 106      |                           |                                    |                                  |                                    |
| Employment                                          |                                                                                                          |          |                           |                                    |                                  |                                    |
| GRI 3: Material<br>Topics 2021                      | 3-3 Management of material topics                                                                        | 99       |                           |                                    |                                  |                                    |
| GRI 401:<br>Employment<br>2016                      | 401-1 New employee hires and employee turnover                                                           | 97       |                           |                                    |                                  |                                    |
|                                                     | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 99       |                           |                                    |                                  |                                    |
|                                                     | 401-3 Parental leave                                                                                     |          | 401-3                     | Information unavailable/incomplete | Was not tracked during the year. |                                    |
| Labour/management relations                         |                                                                                                          |          |                           |                                    |                                  |                                    |
| GRI 3: Material<br>Topics 2021                      | 3-3 Management of material topics                                                                        | 102      |                           |                                    |                                  |                                    |
| GRI 402:<br>Labour/<br>Management<br>Relations 2016 | 402-1 Minimum notice periods regarding operational changes                                               | 102      |                           |                                    |                                  |                                    |

|                   |                            |                    |                       |         |
|-------------------|----------------------------|--------------------|-----------------------|---------|
| Operating Context | Value Creation in Practice | Performance Review | Financial Information | Annexes |
|-------------------|----------------------------|--------------------|-----------------------|---------|

| GRI Standard/<br>Other Source                             | Disclosure                                                                                                                | Page No. | Omission                  |                                           |                                                                                                   | GRI Sector<br>Standard Ref.<br>No. |
|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------|---------------------------|-------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------|
|                                                           |                                                                                                                           |          | Requirement(S)<br>Omitted | Explanation                               | Explanation                                                                                       |                                    |
| Occupational health and safety                            |                                                                                                                           |          |                           |                                           |                                                                                                   |                                    |
| GRI 3: Material<br>Topics 2021                            | 3-3 Management of material topics                                                                                         | 100      |                           |                                           |                                                                                                   |                                    |
| GRI 403:<br>Occupational<br>Health and<br>Safety 2018     | 403-1 Occupational health and safety<br>management system                                                                 | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-2 Hazard identification, risk assessment, and<br>incident investigation                                               | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-3 Occupational health services                                                                                        | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-4 Worker participation, consultation, and<br>communication on occupational health and<br>safety                       | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-5 Worker training on occupational health and<br>safety                                                                | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-6 Promotion of worker health                                                                                          | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-7 Prevention and mitigation of occupational<br>health and safety impacts directly linked by<br>business relationships | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-8 Workers covered by an occupational health<br>and safety management system                                           | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-9 Work-related injuries                                                                                               | 100      |                           |                                           |                                                                                                   |                                    |
|                                                           | 403-10 Work-related ill health                                                                                            |          | 403-10                    | Information<br>unavailable/<br>incomplete | Not tracked at<br>the moment                                                                      |                                    |
| Training and education                                    |                                                                                                                           |          |                           |                                           |                                                                                                   |                                    |
| GRI 3: Material<br>Topics 2021                            | 3-3 Management of material topics                                                                                         | 101      |                           |                                           |                                                                                                   |                                    |
| GRI 404:<br>Training and<br>Education 2016                | 404-1 Average hours of training per year per<br>employee                                                                  | 101      |                           |                                           |                                                                                                   |                                    |
|                                                           | 404-2 Programs for upgrading employee skills and<br>transition assistance programs                                        | 101      |                           |                                           |                                                                                                   |                                    |
|                                                           | 404-3 Percentage of employees receiving regular<br>performance and career development reviews                             | 101      |                           |                                           |                                                                                                   |                                    |
| Diversity and equal opportunity                           |                                                                                                                           |          |                           |                                           |                                                                                                   |                                    |
| GRI 3: Material<br>Topics 2021                            | 3-3 Management of material topics                                                                                         | 102      |                           |                                           |                                                                                                   |                                    |
| GRI 405:<br>Diversity<br>and Equal<br>Opportunity<br>2016 | 405-1 Diversity of governance bodies and<br>employees                                                                     | 102      |                           |                                           |                                                                                                   |                                    |
|                                                           | 405-2 Ratio of basic salary and remuneration of<br>women to men                                                           |          | 405-2                     | Information<br>unavailable/<br>incomplete | Not tracked at<br>the moment.<br>However there<br>is a non-<br>discrimination<br>policy in place. |                                    |
| Non-discrimination                                        |                                                                                                                           |          |                           |                                           |                                                                                                   |                                    |
| GRI 3: Material<br>Topics 2021                            | 3-3 Management of material topics                                                                                         | 99       |                           |                                           |                                                                                                   |                                    |
| GRI 406: Non-<br>discrimination<br>2016                   | 406-1 Incidents of discrimination and corrective<br>actions taken                                                         | 99       |                           |                                           |                                                                                                   |                                    |

## GRI CONTEXT INDEX

| GRI Standard/<br>Other Source                                                 | Disclosure                                                                                                                 | Page No. | Omission                  |             |             | GRI Sector<br>Standard Ref.<br>No. |
|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------|---------------------------|-------------|-------------|------------------------------------|
|                                                                               |                                                                                                                            |          | Requirement(S)<br>Omitted | Explanation | Explanation |                                    |
| Freedom of association and collective bargaining                              |                                                                                                                            |          |                           |             |             |                                    |
| GRI 3: Material<br>Topics 2021                                                | 3-3 Management of material topics                                                                                          | 102      |                           |             |             |                                    |
| GRI 407:<br>Freedom of<br>Association<br>and Collective<br>Bargaining<br>2016 | 407-1 Operations and suppliers in which the<br>right to freedom of association and collective<br>bargaining may be at risk | 102      |                           |             |             |                                    |
| Local communities                                                             |                                                                                                                            |          |                           |             |             |                                    |
| GRI 3: Material<br>Topics 2021                                                | 3-3 Management of material topics                                                                                          | 107      |                           |             |             |                                    |
| GRI 413: Local<br>Communities<br>2016                                         | 413-1 Operations with local community<br>engagement, impact assessments, and<br>development programs                       | 107      |                           |             |             |                                    |
|                                                                               | 413-2 Operations with significant actual and<br>potential negative impacts on local communities                            | 107      |                           |             |             |                                    |
| Supplier social assessment                                                    |                                                                                                                            |          |                           |             |             |                                    |
| GRI 3: Material<br>Topics 2021                                                | 3-3 Management of material topics                                                                                          | 106      |                           |             |             |                                    |
| GRI 414:<br>Supplier Social<br>Assessment<br>2016                             | 414-1 New suppliers that were screened using<br>social criteria                                                            | 106      |                           |             |             |                                    |
|                                                                               | 414-2 Negative social impacts in the supply chain<br>and actions taken                                                     | 106      |                           |             |             |                                    |
| Customer health and safety                                                    |                                                                                                                            |          |                           |             |             |                                    |
| GRI 3: Material<br>Topics 2021                                                | 3-3 Management of material topics                                                                                          | 105      |                           |             |             |                                    |
| GRI 416:<br>Customer<br>Health and<br>Safety 2016                             | 416-1 Assessment of the health and safety<br>impacts of product and service categories                                     | 105      |                           |             |             |                                    |
|                                                                               | 416-2 Incidents of non-compliance concerning<br>the health and safety impacts of products and<br>services                  | 105      |                           |             |             |                                    |
| Marketing and labelling                                                       |                                                                                                                            |          |                           |             |             |                                    |
| GRI 3: Material<br>Topics 2021                                                | 3-3 Management of material topics                                                                                          | 105      |                           |             |             |                                    |
| GRI 417:<br>Marketing and<br>Labelling 2016                                   | 417-1 Requirements for product and service<br>information and labelling                                                    | 105      |                           |             |             |                                    |
|                                                                               | 417-2 Incidents of non-compliance concerning<br>product and service information and labelling                              | 105      |                           |             |             |                                    |
|                                                                               | 417-3 Incidents of non-compliance concerning<br>marketing communications                                                   | 105      |                           |             |             |                                    |
| Customer privacy                                                              |                                                                                                                            |          |                           |             |             |                                    |
| GRI 3: Material<br>Topics 2021                                                | 3-3 Management of material topics                                                                                          | 105      |                           |             |             |                                    |
| GRI 418:<br>Customer<br>Privacy 2016                                          | 418-1 Substantiated complaints concerning<br>breaches of customer privacy and losses of<br>customer data                   | 105      |                           |             |             |                                    |

# SASB DISCLOSURES

Table: Household and Personal Products Standard- Sustainability Disclosure Topics & Accounting Metrics

| TOPIC                                                              | ACCOUNTING METRIC                                                                                                       | UNIT OF MEASURE                    | CODE         | DISCLOSURE/Page. reference                                                                                                                                                                                                                                      |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|------------------------------------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Water Management</b>                                            | (1) Total water withdrawn                                                                                               | (m <sup>3</sup> ),                 | CG-HP-140a.1 | (1) 1,899,368 m <sup>3</sup>                                                                                                                                                                                                                                    |
|                                                                    | (2) Total water Consumed                                                                                                |                                    |              | (2) 1,740,061 m <sup>3</sup>                                                                                                                                                                                                                                    |
|                                                                    | (3) Percentage in regions with High or Extremely High Baseline Water Stress                                             |                                    |              | (3) Not Applicable                                                                                                                                                                                                                                              |
|                                                                    | Description of water management risks and discussions of strategies in place to manage those risks                      |                                    | CG-HP-140a.2 | DPL manufacturing operations are not in regions of high water stress                                                                                                                                                                                            |
| <b>Product Environmental, Health, and Safety Performance</b>       | Revenue from products that contain REACH substances of very high concern (SVHC)                                         | Rs. mn                             | CG-HP-250a.1 | Do not use such substances in our products                                                                                                                                                                                                                      |
|                                                                    | Revenue from products that contain substances on the California DTSC Candidate Chemicals List                           | Rs. mn                             | CG-HP-250a.2 | Do not use such substances in our products                                                                                                                                                                                                                      |
|                                                                    | Discussion of process to identify and manage emerging materials and chemicals of concern                                |                                    | CG-HP-250a.3 | No such processes with such materials and chemicals concern                                                                                                                                                                                                     |
|                                                                    | Revenue from products designed with green chemistry principles                                                          | Rs. mn                             | CG-HP-250a.4 | Rs. 208 Mn                                                                                                                                                                                                                                                      |
| <b>Packaging Lifecycle Management</b>                              | (1) Total weight of packaging                                                                                           | mt                                 | CG-HP-410a.1 | (1) 3,773 Mt                                                                                                                                                                                                                                                    |
|                                                                    | (2) Percentage made from recycled and/or renewable materials                                                            | %                                  |              | (2) 70%                                                                                                                                                                                                                                                         |
|                                                                    | (3) Percentage that is recyclable, reusable, and/or compostable                                                         | %                                  |              | (3) 95%                                                                                                                                                                                                                                                         |
|                                                                    | Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle                       |                                    | CG-HP-410a.2 | → When purchasing, priority for the packaging which were made using recycled material.<br>→ Priority for the suppliers those who adhered to Eco friendly manufacturing processes.<br>→ Priority for the products which can be recycled easily or biodegradable. |
| <b>Environmental &amp; Social Impacts of Palm Oil Supply Chain</b> | Amount of palm oil sourced, percentage certified through the Roundtable on Sustainable Palm Oil (RSPO) supply chains as | Metric tons (t),<br>Percentage (%) | CG-HP-430a.1 | Not applicable                                                                                                                                                                                                                                                  |
|                                                                    | (a) Identity Preserved                                                                                                  |                                    |              |                                                                                                                                                                                                                                                                 |
|                                                                    | (b) Segregated                                                                                                          |                                    |              |                                                                                                                                                                                                                                                                 |
|                                                                    | (c) Mass Balance                                                                                                        |                                    |              |                                                                                                                                                                                                                                                                 |
|                                                                    | (d) Book & Claim                                                                                                        |                                    |              |                                                                                                                                                                                                                                                                 |

## ACTIVITY METRICS

|                                    |                    |             |              |
|------------------------------------|--------------------|-------------|--------------|
| Units of products sold             | Equivalent Numbers | CG-HP-000.A | Prs 256.3 Mn |
| Number of manufacturing facilities | Number             | CG-HP-000.B | 06           |
| NumberCG-HP-000.B.05               |                    |             |              |

# NOTICE OF ANNUAL GENERAL MEETING

## DIPPED PRODUCTS PLC

(Company Registration Number - PQ 60)

NOTICE IS HEREBY GIVEN THAT THE FORTY SEVENTH ANNUAL GENERAL MEETING OF DIPPED PRODUCTS PLC will be held on Tuesday, 27th June 2023 at 3.30 p.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.
2. To declare the final dividend of Rs. 0.50 (cents fifty only) as recommended by the Board
3. To re-elect as a Director Ms. K.A.D.B. Perera, who has been appointed to the Board since the last Annual General Meeting, in terms of Article 27(2) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. S.C. Ganegoda, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
5. To re-elect as a Director Mr. N.A.R.R.S. Nanayakkara, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
6. To re-elect as a Director Mr. S.P. Peiris, who retires by rotation at the Annual General Meeting in terms of Article 29(1) of the Articles of Association of the Company.
7. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. F. Mohideen, in terms of Section 211 of the Companies Act No. 07 of 2007.

### Ordinary Resolution

'That Mr. Faiz Mohideen, who has attained the age of seventy Five years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

8. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A.M. Pandithage in terms of Section 211 of the Companies Act No. 07 of 2007.

### Ordinary Resolution

'That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy two years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to him'.

9. To authorise the Directors to determine donations and contributions to charities for the ensuing year.
10. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration.
11. To consider and if thought fit, to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No 7 of 2007:

### Special Resolution (1)

That the existing Article 15 be deleted in its entirety and be substituted with the following Article 15;

#### "Article 15 - Method of Holding General Meetings

A meeting of shareholders may be held either;

- a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or

- b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting."

### Special Resolution (2)

'That Article 16 (2) be amended as follows;

- "16 (2) A quorum for a meeting of shareholders is present if three (03) shareholders are present in person or through audio visual communication, by themselves or by their proxy."

### Special Resolution (3)

'That Article 18 (1) be amended as follows:

- "18 (1) (a) In the case of a meeting of shareholders held under paragraph (a) of Article 15, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting –
  - i. voting by voice ; or
  - ii. voting by a show of hands
- (b) In the case of a meeting of shareholders held under paragraph (b) of article 15, unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or by any electronic means."

By Order of the Board,

DIPPED PRODUCTS PLC

### HAYLEYS GROUP SERVICES (PRIVATE) LIMITED

Secretaries

Colombo.

01st June 2023.

### Notes to shareholders:

1. The Annual Report of the Company for 2022/23 is available on the corporate website <https://www.dplgroup.com/investor-relation> and on the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk).
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. For your reference, the existing Articles are available in the Colombo Stock Exchange website - [www.cse.lk](http://www.cse.lk).
4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed 'Request Form - Annexure A' to the office of the Secretaries.

# FORM OF PROXY

## DIPPED PRODUCTS PLC

(Company Registration Number - PQ 60)

I/We ..... (full name of shareholder)  
 NIC No./Reg. No. of Shareholder .....of  
 ..... being Shareholder/  
 Shareholders of DIPPED PRODUCTS PLC hereby appoint:

- (1) ..... (full name of proxyholder)  
 NIC No. of Proxyholder ..... of  
 .....  
 ..... or, failing him/them
- (2) ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our Proxy to attend and vote as indicated hereunder for me/us and on my/our behalf at the Forty Seventh Annual General Meeting of the Company to be held on Tuesday, 27th June 2023 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

|                                                                                                                                                                                   | For                      | Against                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1. To adopt the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2023 with the Report of the Auditors thereon.                          | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare the final dividend of Rs. 0.50 (Cents fifty Only) as recommended by the Board                                                                                       | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect as a Director Ms. K.A.D.B. Perera, as set out in the Notice.                                                                                                       | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect as a Director Mr. S.C. Ganegoda, as set out in the Notice.                                                                                                         | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect as a Director Mr. N.A.R.R.S. Nanayakkara, as set out in the Notice.                                                                                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To re-elect as a Director Mr. S.P. Peiris, as set out in the Notice.                                                                                                           | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To re-appoint Mr. F. Mohideen, in terms of Section 211 of the Companies Act No. 07 of 2007.                                                                                    | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To re-appoint Mr. A.M. Pandithage, in terms of Section 211 of the Companies Act No. 07 of 2007.                                                                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To authorise the Directors to determine donations and contributions to charities for the ensuing year.                                                                         | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. To pass the Special Resolution to amend the Articles of Association of the Company as set out in the Notice.                                                                  |                          |                          |
| Special Resolution (1)                                                                                                                                                            | <input type="checkbox"/> | <input type="checkbox"/> |
| Special Resolution (2)                                                                                                                                                            | <input type="checkbox"/> | <input type="checkbox"/> |
| Special Resolution (3)                                                                                                                                                            | <input type="checkbox"/> | <input type="checkbox"/> |

Signed on this ..... day of ..... 2023

.....

Signature of Shareholder

## FORM OF PROXY

### INSTRUCTIONS:

1. The completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Private) Limited, at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the start of the meeting. Delayed Proxy Forms shall not be accepted.
2. A Shareholder entitled to attend and vote at the Annual General Meeting of the Company, is entitled to appoint a Proxy to attend and vote instead of him/her and the Proxy need not be a Shareholder of the Company.
3. Full name of Shareholder/Proxy holder and their NIC Nos. are mandatory. Your Proxy Form will be rejected if these details are not completed.
4. A Shareholder is not entitled to appoint more than one Proxy to attend on the same occasion.
5. The duly completed Proxy Form must be dated and signed by the Shareholder.
6. Please indicate with an "X" in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy can vote as he/she thinks fit.
7. In the case of a company/corporation the proxy must be executed in the manner prescribed by its Articles of Association or by a duly authorised Director.
8. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
9. In case of Marginal Trading Accounts (slash accounts), the Form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.

# CORPORATE INFORMATION

## NAME OF THE COMPANY

Dipped Products PLC

## LEGAL FORM

A Public Limited Company with Limited Liability  
Incorporated in Sri Lanka in 1976

## COMPANY NO.

PQ 60

## STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

## PRINCIPAL LINES OF BUSINESS

Manufacture and marketing of industrial and general purpose gloves, management of tea and rubber plantations

## DIRECTORS

A M Pandithage - Chairman  
H S R Kariyawasan - Deputy Chairman  
R H P Janadheera - Managing Director  
F Mohideen  
S C Ganegoda  
S Rajapakse  
N A R R S Nanayakkara  
S P Peiris  
K D G Gunaratne  
K M D I Prasad  
B K C R Ratnasiri  
G Molinari  
Ms. K A D B Perera (appointed w.e.f. October 19, 2022)  
Mr. K D D Perera (resigned w.e.f. June 10, 2022)  
Ms. Y Bhaskaran (Alternate to Mr. K D D Perera) (Ceased w.e.f. June, 10, 2022)  
Ng Soon Huat (resigned w.e.f. January 18, 2023)

## AUDIT COMMITTEE

S Rajapakse - Chairman  
F Mohideen  
S P Peiris

## SECRETARIES

Hayleys Group Services (Private) Limited.  
400, Deans Road,  
Colombo 10

## BANKERS

Citibank, N.A.  
Standard Chartered Bank  
Hongkong and Shanghai Banking Corporation Ltd.  
Sampath Bank PLC  
Hatton National Bank PLC  
Bank of Ceylon  
Deutsche Bank AG  
NDB Bank PLC  
Commercial Bank of Ceylon PLC

## AUDITORS

Ernst & Young  
Chartered Accountants  
201, De Saram Place,  
Colombo 10

## REGISTERED OFFICE

400, Deans Road,  
Colombo 10  
Sri Lanka  
Tel: +94-11-2683964  
Fax: +94-11-2699018  
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Website: [www.dplgroup.com](http://www.dplgroup.com)

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