

# Infusions of Value



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At Tea Smallholder Factories PLC (TSFL), we infuse strands of adaptability, inventiveness, robustness and determination to our brew of highly admired, highly recommended and high quality products. As a currently thriving entity in an extremely competitive landscape, we reflect on the challenges, choices and chances that we had to overcome, make and take.

At the core of our operations - the infusions that take us ahead - are our people and our community. As we emerge from the chrysalis of an economic crisis, we take great care to address the concerns of our community, our staff, our shareholders and our partners by sustaining and restating our commitment to ensuring the empowerment and wellbeing of the people who make us who we are.

The more we infuse our brew with dedicated staff, strategic leadership, loyal partnerships and with shrewd business acumen, the more we position ourselves to achieve beyond targets and grow beyond expectation. At Tea Smallholder Factories PLC, we're focused on infusing our brew with value that catapults us towards the future, and that ensures our strength in the present.

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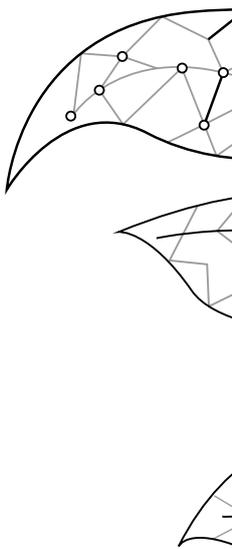
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# Introduction to the Report



Our annual report stands as a pivotal conduit for transparent communication, nurturing trust, engagement, and well-informed decision-making among our stakeholders. At Tea Smallholder Factories PLC (TSFL), our steadfast commitment lies in advancing transparency standards and enriching the information disseminated to our esteemed stakeholders. Through this all-encompassing report, we offer an open evaluation of our capacity to generate enduring value, presenting insights into our business model, governance structure, performance metrics, and risk management strategies. Each facet of this report undergoes meticulous scrutiny by our Board of Directors, Board Audit Committee, Independent Auditors, and the Company's Management Committee, ensuring accuracy and reliability.

## Scope and Boundaries

This report gives a summary of our activities across our tea factories situated in the low-grown region, along with our corporate office in Colombo, spanning the twelve-month period ending on March 31, 2024.

Management discussion and analysis appearing from pages 15 to 60 identifies the activities and review of the performance of the Company.

The financial statements and related notes, appearing from pages 115 to 162 are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by the Institute of Chartered Accountants of Sri Lanka and provides information on the financial reporting boundary of the Company. Independent assurance on the financial statements have been obtained from External Auditors, M/s Ernst & Young, Chartered Accountants. Furthermore, the Company actively strives to adopt sustainability reporting principles established by the Global Reporting Initiative. To this end, we have referenced the GRI Universal Standards 2021 where possible, including relevant details in our disclosures.

## STANDARDS, PRINCIPLES AND FRAMEWORKS

### Governance, Risk Management and Operations

- Laws and Regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars

- Code of Best Practice on Corporate Governance (2013) jointly advocated by SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka, compliant to the extent of business exigency and as required by the Group
- Code of Best Practices on Related Party Transactions (2013) advocated by SEC

## Financial Reporting

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

## Feedback

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

Ms. K. D. Weerasinghe  
Chief Financial Officer  
Tea Smallholder Factories PLC  
No. 186, Vauxhall Street,  
Colombo 02.  
E-mail: devika@keells.com

Please use the below QR code to download this Annual Report.



# About Us

Tea Smallholder Factories PLC is registered as a Limited Liability Company in Sri Lanka under the Companies Act No. 17 of 1982 (re-registered under the Companies Act No. 07 of 2007). It is listed on the Colombo Stock Exchange under the "Food, Beverage and Tobacco" sector. The Company operates as a subsidiary of John Keells Holdings (JKH) PLC and is managed by John Keells Teas (Private) Limited, a fully owned subsidiary of JKH. The registered office of the Company is situated at No. 186, Vauxhall Street, Colombo 02, Sri Lanka.

The Company operates tea factories located in the low-grown region of Sri Lanka, specifically in Galle, Rathnapura and Ginigathena. Two factories located in the Rathnapura region have been leased out. The Company's main operation revolves around processing green leaves obtained from suppliers, including tea smallholders and green leaf collectors. The processed black tea is subsequently sold through the Colombo Tea Auction, which is overseen by the Colombo Tea Traders' Association [CTTA], operating under the auspices of the Ceylon Chamber of Commerce.

Throughout the financial year 2023/2024, our factories procured green leaf from a supplier base totalling six thousand five hundred and twelve 6,512.



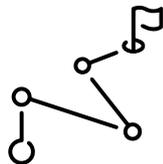
## Our Vision

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



## Our Mission

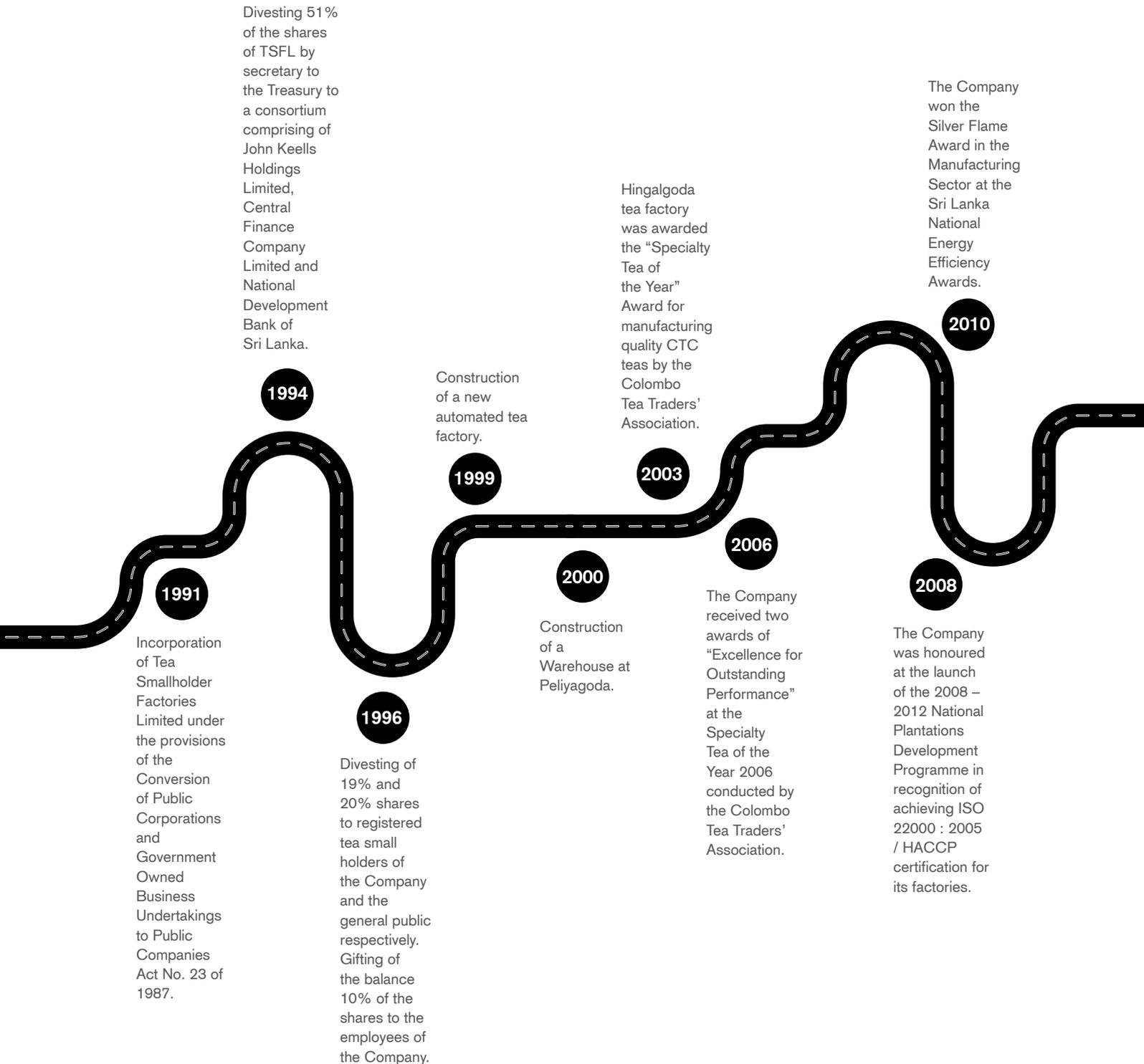
To be recognized as a leading manufacturer and seller of quality tea, to improve the economic well-being of tea smallholders and to make a positive contribution to all our stakeholders



## Our Goals

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

## Milestones





# Performance Highlights

Financial Highlights		2024	2023	2022
<b>Key Performance Indicators</b>				
Production	Kg. '000	2,394	2,463	2,966
Net Sale Average	Rs. / kg	1,226.34	1,554.58	653.67
Premium over Low Grown Elevation Average	%	1.65	5.33	(0.70)
<b>Result of the Year</b>				
Revenue from Contracts with Customers	Rs.000s	3,055,960	3,743,939	2,018,797
Profit / (Loss) from Operations	Rs.000s	(47,491)	391,385	(257)
Net Finance Income (Expense)	Rs.000s	(14,411)	28,779	7,195
Profit Before Tax (PBT)	Rs.000s	(19,688)	440,626	22,657
Profit After Tax (PAT)	Rs.000s	6,229	278,495	15,311
Earnings per Share (EPS)	Rs.	0.21	9.28	0.51
Dividend Paid	Rs.000s	-	200,100	30,000
Return on Assets	%	0.28	12.08	0.81
EPS Growth	%	(98)	1,719	(77)
Price Earning Ratio	times	199.9	4.7	53.1
Interest Cover	times	0.1	312.7	848.1
Pre-tax Return on Capital Employed (Pre-tax ROCE)	%	(2.5)	27.2	1.5
Return on Equity (ROE)	%	0.38	17.20	1.0
<b>Financial Position at the Year End</b>				
Total Assets	Rs.000s	2,220,447	2,305,083	1,883,609
Total Equity	Rs.000s	1,673,332	1,618,868	1,515,671
Net Current Assets	Rs.000s	241,029	291,727	326,694
Current Liabilities	Rs.000s	200,061	362,973	218,809
Non Current Liabilities	Rs.000s	347,054	323,242	149,129
Capital Employed	Rs.000s	1,697,588	1,619,630	1,517,754
<b>Market / Shareholder Information</b>				
No. of Shares in Issue	000s	30,000	30,000	30,000
Net Assets per Share	Rs.	55.78	53.96	50.52
Market Price per Share - End March	Rs.	41.50	44.00	27.10
Debt / Equity	times	0.01	0.00	0.00
Market Capitalisaion	Rs.000s	1,245,000	1,320,000	813,000
Annual Turnover Growth	%	(18.38)	85.45	(13.96)
Current Ratio	times	2.21	1.80	2.49
Quick Asset Ratio	times	0.51	0.45	1.39
Gross Turnover per Employee	Rs.	9,461	9,109	4,972
Dividend per Share	Rs.	-	6.67	1.00
Dividend Payout	%	-	71.9	195.9
Dividend Yield	%	-	15.16	3.69
Market Value Added	Rs.000s	(428,332)	(298,868)	(702,894)



## HUMAN CAPITAL

Number of employees

2024	2023
323	411

Female participation

2024	2023
46%	49%



## NATURAL CAPITAL

Energy Consumption

2023	2024
28,491 GJ	25,346 GJ

Energy intensity (GJ/MT Made Tea)

2023	2024
11.57	10.59



## FINANCIAL CAPITAL

Revenue

2023	2024
Rs. 3,744 Mn	Rs. 3,056 Mn

PAT

2023	2024
Rs. 278 Mn	Rs. 6 Mn



## SOCIAL AND RELATIONSHIP CAPITAL

Leaf Suppliers

2024	2023
6,512	8,698

CSR Expenses

2024	2023
Rs. 2 Mn	Rs. 1.5 Mn



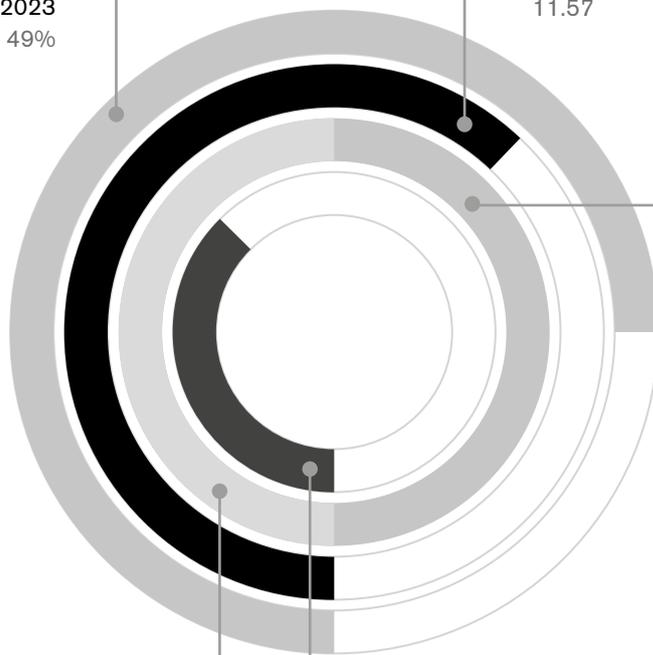
## MANUFACTURED AND INTELLECTUAL CAPITAL

Capital expenditure

2023	2024
Rs. 213 Mn	Rs. 95 Mn

Premium Over Elevation average

2023	2024
5.33%	1.65%



## Chairperson's Review



*The Company upholds a steadfast commitment to maintaining the highest standards of governance and transparency. Our ESG strategy, deeply interwoven with the governance and sustainability management frameworks of the John Keells Group, continuously ensures the integration of sustainability and governance factors into our business operations.*

I present to you the Integrated Annual Report and Financial Statements of Tea Smallholder Factories PLC (TSFL) for the financial year ended 31 March 2024. The year under review was a challenging one for Sri Lanka's tea industry, marked by a combination of economic uncertainties and developments in the global and local tea industries. Despite this, the Company pursued its objectives and the team persevered in meeting goals to enable value creation for all our stakeholders.

### **SRI LANKA'S ECONOMIC PERFORMANCE IN 2023**

Sri Lanka's economy navigated a challenging landscape in 2023, experiencing a contraction in Gross Domestic Product (GDP) by 2.3%. This decline, however, was a significant improvement compared to the 7.3% contraction experienced in 2022. This gradual recovery was particularly evident in the latter half of the year. This positive trend can be attributed to gradual recovery of macroeconomic conditions, including reduced inflation rates and easing of external sector pressures.

Previously high interest rates which had significantly hampered business activity, began to decline in the latter part of 2023. This decrease facilitated a resumption of credit flow to the private sector, creating

economic activity. Notably, the financial sector displayed commendable resilience throughout the crisis period, bolstered by the Central Bank's proactive policies.

Furthermore, the domestic supply-side constraints presented challenges during the year such as labour shortages, increase in energy costs, and unfavourable weather, which hampered production across various sectors. Policy changes on taxes and the removal of VAT exemptions on previously exempted items created uncertainty for business, hindering investment and innovation.

Trade tensions and unrest in the middle east disrupted trade routes. These intertwined domestic and global factors significantly constrained Sri Lanka's tea industry performance in 2023.

### **SRI LANKA'S TEA INDUSTRY IN 2023**

Despite these broader economic headwinds, Sri Lanka's tea production in calendar year 2023 witnessed a modest increase of 1.8% to 256.04 Mn kgs. However, export volumes declined by 3.3% compared to 2022. This can be attributed to a convergence of domestic and global challenges.

Domestic factors such as labour shortages, appreciation of the Sri

Lankan Rupee and unfavourable weather conditions impacted production costs and profitability. The increased tea production and the fluctuating Sri Lankan Rupee against the USD was reflected in the Sri Lanka's tea auction prices. Average tea prices at the Colombo Auction decreased by 18% during calendar 2023 to Rs.1,171.29 in comparison to Rs.1234.24 recorded in 2022. In USD terms, the average tea price declined by 6% from USD 3.81 per kg in calendar year 2022 to USD 3.57 per kg in 2023. Similarly, the Free on Board (FOB) value, representing delivery costs to a port, rose in the first quarter, dipped in the second quarter, and partially rebounded in the third and fourth quarters of the year under review.

On the global front, international trade tensions, currency devaluation in key markets, and geopolitical events in certain importing countries disrupted order quantities and supply chains. A global oversupply of tea resulted in a downward pressure on prices. The long-term effects of climate change also remain a significant threat.

Despite these hurdles, there were some positive developments. Notably, export earnings grew by 4%, with black tea remaining the dominant export. Additionally, medium-grown elevation teas

recorded the largest rise in yield, and Turkey re-emerged as the second-largest importer.

### OPERATIONAL PERFORMANCE

Despite these external challenges, TSFL remained steadfast in its commitment to quality and innovation. The Company worked closely with green leaf suppliers to offer strategic interventions to support their growth and improve tea leaf quality. The Company also continued to offer short-term loans with favourable settlement terms to our smallholder partners. This supported them to consistently apply fertiliser and improve the quality of green leaf. This initiatives with green leaf suppliers proved successful, evidenced by the Hingalgoda factory achieving 97 top prices at the weekly auctions.

The Company also continued to procure green leaf directly from smallholder suppliers whenever feasible, maintaining premium price payouts to demonstrate an ongoing commitment to our partners, even amidst challenges. Accordingly, the Company purchased 11.82 Mn kgs of tea, from 6,512 green leaf smallholder suppliers during the year under review. Of these suppliers, 4,995 were direct suppliers and 1,517 were indirect suppliers. Suppliers received a total payment of Rs. 2.26 billion and the average price paid for green leaf was Rs. 191.36 per kg. Moreover, the Company recorded a premium price of 1.65% over the national low-grown elevation, for the financial year under review.

The Company produced 2.39 million kgs of tea for the year under review. Although this is a 3% YoY reduction, the main factor behind this decline in production is the Company's decision to lease out the New Panawenna factory during the reviewed period, resulting in a temporary reduction in total production for a part of the year.

### FINANCIAL PERFORMANCE

The Company recorded a 21% decline in gross sales average from Rs. 1,601.02 per kg in the previous financial year to

Rs. 1,261.33 per kg for the year under review. This decline was mainly driven by an 18% decline in the prices of National low-grown elevational teas. As such, total revenue generated declined by 18% to Rs. 3,055.96 million for the financial year under review, compared to Rs. 3,743.94 million in the previous financial year. Consequently, the Company reported a Profit Before Tax of Rs. (19.69) million, which is a 104% reduction in comparison to the previous year.

Despite the challenges faced, TSFL continued to make strategic investments to ensure optimal operations of its factories. Total capital expenditure for the year under review amounted to Rs. 95.48 million, compared to Rs. 212.83 million recorded in the previous financial year.

### SUPPORTING GREEN LEAF SMALLHOLDER SUPPLIERS

The Company continues to prioritise building strong relationships with our tea smallholder partners while supporting them through a collaborative approach. Accordingly, TSFL continued to provide guidance on cost-effective production methods and sustainable agricultural practices, as well as financial assistance as needed.

Despite a challenging year, the Company successfully completed the 10th replanting project and is currently making significant progress on the 11th project. Over the years, a total of 391 smallholders have benefitted from such replanting initiatives, revitalising 288 acres of land.

Furthermore, recognising the growing popularity of "block infilling of tea" as a faster route to generating income, TSFL has expanded its operations in this area. Block infilling involves planting tea in vacant areas within existing smallholder lands. During the year under review, the Company offered financial assistance to the smallholders to infill their tea fields by distributing Rs. 1.33 million as infilling loans. This strategic approach fosters a mutually beneficial scenario, promoting

sustainability and shared growth for both TSFL and our partners.

### EMPLOYEE VALUE ADDITION

Our employees are an important stakeholder of the Company. Acknowledging their significance, the Company is committed to investing in initiatives to address labour shortages and skill gaps. This will be achieved through the implementation of comprehensive training and development programmes, empowering our workforce, and prioritising their overall wellbeing.

Furthermore, the Company remains dedicated to maintaining the principles of diversity, equity, and inclusion (DE&I) within our workforce. This is demonstrated by our adoption of gender-neutral language and improved facilities for persons with disabilities, which are essential elements of the ONE JKH initiative.

### GOVERNANCE AND TRANSPARENCY

The Company upholds a steadfast commitment to maintaining the highest standards of governance and transparency. Our ESG strategy, deeply interwoven with the governance and sustainability management frameworks of the John Keells Group, continuously ensures the integration of sustainability and governance factors into our business operations. As a result, the Company persists in implementing measures to uphold good governance practices, mitigate risks, and foster sustainable business practices.

To further this commitment, TSFL will actively pursue investments in digital initiatives aimed at enhancing communication channels and bolstering our market presence. By doing so, the Company strives to solidify our position as a sustainable member of society, contributing positively to our community and stakeholders alike.

I am pleased to state that there were no reported violations of the Group Code of Conduct and Code of Business Conduct

## Chairperson's Review

and Ethics of the Code of Best Practice of Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations. The Company prepared the Annual Report by following the Integrated Reporting Framework which was developed by the International Integrated Reporting Council (IIRC) and the Board of Directors assumes full responsibility for the accuracy and authenticity of this report. We affirm, to the best of our knowledge, the trustworthiness, dependability, and reliability of the information presented.

### ENVIRONMENTAL STEWARDSHIP

TSFL recognises its responsibility to the environment and actively participates in tree-planting projects. These initiatives contribute to a healthier planet by mitigating climate change, improving air quality, and preserving biodiversity in the regions where we operate. We understand that a thriving environment is not only critical for our business but also for the welfare of surrounding communities.

### COMMUNITY INVESTMENT

Beyond tea production, the Company is dedicated to supporting the development and upliftment of communities in the vicinity of our business operations. This commitment is reflected in the form of various initiatives such as skills development programmes, educational support and infrastructure projects. By investing in our communities, the Company aims to foster a more sustainable and prosperous future for all.

### OUTLOOK FOR THE TEA INDUSTRY

The future for tea production appears



promising. While the year under review contained various challenges, the improved weather patterns, and the stabilisation of the Sri Lankan macroeconomic environment, provides greater encouragement for the Company to anticipate improved green leaf quality and rising production levels as well as more manageable costs of production as inflation declines. Challenges from global market developments, including increasing tea production in India and Africa, poses price pressures. However, the Company remains optimistic about performance improvements in the medium to long-term.

### ADAPTING TO CHANGE AND BUILDING RELATIONSHIPS

TSFL also recognises that the industry's operating environment is evolving, and new challenges will inevitably arise. The company will proactively implement cost-control measures and strive to improve the efficiency of our tea production process. Furthermore, we are committed to ongoing

communication and collaboration with our green leaf smallholder partners, actively addressing their needs. We will continue to strengthen the positive and reliable relationships we have built with all stakeholders to ensure mutual benefits. While the competitive landscape is expected to remain constant, TSFL plans to intensify its efforts to cultivate loyalty and build stronger connections with our stakeholders in long-term.

Accordingly, the Company plans to focus on innovation, strategic interventions, and a commitment to high-quality production. This will ensure TSFL remains competitive in the tea industry and secure a promising future for Sri Lankan tea in the global market.

**RETIREMENT OF DIRECTORS**

Mr. A.S. Jayatileka will retire from the TSFL Board effective 26 June 2024, after serving for over nine years and reaching over seventy years of age. I would like to place on record our deep appreciation for his invaluable contributions during his time on the Board.

Mr. S.K.L. Obeyesekere will also retire from the TSFL Board on 26 June 2024, having reached seventy years in April 2024. We are equally grateful for his dedicated service and significant contributions during his tenure as a Director.

**ACKNOWLEDGEMENTS AND APPRECIATION**

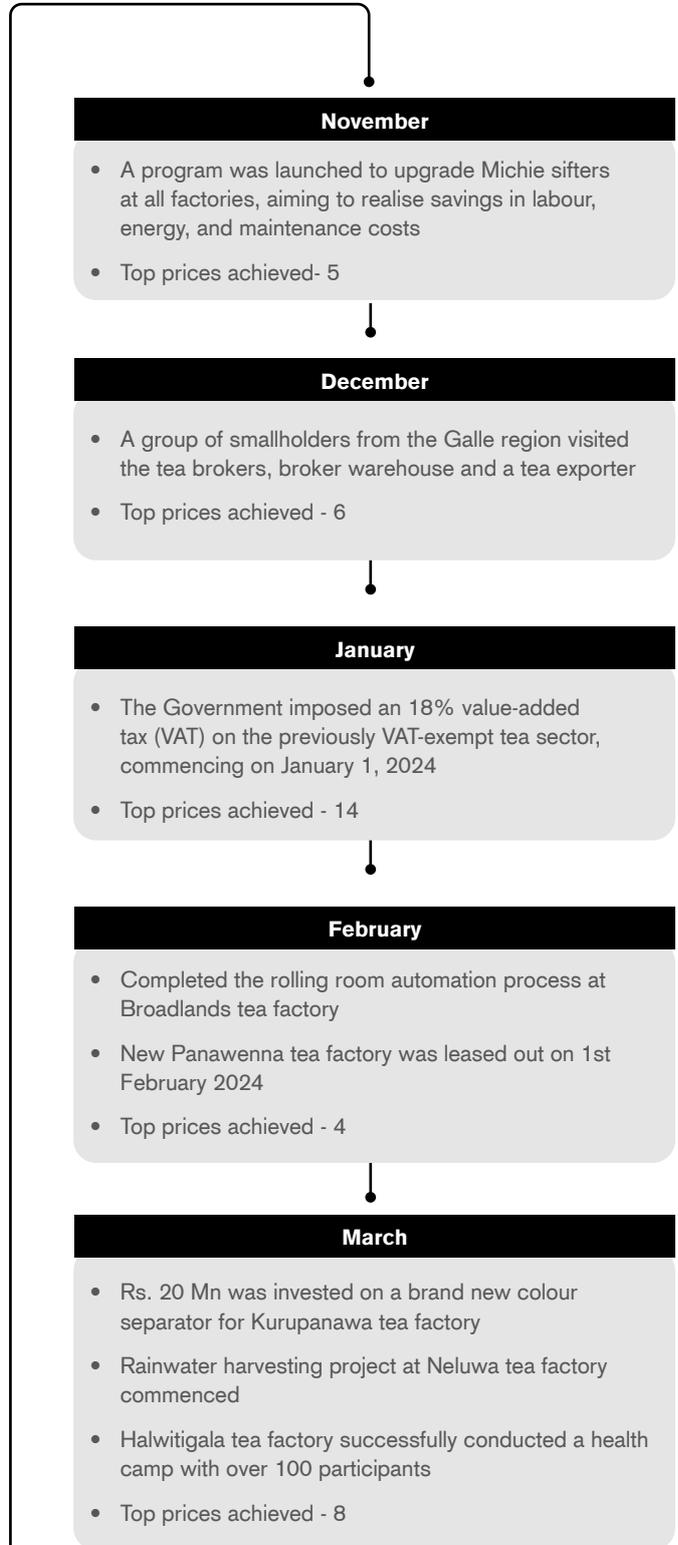
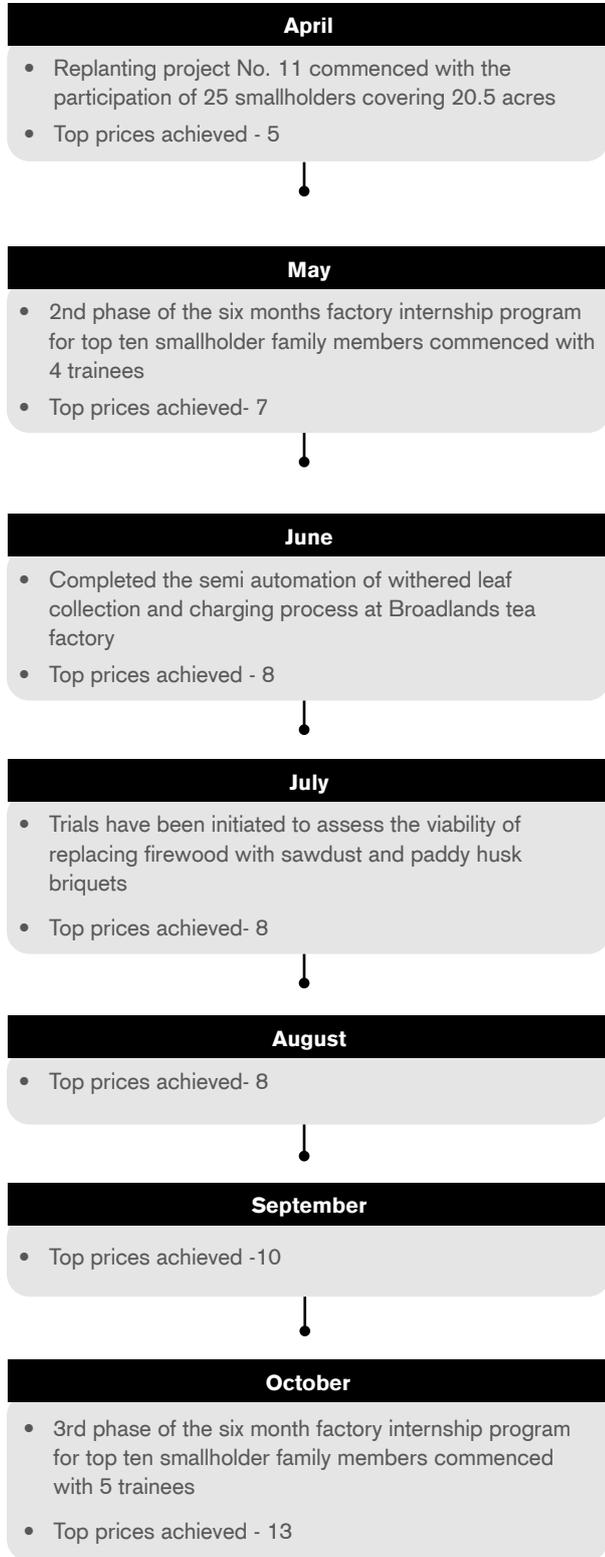
I take this opportunity to express my sincere appreciation to the Board of Directors for their unwavering support and guidance, and the TSFL team for their dedication and commitment in implementing our strategies and achieving our goals. On behalf of the Board of Directors and the Company's management, I thank all our stakeholders including our smallholder partners, green leaf suppliers, buyers, brokers, bankers, regulators, and shareholders for their continued trust, support, and loyalty during the year under review.



**K. N. J. Balendra**  
Chairperson

20th May 2024

# Year at a Glance-2023/24



# Infusions of Unity



## MANAGEMENT DISCUSSION AND ANALYSIS

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# Our Value Creation Model

## CAPITAL INPUT



### Financial Capital

- Shareholders' Funds  
Rs. 1,673 Mn
- Bank Overdraft Facilities  
Rs. 250 Mn



### Manufactured Capital

- Property, Plant and Equipment  
Rs. 970 Mn
- Investment in Capex Rs. 95 Mn
- Infrastructure facilities



### Human Capital

- The Workforce :323
- Experience, Values and Skills of our Employees



### Social & Relationship Capital

- Investment in Smallholder Development
- Occupational Health and Safety
- Community Development
- Investor Relations and Stakeholder Engagement



### Intellectual Capital

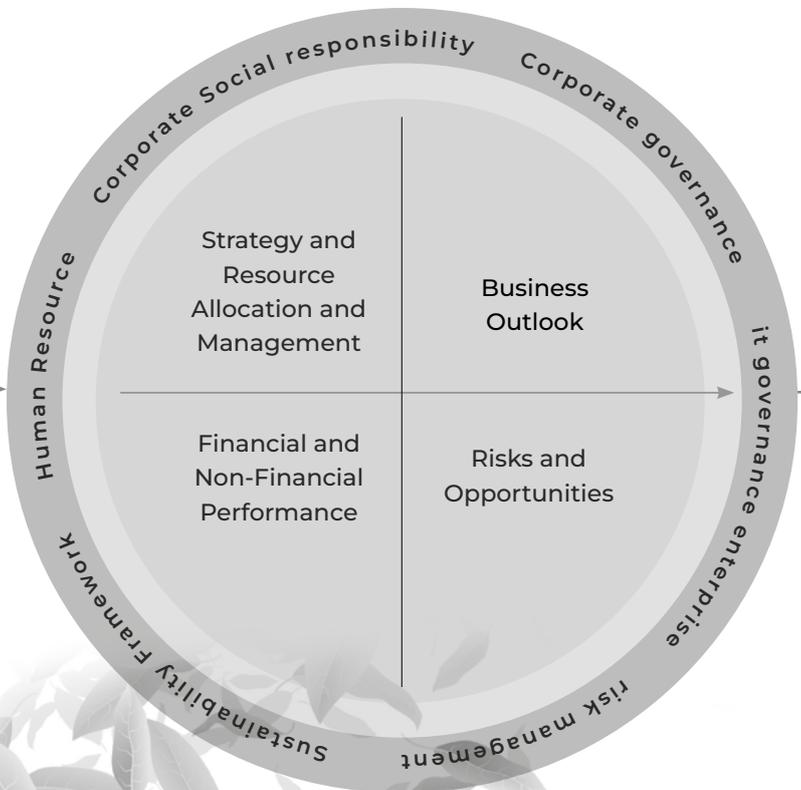
- Knowledge/Experience on quality tea productions
- Corporate Brand Image
- Top Selling Marks

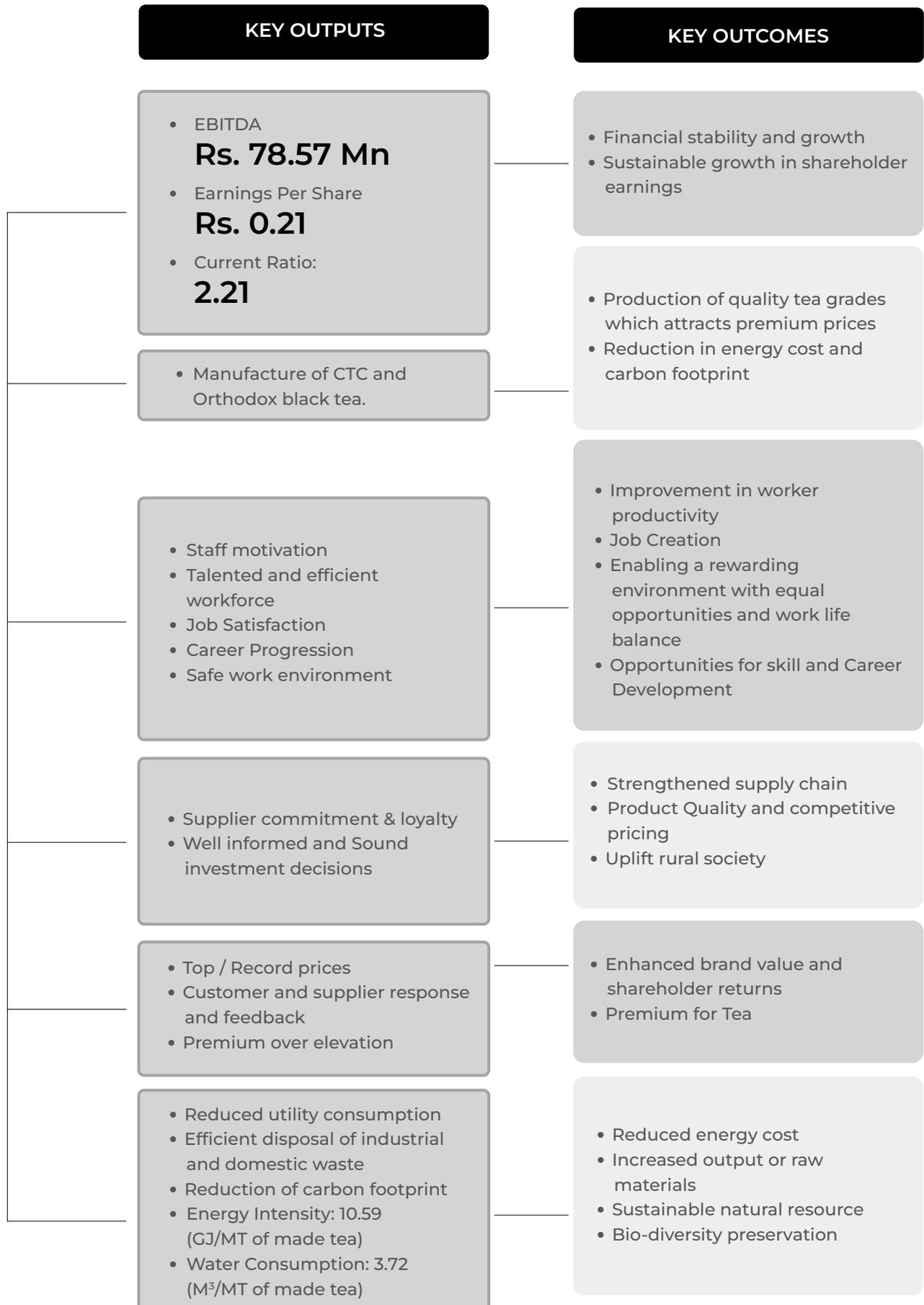


### Natural Capital

- Green leaf: 11.82 Mn kg
- Biomass 14,886 M<sup>3</sup>
- Water Consumption 8,904M<sup>3</sup>

## VALUE CREATION PROCESS





# Managing Stakeholder Engagement

## BUILDING TRUST AND SUCCESS THROUGH STAKEHOLDER ENGAGEMENT

Our stakeholder engagement strategy prioritises understanding the diverse needs and expectations of various stakeholder groups.

Manage Closely	Keep Satisfied	Keep Informed	Monitor
<ul style="list-style-type: none"> <li>Shareholders and Providers of Capital</li> <li>Green Leaf Suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Government and Regulatory Bodies</li> </ul>	<ul style="list-style-type: none"> <li>Customers and Tea Brokers</li> <li>Employees</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers and Service Providers</li> <li>Communities</li> </ul>

Using open communication channels, ranging from informal discussions to annual meetings, we strive to create a collaborative environment which ensures concerns are promptly addressed and stakeholder expectations are aligned with our strategic goals for maximised value creation.

We recognise that each group has unique needs and expectations and by customising our engagement strategies for each stakeholder group, we ensure to promptly address stakeholder expectations whilst aligning with our strategic goals for maximised value creation.

Shareholders and Providers of Capital	We are committed to transparency. We provide clear financial information, demonstrate responsible growth strategies focused on sustainability, and strive to deliver competitive returns on their investment.
Employees	We invest in training and development programs to empower our workforce. We promote a safe and rewarding work environment, fostering open communication through regular meetings and feedback mechanisms.
Green Leaf Suppliers	We prioritise fair pricing, providing resources and technical assistance to cultivate high-quality tea. This includes workshops on best practices, access to financing, and open communication channels to address any concerns.
Suppliers and Service Providers	Reliable and high-quality supplies are essential to our success. We develop strong partnerships with suppliers and service providers through open communication, collaborative planning sessions, and performance reviews. This ensures a consistent flow of materials and services that meet our standards.
Customers and Tea Brokers	Our focus is on delivering exceptional tea products. We uphold ethical sourcing practices, ensuring quality from farm to cup. We actively engage with consumers and tea brokers through various channels to build loyalty.
Government and Regulatory Bodies	We maintain positive relationships with government and regulatory bodies to comply with regulations, contribute to industry development initiatives, and advocate for policies that support the long-term sustainability of the tea sector in Sri Lanka.
Communities	We are committed to being a good neighbour. We contribute to local development initiatives, minimise our environmental impact, and support community projects that improve the lives of those around us.

Key Stakeholders	Importance of Engagement	Method of Engagement	Key Topics and Concerns	Our Response
<b>Shareholders and Providers of Capital</b>	Investors play a vital role by providing the financial resources required for TSFL's current operations and future growth initiatives.	<ul style="list-style-type: none"> <li>• Annual General Meeting (AGM)</li> <li>• Quarterly results updates</li> <li>• Annual Report</li> <li>• TSFL, JKH and CSE websites</li> <li>• Open door policy</li> </ul>	<ul style="list-style-type: none"> <li>• Resilience amid macroeconomic uncertainties</li> <li>• Sustainable Growth and business continuity</li> <li>• Corporate governance and ethics</li> <li>• Transparency of operations</li> <li>• Risk management</li> <li>• Opportunities for growth</li> <li>• Share price, dividend decision</li> </ul>	<ul style="list-style-type: none"> <li>• Implementing strategies to support market share price increases</li> <li>• Accomplishing corporate goals and objectives</li> <li>• Sustaining consistent financial growth over time</li> <li>• Sustaining exemplary governance standards</li> <li>• Growth in shareholder funds</li> <li>• Dividend payments</li> </ul>
<b>Employees</b>	Our dedicated workforce is the backbone of TSFL's operations and supports us in achieving our strategic objectives.	<ul style="list-style-type: none"> <li>• Open door policy</li> <li>• Staff meetings and joint consultative committees at multiple levels</li> <li>• Annual performance appraisal</li> <li>• Annual employee survey</li> <li>• Quarterly newsletters</li> </ul>	<ul style="list-style-type: none"> <li>• Job security</li> <li>• Performance management</li> <li>• Opportunities for growth</li> <li>• Training and development</li> <li>• Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous identification of training requirements and the provision of applicable training programs</li> <li>• Enforcing and promoting awareness of health and safety measures</li> <li>• Maintaining the ISO Health and Safety certification</li> <li>• Rigorous tracking of employee performance and productivity to identify high-performing individuals</li> <li>• Salaries aligned to industry norms</li> <li>• Rewards and recognition programs</li> </ul>
<b>Green Leaf Suppliers</b>	Consistent and reliable green leaf supply is critical to maintaining efficient operations.	<ul style="list-style-type: none"> <li>• Extension services and daily field visits</li> <li>• Open door policy</li> <li>• Personal interaction with management</li> <li>• Frequent seminars and pocket meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Green leaf rate and quality of service</li> <li>• Crop production and productivity</li> <li>• Labour shortage</li> <li>• Diminishing yields and climate change</li> <li>• Ease of transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of extension services for smallholders where the Company provides various training programs, consults on sustainable agricultural practices, supports with financial aid, etc.</li> <li>• Payment of reasonable prices for the purchase of green leaf from smallholders and other suppliers</li> </ul>

## Managing Stakeholder Engagement

Key Stakeholders	Importance of Engagement	Method of Engagement	Key Topics and Concerns	Our Response
<b>Suppliers and Service Providers</b>	Numerous suppliers provide us with materials, products, and services that support our manufacturing and ensure uninterrupted operations.	<ul style="list-style-type: none"> <li>• Open door policy</li> <li>• One-to-one communication</li> <li>• Group sessions and ceremonies</li> </ul>	<ul style="list-style-type: none"> <li>• Ease of transactions</li> <li>• Prompt payments</li> <li>• New business opportunities to supply other goods or services</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payments</li> <li>• Fostering transparent communications</li> <li>• Welcoming feedback and suggestions</li> </ul>
<b>Customers and Tea Brokers</b>	Understanding customer preferences is key. Tea brokers play a vital role in connecting us with buyers and promoting the unique qualities of our teas.	<ul style="list-style-type: none"> <li>• Regular meetings and interactions</li> <li>• Weekly broker visits</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality and food safety</li> <li>• Production levels</li> </ul>	<ul style="list-style-type: none"> <li>• Preserving the quality of tea through the adoption of industry best practices</li> <li>• Subscribing to standards such as the ISO for quality management</li> <li>• Upholding ethical and non-discriminatory business operations</li> <li>• Ensuring product traceability</li> <li>• Conducting business operations in an environmentally sustainable manner</li> </ul>
<b>Government and Regulatory Bodies</b>	A supportive regulatory environment is essential for our operations.	<ul style="list-style-type: none"> <li>• Written communications</li> <li>• Annual and quarterly reports</li> <li>• Results updates</li> </ul>	<ul style="list-style-type: none"> <li>• Tax revenues</li> <li>• Compliance with all laws and regulations</li> <li>• Job creation</li> <li>• Making a positive impact on uplifting communities</li> <li>• Environmental protection and conservation</li> </ul>	<ul style="list-style-type: none"> <li>• Payment of taxes as required and on-time</li> <li>• Compliance with industry regulations, employment laws, and environmental laws</li> <li>• Complying with rules and regulations required to operate a listed company in Sri Lanka</li> <li>• Employing individuals residing in communities in proximity to factory operations</li> </ul>
<b>Communities</b>	Local communities are essential for TSFL's long-term success because they create a stable environment, provide a potential talent pool, and allow for sustainable practices.	<ul style="list-style-type: none"> <li>• Livelihood development programs</li> <li>• CSR and awareness programs</li> <li>• Community meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Employment opportunities</li> <li>• Environmental conservation</li> <li>• Service to the community</li> </ul>	<ul style="list-style-type: none"> <li>• Hiring local workers when possible</li> <li>• CSR initiatives and programs</li> <li>• Community welfare initiatives</li> </ul>

# Materiality Analysis

TSFL prioritises conducting regular materiality analysis to identify and understand the significance of various issues impacting our operations, performance, reputation, industry, and markets. This process ensures our business practices, sustainability efforts, and reporting align with issues most relevant to stakeholders and our overall sustainability.

Stakeholder involvement serves as the foundation for TSFL to recognise significant matters that must be incorporated into our daily business operations. The feedback received through these engagements helps us identify material topics that greatly influence our strategic development, planning, day-to-day activities, and sustainability reporting procedures.

## Benefits of Materiality Analysis

By conducting regular materiality analyses, TSFL can focus on issues with the greatest long-term impact. This process also guides strategy development, goal setting, and decision-making to address these material issues. Additionally, the Company can enhance stakeholder relationships as we can align business practices with stakeholder expectations.

## The Materiality Analysis Process

### Step 1

#### Identifying Material Topics

- We gather information from stakeholders, industry trends, regulations, and internal data to create a comprehensive list of relevant issues encompassing environment, society, governance, finance, and operations. Stakeholder engagement plays an important role in this process.

### Step 2

#### Assessing Significance

- Each topic is evaluated based on its impact on both our business and stakeholders. This considers financial implications, reputational risks, legal and regulatory aspects, stakeholder expectations, and industry norms.

### Step 3

#### Prioritisation

- Material topics are prioritised based on their importance to the Company and stakeholder perspectives. This helps allocate resources effectively to address critical issues.

### Step 4

#### Validation

- Senior management validates all material topics before integrating them into the strategic business planning process.

### Step 5

#### Integration

- Validated topics are incorporated into strategic planning for seamless alignment with our business objectives. Additionally, they are used as key performance indicators for business units and employees, ensuring integration throughout the Company.

### Step 6

#### Reporting

- Material topics are reported on to provide a clear picture of our operations, empower stakeholders and management for informed decision-making, and prompt action.

### Step 7

#### Monitoring and Continuous Improvement

- We continuously monitor material topics to identify changes and manage them effectively. The entire materiality analysis and monitoring process is periodically reviewed for effectiveness, and adjustments are made as needed to reflect evolving stakeholder expectations, market conditions, and emerging risks and opportunities.

## Materiality Analysis

### Materiality Matrix and Highest Priority Topics

Following the materiality analysis, a matrix is derived to map each material topic against its importance to both the Company and stakeholders. Senior management validates all material aspects before integrating them into the strategic business planning process. These identified material aspects are subsequently categorised based on their impact, determining priority levels.

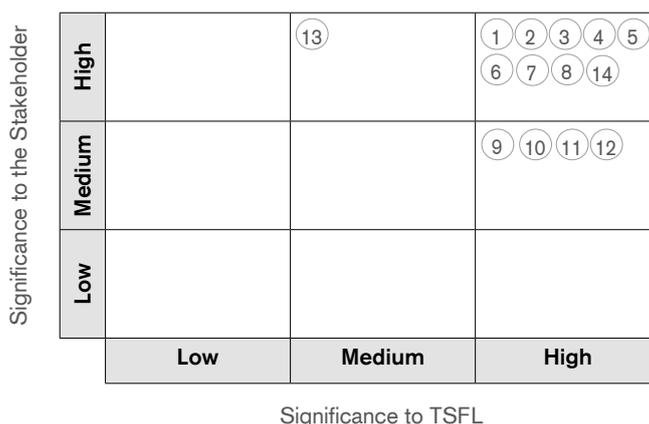
The following material topics have been identified to be given the highest priority throughout the Company's strategic planning and within our business operations.

1. Sustained Financial Performance: Maintaining financial stability amidst economic challenges and resource shortages.
2. Production and Productivity: Maximising factory capacity utilisation for increased efficiency and responsible manufacturing.
3. Product Quality: Enhancing product quality for market consistency and premium pricing.

4. Product Responsibility: Ensuring customer health and safety through safe manufacturing processes.
5. Responsible Manufacturing Operations: Implementing automation for improved efficiency, quality, and reduced environmental impact.
6. Responsible Sourcing and Supplier Development: Promoting smallholder development through initiatives that enhance productivity and social standards.
7. Energy Management: Reducing production costs and minimising our carbon footprint.

8. Compliance and Good Governance: Adherence to regulations and principles of good governance facilitates ethical conduct, transparency, and accountability in decision-making processes.

The company has identified "Market Price Volatility and Exchange Rate Impact" as a material topic for the current financial year. This decision is based on its significant effects on business operations during the year under review and its anticipated impact in the upcoming year.



Significance to TSFL

### Material Topics and Corresponding GRI Standard Topics

The below table presents the comprehensive list of material topics identified for the financial year ending 31st March 2024.

Material Topics		Impacted Stakeholders	Corresponding GRI Standard Topic	Capitals Impacted and our Response
1	Sustained Financial Performance	<ul style="list-style-type: none"> <li>• Shareholders and Providers of Capital</li> <li>• Employees</li> <li>• Smallholder Partners</li> <li>• Government and Regulatory Bodies</li> <li>• Communities</li> </ul>	201: Economic Performance 202: Market Presence 203: Indirect Economic Impacts 207: Taxation	Financial Capital Refer page no. 31 to 35
2	Production and Productivity	<ul style="list-style-type: none"> <li>• Shareholders and Providers of Capital</li> <li>• Employees</li> <li>• Smallholder Partners</li> <li>• Other Suppliers and Service Providers</li> <li>• Customers and Tea Brokers</li> </ul>	204: Procurement Practices	Financial Capital and Social and Relationship Capital Refer page no. 31 to 35 & 47 to 52

Material Topics	Impacted Stakeholders	Corresponding GRI Standard Topic	Capitals Impacted and our Response
3	Product Quality	<ul style="list-style-type: none"> <li>Smallholder Partners</li> <li>Customers and Tea Brokers</li> <li>Government and Regulatory Bodies</li> </ul>	416: Customer Health and Safety 417: Marketing and Labelling  Manufactured Capital and Social and Relationship Capital Refer page no. 36 to 41 & 47 to 52
4	Product Responsibility	<ul style="list-style-type: none"> <li>Customers and Tea Brokers</li> <li>Government and Regulatory Bodies</li> </ul>	416: Customer Health and Safety  Social and Relationship Capital Refer page no. 47 to 52
5	Responsible Manufacturing Processes	<ul style="list-style-type: none"> <li>Shareholders and Providers of Capital</li> <li>Employees</li> <li>Customers and Tea Brokers</li> <li>Government and Regulatory Bodies</li> <li>Communities</li> </ul>	416: Customer Health and Safety 417: Marketing and Labelling  Social and Relationship Capital Refer page no. 47 to 52
6	Responsible Sourcing and Supplier Development	<ul style="list-style-type: none"> <li>Smallholder Partners</li> <li>Other Suppliers and Service Providers</li> <li>Customers and Tea Brokers</li> <li>Government and Regulatory Bodies</li> <li>Communities</li> </ul>	204: Procurement Practices 308: Supplier Environmental Assessment 414: Supplier Social Assessment  Social and Relationship Capital Refer page no. 47 to 52
7	Energy Management	<ul style="list-style-type: none"> <li>Shareholders and Providers of Capital</li> <li>Smallholder Partners</li> <li>Customers and Tea Brokers</li> <li>Government and Regulatory Bodies</li> <li>Communities</li> </ul>	302: Energy 305: Emissions 308: Supplier Environmental Assessment  Natural Capital Refer page no. 56 to 60
8	Compliance and Good Governance	<ul style="list-style-type: none"> <li>Shareholders and Providers of Capital</li> <li>Employees</li> <li>Government and Regulatory Bodies</li> </ul>	205: Anti-Corruption 206: Anti-competitive Behaviour 307: Environmental Compliance 408: Child Labour 409: Forced or Compulsory Labour 410: Security Practices 418: Customer Privacy 419: Socioeconomic Compliance  Human Capital and Natural Capital Refer page no. 42 to 46 & 56 to 60
9	Protecting Natural Resources and Nurturing the Environment	<ul style="list-style-type: none"> <li>Employees</li> <li>Small Holder Partners</li> <li>Customers and Tea Brokers</li> <li>Government and Regulatory Bodies</li> <li>Communities</li> </ul>	301: Materials 303: Water 304: Biodiversity 306: Waste 307: Environmental Compliance 308: Supplier Environmental Assessment  Natural Capital Refer page no. 56 to 60

## Materiality Analysis

	Material Topics	Impacted Stakeholders	Corresponding GRI Standard Topic	Capitals Impacted and our Response
10	Occupational Health and Safety	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Government and Regulatory Bodies</li> <li>• Communities</li> </ul>	403: Occupational Health and Safety	Human Capital Refer page no. 42 to 46
11	Remuneration and Benefits	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Government and Regulatory Bodies</li> </ul>	401: Employment 402: Labour/Management Relations	Human Capital Refer page no. 42 to 46
12	Managing Human Resources	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Government and Regulatory Bodies</li> <li>• Communities</li> </ul>	401: Employment 402: Labour/Management Relations 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining	Human Capital Refer page no. 42 to 46
13	Community Engagement and Development	<ul style="list-style-type: none"> <li>• Employees</li> <li>• Government and Regulatory Bodies</li> <li>• Communities</li> </ul>	405: Diversity and Equal Opportunity 413: Local Communities 419: Socioeconomic Compliance	Social and Relationship Capital Refer page no. 47 to 52
14	Market Price Volatility and Exchange Rate Impact	<ul style="list-style-type: none"> <li>• Smallholder Partners</li> <li>• Customers and Tea Brokers</li> </ul>	201: Economic Performance 202: Market Presence 203: Indirect Economic Impacts	Financial Capital Refer page no. 31 to 35

# Economic Overview

## Overview of the Global Economy

The global economy in 2023 recorded sluggish growth and persistent inflation. The International Monetary Fund (IMF) estimated a modest 3% growth, which fell short of the pre-pandemic average and marked a slowdown from 2022. Rising interest rates, implemented to combat inflation, and the ongoing war in Ukraine exerted significant pressure on economic activity.

Inflation remained a major concern throughout the year, with the IMF projecting a global average of 6.9%. While this represented a slight decrease from 2022, it was still significantly higher than pre-pandemic levels. The war in Ukraine significantly disrupted supply chains, leading to price hikes for essential commodities such as food and energy.

These challenges had a divergent impact across regions. Developed economies, particularly those in Europe and North America, experienced a sharper slowdown due to tighter monetary policies. Emerging markets and developing economies, especially commodity exporters, performed somewhat better but still faced rising debt and weakening currencies.

Despite these difficulties, there were some signs of hope. China's economic reopening offered a potential boost to global growth, and inflation was expected to gradually decline in the latter half of the year. Overall, 2023 was a year of navigating a complex economic landscape with both challenges and opportunities for the future.

## Overview of the Sri Lankan Economy

Sri Lanka's economy embarked on a path to recovery in 2023, a journey that was not natural but was made possible through the collaborative efforts of the government, the Central Bank, and the International Monetary Fund (IMF). This recovery was supported by a comprehensive set of policy measures, further reinforced by the guidance and assistance provided by the IMF. As a result, economic growth recorded an annual contraction of only 2.3% in 2023, a significant improvement from the 7.3% contraction in 2022. By

the end of 2023, GDP growth returned to positive levels, recording a 4.5% growth.

Economic recovery was mainly driven by the rapid reduction of the inflation rate. This was primarily accomplished through the development of fiscal policies aimed at reducing excessive spending and monetary policies focused on managing money supply and interest rates. The result was a significant reduction in inflation rates, which returned to single-digit levels compared to the historic highs recorded in 2022.

Hence, by September 2023, year-on-year headline inflation, as measured by the Colombo Consumer Price Index (CCPI), slowed to 1.3%. Notably, prices of food items and the transport sector, significant contributors to previous high inflation, witnessed deflation in several months of 2023. This was attributed to the easing of supply bottlenecks, fuel price adjustments, stabilising global crude oil prices, and currency appreciation.

Fluctuating electricity tariffs, reflective of cost changes, also influenced inflation dynamics throughout 2023. Initially, disinflation slowed in the first quarter of 2023 due to tariff increases, but a subsequent reduction in July 2023 lowered inflation. However, from September 2023 onwards, inflation started to rise towards the targeted level, driven by energy price hikes and weather-related disruptions in the agriculture sector, particularly towards the year-end.

By the close of 2023, CCPI-based year-on-year headline inflation was 4%, a significant decline from the 57.2% recorded at the end of 2022. Additionally, the annual average headline inflation based on CCPI decelerated to 17.4% in 2023, compared to 46.4% in 2022. Similarly, the National Consumer Price Index (NCPI) recorded declines, with year-on-year headline inflation falling to 4.2% by the end of 2023, compared to 59.2% in 2022. The NCPI-based annual average headline inflation decreased to 16.5% in 2023, compared to the 50.4% recorded in 2022.

Improved external resilience was another critical factor contributing to the economy's recovery. Measures included strengthening the country's ability to withstand external shocks, such as fluctuations in global commodity prices and disruptions in international trade. Measures to strengthen foreign exchange reserves and diversify export markets were also implemented to support external resilience.

Furthermore, fiscal balances were strengthened through rigorous consolidation measures to increase revenues and rationalise expenditures, resulting in a surplus in the primary balance and a decrease in the overall budget deficit compared to previous years.

The financial system also played an essential role in supporting the economy's recovery. Despite facing intermittent volatility, the proactive and prudent policies implemented by regulatory authorities supported the banking sector's resilience, which remained adequately capitalised and maintained sufficient liquidity levels.

While the economy showed promising signs of improvement, it is important to acknowledge the challenges that persist. Labour force participation declined despite stable unemployment rates, indicating potential issues in employment generation. Additionally, concerns about the resurgence of inflation in 2024 continued, driven by the energy price hikes and disruptions in the agriculture sector at year-end.

Overall, the Sri Lankan economy's recovery in 2023 resulted from coordinated efforts across multiple fronts, including fiscal, monetary, and structural reforms. However, sustaining this recovery and addressing remaining challenges would require continued vigilance and proactive policy interventions.

# Tea Industry Overview



## GLOBAL TEA INDUSTRY IN 2023

The global tea industry is expected to reach USD 37.4 billion by 2032, reflecting a dynamic and evolving landscape, driven by a rise in health-conscious consumers seeking premium and functional teas. However, beneath this optimistic projection lies a complex interplay of factors shaping tea cultivation on a global scale.

### CURRENT TRENDS

- **Shifting Demand** - Established tea-consuming regions such as Europe and North America are experiencing a slight down trend in consumption. In opposition, regions like East Asia, Africa, Latin America, and the Near East are witnessing a rise in popularity, driven by an expanding middle class and heightened health consciousness among consumers.
- **Focus on Specialty Teas** - Increasingly, consumers are drawn to teas distinguished by unique origin characteristics, organic certifications, and functional blends offering health benefits. This trend presents opportunities for diverse tea-producing regions, such as Sri Lanka, to carve a niche within the speciality market.
- **Technological Advancements** - Technology to drive advancement in the tea sector, such as precision agriculture practices and leveraging sensors and data analysis, is being explored to optimise resource utilisation, enhance crop yields, and elevate tea quality.

## GLOBAL CHALLENGES AND CONSIDERATIONS

The escalating threat of climate change, marked by rising temperatures, erratic rainfall patterns, and extreme weather events, poses a significant challenge to tea production impacting production quality and quantity. Addressing climate change necessitates exploring drought-resistant tea varieties, adopting sustainable water management practices, and promoting soil conservation techniques.

Tea crops continue to be vulnerable to various pests and diseases, including mites, fungal infections and bacterial blights. Overuse of pesticides can have adverse environmental and human health impacts. Integrated pest management (IPM) strategies, incorporating biological controls together with the judicious use of natural pesticides, are gaining traction as sustainable solutions.

Unsustainable agricultural practices and land overuse can precipitate soil erosion, nutrient depletion and a decline in crop quality. Implementing soil health improvement measures such as crop rotation, cover cropping, and composting is imperative for sustaining soil fertility and long-term productivity.

Many tea-producing regions confront an ageing workforce, with younger generations exhibiting diminished interest in plantation work. This demographic shift could engender labour shortages and impede innovation within the tea industry. Addressing this challenge necessitates investing in skill development programs, enhancing working conditions and providing competitive wages to attract and retain a skilled workforce.

## GLOBAL TEA PRODUCTION

Global tea production in 2023 reached a new high of 6,603.81 Mn kgs, reflecting an upward trend compared to 6,481.6 Mn kgs recorded in 2022. China maintained its dominant position, producing 3,250 Mn kgs in 2023, compared to 3,181.04 Mn kgs in 2022. India with a total production volume of 1,367.7 Mn kgs in 2023, and Kenya with a production volume of 570.26 Mn kgs remained significant contributors ranking second and third place as the

world's largest tea producers. Turkey reclaimed its position as the fourth-largest tea-producing nation in 2023, surpassing Sri Lanka, by producing 265 Mn kgs compared to the previous year's 254.78 Mn kgs. While Sri Lanka ranked fifth with a total production of 256.04 Mn kgs in 2023 compared to 251.50 Mn kgs in 2022.

## GLOBAL TEA EXPORTS

Despite a promising outlook for overall tea consumption, global tea exports in 2023 faced stagnation, reaching 1,736.74 Mn kgs, with a marginal increase of 0.4% compared to 2022. Experts attribute this decline primarily to disruptions caused by the global economic slowdown and ongoing geopolitical tensions impacting major importers like Iran, Pakistan, and Russia.

Encouragingly, some regions witnessed continued growth. Kenya, the world's leading tea exporter for the past decade, recorded a 16% export volume increase to 522.92 Mn kgs in 2023. This propelled Africa's total exports to 628.81 Mn kgs from 568.97 Mn kgs in 2022.

Despite declining volumes, Asia remains the largest tea exporting region, with a total of 1,029.8 Mn kgs in 2023, although down from 1,077.86 Mn kgs exported in 2022. India, the fourth largest exporter, experienced a modest 1% increase to 227.91 Mn kgs compared to its 17% jump to 224 Mn kgs in 2022. However, China, the second largest exporter, and Sri Lanka, the third largest exporter of tea faced declining volumes. China's exports declined to 367.44 Mn kgs in 2023, compared to a 2% increase to 375.23 Mn kgs recorded in 2022. Sri Lanka's production woes contributed to a 3.3% decline in tea exports.

## WORLD AUCTION CENTRES

In 2023, major tea auction centres like India, Kenya, and Sri Lanka experienced a decline in both average auction prices and auction volumes. This trend can be attributed to rising production costs, despite reductions in production in some regions.

India witnessed the steepest price falls, with Kolkata auctions recording a 10% drop to USD 2.52 per kilogram compared to 2022. Auction volumes also dropped significantly across all Indian centres except Coimbatore and Coonoor, which saw small price increases.

Similarly, Kenyan auctions faced an 11% price decline at Mombasa to USD 2.07 per kilogram and a 5% volume reduction.

### SRI LANKA'S TEA INDUSTRY

Sri Lanka's tea industry navigated a complex scenario in 2023 inundated with various local and global challenges. While production witnessed a modest increase of 1.8% to 256.04 Mn kgs, exports faced a decline of 3.3% compared to 2022.

Rising production costs due to high fertiliser prices and labour shortages significantly impacted profitability. Unfavourable weather conditions, including droughts and erratic rainfall patterns, further disrupted crop yield. Additionally, the fluctuating Sri Lankan Rupee against the U.S. Dollar and changes in government policy added to the uncertainty.

### CHALLENGES FACED BY THE SRI LANKAN TEA INDUSTRY

Sri Lanka's tea industry, a pillar of the Nation's economy, grappled with several challenges in 2023.

#### Availability of Fertiliser

The economic crisis led to a significant price hike of essential agricultural inputs like fertiliser and pesticides. This hampered productivity and impacted overall tea quality.

#### Labour Shortages

The younger generation is less inclined towards plantation work, leading to a shortage of skilled labour.

#### Unfavourable Weather Conditions:

Droughts in the first half of the calendar year and erratic rainfall patterns throughout 2023 disrupted crop growth cycles and yields. Additionally, these extreme weather events resulted in landslides and

floods causing damage to plantations and infrastructure, further impacting production.

#### Labour Issues

The tea industry's workforce is ageing, leading to a potential skills gap, and hindering innovation in the future. Additionally, uncertain economic conditions in 2023, and rising living costs lead to labour unrest and puts pressure on wages, impacting productivity and profitability.

#### Fluctuating Sri Lankan Rupee

While the stronger Sri Lankan Rupee increased export earnings in local currency, it also made Sri Lankan tea less competitive in the global market.

#### Changes in Government Policy

The government's decision to implement a Value Added Tax (VAT) on tea industry, initially intended to broaden the tax base, added a financial burden to producers and exporters. In addition, frequent policy changes and an unclear long-term vision for the tea industry create uncertainty for businesses, hindering investment and innovation.

The long-term effects of climate change, such as rising temperatures and changing weather patterns, continue to pose a significant threat to Sri Lankan tea production and sustainability.

### GLOBAL CHALLENGES

Ceylon Tea also faced global challenges in 2023.

- International trade tensions and sanctions between major economies disrupted global supply chains and impacted demand for Sri Lankan tea.
- Currency devaluation in key import markets like Russia resulted in making Sri Lankan tea more expensive, leading to a decline in demand.
- Ongoing wars in Ceylon Tea importing nations caused political instability in neighbouring countries created logistical challenges and disrupted trade routes for Sri Lankan tea exports.

- A global oversupply of tea resulted in a downward pressure on prices, impacting Sri Lankan tea auction prices and resultant export earnings.
- Changing consumer preferences towards speciality teas and herbal infusions also pose a challenge for Sri Lankan tea producers as Ceylon Tea as an industry has yet to fully embrace innovative and current consumer trends in the industry.

These intertwined challenges highlight the need for multi-pronged solutions. By addressing these challenges through strategic interventions, innovation, and a focus on high-quality production, Sri Lanka's tea industry can navigate these hurdles and secure its position in the global market.

### Sri Lanka Tea Production

Tea production recorded a 1.8% increase in 2023 compared to the decline in 2022. The total tea produced was 256.04 Mn kgs compared to 251.50 Mn kgs in 2022. This increase was primarily driven by the increased yield of medium-grown teas, which reached 42.33 Mn kgs in 2023 compared to 40.19 Mn kgs in 2022. Low-grown and high-grown elevations likewise contributed to the rise in production, albeit to a lesser extent. Low grown production amounted to 155.06 Mn kgs in 2023, while high-grown production reached 57.37 Mn kgs.

In 2023, quarterly tea production recorded fluctuations. The first quarter saw a decline to 59.19 Mn kgs from 63.00 Mn kgs in 2022. The second quarter of 2023 was the most productive period, with a total yield of 74.25 Mn kgs, recording a 7.5% increase from the same period in 2022, which yielded 69.10 Mn kgs. However, the third quarter recorded the lowest output at 58.35 Mn kgs, compared to 59.10 Mn kgs in 2022. Production in the fourth quarter recorded an increase, reaching 62.25 Mn kgs compared to 58.32 Mn kgs in 2022.

### Sri Lanka Tea Exports

Ceylon Tea exports in 2023 exhibited a mixed performance, marked by a decline in overall volumes combined with a noteworthy increase in export earnings.

## Tea Industry Overview

While total export volumes declined by 3.3% to 241.91 Mn kgs compared to 250.19 Mn kgs in 2022, export earnings grew by 4%, reaching Rs. 428.29 billion (USD 1,304.10 million). This seemingly contradictory trend can be attributed to reduced demand from key markets, the high exchange rate for the Sri Lankan Rupee and a lower quantity of tea available for sale.

Export volumes fluctuated throughout the year, with the first two quarters experiencing declines followed by modest increases in the latter half. Several factors contributed to the decline in export volumes. Challenges faced by major importers like Iran, coupled with weakening demand from other key markets, impacted overall export performance. Despite maintaining its position as the leading importer of Ceylon Tea, Iraq's export volumes declined by 24.3%. Turkey re-emerged as the second-largest importer, with a 95% increase in volumes compared to 2022. Conversely, Iran's import volume significantly decreased by 50%, lowering its rank from the fifth to the eleventh position as a Ceylon Tea importing Nation.

Black tea continued to dominate exports, accounting for 97% of the total volume with 234.58 Mn kgs, despite a marginal decline compared to 2022. Both bulk and packaged black tea exports decreased, while black tea in bags saw a small increase. Instant tea exports recorded a slight decline, while green tea recorded a marginal improvement.

### Sri Lanka Tea Auction Prices

Average auction prices reflected Sri Lanka's tea production and the fluctuating Sri Lankan Rupee. Prices increased in the first and second quarters but declined throughout the remaining year. By the end of 2023, Sri Lanka's tea auction performance recorded a significant decline in average prices to Rs. 1,171.29 per kilogram in 2023 compared to Rs. 1,234.24 per kilogram in 2022.

Notably, the FOB value, which reflects the cost of goods delivered to a port of embarkation, experienced a significant increase in the first quarter but fell during the second quarter before recovering somewhat in the third and fourth quarters.

# Operations Review

During the year under review, the Company faced significant challenges due to escalating production expenses mainly due to increased energy, transportation and material costs. Additionally, the unrest in the Middle East contributed to heightened insurance and freight charges, particularly in the latter part of the financial year, which impacted the demand. Unusually heavy rainfall and an increased number of wet days during the second and third quarters of the financial year 2023/24, also negatively impacted production and yields.

Despite these external economic and unpredictable weather-related challenges, the Company remained steadfast in its commitment to maintaining the leaf quality and ensuring consistent production levels. By implementing strategic measures to safeguard the integrity of its product, focusing on meticulous cultivation and processing techniques, TSFL recorded a tea production of 2.39 Mn kgs for the financial year under review, compared to 2.46 Mn kgs recorded in the financial year 2022/23. The primary reason for the 3% decline in production is attributed to the Company's decision to lease out the New Panawenna factory during the year under review, thereby reducing total production for part of the year.

While every effort was made to maintain the quality of tea leaves, leaf quality proved to be a concern during the year under review. Although the ban on agrochemical imports was lifted, excessive rainfall during the second and third quarters of 2023/24 hampered fertiliser application, leading to a decline in leaf quality. TSFL will continue to work closely with smallholder partners to overcome this challenge and regain the high quality of leaf supplies expected to maintain the Company's brand and reputation.

Prices of National low-grown elevational teas declined by 18% during the year under review, reaching Rs. 1,240.82 per kg compared to the Rs. 1,520.05 per kg recorded in the previous year. This led to a significant decline in the Company's gross sales average by 21% to Rs. 1,261.33 per kg compared to Rs. 1,601.02 per kg recorded in the previous year.

Thus, TSFL earned Rs. 3,055.96 Mn in revenue for the financial year ending 31st March 2024 compared to Rs. 3,743.94 million in the previous financial year. This decline is directly linked to the lower production levels and the lower tea prices for low grown elevational teas coupled with the strengthening of LKR against the USD during the year under review. Consequently, profit before taxation (PBT) also recorded a substantial decline of 104% to a loss of Rs. 19.69 Mn, contrasting with the remarkable 1,845% growth to Rs. 440.63 Mn achieved in the previous financial year. A bright spot amidst the trials faced during the year is the 97 top prices achieved by the Company at the weekly auctions.

Furthermore, TSFL made strides in enhancing operational efficiency by automating internal processes, upgrading machinery, and undertaking factory repairs, resulting in improved productivity and product quality. Total investments amounted to Rs. 95.48 Mn for the year under review.

To enhance and improve the Company's brand presence in the market, TSFL prioritised digital initiatives by revamping the Company's website and strengthening its presence on social media platforms. Additionally, the Company initiated the development of a management dashboard to monitor key performance indicators, facilitating data-driven decision-making processes.

## ANTICIPATED BUSINESS CHALLENGES

In the upcoming financial year, the Company anticipates encountering several significant challenges that require meticulous consideration and strategic planning to address them effectively.

### Geopolitical and Economic Headwinds

The tensions between Russia and Ukraine and the Gaza war, coupled with issues such as the Red Sea crisis and the strengthening of the rupee against the USD, are poised to exert downward pressure on market demand and prices. Exporters, already contending with reduced profit margins due to escalating



costs, face an increasingly challenging economic landscape which can impact the Company's revenue and profitability.

### Climate Change Impact

Climate change continues to be a critical concern for tea production, with its adverse effects manifesting in both quantitative and qualitative declines in yields. Erratic weather patterns pose significant threats to tea cultivation, necessitating proactive measures to adapt and mitigate potential losses.

### Removal of VAT Exemption

The Government imposed an 18% value-added tax (VAT) on the previously tax-exempt tea sector, commencing on January 1, 2024, and the producers were required to register under the SVAT scheme. The implementation of SVAT registration had minimal effect on the weekly auctions. However, it significantly impacted local sales, as many local buyers didn't meet the SVAT registration criteria. Consequently, leading to a decline in local tea sale prices.

The removal of VAT exemption on fertiliser in January 2024 initially sparked concerns of significant price hikes, threatening to disrupt fertiliser application levels. While fertiliser companies have adjusted margins to guard end-users from the impact, stabilising application rates and ongoing market volatility pose ongoing challenges.

## Operations Review

### Escalating Fuel Costs

The persistent rise in fuel prices poses a significant challenge to the Company's cost structure, directly impacting critical components such as produce transport, labour transport, and vehicle running costs. Navigating through fluctuating fuel prices demands agile management strategies to mitigate cost escalations.

### Energy Cost Volatility

Throughout the financial year, energy costs remained stubbornly high, driven by multiple rate revisions, further exacerbating operational expenses. While recent electricity tariff reductions offer some reprieve, managing energy costs effectively remains paramount amidst ongoing volatility.

### Labour Market Dynamics

Labour shortages and wage increases continue to trouble the industry, posing operational barriers for tea producers. Addressing these challenges requires strategic workforce management initiatives to ensure operational continuity and mitigate disruptions.

### WAY FORWARD

Navigating these multifaceted challenges demands a comprehensive understanding of market dynamics and a proactive approach to risk management. By anticipating and addressing these challenges through targeted strategies, the Company would be in a favourable position to improve growth momentum and create greater value for our stakeholders.

Accordingly, in strategising for the future, TSFL has identified several key initiatives aimed at sustainable growth while creating value for all stakeholders.

To drive efficiency and productivity gains, the Company plans to engage an external consultant to conduct a comprehensive review of our operational processes by focusing on improving manufacturing techniques, machinery optimisation, and productivity enhancement. These measures will also support cost reductions, improvement in energy efficiency and support investment decisions.

Continuing our commitment to fostering strong partnerships with our small holder partners, we remain dedicated to supporting them in enhancing their operational efficiencies and elevating their production levels. To this end, TSFL will extend additional financial assistance and provide guidance on adopting cost-effective production methods and optimal planting procedures. Furthermore, the Company will persist in our endeavours to educate smallholders on sustainable agricultural practices while implementing long-term replanting programs to their benefit.

To address labour shortages and skill gaps, TSFL will closely monitor labour market developments, collaborate with smallholder partners, and invest in employee training and development programs. By empowering our workforce and prioritising their well-being, we aim to overcome these challenges effectively.

Recognising the importance of aligning our product offerings with market demand, we will strategically adjust our manufacturing processes to optimise the grade mix of our teas. This proactive approach will ensure that TSFL products remain competitive and relevant in the marketplace.

# Financial Capital



## Steeping Tradition in Financial Success

At TSFL, we understand that a thriving business is more than just a delicious cup of tea. During the year under review, we focused on strategies that deliver strong financial capital value creation. Through targeted investments, operational streamlining, and a commitment to quality teas, the Company cultivated a recipe for sustainable growth.

### Value Created for the FY 2023/24



Profit After Taxation  
Rs. **6.23** Mn



Earnings Per Share  
Rs. **0.21**



EBITDA  
Rs. **78.57** Mn

### Management Approach

TSFL is dedicated to implementing revenue-generating strategies designed to preserve funds within the Company and enhance the overall value of financial capital, as part of our commitment to creating value for all stakeholders. Our strategic approach to managing financial capital involves proactive resource allocation, adherence to best practices in accounting, auditing, and management, and the establishment of a robust risk management framework. To ensure transparency and accountability, we engage third-party assurance services

for our financial statements and reporting processes. Furthermore, the Company actively pursues market opportunities that contribute to the growth of our financial capital value while creating value across all other capitals.

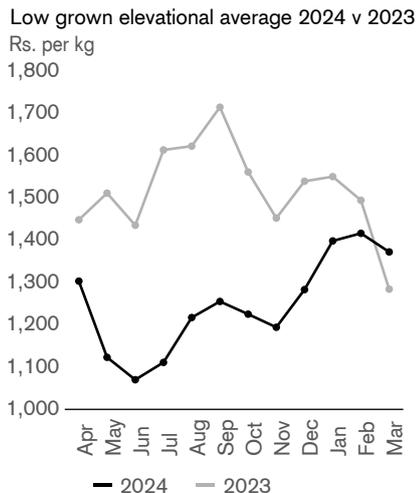
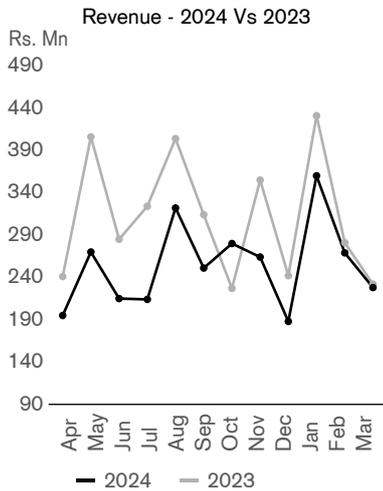
In response to the loss before tax incurred during the fiscal year which was mainly due to drop in tea prices, our management team swiftly implemented a proactive approach to address the challenges. The management embarked on a thorough analysis of assessing both internal operations and external market dynamics

with a focus on enhancing efficiency and optimising cost control. Furthermore, we are reallocating resources to areas with the potential for sustainable growth and profitability, guided by a renewed emphasis on innovation and market responsiveness. By leveraging this proactive management approach, we are committed to navigating through this challenging period and positioning the Company for long-term success.

# Financial Capital

## Revenue

During the financial year under review, the Company registered a revenue of Rs. 3.06 Bn, an 18% decline from Rs. 3.74 Bn recorded in the preceding financial year. This decrease was primarily due to reduced tea prices observed at the Colombo Tea Auction where the low grown elevation reduced by 18% compared to the previous financial year. Total quantity sold during the year increased by 3% to 2.49 Mn kilograms compared to 2.41 Mn kilograms sold in the previous year.

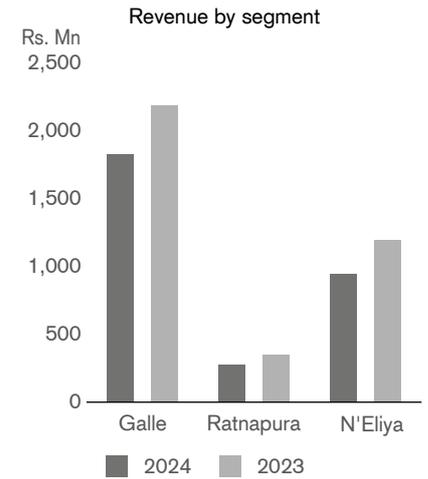


A 1% reduction in the low grown production was observed compared to the previous year whilst the Company experienced a steeper YoY reduction of 3%. This decline was mainly stemming from New Panawenna tea factory which was leased out in February 2024. The Company, excluding New Panawenna factory, managed to sustain production volumes at levels similar to the preceding year.

## Revenue by Segment

All regions experienced a YoY decline in revenue due to drop in price despite an uptick in sales volume. The Galle segment, operating four factories, contributed the most to revenue, yet experienced a 17% decrease compared to the previous year. In the Nuwara Eliya segment, Broadlands tea factory recorded a 21% drop in revenue. Meanwhile, the Rathnapura

segment, operating with a single factory, experienced a 21% reduction in revenue was leased out on February 1, 2024, and reclassified as an investment property.

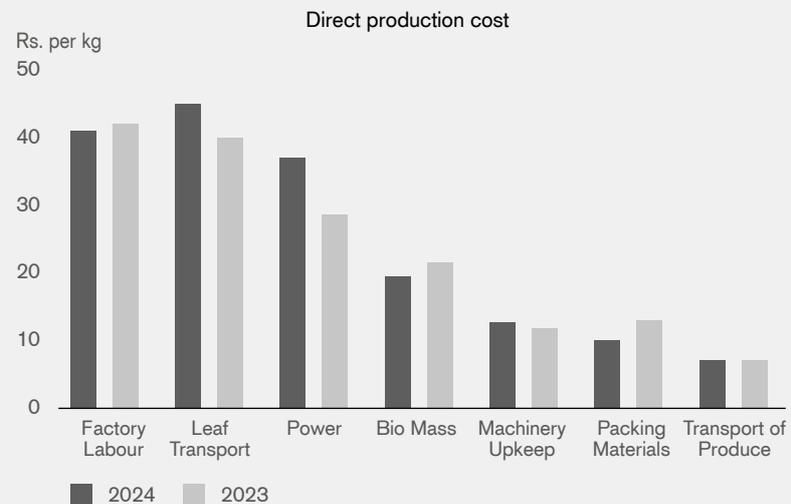


## COST OF SALES

### Cost of Bought Leaf

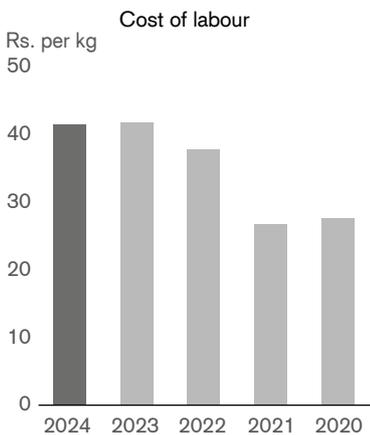
The expense for bought leaf remains the most significant cost item recorded in the Company's cost of sales, decreased by 21% compared to previous year mainly due to reduction in tea prices. The price for green leaf is determined by the Tea Board according to the formula set by the tea commissioner. Throughout the year, the Company procured 11.82 Mn kilograms of green leaf, resulting in a payment of Rs. 2.26 Bn to suppliers. In FY2022/23, the Company spent Rs. 2.88 Bn to obtain a green leaf supply of 12.07 Mn kilograms.

### Direct Production Cost



The economic crisis that dominated the landscape in 2022/23 started to alleviate during the financial year 2023/24. Consequently, the exorbitant prices required to acquire goods and services began to normalise, and the abrupt price fluctuations witnessed in the preceding year began to stabilise. Nevertheless, prices persist above pre-2020/21 levels. Specifically, expenses for certain essentials like fuel and electricity remain disproportionately high.

The cost of leaf transport witnessed a 12% YoY increase, primarily due to multiple fuel price revisions throughout the year. Despite this, factories persisted in negotiating price changes and maintained increases at a reasonable level. Labour cost is the second highest cost component of the Company's direct production cost. YOY cost of labour per kg of made tea reduced by 1% mainly due to the output improvements. Key emphasis was placed on the productivity and continuous monitoring of labour allocation also assisted in recording an improvement in the labour output.



The cost incurred on electricity, surged by 29% during the year, amounting to Rs. 37.03 per kg of made tea, compared to Rs. 28.65 per kg spent in the previous year. This rise was primarily attributed to electricity tariff revisions implemented during the year. The extended generator running times witnessed in the previous year, due to scheduled power cuts, decreased during the current year.

The cost of packing materials experienced a YoY reduction of 19% due to the government's relaxation of import restrictions and the strengthening of the rupee against the US dollar. The procurement strategy is aligned with market price movements, allowing the management to minimise costs by purchasing bulk quantities at lower prices while reducing stock holding during periods of price decreases.

The cost of biomass decreased to Rs. 19.37 per kg, marking a 10% reduction compared to the Rs. 21.55 per kg of made tea, recorded in the previous year. This decline in purchase price was attributed to the increased availability of biomass, which in turn was a direct result of the improved access to fuel.

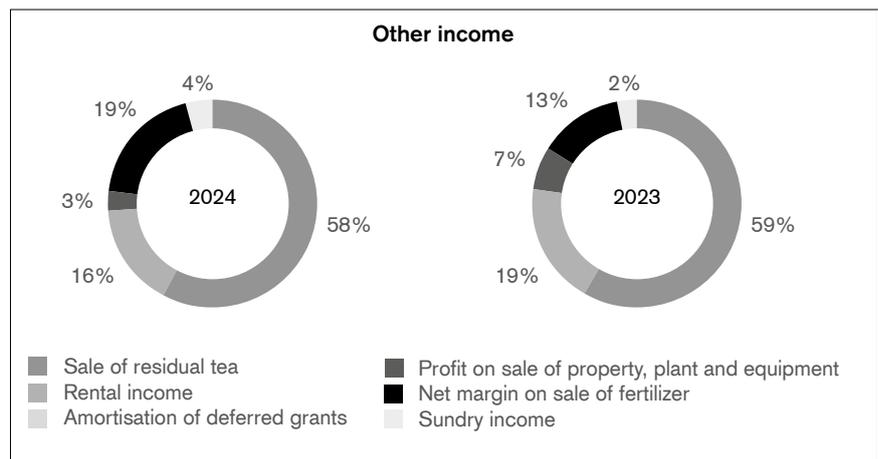
The expenses for machinery maintenance increased to Rs. 30.29 Mn compared to the previous year's cost of Rs. 29.15 Mn. The Company maintained its commitment to investing in the improvement of key machinery while ensuring satisfactory operational levels during the review period. This approach assisted the Company

in enhancing the product quality whilst reducing machinery downtime, among other benefits.

Production overheads primarily encompass expenses at the factory level, including staff salaries, depreciation, insurance and general upkeep. These overheads increased by 11% during the year, largely driven by rises in depreciation and staff costs.

**Other income**

Other income for the year recorded a 5% increase to Rs. 159.99 Mn from Rs. 152.65 Mn achieved in the previous year. The sale of residual tea accounted for 58% of the total other income and increased by Rs. 2.76 Mn during the year. Rental income decreased from Rs. 28.58 Mn to Rs. 25.36 Mn, mainly due to the absence of rental income from the Peliyagoda warehouse, which was vacated in July 2023. The net margin on fertiliser sales for the year, increased by Rs. 10.81 Mn compared to the previous year, representing 19% of the total operating income.



## Financial Capital

### Administration and Other Expenses

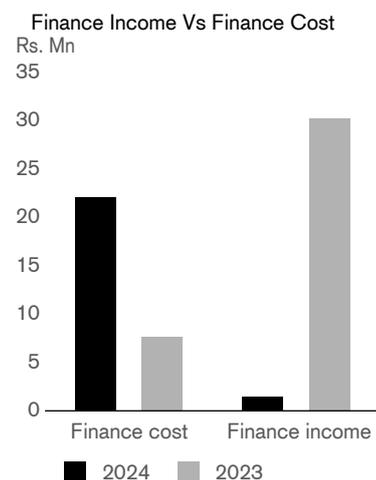
Administration expenses increased by 37% during the year to Rs. 145.76 Mn from Rs. 106.19 Mn recorded in the previous year. The increment was mainly due to the increase in staff cost, cost of IT services and other general price increments.

The management fee, as stipulated in the contractual agreement between the Company and the managing agent, John Keells (Teas) Private Limited, decreased from Rs. 66.09 Mn in the previous year to Rs. 22.71 Mn. The reduction is primarily due to the drop-in turnover based management fee followed by the absence of profit-based management fee, which is paid based on the Company's profitability.

### Finance Income vs Finance Cost

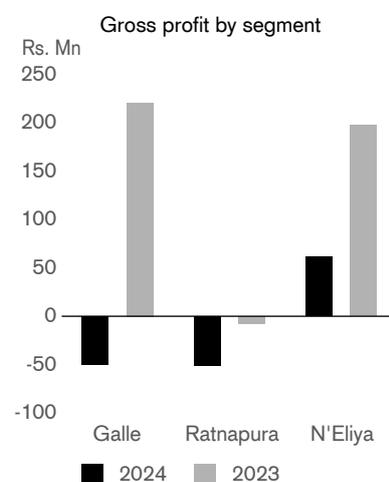
The finance income of the Company comprises interest income earned on short-term investments, primarily on call deposits, repos, and fixed deposits. It also includes interest earned from loans extended to green leaf suppliers and loans granted under the employee motor vehicle loan scheme for executives (AM and above).

Finance income decreased by 75% to Rs. 7.66 Mn during the year under review compared to Rs. 30.19 Mn recorded in the previous year. The reduction was mainly due to the reduction in short term investments. Finance costs of the Company increased to Rs. 22.07 Mn in the year under review compared to Rs. 1.41 Mn recorded in the previous year.



### Profitability

The Gross Profit for the financial year experienced a significant decline, plummeting by 110% to a negative Rs. (39.01) Mn compared to the previous year's profit of Rs. 411.02 Mn. The sharp decrease was mainly due to the drop in tea prices along with increases in staff costs, electricity and maintenance costs which impacted Company's margins, resulting in the noteworthy decline in Gross Profit.



Despite operating with a single factory, the Nuwara Eliya segment emerged as the leading contributor to the gross profit for the year. However, it recorded a gross profit of Rs. 61.81 Mn, marking a significant decrease compared to the previous year's profit of Rs. 197.85 Mn, reflecting a notable decrease of 69%.

Both the Rathnapura and Galle segments incurred losses in the current financial year. The Rathnapura segment's loss escalated to Rs. 50.78 Mn, a significant increase from the loss of Rs. 7.80 Mn recorded in the previous year. Similarly, the Galle segment reported a loss of Rs. 50.06 Mn, in contrast to the substantial profit of Rs. 220.97 Mn recorded in the previous year, marking a significant reduction of 123%.

The Company reported a loss Before Tax (PBT) of Rs. (19.69) Mn, compared to previous year's profit of Rs. 440.63 Mn, representing a notable YoY decrease of 104%.

### Change in the Fair Value of Investment Property

During the reviewed year, the fair value of the investment property located in Peliyagoda increased by Rs. 42.21 Mn, resulting in the property's value increasing to Rs. 503.00 Mn from Rs. 460.79 Mn recognised in the previous year. This gain is recorded in the income statement as required by Sri Lanka Accounting Standards.

The fair value of the Karawita Tea Factory was determined through independent valuations conducted by Mr. K.T.D. Tissera, a Chartered Valuation Surveyor, as of December 31, 2023. The gains identified by the valuer have not been included in the financial statements due to the developments carried out by the sub-lessee. Consequently, the fair value of the Karawita tea factory remains at Rs. 142.47 Mn.

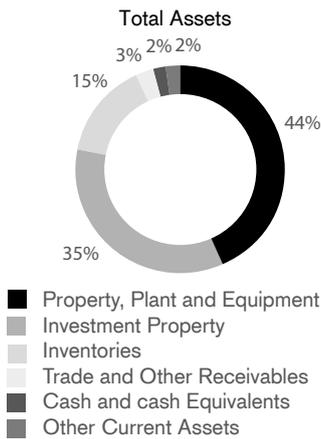
New Panawenna tea factory has been recognised as an investment property on the execution of the lease agreement. Accordingly, Rs. 140 Mn has been transferred from property, plant and equipment to investment property.

### Taxation

Income tax and deferred tax provisions were made in accordance with the Inland Revenue (Amendment) Act No. 45 of 2022. During the year under review, the Company experienced a tax reversal of Rs. 25.92 Mn, contrasting with a tax expense of Rs. 162.13 Mn recorded in the previous year. The introduction of the Inland Revenue Amendment Act saw an increase in the Company's corporate income tax rate and deferred tax, rising from 14% to 30% in 2022/23. These increased rates remained applicable for the Company during the reviewed year as well (Refer Note 16 on page 139 in the financial statements).

**Financial Position Review**

As of March 31, 2024, the Company's total asset base contracted by 4% to Rs. 2.22 Bn from Rs. 2.31 Bn, primarily due to reduction in inventory value.



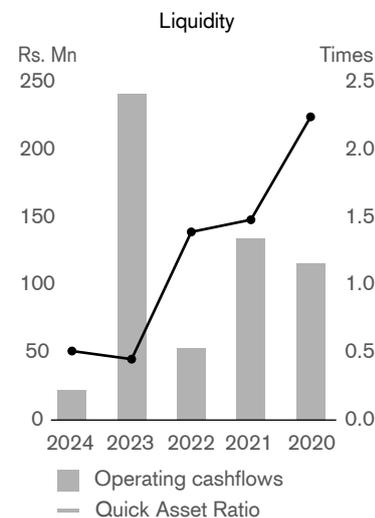
Property, Plant and Equipment accounts for 44% of the total assets whilst investment property represents 35% of the total assets. Contribution from investment properties have increased from the previous year mainly due to the transfer of New Panawenna tea factory to investment property from property, plant and equipment. From the total property, plant and equipment, 73% represents land and buildings whilst plant and machinery represent 20%. The Company has invested Rs. 95.48 Mn during the year on capital expenditure of which, Rs. 60.37 Mn was on plant and machinery. The Company acquired a land adjacent to Broadlands tea factory for a consideration of Rs. 4 Mn during the year.

Inventory, primarily consisting of made tea, decreased to Rs. 338.86 Mn (compared to Rs. 491.67 Mn in 2022/23). The reduction in made tea amounted to Rs. 152.81 Mn, primarily attributable to decreases in market prices and holding volumes.

**Cash Flow Generation**

Cash generated from operations is typically allocated towards capital investments, dividend payments and tax payments. The Company maintained strong cash flow generation, which facilitated the reduction of borrowings and enabled management to invest funds

in revenue-generating opportunities, ultimately aimed at increasing shareholder value. The Company resorted to borrowings, utilising overdraft facilities during the current year to meet working capital needs. Cash generated from operating activities was Rs. 21.60 Mn for the reviewed year, compared to Rs. 241.18 Mn in the previous year. Despite this, the current ratio and quick asset ratio for the current year remained favourable at 2.21 times and 0.51 times, respectively.



The Company incurred Rs. 95.48 Mn on capital expenditure, with a major portion invested in machinery to enhance product quality. A dividend of Rs. 200.10 Mn was paid in 2023/24, but no dividend was declared during the reviewed year. As of March 31, 2024, the overall cash and cash equivalents recorded a negative balance of Rs. (10.23) Mn, compared to Rs. 57.54 Mn as of March 31, 2023.

# Manufactured Capital



## Cultivating Growth Beyond the Leaf

At TSFL, we focused on creating manufactured capital value by investing in infrastructure, technology, and processes to propel future success. This focus translates to a more efficient operation, a stronger brand presence, and a platform for continued innovation. By nurturing our manufactured capital, the Company ensures a robust foundation for long-term growth.

### Value Created for the FY 2023/24



Fair Value Gain

Rs. **42.21** Mn



Investment in Land Expansion

Rs. **4.00** Mn



Investment in Technology and Digitalisation

Rs. **2.65** Mn

### Management Approach

TSFL recognises manufactured capital as a crucial component in our value creation process, allowing us to efficiently and reliably produce high-quality teas. Annually, TSFL allocates funds for the enhancement and renewal of manufactured assets as necessary, as well as for the procurement of new tangible assets and technological software to meet business needs. We maintain a routine building maintenance schedule, and our continuous repair and upkeep of these assets guarantee the seamless, efficient, and eco-friendly production of top-notch teas.

The Company's manufactured capital encompasses a diverse array of assets essential for its operations. From the sturdy foundations of office and factory buildings to the intricate machinery and equipment powering production, every element plays a crucial role. Vehicle fleet of the factories facilitate seamless logistics. Within the office spaces, furniture, fittings, and IT hardware harmonises to create a conducive working environment. Water treatment facilities underscore the commitment to sustainability, ensuring responsible resource management. Employee accommodation facilities reflect

a dedication to staff well-being, fostering a sense of community. Lastly, information technology software integrates seamlessly, powering the Company's digital infrastructure and driving efficiency across all facets of its operations.

Details of the valuations of the Company's land holdings including investment properties and the number of buildings is given below.

Factory/Site	Location	District	Extent of Land						Buildings		NBV	
			Freehold			Leasehold			No. of Buildings	Square Feet	As at	As at
			A	R	P	A	R	P			31.03.24 Rs'000	31.03.23 Rs'000
Neluwa	Neluwa	Galle	3	2	38	-	-	-	18	53,266	124,341	112,971
Halwitigala	Thawalama	Galle	9	2	18	-	-	-	14	53,999	122,243	106,108
Hingalgoda	Hiniduma	Galle	12	-	6	-	-	-	26	65,686	153,772	134,700
Kurupanawa	Nagoda	Galle	12	-	19	-	-	-	22	55,728	156,875	147,076
Broadlands	Pitawela	Nuwara Eliya	4	-	35	-	-	-	14	62,765	147,620	133,566

### Investment Property

Factory/Site	Location	District	Extent of Land						Buildings		NBV	
			Freehold			Leasehold			No. of Buildings	Square Feet	As at	As at
			A	R	P	A	R	P			31.03.24 Rs'000	31.03.23 Rs'000
Warehouse	Peliyagoda	Gampaha	-	-	-	-	3	37	1	31,629	503,000	460,786
Karawita	Uda Karawita	Ratnapura	-	-	-	4	3	37	12	79,244	142,474	142,474
New Panawenna	Kahawatte	Ratnapura	10	2	14	-	-	-	8	46,389	139,998	-

Following are the strategic objectives in effectively managing the manufactured capital of the Company.

- Enhancing product quality
- Improving manufacturing process Efficiencies
- Pursuing energy efficiency in the manufacturing process
- Maximising profits
- Promoting the well-being of employees

Throughout the review period, the Company strategically allocated its investments towards fulfilling core objectives aimed at maximising value derived from its manufactured capital assets.

Investment on manufactured capital in 2023/24	(Rs. Mn)
Land and buildings	30.95
Plant and machinery	60.37
Furniture, fittings, and equipment	1.12
Factory owned vehicles	0.39
IT Hardware	2.65
<b>Total</b>	<b>95.48</b>

## Manufactured Capital



### Investments on Land and Buildings

The Company acquired a land adjoining Broadlands tea factory for a consideration of Rs. 4 Mn and this will assist the factory to streamline the manufacturing process by setting up some of the administrative and supporting facilities in the newly acquired land. During the year under review, the Company invested Rs. 26.95 Mn on building renovations and infrastructure upgrades.

### Factory Infrastructure

The Company's investments in upgrades encompass several key initiatives, including the renovation of the loft deck at the Broadlands factory and the reconstruction of flooring at both Neluwa and Halwitigala. In alignment with sustainability objectives, the Company also embarked on a rainwater harvesting project at the Neluwa tea factory, aiming to fulfil 30% to 40% of the factory's water usage through this endeavour. Other than these, the Company also invested in road rehabilitation work at Broadlands and factory roof and entrance renovations at Neluwa.

### Employee Facilities

A considerable portion of TSFL's workforce, employed in our factories, resides within our factory premises. Consequently, it is incumbent upon the Company to furnish them with adequate housing facilities and other amenities. In the past year, the Company undertook the renovation and enhancement of several housing facilities. This included refurbishing the superintendent's bungalow at the Neluwa factory and improving the living quarters for employees at the New Panawenna factory. These upgrades aim to elevate the living standards of our employees, fostering their well-being, and ultimately adding value to their lives.

### Focus on Automation and Machinery Upgrades

Automating processes in factories not only minimises the risk of human error but also curtails labour costs. Given the imminent rise in labour wages, minimising man-hours wherever feasible is crucial for maintaining a sustainable cost structure. In the financial year under review, the Company implemented several automation initiatives. The tea rolling

program at Broadlands tea factory was fully automated, while the withered leaf collection process at New Panawenna and Broadlands was semi-automated. Additionally, rehabilitation efforts were undertaken for dryers and chambers, yielding immediate improvements in firewood output.

A Rs. 20 Mn investment was made by the Company to acquire a colour sorter for the Kurupanawa tea factory to enhance the quality of the tea produced. Furthermore, anticipated benefits include energy savings, increased productivity, and reduced maintenance costs. Additionally, upgrades were carried out on 15 Michie sifters during the year, with expected savings in labour, energy, and maintenance costs accruing to the factories.

The total investment in automation and upgrades for machinery and equipment amounted to Rs. 60.37 Mn for the financial year ending on March 31, 2024.

### Information Technology

To maintain alignment with technological advancements and continuously enhance our business and manufacturing processes, the Company prioritises annual investments in information technology upgrades. TSFL contracted with a leading mobile service provider to implement a cutting-edge solution aimed at ensuring stable network connectivity. Additionally, we consistently procure and update software licenses to leverage the latest releases for improved functionality and reduced vulnerabilities.

To uphold the security, privacy, and confidentiality of our stakeholders, including customers and employees, we invest in robust IT security tools and technologies. During the review period, TSFL initiated a project to transfer all data to a secure cloud server. This proactive approach underscores our commitment to safeguarding data integrity while enabling informed decision-making.



TSFL is committed to identifying strategic investments in technology, to continually enhance business process efficiencies. Furthermore, the Company will actively research and identify new machinery that has the potential to add greater value to the quality of its tea products. Additionally, TSFL will prioritise investments in equipment and processes that promote sustainable business practices and minimise its environmental impact. This forward-thinking approach underscores TSFL's dedication to innovation, quality improvement, and environmental stewardship.

### **Routine Maintenance**

The Company prioritises the maintenance of machinery, equipment, and buildings and has established a machinery and equipment maintenance program, which includes regular servicing and maintenance conducted by qualified vendors or service agents. This proactive approach aims to minimise disruptions to operations. Furthermore, TSFL undertakes basic repairs and renovations as part of its building maintenance plan to keep its facilities in optimal condition. These efforts reflect the Company's commitment towards efficient operations and employee well-being.

### **Way Forward**

Investments in manufactured capital will continue to be a central focus in the years ahead, as they play a vital role in creating value for our business and stakeholders. In the forthcoming year, the Company has identified the need to purchase machinery and equipment for our factories to improve made tea product quality. In addition, TSFL plans to invest in certain identified machinery upgrades to improve outputs whilst generating cost reductions in labour, energy and maintenance. Furthermore, renovations to office buildings and employee housing facilities in line with the maintenance plans will continue.

## Manufactured Capital Value Created by our Factories

**GALLE REGION**

**4** factories  
Total annual capacity of  
**3.7** Million Kilograms  
Caters to a total of  
**3,899** green leaf suppliers

**Neluwa Tea Factory**



Annual Production Capacity **883,000** kg  
Registered green leaf suppliers **1,057**  
Type of Manufacture - Low Grown Orthodox

**Halwitigala Tea Factory**



Annual Production Capacity **888,000** kg  
Registered green leaf suppliers **1,086**  
Type of Manufacture - Low Grown Orthodox

**Hingalgoda Tea Factory**



Annual Production Capacity **1,075,000** kg  
Registered green leaf suppliers **902**  
Type of Manufacture - Low Grown Orthodox and CTCs

**Kurupanawa Tea Factory**



Annual Production Capacity **888,000** kg  
Registered green leaf suppliers **854**  
Type of Manufacture - Low Grown Orthodox

**RATHNAPURA REGION**

**2** factories  
 Total annual capacity of  
**2.41** Million Kilograms

**Karawita Tea Factory**



Annual Production Capacity **1,294,000** kg

Leased out on 08th November 2021

Type of Manufacture - Low Grown Orthodox and CTC

**New Panawenna Tea Factory**



Annual Production Capacity **1,115,000** kg

Leased out on 01st February 2024

Type of Manufacture - Low Grown Orthodox

**NUWARA ELIYA REGION**

**1** factory  
 Total annual capacity of  
**0.95** Million Kilograms  
 Caters to a total of  
**2,613** green leaf suppliers

**Broadlands Tea Factory**



Annual Production Capacity **952,000** kg

Registered green leaf suppliers **2,613**

Type of Manufacture - Low Grown Orthodox

# Human Capital



### Brewing Excellence by Cultivating Our People

At TSFL, our greatest asset is our people. During the year under review, we created human capital value by focusing on employee development, engagement, and well-being. We invested in training programs, fostered a collaborative environment, and created a culture of empowerment. By nurturing our human capital, the Company ensured a skilled, passionate workforce to successfully brew excellence with every cup of tea.

#### Value Created for the FY 2023/24



Total Training Man Hours

**1,609**



No. of Work Related Fatalities

**Nil**



Female workforce percentage

**46%**

#### Management Approach

TSFL operates with a commitment to fairness and equity in all aspects of Human Resource Management (HRM). We have implemented a robust system for attracting and retaining talent, ensuring that individuals are selected and retained based on their qualifications, experience, and alignment with our organisational values. Through competitive compensation packages and opportunities for career growth, we strive to create an environment where employees feel valued and motivated to contribute their best.

We believe in providing our employees with the tools and resources they need to succeed and thrive in their roles. Our structured training and development

programs are tailored to individual needs, helping employees to stay updated with the latest developments in their respective fields. Additionally, we prioritise internal promotions, recognising and rewarding performance and potential, thus providing equal opportunities for advancement to all employees.

At TSFL, we prioritise the well-being of our employees, understanding that a healthy and engaged workforce is key to our success. The Company is certified for the ISO 45001:2018 Occupational Health and Safety Management System and it assures the optimal health and safety systems in our manufacturing operations whilst enhancing worker safety and health. We are committed to creating a supportive

and inclusive work environment where diversity is celebrated, and every voice is heard. Through initiatives focused on health, safety, and work-life balance, we strive to ensure the holistic well-being of our employees.

As a member of the JKH Group, the Company strictly adheres to the Group's code of conduct and business ethics requirements to create sustainable human capital value. Beyond our organisational boundaries, TSFL is actively involved in community engagement and social responsibility initiatives. We believe in giving back to the communities in which we operate, supporting education, healthcare, and environmental sustainability efforts. By empowering our employees to participate in these initiatives, we foster a sense of pride and purpose in contributing to the greater good.



**Profile of our Team**

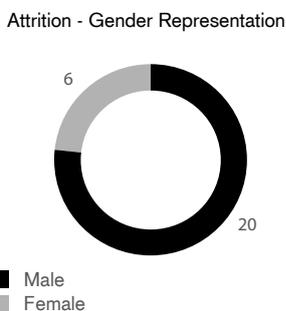
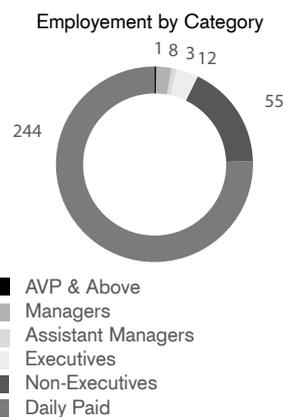
Our team consists of 323 employees and we adhere to equal opportunity principles and do not discriminate based on gender, age, religion, or race. Aligned with the 'One JKH' brand ethos, the Company remains dedicated to enhancing its Diversity, Equity, and Inclusion (DE&I) culture with enthusiasm. This entails implementing strategies to ensure fair treatment, inclusivity for employees

from various backgrounds and abilities, empowerment, equal opportunity, equal participation, a staunch stance against discrimination, and fostering diverse value chains. The Company's commitment to this facet is governed by the Diversity, Equity & Inclusion policy, which establishes a strong framework for all DE&I initiatives.

The majority of our staff are engaged in the Company's manufacturing endeavours, stationed at our facilities in the Galle and Nuwara Eliya Districts. Consequently, the Company places emphasis on recruiting talent from neighbouring communities, with the aim of fostering both personal advancement and community development.

# Human Capital

Team Profile	Below 25		25 - 35		36 - 45		46 - 55		Above 55	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Executives & above	-	-	3	4	6	-	7	1	1	2
Non-Executives & workers	4	2	48	15	47	32	44	64	14	29
Total	4	2	51	19	53	32	51	65	15	31



### Governance

TSFL's Human Resource governance framework is designed to advance inclusive and productive employment within an environment that prioritises dignity, mutual respect, wellbeing, and safety. A comprehensive set of policies delineates the Company's approach to human capital management, complemented by the Group's code of conduct. TSFL is dedicated to honouring and safeguarding the fundamental rights and freedom of our employees, smallholder partners, suppliers, other stakeholders, and the communities where we operate. This encompasses ensuring fair and equitable treatment, non-discrimination, and the freedom of association for all.

The Company upholds these principles by implementing policies and procedures that align with international human rights frameworks such as the United Nations Guiding Principles on Business and Human Rights. By doing so, the Company ensures that our business operations are conducted responsibly and sustainably, whilst benefiting society as a whole.

### TSFL Human Rights Policies

The Company is firmly committed to upholding ethical standards in its operations, unequivocally rejecting the use of child or forced labour and any form of unacceptable treatment of workers. It complies fully with laws establishing a minimum age for employment, actively supporting the global elimination of child labour. Respect for employees' rights is paramount, with the Company honouring their freedom to choose union membership or representation as stipulated by local laws. Additionally, the Company promotes equal employment opportunities and diversity, ensuring that all employees are treated with respect regardless of their

background. Discrimination based on various factors such as gender, race, class, or sexual orientation is vehemently opposed, reflecting the Company's dedication to fostering an inclusive and fair workplace environment.

### Rewards & recognition

The Company offers a competitive remuneration aligned with market standards, relevant collective agreements, and minimum wage regulations. Our remuneration policy aims to recognise, reward, and retain high-performing employees thereby nurturing a performance driven culture. Remuneration is determined based on qualifications, skills and from results of performance appraisals with reference to prevailing market rates which are assessed from time to time. All our permanent employees undergo annual performance appraisals. Employee remuneration package encompasses a wide range of other benefits which are outlined below.

- Annual ex gratia payments
- Free medical screening
- Retirement benefit plan
- Medical and life insurance policies
- Vehicle loans (AM and above)
- Transport when required
- Safety and security
- Mobile phones, information technology and accessibility
- Rest rooms for Male/Female workers
- Residential facilities with water and electricity for the factory workers/ staff
- Meals, tea allowance, uniforms
- Welfare facilities

Being part of the JKH Group, employees gain access to the Group's comprehensive reward and recognition system. This includes the prestigious

Chairperson's Award, which honors outstanding individuals for their significant contributions aligned with the Group's values. Additionally, employees receive Bravo Certificates in recognition of their exceptional contributions to projects.

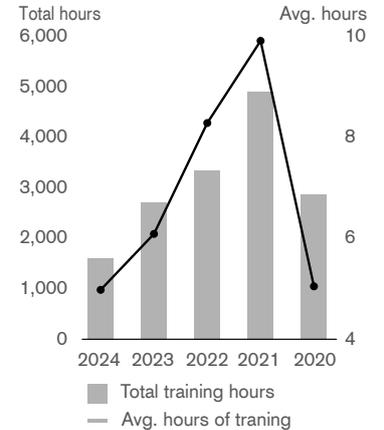
**Building and fortifying skills**

Employee development and training are paramount for our Company as they greatly enhance our operational value. We guarantee the professional execution of all training programs, ensuring employees receive comprehensive benefits. Our performance evaluation system aids in pinpointing appropriate training avenues for employees across all levels. Furthermore, we provide technical training to staff whenever new technologies or automation systems are implemented, ensuring they can fulfil their roles proficiently and responsibly.

Our training programs are designed to improve soft skills, broaden expertise, and keep employees updated on industry advancements. These initiatives are delivered through internal and external channels, including workshops and seminars. Furthermore, new employees receive on-the-job training to ensure smooth assimilation into their positions.

In the past year, TSFL invested in diverse employee training programs, including health and safety, fire safety, first aid, food safety, energy management, sustainable agriculture, and more. They offered advisory and extension training, pH testing, residential workshops, and IT systems training as well. Comprehensive training and awareness initiatives on business continuity plans, general safety, and female hygiene were carried out across all operational sites.

Total Training Hours vs Average training hours



**Employee Engagement**

The Company fosters a culture entered on diversity, integrity, and respect, underpinned by its nurturing relationships with employees, which in turn enhances TSFL's capacity to cultivate significant human capital. This approach aligns with the Company's principles of prioritising employee welfare, collaborative teamwork, and ethical conduct, while fostering an environment of mutual regard. TSFL welcomes employee participation in labour unions and collective bargaining without constraints, demonstrating its commitment to compliance with pertinent laws and engagement with union representatives.

TSFL's corporate values underscore the importance of prioritising employee satisfaction. We offer numerous avenues for employees to connect with management and supervisors, upholding an open-door communication policy as a cornerstone belief.

Throughout the reporting period, the Company orchestrated various initiatives to bolster employee engagement, teamwork, and camaraderie. These endeavours encompassed events marking International Women's Day and World Children's Day, blood donation drives, sports events, staff outings and religious observances.

Moreover, TSFL encourages employee involvement in Company-sponsored CSR endeavours, including health camps and forestry initiatives, fostering deeper alignment with the Company's values.

**Communicative & Open Culture**

TSFL values an open and communicative culture, where employees are actively encouraged to provide feedback on all business activities and developments. To facilitate this, the following programmes are currently implemented.

**Skip Level Meetings (Executive & Above Category)**

These meetings offer employees the opportunity to bypass their immediate supervisor and directly engage with senior management. They serve as a platform for senior management to establish trust with junior-level employees, conduct individual assessments, and seek fresh ideas, solutions, and process improvements, all while fostering an open-door culture. Conversely, junior employees gain valuable insights into business strategies and initiatives, while receiving guidance, coaching, and mentoring from senior management. These interactions facilitate mutual understanding and collaboration across different levels of the organisation.

**Peer & Upward Survey (Manager & Above Category)**

The Company utilises an annual e-based feedback tool to enable employees to receive confidential feedback from their peers and direct reports. This feedback is then compared to the employee's self-assessment form, aligning with the JKH Group's roof competencies.

**Joint Consultative Committee (JCC) Meetings (Non-Executive Category)**

Regular meetings with the Head of HR are facilitated for non-executives and workers on a regular basis. During these meetings, employees can voice their concerns, provide suggestions, and engage in discussions regarding areas for improvement.

## Human Capital

### Grievance Handling

The Company has a well-established formal grievance handling process that is accessible to all employees to address any concerns that arise during their employment. This process aligns with the formal procedures of the JKH Group and ensures timely resolution of employee issues. Additionally, through the 'Chairperson's Direct' channel, employees can confidentially report any instances of unethical behaviour or perceived violations of JKH Group values directly to the Chairperson. These reports are investigated by a select committee under the Chairperson's direction. If an employee remains dissatisfied with the committee's decision, they have the option to escalate their complaint to an independent Ombudsperson. The Ombudsperson's findings and recommendations are communicated confidentially to the Chairperson or Senior Independent Director of JKH, concluding the Ombudsperson's involvement.

### Occupational Health & Safety

The Company prioritises the safety and wellbeing of its employees through the promotion of a culture of safety and the implementation of health and safety plans. This commitment is demonstrated by obtaining ISO 45001:2018 Occupational Health & Safety Management System certification for workplace safety across all our TSFL factories, ensuring adherence to globally recognised standards. Additionally, the Company conducts various programs such as health camps, vision check-ups, and dental clinics to further support employee health. In the past financial year, there were four reported incidents of accidents or injuries across the factories.

Key Highlights	2024	2023	2022	2021	2020
No. of work-related injuries	4	4	5	Nil	5
Loss of days due to work-related injuries	23	53	33	Nil	238
Injury rate	1.24%	0.97%	1.24%	Nil	0.88%
No. of work-related fatalities	Nil	Nil	Nil	Nil	Nil
Incidents of Occupational Diseases	Nil	Nil	Nil	Nil	Nil

### Employee Wellbeing

The Company adopts a comprehensive approach to employee well-being, addressing diverse needs across teams and departments. Emphasising positive work relationships, cleanliness, and inclusivity, initiatives encompass flexible work arrangements, health benefits, breaks, growth opportunities, and open communication. Notably, the implementation of the JKH Group's pioneering parental leave policy, offering 100 days of leave to both parents upon childbirth or adoption, underscores a commitment to fairness and parental involvement in childcare.

Specific measures include promoting healthy lifestyles, providing accommodations for distant employees, and offering allowances and uniforms for non-executive staff. Furthermore, initiatives like the SanNap project, providing free sanitary napkins to female workers, highlight efforts to support employee well-being comprehensively whilst achieving the objective of de-stigmatising the subject. The overarching goal is to cultivate a workplace environment that fosters belonging and prioritises the physical and mental health of employees, ultimately fostering a motivated and satisfied workforce.

### Way Forward

The Company is poised to elevate its Human Resource operations by prioritising employee welfare and value creation. This entails a steadfast commitment to safety, health, and wellness, alongside fostering a diverse and inclusive workforce. Moreover, the Company will intensify its focus on employee development through expanded training and development initiatives. In the upcoming year, TSFL will concentrate on enhancing employee engagement and motivation by implementing various programs, including outbound training sessions and motivational workshops. Additionally, investments in training and development will be augmented for both operational and administrative staff to enrich their skills and knowledge, thereby amplifying human and intellectual capital. Looking ahead, the Company plans to explore the adoption of automated systems and processes for routine HRM tasks. This strategic move aims to harness technology to boost operational efficiency, freeing up employees to concentrate on value-added responsibilities and fostering their professional growth.

# Social and Relationship Capital



### Building Bridges Steeped in Trustworthy Connections

At TSFL, we understand that a strong cup of tea requires strong relationships. During the year under review, we focussed on social and relationship capital value creation by fostering positive connections with our suppliers, communities, and customers, building trust and loyalty. By nurturing these relationships, the Company has not only secured a reliable supply chain and a loyal customer base, but we have also contributed to a more positive social impact.

## Value Created for the FY 2023/24



Financial Assistance extended

**Rs. 27.50 Mn**



Extension programmes

**7,580**



Smallholder Participation in Extension programmes

**11,326**

### Management Approach

TSFL generates social and relational benefits through active collaboration with essential stakeholders throughout its value chain. The Company maintains regular communication with these stakeholders to cultivate lasting relationships and obtain thorough insights into their business practices and needs. Through diverse programs and communication channels, we exchange information and nurture robust connections, enhancing our understanding of their requirements and enabling us to adeptly address market dynamics. This approach ensures the creation of sustainable value for all stakeholders over the long term.

### Supplier Relationships

TSFL values its supplier relationships as pivotal to its growth, considering them its primary stakeholders. The tea small holder partners and other growers are crucial as they supply the green leaf, the key

raw material for tea production. When onboarding new suppliers, the Company carefully assesses various factors to ensure alignment with its policies and compliance standards. Additionally, TSFL ensures fair compensation for the goods and services provided by suppliers, offering them market-competitive prices.

### Smallholder supplier base of TSFL for the financial year 2023/24

Neluwa T.F	Halwitigala T.F	Hingalgoda T.F	Kurupanawa T.F	Broadlands T.F
1,057	1,086	902	854	2,613

The Company's network of secondary suppliers comprises various stakeholders such as agents, transporters, fertiliser suppliers, and service providers, crucially supporting the tea manufacturing process and providing ancillary services. Their role within the Company's value chain is pivotal, significantly aiding in the achievement of strategic growth objectives.

### Procurement

TSFL strongly advocates for the support of local businesses and the sustainable development of local suppliers. Consistent with this commitment, we prioritise obtaining almost 100% of our essential materials from local suppliers across the country. In the previous financial year, among other things, we disbursed Rs. 2,261.78 Mn for procuring green leaf, Rs. 106.62 Mn for leaf transport, Rs. 46.37 Mn for biomass, and Rs. 24.77 Mn for packing materials.

## Social and Relationship Capital

### Supplier Screening

The Company has implemented a thorough supplier assessment policy where suppliers are evaluated based on their capacity, reliability, and past performance concerning regulatory adherence, health and safety protocols, human rights and labour practices, and environmental criteria. These assessments enable TSFL to assess suppliers' suitability for partnership and their commitment to upholding the ethical standards and code of conduct outlined by JKH Group. During the year under review, none of our suppliers have violated the Company's policies and expectations.

#### Key Supplier Certification and Environmental Assessments

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

### Supplier Engagement

TSFL maintains ongoing communication with its suppliers to offer assistance and cultivate a shared understanding of each other's requirements. Utilising a range of channels including meetings, site visits, regular communication, surveys, and events, TSFL nurtures effective collaboration, ensuring alignment of goals and expectations in an open and transparent manner.

<b>Seminars</b>	<b>Mini Crop Clinics</b>	<b>Replanting Monitoring Visits</b>	<b>Leaf Route Visits</b>	<b>Conducted pH Tests</b>
No of Programs- 03 No. of Participants-535	No of Programs- 41 No. of Participants- 341	1 visit each for 259 blocks	1 visit each for 1,126 leaf routes	1 test each for 441 fields
<b>Pocket Meetings</b>	<b>Field Days/Demonstrations</b>	<b>Advisory Visits</b>	<b>Smallholder Visits</b>	
No of Programs-141 No. of Participants-1,808	No of Programs- 530 No. of Participants-1,777	1 visit each for 3,060 blocks	1 visit each for 1,979 small holders	

#### Providing outreach services to smallholder partners

The Company continued with the extension services tailored to our green leaf suppliers which provided the necessary support and attention to create a mutually beneficial partnership that ensures small holder success and a reliable supply of high-quality tea for TSFL.

Throughout the financial year, the Company continued to provide following benefits to our small holders.

- Facilitating the smallholder participation in TSHDA subsidy programs for activities such as replanting and establishing nurseries.
- Persuading and assisting smallholders to enrol for Tea Board subsidy initiatives to acquire essential resources like fertiliser, leaf crates, and leaf transport bags, as well as supporting activities such as irrigation, soil conservation, and tea land mechanisation.
- Facilitating connections between smallholders and the Tea Research Institute (TRI) to access and disseminate new tea technologies and research findings.
- Organising visits for smallholder partners from the Galle region factories to John Keells Tea Brokers in Colombo. The visits aimed to educate smallholders on global client expectations and Ceylon Tea quality standards, empowering them to meet international market demands effectively by supplying good quality leaf to the respective factories.

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

Extension Service	Programme/Project Structure	Update 2023/24
<b>SPECIAL PROJECTS</b>		
<b>Development Assistance to Tea Smallholders</b>		
<p>Launched in 2010, this is the Company's primary extension project aimed at encouraging smallholders to rehabilitate and replant unproductive land</p>	<p>The Company provides financial assistance to smallholder farmers at discounted rates, coupled with expert advice on land preparation for replanting, soil enhancement techniques, and crop management practices. Moreover, concessional rates are offered for fertiliser blends and a range of high-yielding, drought-resistant, and pest-resistant crop varieties.</p>	<ul style="list-style-type: none"> <li>• Project 1, 2, 3,4 and 5 comprising of 161.25 acres with the participation of 234 smallholders have been completed and harvesting of these lands are in progress.</li> <li>• Project 6 – comprising of 24 acres with the participation of 34 smallholders. Planting was completed during 2019. Selective harvesting commenced and due for 1st formative pruning.</li> <li>• Project 7 - commenced in 2018/19, where 19 acres has been identified for replanting with the participation of 28 smallholders. Planting was completed by end March 2021. This is in the 3rd year upkeep phase.</li> <li>• Project 8 - commenced in 2019/20, where 21 acres have been identified for replanting with the participation of 25 smallholders. Planting was completed by end of March 2022. This is in the 2nd year upkeep phase.</li> <li>• Project 9 – commenced in 2021/22, where 19 acres have been identified with 18 smallholders. Planting was completed by end of March 2023.</li> <li>• Project 10 – commenced in 2022/23, where 23 acres have been identified with 27 smallholders. Planting has been completed by the end of March 2024.</li> <li>• Project 11 – commenced in 2023/24, where 20.5 acres have been identified with 25 smallholders. Planting is to be completed by the end of March 2025.</li> </ul>
<b>Infilling Programme</b>		
<p>Launched in 2015 to complement the replanting programme, the aim of the programme is to infill tea plants to the vacant blocks of land in the tea fields and bring into bearing in a shorter period</p>	<p>The Company offers smallholder farmers nursery plants through a convenient payment plan to populate vacant areas. This initiative aims to enhance the productivity of smallholder tea blocks.</p>	<p>A total of 18,950 plants have been infilled at 44 smallholder blocks in 2023/24. The extent planted was 4.50 acres.</p>
<b>Soil Testing Services</b>		
<p>Launched in 2008/09 the aim of this service is to help smallholders to maintain soil health and manage land in a sustainable manner</p>	<p>The Company's extension team regularly analyses soil pH levels on smallholder properties and subsequently distributes Dolomite to enhance soil enrichment as needed.</p>	<p>441 soil samples were tested, and 92.95 MT of Dolomite was distributed towards correcting the pH values</p>

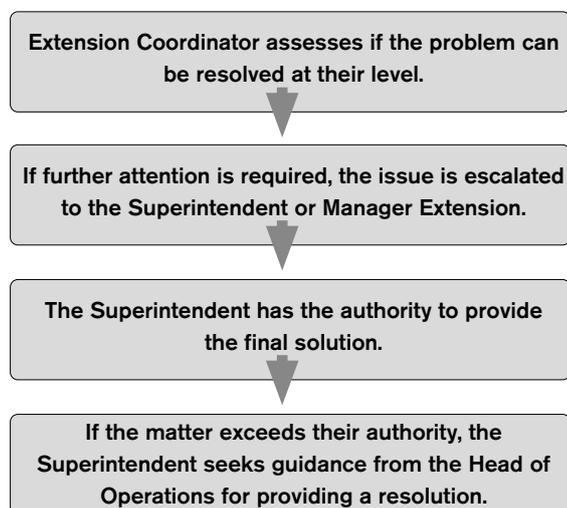
## Social and Relationship Capital

Extension Service	Programme/Project Structure	Update 2023/24
<b>Crop Clinics</b>		
Launched in 2011/12 the aim of this service is to transfer expert knowledge on good agricultural practices in collaboration with the Tea Research Institute (TRI), Tea Small Holdings Development Authority and suppliers of fertiliser	The Company's extension team conducts regular soil pH analyses on smallholder lands, followed by dolomite distribution to ensure sufficient soil enrichment.	41 mini crop clinics were conducted for 341 green leaf suppliers
<b>Financial Assistance</b>		
Launched in 2010, the aim is to support long standing green leaf suppliers / smallholders to develop their lands or expand their operations	The Company extends financial support through loans for land rehabilitation and the acquisition of planting materials, while also offering grants specifically for fertiliser procurement.	Following loans were granted during the year Replanting Loans – Rs. 0.67 Mn Short Term Loans – Rs. 25.5 Mn Infilling Loans – Rs. 1.33 Mn

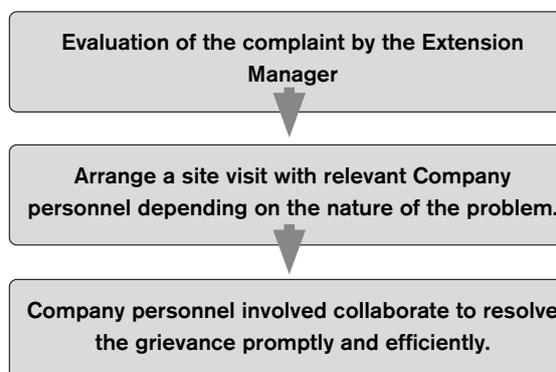
### Handling grievances of smallholder partners

TSFL has established a structured process to address any issues or concerns raised by our smallholder partners.

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



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



By adhering to these established protocols, TSFL ensures the timely resolution of any concerns or issues raised by our smallholder partners, fostering a robust and mutually advantageous relationship.

### Customer Relationships

Building and maintaining robust relationships with customers and tea brokers is foundational to the Company's success. Acting as intermediaries, the tea broker offer invaluable insights into market dynamics and advocate for the distinct qualities of TSFL tea factories and their products. Central to these relationships is a commitment to transparency, ethics, and product traceability, instilling trust and confidence in customers. Quality is non-negotiable, upheld through stringent control measures. The Company's dedication to responsible manufacturing practices and sustainability resonates with an eco-conscious consumer base. Fair pricing ensures affordability without compromising quality, while compliance with industry regulations underscores its commitment to ethical business practices. In prioritising these principles, the Company can forge enduring partnerships and secure its position in the market.

### Customer value propositions

- Transparency and ethical business practices
- Product traceability
- Product quality
- Responsible manufacturing operations
- Sustainable tea production

In addition to collaborating with tea brokers, TSFL directly engages with a handpicked selection of local customers to distribute and market our teas within the local market. In the previous financial year, TSFL organised tours of our manufacturing facilities for both customers and tea brokers, aiming to provide them with a comprehensive understanding of our tea production processes and showcase the exceptional standards maintained in our factories. As part of this effort, a group of longstanding customers had the opportunity to visit multiple factories within our network.

TSFL has implemented a robust customer relationship management system to actively engage with both customers and tea brokers, understanding their unique needs and striving to surpass their expectations, particularly in terms of product quality. By prioritising customer satisfaction, TSFL can command premium prices and achieve stronger financial performance. Furthermore, nurturing positive relationships with customers and tea brokers is pivotal in fostering trust, cultivating loyalty, and securing repeat business.

To accomplish these objectives, TSFL maintains consistent and proactive communication, promptly addressing inquiries and providing accurate and timely information about their teas. This approach enables the Company to meet customer requirements through tailored tea blends, customised packaging, and personalised services. Leveraging these enduring relationships, TSFL gains valuable insights into market trends, customer preferences, and shifts in demand, empowering the Company to adapt strategies to effectively respond to evolving market dynamics.

### Customer Health and Safety

Our factories are certified in ISO 22000:2018 Food Safety Management System for the financial year ending March 31, 2024 and there were no reported instances of non-compliance with regards to the health and safety impacts of the Company's products. TSFL remained dedicated to safeguarding the well-being and safety of our customers by upholding rigorous hygiene protocols and manufacturing quality standards across all our factories.

### Customer Privacy

During the financial year under review, no substantiated complaints were received against the Company regarding breaches of customer privacy or losses of customer data.

### Community Engagement

Our commitment extends to the communities comprising our employees, suppliers, and diverse business partners, highlighting the significance of

empowering and advancing them. Through our support, we actively contribute to the nation's value addition process.

Our CSR strategies align with the expectations of diverse stakeholders, prioritising initiatives that enhance societal well-being. Through partnerships with communities in environmental conservation efforts, we advocate for sustainable farming practices, safeguard natural habitats, and contribute to fostering an environmentally conscious tea industry.

During the year under review, the Company continued hiring individuals from nearby villages where nine interns were chosen to join the TSFL team, gaining valuable experience in our manufacturing operations. All of these interns were selected from families partnered with small holders. This initiative not only creates job opportunities but also allows individuals to learn and hone skills within the tea industry.

### Community Initiatives and Involvement

During the financial year under review, TSFL spearheaded and executed over 20 projects and initiatives aimed at positively impacting the communities neighbouring our business operations. These annual endeavours were carefully designed to contribute to the advancement and improvement of these communities, highlighting our unwavering commitment to their welfare and development.



*Conducted dengue awareness programs at Hingaloda, Halwitigala, and Neluwa factories to educate residents on preventative measures against the disease.*

## Social and Relationship Capital



Contributed towards educational support by distributing discounted school stationery to children of smallholder partners across all the factories and a donation of school books to the "Dhamma School" located within the Hingalgoda tea factory vicinity.



Organised a health camp at the Halwitigala factory, delivering essential medical services to the community.



Sponsored a blood donation camp at Ruwanpura temple through Halwitigala factory.



Provided six months of training opportunities for children of loyal customers at our factories



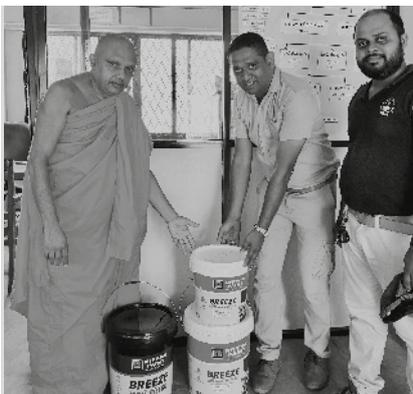
Assisted the development of infrastructure at local temples which are located in the vicinities of Hingalgoda and Halwitigala tea factories.



Hosted a full-day seminar for grade five scholarship students from all four factories in the Galle district, aimed at bolstering their educational journey.



Arranged visits to Neluwa and Hingalgoda factories for nearby school children to enhance their understanding of the tea industry and raise awareness of current industry challenges



Colour washing of the wall surrounding the playground at G/Mallika Vidyalyaya, Thawalama

### Relations with Government and Regulators

TSFL nurtures collaborative partnerships with governmental bodies and regulatory entities within the tea industry, placing a greater emphasis on adherence to ethical and sustainable norms. The Company remains vigilant about industry regulations, participating actively in consultations and sharing insights to foster a sustainable tea sector. Furthermore, TSFL collaborates with government authorities on environmental sustainability initiatives, ensuring alignment with established standards. These constructive relationships underscore TSFL's dedication to responsible business conduct and the enduring prosperity of the tea manufacturing sector.

### Way Forward

The Company's strategic vision underscores the paramount importance of social and relationship capital in steering sustainable growth and performance. At the core of our strategy lies a steadfast commitment to nurturing and sustaining green leaf suppliers, particularly smallholder partners, by offering not only value-added services but also unwavering support for sustainable agricultural practices. Concurrently, TSFL is dedicated to fortifying customer relationships through the delivery of quality products, personalised experiences, and punctual deliveries, all while fostering enduring connections with tea brokers and direct customers alike. Community satisfaction remains a cornerstone of our ethos, with TSFL actively engaging in an array of CSR initiatives and forging strong collaborative ties with local organisations to effect positive change. Moreover, TSFL recognises the imperative of collaboration with government bodies, regulators, and industry associations to collectively tackle shared challenges. Through the cultivation of robust connections and partnerships, TSFL aims not only to bolster its social standing but also to engender trust and actively contribute to the sustainable growth of the tea industry.

# Intellectual Capital



## The Secret Ingredient for Success

At TSFL, we believe the best cup of tea is steeped in knowledge. During the year under review, we created intellectual capital value by promoting a culture of innovation and learning. We invested in resources, fostered employee creativity and nurtured a pipeline of fresh ideas. This emphasis on intellectual capital ensures the Company stays ahead of the curve, delivering unique and exciting tea products for our customers.

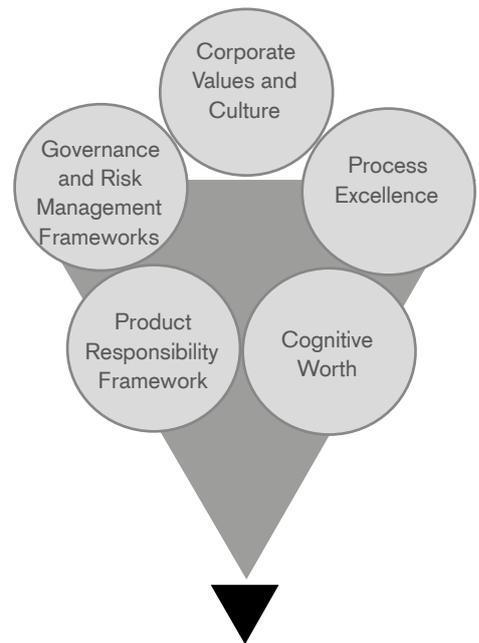
### Value Created for the FY 2023/24

 <p>Rainforest Alliance 2020 – Sustainable Agriculture Standard</p> 	 <p>ISO 45001:2018 Occupational Health &amp; Safety Management System</p> 	 <p>ISO 22000:2018 Food Safety Management System</p> 
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### MANAGEMENT APPROACH

TSFL adopts strategic approaches to cultivate and enhance our intellectual capital, aiming to increase value for our stakeholders and support sustainable business growth. Central to our intellectual capital are our corporate values, unique methodologies, stringent quality standards, commitment to product responsibility, skilled leadership, effective management teams, robust governance and risk management frameworks. While these elements have been developed independently, their seamless integration generates a continuous flow of intellectual capital value, reinforcing our dedication to stakeholders.

Throughout the financial year, the Company has consistently invested resources in nurturing intellectual capital, fostering a distinct organisational culture and building brand equity. This strategic investment is pivotal in our objective to differentiate our products in the weekly auctions. TSFL has actively engaged with stakeholders to enhance these intellectual assets, maximising their impact and extracting value. During the reporting period, our focus has been on preserving brand value through targeted investments in brand-building initiatives. These efforts aim to enhance brand visibility, command premium pricing for our tea products, and sustain competitiveness in the industry.



**Long term Intellectual Capital Value**

## Intellectual Capital

### CORPORATE VALUES AND CULTURE

Over the past few years, TSFL has dedicated significant resources to cultivating a few distinguished garden marks, cementing its status as a respected entity within the industry. This achievement stems from the Company's unwavering dedication to crafting a cohesive brand image, maintaining coherence across all communication platforms, fostering a positive organisational ethos, actively engaging stakeholders, honouring its obligations, embracing social accountability, and continually fine-tuning its grade mix in response to both internal and external dynamics. Our endeavours have been fortified by our core values, the unwavering dedication of our employees, and our commitment to collaborating closely with our smallholder tea partners, ensuring ongoing enhancements in tea production.

### PROCESS EXCELLENCE

The Company's commitment to investing in technology and machinery in the pursuit of excellence and innovation has continued to prioritise the enhancement of our intellectual capital, particularly in the realm of process excellence. Our commitment to refining operational processes, optimising efficiency, and fostering a culture of continuous improvement has been pivotal in driving our success in the dynamic and competitive tea industry.

TSFL has made strategic investments in technology-driven platforms to bolster connectivity and promote transparent relationships with our green leaf suppliers. These investments have led to notable progress thus far, supporting our suppliers in enhancing their operational efficiencies. During the year under review, Company invested Rs. 60.37 Mn to upgrade and acquire new machinery.

With the launch of our new website and social media pages, we are excited to bring TSFL closer to our audience than ever before. Our website serves as a hub for all things related to our products and services whilst providing easy access to information. Simultaneously, our social media presence allows us to engage directly with our stakeholders, sharing

updates, behind-the-scene glimpses, and fostering meaningful conversations. Together, these platforms enable us to create a dynamic online experience, connecting with both existing customers and new followers, and strengthening our brand's digital footprint.

To visit our website, please click on the below link;  
<https://tsfl-keells.com/>

We remain steadfast in our commitment to process excellence as a linchpin of our competitive advantage. Moving forward, we will continue to prioritise investments in technology, talent development, and operational excellence initiatives.

### BEST PRACTICES

We are committed to enhancing quality by implementing best practices internally and extending them to our partners in the value chain. This includes offering development programs to smallholder partners, identifying industry advancements in collaboration with the tea brokers, and inviting partners to visit our factories for firsthand experience. These collaborative efforts not only foster sustainability and reputation but also enable us to stay responsive to market needs, ultimately benefiting both our business and stakeholders.

### PRODUCT RESPONSIBILITY FRAMEWORK

TSFL places a significant emphasis on product responsibility, prioritising the quality and safety of our offerings. We uphold stringent policies and procedures to ensure that our teas adhere to the highest standards of quality and food safety. This includes meticulous attention to factors such as hygiene, temperature control and humidity regulation. Since 2006, our factories have proudly held certification under the ISO 22000:2018 Food Safety Management Systems, showcasing our dedication to maintaining these benchmarks. Additionally, we have been accredited with the RA 2020 - Rainforest Alliance Sustainable Agriculture

Standard certificate for Broadlands tea factory since 2020, a testament to our commitment to sustainable practices.

We consistently uphold and renew these certifications as necessary, ensuring full compliance. Notably, these certifications were successfully renewed during the financial year. Under the ISO 22000:2018 Food Safety Management Systems, we follow the Hazard Analysis and Critical Control Points (HACCP) system with our black tea meeting the ISO 3720:2011 standards. This certification not only underscores the exceptional quality of our products but also validates the rigorous processes and methodologies employed in their production. Furthermore, as a participant of Rainforest Alliance (RA) certification, we affirm our dedication to sustainability and ethical production in Sri Lanka. This commitment is demonstrated through the adoption of multiple best practices and voluntary adherence to guidelines for quality and excellence.

At the heart of our Company's ethos lies an unwavering commitment to maintaining these quality standards, serving as a foundation of our product responsibility efforts. The Company prioritises strict adherence to industry regulations and meets global customer expectations, ensuring our products maintain top-notch quality and purity. We implement rigorous controls to prevent the inclusion of banned, disputed, or illegal substances in our teas, ensuring they remain free from adulterants.

### PRODUCT LABELLING

TSFL adheres to the regulations set by the Sri Lanka Tea Board and the Colombo Tea Traders' Association concerning product labelling. Our product packaging contains vital details including the brand, quality grade, invoice reference, quantity, net weight, gross weight, and manufacturer's certification.

## COGNITIVE WORTH

The Company's inherent knowledge is cultivated through the expertise and experience of its dedicated staff, as well as the constant refinement of operational processes and procedures aimed at optimising efficiency. Our leadership team brings extensive industry experience to the table, while our employees contribute a wealth of acquired knowledge and skills. By leveraging this combined expertise and academic qualifications, TSFL is well-equipped to overcome challenges and drive business growth. We actively foster a culture of continuous learning and development, encouraging both new and long-standing employees to stay abreast of evolving industry trends and maintain relevance in today's ever-changing business environment.

## GOVERNANCE AND RISK MANAGEMENT FRAMEWORKS

TSFL has established a comprehensive governance framework that encompasses mandatory requirements as well as voluntary best practices. Within this framework, our risk management structure ensures consistent oversight of business risks, enabling us to identify material topics that impact both the Company and our stakeholders. By adhering to these frameworks, we maintain transparent and ethical management practices while proactively managing or mitigating risks in our operating environment. They are integral components of our intellectual capital and play a vital role in preserving our corporate reputation in the marketplace.

Please refer our Corporate Governance section and refer to pages 66 to 94, as well as the Enterprise Risk Management Report on pages 98 to 104, for further details.

## WAY FORWARD

In the near future, TSFL aims to firmly establish its garden marks in the local market, with the ultimate goal of promoting single origin teas to international buyers over time. To accomplish this, the Company intends to intensify marketing efforts, including increased promotional activities and a stronger presence on popular social media platforms. Additionally, there's a gradual transition toward direct sales, focusing on end consumers to enhance the value of our garden marks. Engaging with stakeholders and participating in major annual tea industry exhibitions and trade shows will also be crucial, providing opportunities to showcase our teas and expand the reach of TSFL's garden marks to new audiences. Through the implementation of these strategies, TSFL expects to strengthen its key garden marks and capture a larger share of the market.

Additionally, the Company remains committed to cultivating intellectual value through a focus on operational excellence and a robust product responsibility framework. Resources will be allocated strategically, with planned investments aimed at streamlining the tea production process and optimising factory efficiency. Collaboration with smallholder tea partners will continue to promote best practices, with a particular focus on enhancing services like the extension service, which has yielded positive results thus far. Technology adoption and digitalisation will play a significant role in advancing process efficiency and knowledge value. Furthermore, TSFL will leverage the expertise of its leadership, management, and workforce to propel business growth and ensure future success.

# Natural Capital



## Cultivating a Sustainable Future

At TSFL, we believe a delicious cup of tea begins with a healthy planet. This year, we prioritised natural capital value creation, focusing on sustainable farming practices, environmental protection, and resource conservation. We've implemented eco-friendly initiatives, reduced our environmental footprint, and ensured responsible sourcing. By nurturing our natural capital, we're ensuring a thriving ecosystem and a sustainable future for tea production.

### Value Created for the FY 2023/24



Energy Usage

**25,346 GJ**



Water Consumption

**8,904M<sup>3</sup>**



Renewable Energy Usage

**59%**

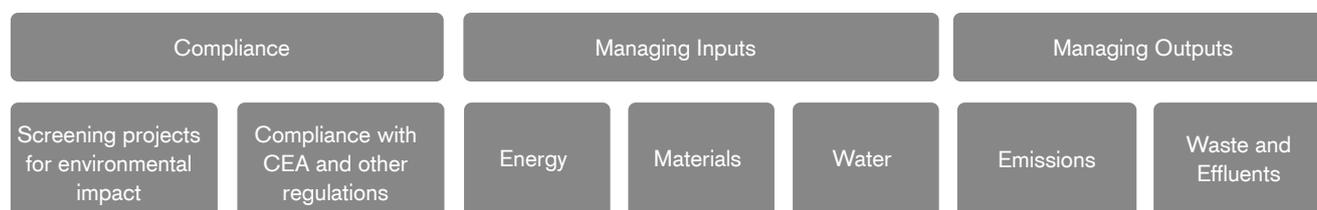
### Management Approach

TSFL places great emphasis on generating value through natural capital in our operations by prioritising environmental sustainability and conservation of natural resources in our business strategies, processes, and systems. This commitment is evident in how we seamlessly integrate the identification, measurement, monitoring, and mitigation of our environmental impact into our strategic planning process. By adopting a proactive approach and by keeping in line with the environmental management policy and framework of the Company, we ensure

that key environmental sustainability factors are consistently considered in our business strategies at every phase. TSFL aligns all projects and operations with the Company's Environmental Management Policy (EMP), designed to meet standards set by the Central Environmental Authority (CEA) and Rainforest Alliance (RA) certification criteria. Our EMP provides a structured framework for monitoring and improving environmental performance, enabling ongoing enhancements to our environmental initiatives. We prioritise understanding and reducing the

environmental impact of our product throughout its lifecycle. This includes efforts to minimise energy use, water consumption, emissions, and waste generation. We also seek eco-friendly packaging materials and collaborate with environmentally responsible suppliers. Our goal is to contribute positively to environmental preservation.

## Environmental Management Framework



Our environmental sustainability efforts focus on several key components: decreasing water usage, reducing consumption of non-renewable energy and materials, and optimising waste management to mitigate our climate impact. These initiatives align with our overarching goal of diminishing the carbon footprint of our factories and overall business operations. Additionally, we adhere to international best practices and contribute to targeted Sustainable Development Goals (SDGs). By committing to voluntary global certification standards, we continuously improve our processes and operations, minimising our environmental footprint, conserving scarce natural resources, and fostering biodiversity preservation across our estates.

Source of Energy	Unit of Measurement	2024	2023	2022	2021	2020
Electricity from the National Grid	kWh	1,931,207	2,089,626	2,332,133	2,660,572	2,818,807
Biomass	Cubic metre	14,886	16,755	19,088	21,950	19,531
Diesel used for Generators	Litres	21,281	55,774	41,334	39,626	40,705
Diesel used for Transportation	Litres	75,112	60,380	56,544	56,339	84,263
Petrol used for Transportation	Litres	1,178	1,224	1,314	1,085	1,088

While the Company's manufacturing operations do produce emissions, TSFL has implemented several control measures to minimise these impacts. These measures encompass utilising renewable energy sources, employing energy-efficient machinery, conducting regular equipment maintenance, implementing waste management programs, monitoring and tracking energy usage and emissions, and sharing knowledge on sustainable agricultural practices with our smallholder partners. These initiatives are integrated into our tea manufacturing process and other operations to decrease environmental impact and enhance environmental performance.

### Conserving Energy

The Company harnesses energy from a range of sources, encompassing both renewable and non-renewable options such as electricity, biomass, diesel, and petrol. Energy constitutes a vital aspect of our natural resources and represents a significant expense in our tea production, accounting for around 21% of our

manufacturing expenses. Acknowledging the importance of reducing energy consumption, we place emphasis on sustainable practices and investments in energy-efficient machinery and equipment, as well as promoting renewable and alternative energy sources. It's pleasing to note that in the previous financial year, 59% of our total energy requirements were fulfilled by renewable sources. To further decrease energy usage, emissions, and carbon footprint, the Company consistently upgrades equipment to enhance energy efficiency. Moreover, we conduct thorough monitoring of our manufacturing processes to identify areas where energy consumption is high and prioritise transitioning them to renewable sources or more efficient methods. Our ongoing commitment has resulted in numerous initiatives yielding reduced energy consumption across our factories over time.

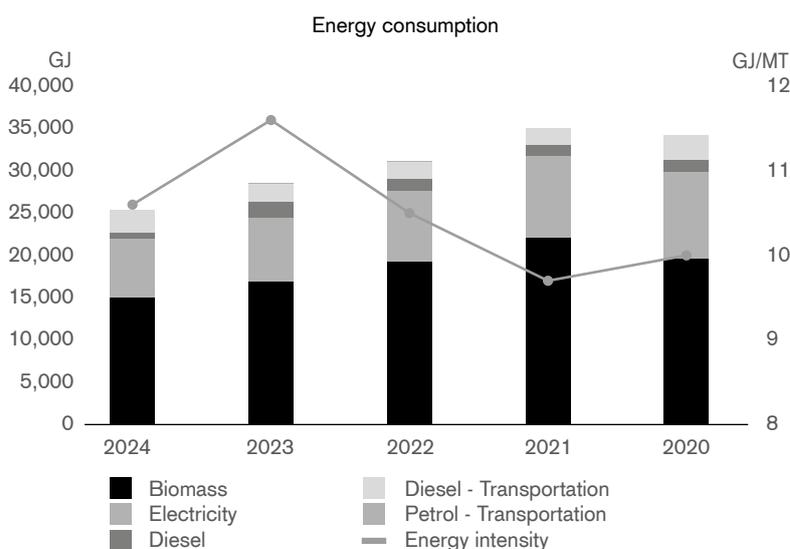
## Natural Capital

Initiative	Location	Completion Level
Replace aging colour sorters with state-of-the-art, energy efficient colour sorters, which are equipped with enhanced cleaning capabilities	Kurupanawa Tea Factory	100%
Installation of energy efficient Inverter type air compressor (An energy saving of over 30% is expected when compared with the standard screw compressor)	Kurupanawa Tea Factory	100%
Rehabilitation of aging drier furnaces to improve the output	Kurupanawa and Halwitigala Tea Factories	100%
Modification of Michie Sifters to improve the efficiency and productivity whilst generating a labour saving	3 units for each Factories	70%
Automation of tea rolling process to minimise the machine idling time whilst generating a labour saving	Broadlands Tea Factory	100%
Automation of withering leaf collection process to minimise the machine idling time whilst generating a labour saving	New Panawenna and Broadlands Tea Factories	100%
Rehabilitation of aging Generators to improve the efficiency	Halwitigala Tea Factory	60%

### Monitoring Energy Intensity

The company has established monitoring procedures to track energy usage across all of our factories, prioritising essential energy sources such as electricity, firewood, and fuel. Our commitment to implementing optimal practices to reduce energy consumption has yielded measurable results. Particularly noteworthy is the consistent year-on-year decrease in our energy consumption intensity to 10.59 GJ per kg of made tea (compared to 11.57 GJ per kg of made tea in 2022/23), highlighting the success of TSFL's efficient and effective energy management strategies.

	2024	2023	Variance %
Renewable sources - Biomass (GJ)	14,983	16,864	-11%
Non-renewable sources (GJ)	10,363	11,627	-11%
Electricity (GJ)	6,952	7,523	-8%
Diesel (GJ)	745	1,952	-62%
Diesel - Transportation (GJ)	2,629	2,113	24%
Petrol - Transportation (GJ)	37	39	-5%
Direct Energy Consumption (GJ)	25,346	28,491	-11%





### Material Consumption

The Company's black tea production relies on green leaf purchased from smallholder partners as its primary raw material. To ensure sustainability in sourcing, we adhere to Rainforest Alliance (RA) standards, which prioritise biodiversity preservation and sustainable agricultural practices. Our procurement policy mandates suppliers to uphold these standards, with a particular emphasis on sustainable plantation concepts among smallholder partners providing green tea leaf. During the year under review, the Company procured 11.82 Mn kilograms of green leaves from smallholders, a marginal decrease compared to the 12.07 Mn kilograms purchased in 2022/23.

In addition to our procurement practices, we actively support our smallholder partners in adopting sustainable practices through extension services. These services promote Good Agricultural Practices for soil enrichment and advocate for minimising agrochemical usage to prevent land degradation. Since 2010, our "Development Assistance to Tea Small Holders" program has provided funding and guidance for rehabilitating and replanting unproductive tea lands owned

by smallholders. For more detailed insights into our extension services, please refer to the Social and Relationship Capital Report on pages 47 to 52.

Aligned with our commitment to sustainability, we prioritise the use of environmentally friendly and sustainable packaging materials for tea packaging. Our choices primarily consist of biodegradable or recyclable options. While firewood remains a traditional fuel source for tea leaf driers, we are mindful of its environmental impact. Thus, we are actively exploring alternative and sustainable fuel sources such as biomass briquets. This evaluation aims to reduce our reliance on firewood and mitigate any potential adverse environmental effects.

### Management of Water

In the Company's manufacturing process, water plays a minimal and indirect role, primarily used for humidifying the rolling room, which accounts for only 20% of total water consumption. The remaining water is primarily allocated for employee use and cleaning purposes. TSFL sources its water supply from groundwater via deep wells. Understanding the finite nature of water resources, the Company actively promotes responsible water usage and implements strategies to minimise consumption.

In the year under review, the Company made an investment in a rainwater harvesting project at the Neluwa tea factory, aiming to cover 30% to 40% of the factory's water needs through this initiative. Looking ahead to the upcoming financial year, Management has allocated budgetary resources to expand this project to other factories within the Company's network.

### Management of Waste and Effluents

The Company actively participates in the Plastic Recycle Project as part of the JKH group, demonstrating its commitment to reducing plastic waste and promoting recycling initiatives. Through this project, we adopt and promote the 5R concept – reduce, reuse, recycle, refuse, and

repurpose – showcasing best practices in plastic usage and environmental conservation.

In managing waste and effluents from our manufacturing process, the Company adheres to guidelines set by the Central Environmental Authority (CEA) of Sri Lanka and implements sustainable practices to minimise environmental pollution. Effluents are channelled into soakage pits across all our tea manufacturing facilities, and waste is segregated with recyclable materials sent for recycling. Organic waste from our factory locations is responsibly disposed of in landfills. To ensure minimal waste generation, the Company implements various measures. These include enhancing combustion efficiency through the use of dry and split fuelwood, conducting preventive maintenance on driers, and regulating flue gas temperatures and excess air. Disposal of wood ash is carried out through controlled landfilling methods.

Effluent management is a top priority, and robust processes are in place to prevent any escape into natural waterways or surrounding lands. We promote a culture of environmental responsibility among employees, encouraging them to embrace the "reduce, reuse, and recycle" mantra. By instilling these practices, we aim to minimise our environmental footprint and contribute to a sustainable future.

### Climate Change

TSFL acknowledges the significant impact of climate change on tea production and green leaf quality, as well as its potential contributions to climate change factors. To address these challenges, the Company is dedicated to minimising its environmental footprint through initiatives such as Forestry Projects, aimed at increasing forest cover in operational areas. With the successful completion of the Mahogany tree planting project, Management intends to continue these efforts in collaboration with a sister company of the JKH Group

## Natural Capital

in the upcoming financial year. The commitment to sustainability extends to implementing sustainable business practices to mitigate climate change effects and preserve natural resources. This dedication underscores TSFL's role in promoting environmental stewardship for future generations.

### Way Forward

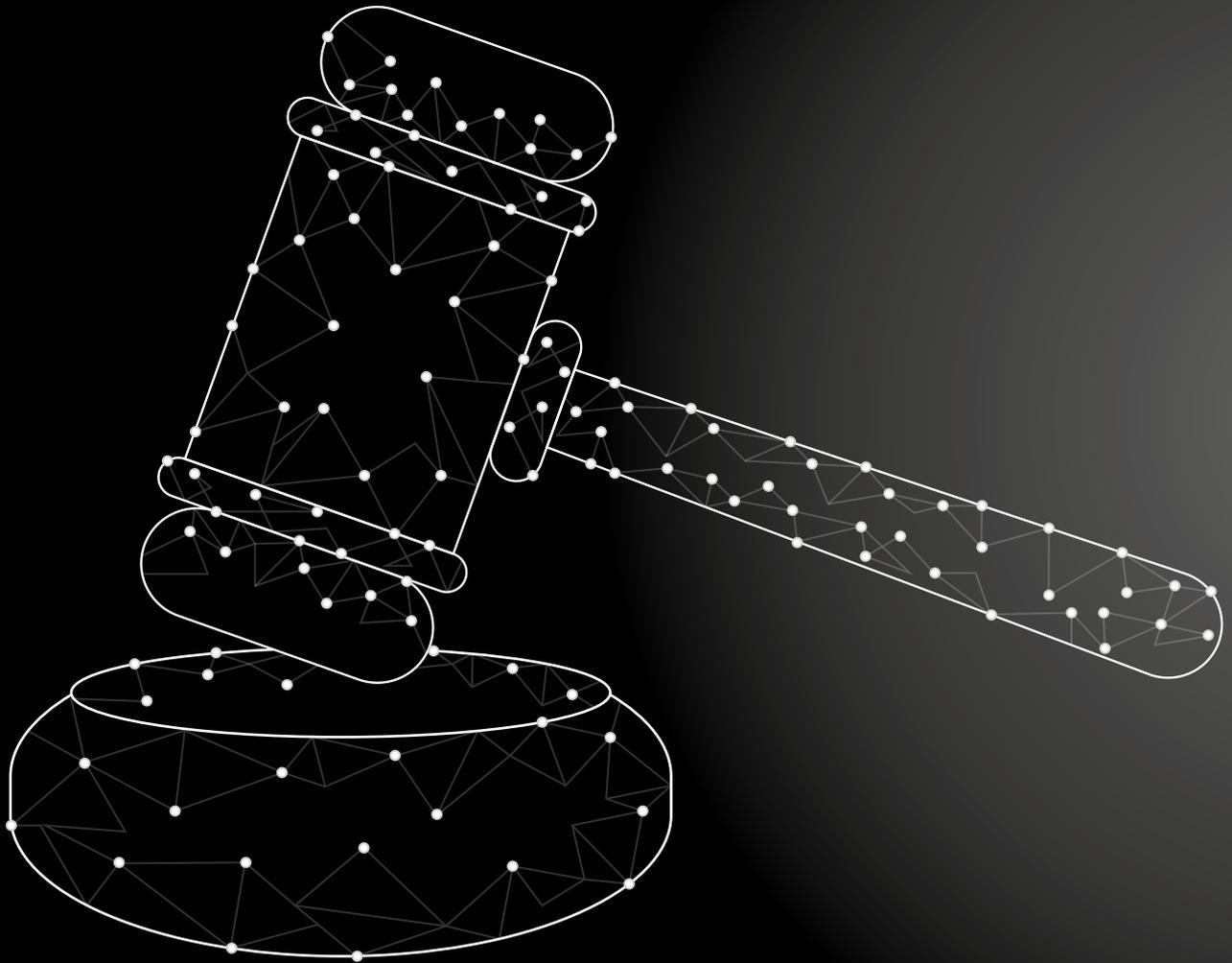
The Company remains steadfast in its commitment to environmental sustainability and the responsible stewardship of natural resources, integral to our ethos of sustainable business practices. Our unwavering focus on natural capital management underscores our dedication to minimising our ecological footprint and advancing sustainable operations.

In the upcoming year, TSFL has devised strategic initiatives to extend the rainwater harvesting project to other factories. Moreover, we are exploring the viability of implementing rooftop solar panels to diminish energy consumption and mitigate our carbon emissions. To further mitigate environmental impact, we are actively pursuing alternative sources of firewood for tea leaf drying, seeking cost-effective substitutes that either supplant or minimise firewood usage.

Our commitment to natural capital management extends to rigorous monitoring and continual improvement processes. Through daily scrutiny of energy consumption per kilogram of tea produced, we endeavour to optimise resource efficiency. Additionally, we are intensifying efforts to monitor waste generation, promoting the principles of reduce, reuse, and recycle to curtail inefficiencies and foster a circular economy mindset.

In essence, TSFL remains resolute in its pursuit of sustainable business practices, championing environmental stewardship, and striving for continual improvement in natural resource management.

# Infusions of Distinction



## GOVERNANCE

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# Board of Directors

## Krishan Balendra

Chairperson/Non-Independent - Non-Executive Director  
(Member of the Board since 2018)

### Board Committees

Member – Nominations Committee  
Member – Related Party Transactions Review Committee

### Skills and Experience :

Krishan Balendra is the Chairperson-CEO of John Keells Holdings PLC. He is also the Chairman of the Employers Federation of Ceylon, Deputy Vice Chairman of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. Krishan started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

### Other Current Appointments

#### Listed Companies:

Former Chairman of Nations Trust Bank PLC and Colombo Stock Exchange.

#### Others:

Chairperson - CEO of John Keells Holdings PLC, Chairman of the Employers Federation of Ceylon, Deputy Vice Chairman of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka.

## Gihan Cooray

Deputy Chairman  
Non-Independent - Non-Executive Director  
(Member of the Board since 2018)

### Board Committees

None

### Skills and Experience

Gihan Cooray is the Deputy Chairperson/ Group Finance Director and has overall responsibility of the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He is a former Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK.

### Other Current Appointments

#### Listed Companies:

Deputy Chairperson/ Group Finance Director of John Keells Holdings PLC. (He served as the Chairman at Nations Trust Bank PLC, till 30th April 2023)

#### Others:

A committee member of the Ceylon Chamber of Commerce.

## Zafir Hashim

Non Independent, Non Executive Director  
(Member of the Board since 2021)

### Board Committees

None

### Skills and Experience

Mr Zafir Hashim has been in the group for 21 years. He has an MSc in Chemical Engineering from the University of Birmingham (UK).

### Positions held in Other Companies

He joined the JKH Group in 2003, seconded to Lanka Marine Services, where he served as the CEO from 2005-2015. He has also served as a member of the Transportation Sector Committee from 2005. During the last 21 years he has held the position of CEO at John Keells Logistics Lanka Ltd, Mackinnons Mackenzie Shipping Co. Ltd, Mack International Freight Ltd and Mackinnons Travels Ltd.

### Other Current Appointments

President of Transportation and Plantation sectors within the John Keells Group.

## Eranjith Wijenaik

Non-Independent - Non-Executive Director  
(Member Of The Board Since 2000)

### Board Sub-Committees:

None

### Skills and Experience

Eranjith Wijenaik serves as the Managing Director of Central Finance Company PLC and has been a member of the Board since 1st April 1983. He holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management.

### Other Current Appointments

#### Listed Companies:

Managing Director of Central Finance Company PLC. Non-Executive Chairman of Equity One Limited and Equity Two PLC and Non-Executive Director of Central Industries PLC.

## Arjuna Gunaratne

Non-Independent - Non-Executive Director  
(Member of the Board since 2018)

### Board Sub-Committees:

Member of the Board Audit Committee

### Skills and Experience

Arjuna Gunaratne serves as an Executive Director at Central Finance Company PLC. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK. He also served as the Chairman at Nations Trust Bank PLC.

### Other Current Appointments

#### Listed Companies:

He is the Deputy Managing Director of Central Finance Company PLC and a Non-Executive Director at Central Industries PLC.

#### Others:

Director of many unlisted companies within the Central Finance Group.

## Ananda Jayatileka

Independent, Non Executive Director  
(Member of the Board since 2005)

### Board Sub-Committees:

Member of the Board Audit Committee

### Skills and Experience

Technology and Industrial Engineering, a Licentiate of the Institute of Plastics and Rubber Industry (L.P.R.I-(London)) and a Fellow of the Institute of the Work Study and Organization and Methods (F.M.S. (UK)). He has been a Director of Richard Pieris & Co. Ltd with a long service of 27 years in the group and was instrumental in setting up of Richard Pieris Exports PLC and served as its Managing Director for over 15 years. He also served on the Boards of Kegalle & Maskeliya Plantations PLC and Aviva Global Services (Pvt) Ltd. His vast experience also includes work in Zambia Consolidated Copper Mines and Pigott Maskew Ltd (Subsidiary of General Tire - South Africa). He founded Latex Green Pvt Ltd a BOI company manufacturing Latex Mattresses for export and served as its CEO for 12 years.

He is a recipient of the merit certificate awarded by the Plastics and Rubber Institute (PRI) of Sri Lanka for the outstanding contribution made to the Rubber Industry of Sri Lanka.

### Other Current Appointments

#### Listed Companies:

- Non-Executive Director of Unisyst Engineering PLC (Alufab) under the Hayleys Group

## Board of Directors

### Shanthi Kumar Lalith Obeyesekere

Independent - Non-Executive Director  
(Member Of The Board Since 2018)

#### Board Sub-Committees:

Member of the Board Audit Committee

#### Skills and Experience

Lalith Obeyesekere functioned as the Chief Executive Officer of two RPCs over a period of 25 years since privatisation of plantations and the formation of Regional Plantation Companies. He is a Fellow of the National Institute of Plantation Management in Sri Lanka and is counting over 50 years' experience in the industry. He is a past Chairman of the Planters' Association of Ceylon and the Plantation Services Group of the Employers Federation of Ceylon. He served as an elected member of the Ceylon Rubber Traders' Association and the Ceylon Tea Traders Association. He has also served on the Boards of Sri Lanka Tea Board, Tea Research Institute, Sri Lanka State Plantations Corporation, Madulsima Plantations PLC and Balangoda Plantations PLC.

#### Other Current Appointments

- Secretary General – The Planters' Association of Ceylon
- Director – National Institute of Plantation Management
- Director – Ceylon Tea Museum
- Director – Plantation Housing Development Trust
- Member – National Labour Advisory Council
- Member – Tea/Rubber/Coconut Wages Boards

### Aruni Goonetilleke

Independent, Non-Executive Director  
(Member of the Board since 2020)

#### Board Sub-Committees:

Chairperson of the Board Audit Committee

#### Skills and Experience

Aruni Goonetilleke served as the Chairperson of Hatton National Bank PLC and is a financial services expert with over twenty-five years of experience in local and international banks. She has held the positions of Head of Corporate Banking at People's Bank, Head of Credit, Commercial Banking at Standard Chartered Bank, Singapore, Chief Risk Officer at Standard Chartered Bank, Sri Lanka and Senior Audit Manager, Group Audit at Standard Chartered Bank, Singapore. She holds a Masters in Law from the Harvard Law School, Harvard University, USA and a Bachelor of Laws (Honors) from the Faculty of Law, University of Colombo.

#### Other Current Appointments

##### Listed Companies:

Non-Executive Director of Sunshine Holdings PLC, Non-Executive Director of PGP Glass Ceylon PLC

##### Others:

Member, Audit Committee of Goodhope Asia Holdings Ltd.

# Management Team

## SENIOR MANAGEMENT

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**Mr. R. H. Walpola**  
Chief Executive Officer /  
Senior Vice President

**K. D. Weerasinghe**  
Chief Financial Officer /  
Executive Vice President

**S. I. S. Dissanayake**  
Head of Operations/  
Assistant Vice President

**M. R. Ahamed**  
Sector Financial Controller/  
Assistant Vice President

**D. M. S. S. Devapriya**  
Manager-Engineer

**D. D. Sellahewa**  
Manager - Finance

**S. M. Dissanayake**  
Manager - Extension

## FACTORY MANAGERS

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**B. W. T. Nadeeshana**  
Superintendent  
Neluwa Tea Factory

**H. L. T. De Silva**  
Superintendent -  
Hingalgoda Tea Factory

**M. D. K. C. Hathurusingha**  
Superintendent -  
Kurupanawa Tea Factory

**E. M. W. N. Weerasinghe**  
Senior Superintendent-  
Broadlands Tea Factory

**M. S. Withanage**  
Superintendent -  
Halwitigala Tea Factory

# Corporate Governance

Corporate governance serves as the cornerstone of organisational structure, providing the guiding principles that shape decision-making processes, operational strategies, and stakeholder relationships. At its essence, corporate governance embodies a set of standards and protocols aimed at ensuring transparency, accountability, equity, and ethical conduct in the management and administration of a corporation. It delineates the allocation of rights and duties among various stakeholders, including the board of directors, executives, shareholders, employees, and other vested parties. A robust corporate governance framework not only safeguards the interests of shareholders but also cultivates trust, integrity, and sustainability, thus contributing to the enduring prosperity and value augmentation of the enterprise.

Tea Smallholder Factories PLC ("Company"), a member of the John Keells Group ("Group"), upholds a tradition of excellence grounded in core values such as accountability, participation, integrity, and transparency. Central to its mission of sustainable growth is a robust and comprehensive governance structure, guiding the Company's trajectory and enriching value for all stakeholders.

As the highest decision-making body within the Company, the Board, bears the responsibility of overseeing strategic objectives in adherence to sound corporate governance principles and values. Additionally, it shoulders the task of upholding a resilient and relevant governance framework amidst a dynamic business environment.

Aligned with the governance ethos of the JKH Group, the Company abides by its code of conduct and governance guidelines, applicable to all employees and Directors. These governance standards are readily accessible to the public on the corporate website via the following link: <https://www.keells.com/esg/#governance>

The Company is committed to full compliance with all statutory obligations mandated by regulatory bodies pertaining to relevant aspects of its operations.

## Highlights of the 29th Annual General Meeting held on 29th June 2023

- Mr. J.G.A. Cooray who retired in terms of Article 83 of the Articles of Association of the Company, was re-elected as a Director of the Company
- Mr. S. K. L. Obeyesekere who retired in terms of Article 83 of the Articles of Association of the Company, was re-elected as a Director of the Company
- Mr. A. S. Jayatilleke who retired in terms of Section 210 of the Companies Act No.7 of 2007, was re-elected as a Director of the Company
- Re-appointment of Messrs. Ernst and Young as the External Auditors of the Company for the year 2023/2024

## COMPLIANCE SUMMARY

### Regulatory Benchmarks

Mandatory Regulatory Frameworks – fully compliant
The Companies Act No. 7 of 2007 including applicable regulations
Listing Rules of the Colombo Stock Exchange (CSE), including circulars
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars
Code of Best Practices on Related Party Transactions (2013) advocated by the SEC
Voluntary Frameworks and Standards
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka – compliant to the extent of business exigency and as required by the Group*
Reporting Frameworks
Global Reporting Initiative Standards
Internal mechanisms
Articles of Association
Internal Policies

#### Key internal policies:

- Code of Conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies at a Board level covering nominations, human resources and compensation, audit and internal controls
- Policies on anti-fraud, anti-corruption, anti-money laundering and countering the financing of terrorism and bidding for contracts, including on government contracts
- Policy on diversity, equity and inclusion, including a gender policy
- Policies on equal opportunities, non-discrimination, career management and promotions, including on employees with disabilities
- Leave (which also encompasses the equal parental leave), flexi-hours and agile working policies including health and safety enhancements and protocols
- Information Technology (IT) policies and procedures, including data protection, classification and security
- Policy on communications and ethical advertising, complemented by social media and crisis communication guidelines
- Policy on enterprise risk management
- Policies on products and services
- Recruitment and selection, rewards and recognition, and learning and development policies
- Policies on whistle blowing, grievance handling and disciplinary procedures
- Policy against sexual harassment
- Policy on forced, compulsory child labour and child protection
- Group accounting procedures and policies
- Policies on fund management and foreign exchange risk mitigation
- Insider trading policy
- Ombudsperson policy
- Group sustainability policies including policies on energy, emissions, climate risk, water, waste management and biodiversity conservation
- Sustainable supply chain policy

\*CA Sri Lanka issued an updated Code of Best Practice on Corporate Governance (2023) in December 2023. The updated Code has been reviewed and will be adopted to the extent of business exigency and as required by the JKH Group.

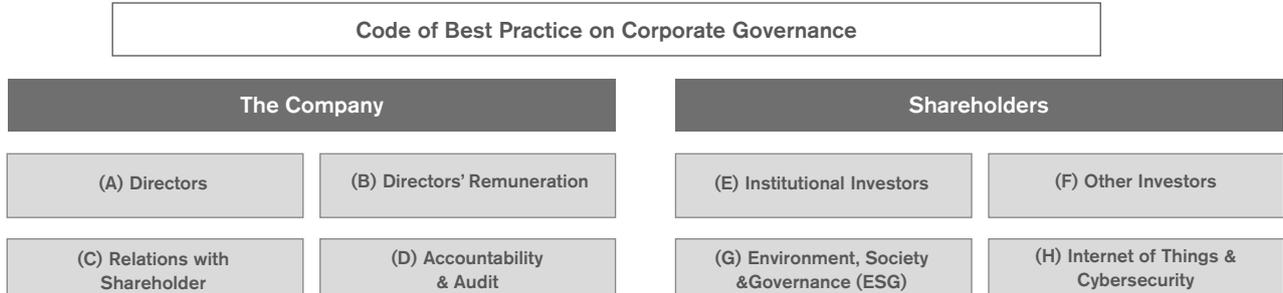
#### Key Governance Highlights for 2023/24

- The Group intensified its focus on Environmental, Social, and Governance (ESG) factors, aiming to enhance its ESG framework. Collaborating with an international consulting firm, the Group conducted a thorough sector-wise analysis to pinpoint key ESG concerns. The Company, as part of the Group, actively contributed to steering committee deliberations, supported by the consultancy's expertise. Additionally, the Group's overarching ESG goals and strategies were communicated to the Company for alignment.
- The Data Governance Steering Committee was established by the Group Executive Committee to oversee the evaluation and improvement of the Group's data governance practices, ensuring compliance with relevant laws such as the Personal Data Protection Act No. 9 of 2022 and industry best practices. Throughout the reporting period, the Committee concentrated on reassessing internal policies and collaborating with Industry Groups to review and, where necessary, support the enhancement of their personal data protection protocols, aiming for a robust and transparent data protection framework. Consequently, the Company is currently in the process of reviewing its internal policies and procedures to align its data protection framework with the newly identified requirements.

During the year, a new set of human resources competencies called "Success Drivers" was introduced. These drivers are central to the Group's leadership development, talent acquisition, and learning and development (L&D) efforts. Developed through collaborative discussions and workshops involving various internal stakeholders, nine "Success Drivers" were identified to replace the previous competency framework. The Company has also aligned its human resource competencies with these newly introduced "Success Drivers."

The integrated governance framework outlined below is depicted in the diagram and detailed further in the subsequent report.

# Corporate Governance



## A. DIRECTORS

### A1. An Effective Board

The Board holds the responsibility for implementing the corporate governance framework throughout the organisation. Comprising five Non-Executive, Non-Independent Directors (NED/NID), including the Chairperson, alongside three Non-Executive, Independent Directors (NED/ID), their profiles can be found on pages 62-64 of this Annual Report. There's a growing emphasis from stakeholders, including regulatory bodies, on the Board's independence. Adhering to the Group's directives, the Company ensures that its structure and nominating procedures are structured to encourage independent decision-making while addressing potential conflicts of interest.

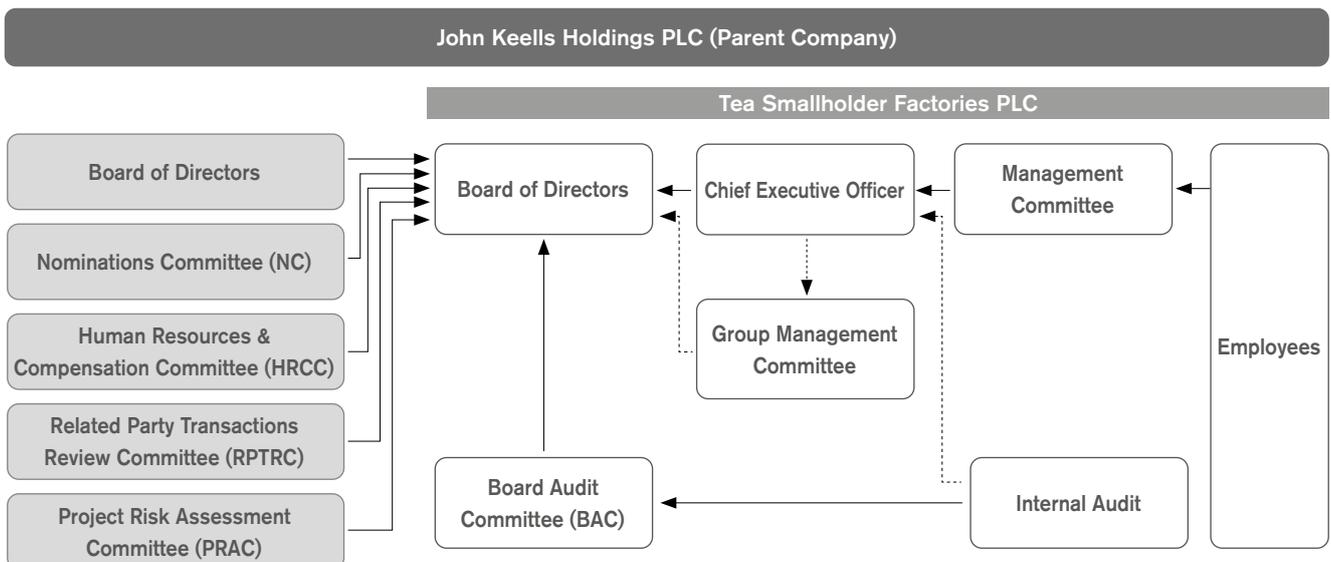
In line with the "Independence" criteria outlined in Section 9.8.3 of the listing rules of the CSE, the Board confirms that the three NED/IDs meet the independence criteria and have fulfilled the requirements under Section 9.8.5(a). Consequently, the Board is considered to have the necessary balance as per the guidelines of the Code of Best Practice on Corporate Governance (2013) jointly issued by CA Sri Lanka and the SEC.

The Board believes that its current composition maintains a robust equilibrium between executive efficiency and independent insight. Executive powers are appropriately delegated through committees with explicitly defined authority limits, responsibilities, and accountability

measures, all predetermined to enhance operational efficacy and decision-making autonomy.

The Board acknowledges the importance of diversity within its ranks and understands the necessity of attracting Directors with the right skills who embody the values and vision of the business. In adherence to the Diversity, Equity, and Inclusion (DE&I) policy, the Board recognises the importance of gender diversity among its members. Currently, female representation on the Board stands at 12.5%.

Below is the governance structure of the Company, delineating reporting lines with clarity.



The effectiveness of the Board's governance is bolstered by the following sub-committees and senior management committees.

### Board Sub-Committees

Specific duties of the Board have been assigned to Board Sub-Committees, while ultimate decision-making authority remains with the Board. This approach allows for the integration of specialised knowledge into the decision-making process, with Sub-Committee members

In accordance with the listing rules of the CSE, the Nominations, Human Resources and Compensation, Related Party Transactions Review and Project Risk Assessment committees of the Company's parent entity, JKH, operate on behalf of the Company.

#### Board Audit Committee (BAC)

##### Composition and Attendance

- The Board Audit Committee comprise three (3) NED/IDs and (1) NED/NID.
- The Committee members are endowed with vast experience in the area of Finance and Accounting.
- Mr. A. K Gunaratne was a member having current membership of a reputed professional accountancy body.

Name	Eligible to Attend	Attended	Date of Appointment
Ms. A. Goonetilleke – Chairperson	4	4	07/07/2020
Mr. A. S. Jayatilleka	4	4	20/01/2006
Mr. S. K. L. Obeyesekere	4	4	17/01/2018
Mr. A. K Gunaratne	4	4	06/08/2020

- Four meetings were held during the year under review

Detailed information regarding the activities of the BAC are provided in the BAC report on pages 95 to 97.

##### Scope

- Provide an independent and objective review of the financial reporting process, internal controls, risk management process and the internal and external audit function in ensuring adequacy and fairness of disclosure and transparency, integrity and quality of financial reporting.
- Review the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations.
- Assess the adequacy and effectiveness of the internal control environment in the Company and ensure appropriate action is taken on the recommendation of the Internal Auditors.
- Evaluate the competence and effectiveness of the risk management systems of the Company and ensure the robustness and effectiveness in monitoring and controlling risks.
- Review the adequacy and effectiveness of the internal audit arrangements.
- Recommend the appointment, re-appointment and removal of the External Auditor including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

## Corporate Governance

### Nominations Committee (of the parent Company John Keells Holdings PLC)

#### Composition and Attendance

- Majority of the members of the Committee shall be Non-Executive Directors together with the Chairperson-CEO of JKH.
- The Chairperson of the Committee must be an Independent Non-Executive Director.
- The Secretary to the JKH Board is the Secretary of the Committee.

Name	Eligible to Attend	Attended	Date of Appointment
Mr. K. N. J. Balendra	3	3	01/01/2019
Mr. D. A. Cabraal	3	3	07/11/2013
Dr. S. Coorey	1	1	08/11/2023
Ms. M. P. Perera*	1	1	24/07/2014
Dr. S. S. H. Wijayasuriya	3	3	05/11/2016

\* Retired w.e.f. 01.07.2023

- Three meetings were held during the year under review

#### Scope

- Assess the skills required on the Board given the needs of the businesses.
- From time to time assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for a particular appointment.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clearly expectation in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group and Company.
- The appointment of the Chairperson and Executive Directors is a collective decision of the Board.

### Report of the Nominations Committee

The Nominations Committee as at 31st March 2024, consisted of the following members:

- A Cabraal (Chairperson)
- K Balendra
- H Wijayasuriya
- S Coorey (appointed w.e.f 8 November 2023)

*\*Note: P Perera resigned as a member of the Nominations Committee consequent to her resignation from the Board of John Keells Holdings PLC (JKH) on 1st July 2023.*

The Nominations Committee reaffirmed its mandate to:

- Recommend to the Board the process of selecting the Chairperson and Deputy Chairperson.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other listed companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other listed companies in the Group, taking into consideration qualifying criteria stipulated under applicable laws and rules.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to the recommendation of the Committee:

#### John Keells Holdings PLC

- D V R S Fernando (new appointment)

#### Tea Smallholder Factories PLC

- A S Jayatilleka (renewal)
- A Goonethileke (renewal)

#### Trans Asia Hotels PLC

- N L Gooneratne (renewal)

#### Union Assurance PLC

- P T Wanigasekara (new appointment)
- D H Fernando (renewal)

The Committee reports its activities at each Board Meeting.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs of the Group. Further, the Committee discusses with the Board the outputs of the annual JKH Board evaluation.



A Cabraal

Chairperson of the Nominations Committee  
20th May 2024

## Corporate Governance

### Human Resources and Compensation Committee (of the parent Company John Keells Holdings PLC)

#### Composition and Attendance

- Committee comprises exclusively of Independent Non-Executive Directors.
- The Chairperson of the Committee must be Independent Non-Executive Director.
- The Chairperson-CEO of JKH and Group Finance Director of JKH are invited to all Committee meetings unless the Chairperson-CEO or Executive Director remuneration is under discussion respectively.
- The Deputy Chairperson/Group Finance Director of JKH is the Secretary of the Committee.

Name	Eligible to Attend	Attended	Date of Appointment
Mr. D. A. Cabraal	1	1	29/01/2015
Dr. S. S. H. Wijayasuriya	1	1	05/11/2016
<b>By Invitation</b>			
Mr. K. N. J. Balendra	1	1	-
Mr. J. G. A. Cooray	1	1	-
Dr. S. Coorey	1	0	-
Mr. A. N. Fonseka	1	1	-

- A meeting was held during the year under review

#### Scope

- Review and recommend overall remuneration philosophy, strategy, policies and practice and performance-based pay plans for the Group and Company.
- Determine and agree with the Board a framework for the remuneration of the Chairperson of JKH and Executive Directors of the Group based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning and talent management of Key Management Personnel.
- Ensure the integrity of the Group's/ Company's compensation and benefits programme is maintained.
- Commission compensation and benefit surveys as appropriate to assist the Committee in its deliberations.
- In performing these functions, to ensure that stakeholder interests are aligned and that the Group/ Company is able to attract, motivate and retain talent.
- At its discretion, the Committee may invite external specialists to provide advice and information on relevant remuneration and Human Resource Development practices.
- Determining compensation of Non-Executive Directors is not under the scope of this Committee.

### Report of the Human Resources and Compensation Committee

The Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practices and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the CEO, the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendations, thereon to the Board. The Committee also reviews and monitors the performance of the Group's top talent for the purposes of organisational growth and succession planning, with particular emphasis on succession at key executive levels.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, and the Group is able to attract, motivate, retain talent and ensure their loyalty; the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, the Committee determined the remuneration of the Executive Directors including the Chairperson-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

As per the mandate outlined, the report from the Chairperson of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairperson of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual performance appraisal scheme, the calculation of short-term incentives, and the award of ESOPs were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.



A Cabraal

Chairperson of the Human Resources and Compensation Committee  
20th May 2024

### Related Party Transactions Review Committee (of the parent Company John Keells Holdings PLC)

#### Composition and Attendance

- The Chairperson shall be an Independent Non-Executive Director.
- Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
- The composition may include Executive Directors at the option of the Listed Entity.

Name	Eligible to Attend	Attended	Date of Appointment
Mr. D. A. Cabraal	4	4	29/01/2014
Dr. S. Coorey*	2	2	01/07/2023
S Fernando**	1	1	08/11/2023
Mr. A. N. Fonseka	4	4	29/01/2014
Ms. M. P. Perera***	1	1	24/07/2014
<b>By Invitation</b>			
Mr. K. N. J. Balendra	4	4	-
Mr. J. G. A. Cooray	4	3	-

\* Ceased to be a member with effect from 08.11.2023

\*\*Attended by invitation on 08.11.2023

\*\*\* Retired w.e.f. 01.07.2023

- Four meeting were held during the year under review

## Corporate Governance

### Scope

- The Group has broadened the scope of the Committee to include senior decision makers in the list of Key Management Personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE.
- All proposed Related Party Transactions shall be reviewed in advance and in the event of any material changes, such changes shall also be reviewed by the Related Party Transactions Review Committee prior to the completion of the transaction.
- Develop and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
- Update the Board on Related Party Transactions of each of the listed companies of the Group on a quarterly basis and formally requesting the Board to approve the related party transactions following the determination of whether such approval is needed.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for Related Party Transactions, Related Party Transactions which have to be pre-approved by the Board, Related Party Transactions which require to be reviewed annually, such as recurrent Related Party Transactions and similar issues relating to listed companies.
- Ensure that they have or have access to expertise to assess all aspects of proposed Related Party Transactions, and where necessary, obtain expert advice from an appropriately qualified person.
- Where a Director has personal material interest in a matter being reviewed by the Committee, such Director shall not be present in the meeting and shall not vote in the matter, except at the request of the Committee.
- Where both the parent Company and the subsidiary are Listed Entities, Related Party Transactions Review Committee of the parent Company shall function as the Related Party Transactions Review Committee of the subsidiary.

### Report of the Related Party Transactions Review Committee

#### Composition

The following Directors served as members of the Committee during the financial year:

N Fonseka

A Cabraal

S Fernando

P Perera – former Chairperson retired from the RPT committee with effect from 1st July 2023

S Coorey – appointed to the RPT committee with effect from 1st July 2023 and resigned with effect from 8th November 2023.

The Chairperson-CEO, Deputy Chairperson/Group Finance Director, and Group Financial Controller attended meetings by invitation.

The Head of Group Business Process Review served as the Secretary to the Committee. The Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside. Urgent transactions that required prior approval of the Committee were dealt with by circulation among the members.

#### Objective and Governing Policies

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

#### Procedure

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with 'The Code' and the Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

#### Non-recurrent Related Party Transactions (RPTs) of listed entities:

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group listed entities are submitted to the Committee, for pre-approval. Accordingly, the Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

**Recurrent RPTs of listed entities:**

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with Section 9.5(a) of the Listing Rules and thus exclusion from the mandate for review & pre-approval of such transactions by the Committee.

Accordingly Recurrent RPTs as well as the aforesaid disclosures & assurances were reviewed annually by the Committee.

**Other significant transactions of non-listed subsidiaries:**

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.



N Fonseka

Chairperson of the Related Party Transaction Review Committee  
20th May 2024

#### Project Risk Assessment Committee (of the parent Company John Keells Holdings PLC)

**Composition and Attendance**

- Should comprise of a minimum of four Directors.
- Must include the Chairperson-CEO of JKH and Deputy Chairperson/Group Finance Director of JKH.
- Must include two Non-Executive Directors.
- The Chairperson of the Committee must be a Non-Executive Director.

Name	Eligible to Attend	Attended	Date of Appointment
Dr. S. S. H. Wijayasuriya	-	-	25/05/2018
Mr. K. N. J. Balendra	-	-	25/05/2018
Mr. J. G. A. Cooray	-	-	25/05/2018
Ms. M. P. Perera*	-	-	25/05/2018

\* Retired w.e.f. 01.07.2023

- No of meetings – The committee did not convene during the year.

**Scope**

- Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated
- Ensure stakeholder interests are aligned, as applicable, in making this investment decision
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director
- Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation
- The Committee shall convene only when there is a need to transact in business as per the terms of its mandate

## Corporate Governance

### Report of the Project Risk Assessment Committee

The following Directors served as members of the Committee during the financial year:

H Wijayasuriya (Chairperson)

K Balendra

G Cooray

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

During the year under review, the context of Project Risk Assessment was centred on (i) The extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and (ii) The two landmark investment projects - City of Dreams Sri Lanka (formerly known as the Cinnamon Life Integrated Resort) and the West Container Terminal. Given the scale and impact of the risks and opportunities associated with the said subjects, the committee and board were of the view that related deliberations should take place with participation of the full Board as regular board agenda items.

While there were no specific new investments during the year which required Board Approval as per the Group's financial thresholds, new ventures such as the partnership with the Reliance Group on the marketing and distribution of Beverages in the Indian market, the entry into the partnership with BYD on New Energy Vehicles and the launch of the VIMAN project were a some of the key projects which were also discussed at Board level.



H Wijayasuriya

Chairperson of the Project Risk Assessment Committee

20th May 2024

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### Group Management Committee (GMC)

#### Composition

The Group Management Committee of the Plantation Services Sector comprises the following members.

- President – Plantations Services Sector
- Chief Executive Officers of each business units (BUs)
- Chief Financial Officer of the Plantations Services Sector
- Senior Management of each BU representing each functional area

#### Mandate

To design, implement and monitor the best practices of the industry, sectors and strategic business units where appropriate and material.

#### Scope

- Strategy formulation
- Implementation of sector strategies for the Plantations Services Sector
- Performance monitoring
- Risk management
- Any other business matters

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### Senior Management Committee

Executive authority is well devolved through a committee structure ensuring that the President of the Plantation Services Sector, Chief Executive officer (CEO) of Tea Smallholder Factories PLC and profit center / functional managers are accountable for the Company and the business units / sub-functions respectively. Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

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### Board Meetings, Agenda and Attendance at Board meetings

The Board convenes quarterly to address all pertinent matters concerning the Company's operation and governance. Minutes of each Board meeting are meticulously recorded by the Company Secretaries, Keells Consultants (Private) Limited. Any pre-notified absences are duly noted in the minutes. Members unable to attend are briefed on meeting discussions and outcomes afterwards.

Directors receive comprehensive Board packs containing a list of board resolutions that were passed, performance reports, human resources and capital expenditure information, treasury and compliance statements, etc., well in advance of each Board meeting (at least one week prior), enabling informed decision-making. Below is the schedule outlining the dates and attendance of the Board of Directors at the quarterly meetings:

Name of Director	Year of Appointment to the Board	Age	Tenure on the Board	27/04/2023	20/07/2023	26/10/2023	26/01/2024	Eligibility	Attendance
<b>Non Executive Non Independent Director (NED/NID)</b>									
Mr. K. N. J. Balendra	2017/2018	50	6 yrs 3 mo	√	√	Excused	√	4	3
Mr. J. G. A. Cooray	2017/2018	47	6 yrs 3 mo	√	√	√	√	4	4
Mr. A. Z. Hashim	2020/2021	49	3 yrs 3 mo	√	√	√	√	4	4
Mr. E. H. Wijenaik	2000/2001	69	23 yrs 11 mo	√	√	Excused	Excused	4	2
Mr. A. K. Gunaratne	2018/2019	60	5 yrs 9 mo	√	√	√	√	4	4
<b>Non Executive Independent Director (NED/ID)</b>									
Ms. A. Goonetilleke	2020/2021	59	3 yrs 9 mo	√	√	√	√	4	4
Mr. A. S. Jayatilleka	2005/2006	73	18 yrs 9 mo	√	√	√	√	4	4
Mr. S. K. L. Obeyesekere	2017/2018	69	6 yrs 3 mo	√	√	√	√	4	4

Name of the Director	Board Sub Committee Membership				
	BAC	HRCC	NC	RPTRC	PRAC
Mr. K. N. J. Balendra	-	-	Member	-	Member
Mr. J. G. A. Cooray	-	-	-	-	Member
Mr. A. Z. Hashim	-	-	-	-	-
Mr. E. H. Wijenaik	-	-	-	-	-
Mr. A. K. Gunaratne	Member	-	-	-	-
Ms. A. Goonetilleke	Chairperson	-	-	-	-
Mr. A. S. Jayatilleka	Member	-	-	-	-
Mr. S. K. L. Obeyesekere	Member	-	-	-	-

### Board Agenda

A typical Board agenda in 2023/24 contained;

• Confirmation of previous minutes	• Matters arising from the previous minutes
• Board sub-committee reports and other matters exclusive to the Board	• Status updates of major projects
• Review of performance in summary and in detail, including high level commentary on actuals and outlook	• Summation of strategic issues discussed at pre-board meetings
• Approval of interim and annual financial statements	• Ratification of capital expenditure, disposal of fixed assets and donations
• Ratification of the use of the Company seal	• Ratification of Circular Resolutions
• New Board Resolutions	• Board Evaluation
• Ratification of new appointments, renewal of Directors, remuneration and related approvals	• Review of risks, sustainability development, HR practices / updates, etc.
• Report on corporate social responsibility	• Any other business

## Corporate Governance

### Roles and Responsibilities of the Board

The John Keells Group Corporate Governance Framework expects the Board of Directors to:

- Provide direction and guidance to the Company in the formulation of its high-level strategies, with emphasis on the medium and long term, in the pursuance of its sustainable development goals
- Review and approve annual plans and long-term business plans
- Track actual progress against plans
- Set in place governance structures and policy frameworks to ensure compliance with laws, regulations and ensuring the highest standards of disclosure, reporting, ethics and integrity
- Oversee systems of internal control, risk management and establishing whistleblowing conduits
- Ensure that key management personnel and the management team have the required skills, experience and knowledge to implement strategy
- Determine any changes to the discretions/authorities delegated from the Board to the executive levels
- Review and approval of major acquisitions, disposals and capital expenditure
- Approve any amendments to constitutional documents
- Adopt voluntarily, best practices where relevant and applicable report
- Report sustainable/ environmental, social, and governance (ESG) related risks and opportunities (if any) during the period
- Report cyber security related risks, mitigative measures and a security breach report (if any) during the period

### Act in accordance with laws and access to independent professional advice

The Board acts in accordance with the laws of the country and all employees are required to conform accordingly as stated in the Code of Conduct of the Group. The Board and the Board Audit Committee receive statements of compliance on recurrent statutory requirements from management on a quarterly basis in this regard.

In order to preserve the independence of the Board and to strengthen decision making, the Board seeks independent professional advice when deemed necessary. Accordingly, the Board obtains independent professional advice covering areas such as;

- Impacts on business operations of the current and emerging economic and geopolitical shifts
- Legal, tax and accounting aspects, particularly where independent external advice is deemed necessary in ensuring the integrity of the subject decision
- Market surveys, architectural and engineering advisory services as necessary for business operations
- Actuarial valuation of retirement benefits and valuation of property including that of investment property
- Information technology consultancy services pertaining to enterprise resource planning system, distributor management system or other major projects
- Specific technical know-how and domain knowledge for identified project feasibility and evaluations

Additionally, individual Directors are encouraged to seek expert opinion and / or professional advice on matters where they may not have full knowledge or expertise.

### Role of Company Secretary

The Company Secretaries, Keells Consultants (Private) Limited is responsible for inducting new Directors, assisting the Chairperson and the Board of Directors in determining the annual Board plan, guiding the Board and the individual Directors in the proper discharge of their responsibilities and act as a central source of guidance on matters of ethics and governance. In addition to the many duties, the Company Secretary is responsible for making necessary disclosures on related party transactions required by law and regulations and also acts as a channel of communication with shareholders to ensure good shareholder relations. The shareholders can contact Keells Consultants (Private) Limited, the Company Secretaries, on 011-2306245 for any Company related information requirement.

### Board Induction and Training

Newly appointed NEDs are apprised of the Group and Company's values and culture, Group governance framework, policies and

processes, Code of Conduct expected by the Company, operating / business model of the Company, strategy and the Directors' responsibilities in accordance with current legislation.

The Chairperson ensures that new Directors are introduced to other Board Members and Key, Management Personnel and briefed on matters taken up at prior meetings.

Directors are encouraged to update their skills and knowledge on a continuous basis and this is facilitated through the following activities.

- Access to external and internal auditors
- Periodic reports on performance
- Updates on topics that range from proposed / new regulations to industry best practices
- Opportunities to meet senior management of the managing agents in a structured setting
- Access to industry experts and other external professional advisory services
- Access to the Centre Legal, Tax and, Finance Divisions of the Group of which the Company is a member and
- The services of the Company Secretary

They also have the opportunity of gaining further insight into the Company's business by undertaking business visits. The Directors devote sufficient time and make every effort to ensure that in proportion with their knowledge and experience, they discharge their responsibilities to the Company.

### A.2 AND A.3 – THE ROLES OF THE CHAIRPERSON AND CHIEF EXECUTIVE OFFICER (CEO)

The roles of the Chairperson and CEO are segregated in line with best practices in order to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

### Chairperson's Role

The Chairperson, serving as a Non-Executive Director and Non-Independent Director (NED/NID), holds the primary responsibility of guiding and overseeing the Board and its Committees to ensure optimal functionality. Additionally, the Chairperson establishes the tone for the Company's governance and ethical standards, promote

diverse viewpoints, and stay abreast of both local and global industry trends to ensure the Board fulfills its obligations to shareholders and stakeholders. Externally, the Chairperson serves as the Company's representative and serves as the primary contact for shareholders regarding all matters concerning corporate governance.

With the assistance of the Company Secretaries, Keells Consultants (Private) Limited, the Chairperson and CEO ensure that;

1. Board procedures are followed
2. Directors receive timely, accurate and clear information
3. Updates on matters arising between meetings
4. The agenda for the Board meeting, reports and papers for discussion are dispatched at least one week in advance so that the Directors are in a position to study the material and arrive at sound decisions
5. A proper record of all proceedings of Board meetings are maintained

The Human Resources and Compensation Committee of the parent Company, JKH appraises the performance of the Chairperson on an organisational and individual basis as approved by the Board.

#### Role of the Chief Executive Officer (CEO)

The Board has, subject to predefined limits, delegated its executive authority to the CEO of the Company for the implementation of strategies approved by the Board and developing and recommending business plans and budgets in line with the Company's strategy to the Board.

The role of the CEO is as follows;

- Execute strategies and policies of the Board
- Guides and supervises the senior management of the Company
- Ensure that the operating model of the Company is aligned with short and long term strategies pursued by the parent company
- Ensure that succession at the senior management level is planned

#### A.4 FINANCIAL ACUMEN

Collectively the Board has sufficient financial acumen as they are selected through a sufficiently rigorous process. Additionally, the following Directors are members of professional accounting organisations and are able to offer guidance on matters of finance, drawing on their specialised knowledge on the subject of finance:

- Mr. J. G. A. Cooray
- Mr. A. K. Gunaratne

#### A.5 BOARD BALANCE

The Board comprises five (5) NED/NIDs including the Chairperson, and three (3) NED/IDs ensuring that there is sufficient balance on the Board. The Board is of the view that its present composition ensures a healthy balance between executive expediency and independent judgement. This is based on the following;

- Collectively, the NEDs possess proven business experience and expertise in their respective fields
- The present composition of the Board represents an appropriate mix of skills and experience
- The independent Directors possess strong financial acumen and by virtue of their membership on external Boards, are able to assess the integrity of the Company's financial reporting systems and internal controls, continually review, critique and suggest changes in maintaining best practice
- The Board is also conscious of the need to progressively refresh its composition over time and notes the qualitative contribution of the Independent Directors to the governance of the Company

The following table illustrates the total number of Board seats (excluding JKH Group Board seats) held in other listed companies (outside the JKH Group) by each Director.

Name of Director	No. of Board Seats Held in Other Listed Sri Lankan Companies		No. of Board Seats Held in Other Private Sri Lankan Companies
	Executive Capacity	Non-Executive Capacity	
Mr. K. N. J. Balendra	-	-	-
Mr. J. G. A. Cooray	-	-	-
Mr. A. Z. Hashim	-	-	-
Mr. E. H. Wijenaik	Central Finance Company PLC	Equity Two PLC, Central Industries PLC	Equity One Limited, Dehigama Hotels Company Limited
Mr. A. K. Gunaratne	Central Finance Company PLC	Central Industries PLC	CF Insurance Brokers (Pvt) Ltd, Central Development Ltd, CF Growth Fund Ltd, The Kandy Private Hospitals Ltd, Polymer Technologies (Pvt) Ltd
Ms. A. Goonetilleke	-	Sunshine Holdings PLC, PGP Glass Ceylon PLC	-
Mr. A. S. Jayatilleka	-	Unisyst Engineering PLC	-
Mr. S. K. L. Obeyesekere	-	-	-

## Corporate Governance

The Directors of the Company whose profiles are outlined on pages 62 and 64 of the Annual Report have a wide range of expertise as well as significant experience in commercial and financial activities enabling them to discharge their governance duties in an effective manner.

The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition to ensure that the skills representation is in sync with current and future needs.

### Conflict of Interest and Independence

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

Independence of the Directors has been determined in accordance with the Listing Rules of the CSE and all three NED/IDs have submitted signed declarations of their independence.

### Summary of Directors' Interests and Conformity

Name of Director / Capacity	Share Holding (i)	Management / Director (ii)	Material Business Relationship (III)	Employee of the Company (iv)	Family Member a Director or CEO (v)	Continuous Service for nine years (vi)	Significant shareholding -Other Companies (vii)
<b>Non Executive, Non Independent Director (NED/NID)</b>							
Mr. K. N. J. Balendra	No	Yes	No	No	No	N/A	No
Mr. J. G. A. Cooray	No	Yes	No	No	No	N/A	No
Mr. A. Z. Hashim	No	Yes	No	No	No	N/A	No
Mr. E. H. Wijenaikie	Yes	Yes	No	No	No	N/A	No
Mr. A. K. Gunaratne	No	Yes	No	No	No	N/A	No
<b>Non Executive, Independent Director (NED/ID)</b>							
Ms. A. Goonetilleke	No	No	No	No	No	No	No
Mr. A. S. Jayatilleka	No	No	No	No	No	Yes	No
Mr. S. K. L. Obeyesekere	No	No	No	No	No	No	No

### Definitions

- Shareholding in the Company carrying not less than 10 percent of voting rights
- Director of a listed Company in which they are employed or having a significant shareholding or have a material business relationship
- Income / Non-cash benefits derived from the Company is equivalent to 20 percent of the Director's annual income
- Director is employed by the Company three years immediately preceding appointment
- Immediate family member who is a Director or CEO
- Has served the Board for a continuous period exceeding nine (9) years
- Is employed, has a material business relationship and/or significant

shareholding in other companies (Other companies in which a majority of the other Directors of the listed company are employed, or are Directors or have a significant shareholding or have a material business relationship)

In accordance with the criteria for "Independence" specified by Section 9.8.3 of the listing rules of the CSE and as identified by the Code of Best Practice, the Board affirms that the aforesaid three NED/IDs satisfy the criteria for independence and have satisfied the requirements under clause 9.8.5 (a)

The Board has determined that although Mr. A. S. Jayatilleka has been a member of the Board for a period exceeding nine (09) years and that while he does not satisfy the "number of years on the Board" criteria, having considered all other factors, the

Board is of the holistic view that Mr. A. S. Jayatilleka satisfy the other qualifying criteria in terms of independence.

### A.6 SUPPLY OF INFORMATION

In order to ensure robust discussion, informed deliberation and effective decision making, the Directors are provided access to;

- Information as necessary to carry out their duties and responsibilities effectively and efficiently
- Information updates from management on topics under review by the Board, new regulations and best practices as relevant to the Company's business
- External and internal auditors
- Expert and other external professional services

- The services of the Company Secretaries whose appointment and/or removal is the responsibility of the Board
- Periodic performance reports
- Senior management under a structured arrangement

In order to facilitate effective conduct of meetings, agendas and information required by the Directors are provided seven days prior to the Board meeting.

#### **A.7 AND A.8 APPOINTMENTS TO THE BOARD AND RE-ELECTION**

All NEDs are appointed for a term of three years and are eligible for re-election by shareholders, provided they adhere to the age limit specified by statutory provisions at the time of re-appointment. Additionally, NEDs may serve a maximum of three consecutive terms unless an extended tenure is warranted by the Company's needs. Details of new Directors are disclosed to shareholders upon their appointment through a public announcement to the CSE. These appointments are also communicated in the respective Interim Release and the Annual Report. Directors are obligated to report any significant changes in their professional roles and business affiliations to the Nominations Committee, which will review the circumstances and provide recommendations to the Board accordingly. The appointment of all Directors complies with applicable laws and rules, including the qualifying and fit-and-proper criteria stipulated by the Listing Rules and Companies Act. Further, each Director annually signs a declaration which determines their independence based on such declaration and other information available to the Board.

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

The re-election process for Directors offers shareholders the chance to review the Board's composition periodically. Shareholders receive advance notice of the names of Directors up for re-election, enabling them to make informed decisions on their election. Additionally, the retiring Directors eligible for re-election in the current year are listed in the notice of the Company's AGM. Annually, the Board examines the potential impact of extended Board tenures on Directors' independence and collectively assesses the re-election of such Board members.

#### **Extraordinary General Meetings, including Shareholder Approval through Special Resolution**

The Company will seek shareholder approval, either via special or ordinary resolution as permitted under applicable law, when transactions and events which are material in the context of the Company occur or are undertaken in line with all applicable rules and regulations.

#### **A.9 APPRAISAL OF BOARD PERFORMANCE**

The Chairperson evaluates the performance of the Board annually while the Chairperson of the Board Audit Committee, who is a NED/ID evaluates the effectiveness of the Board Audit Committee. There is a formalised process of self-appraisal which enables each member to self-appraise on an anonymous basis, the performance of the Board, using a very detailed checklist / questionnaire covering areas such as;

- Role clarity and effective discharge of responsibilities
- People mix and structure
- Systems and procedures
- Quality of participation
- Board image

The scoring and open comments are collated, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and / or strengthening. The Human Resources and Compensation Committee of the parent Company, JKH appraises the performance of the Chairperson on an organisational and individual basis as approved by the Board.

#### **A.10 DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS**

Information specified in the Code with regard to Directors are disclosed within this Annual Report as follows.

1. Name, qualifications, expertise, material business interests and brief profiles of the Directors on pages 62 to 64
2. Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 69 to 76
3. Related party transactions on page 160

#### **A.11 APPRAISAL OF THE CEO**

The annual appraisal of the CEO is carried out at parent level and is based on pre-agreed criteria.

#### **B. Directors' Remuneration**

Remuneration for Non Executive, Non Independent Directors

No Director fees are paid by the Company to Non Independent Non Executive Directors (NED/NID) nominated by the parent Company, JKH and Central Finance Company PLC.

The compensation of NEDs was determined in reference to fees paid to other NEDs of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. NEDs were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans.

Nevertheless, NED/ID's fees are not time bound or defined by a maximum / minimum number of hours committed to the Company per annum and hence is not subject to additional / lower fees for additional / lower time devoted. NED/ID's do not receive any performance / incentive payments.

The aggregate remuneration paid to Directors is disclosed on page 137 of this report.

## Corporate Governance

### C. SHAREHOLDER RELATIONS

#### C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings

Information is provided to the shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Company. Shareholders are provided with the Annual Report of the Company in electronic form. Shareholders may at any time elect to receive an Annual Report from the Company in printed form, which is provided free of charge.

The Company makes use of the AGM constructively towards enhancing relationships with the shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time
- Summary of procedures governing voting at the AGM are clearly communicated
- Most Executive and Non-Executive Directors are made available to answer queries
- The Chairperson and CEO ensure that the relevant senior managers are also available at the AGM to answer specific queries
- Separate resolutions are proposed for each item that is required to be voted on
- Proxy votes, those for, against, and withheld (abstained) are counted

#### C.2 Communication with Shareholders

The Board of Directors, in conjunction with the Board Audit Committee, ensures the accuracy and timeliness of published information and has presented an honest and balanced assessment of results in the quarterly and annual financial statements. All other material and price sensitive information about the Company is promptly communicated to the CSE, where the shares of the Company are listed, and such information is also released to shareholders, press and employees.

Engagement Mechanism	Frequency
Annual Reports and AGMs	Annually
Extraordinary General Meetings	As required
Interim financial statements	Quarterly
Press releases	As required
Announcements to CSE	As required
One-to-one discussions	As required
Feedback surveys	As required

#### C.3 MAJOR AND MATERIAL RELATED PARTY TRANSACTIONS

Shareholders are advised of any instance where:

- the contemplated transactions (either single or a related series) where the Company acquires or disposes assets, or incurs obligations, worth more than half of its pre-transaction asset value, or significantly alters its business nature (major transactions);
- there are non-recurrent and recurrent Related Party Transactions when these exceed one-third of the entity's total assets or gross revenue, respectively, according to the latest audited financial statements or if such transactions fall

outside the ordinary course of business and are deemed favourable to the related party (related party transactions requiring a special resolution of shareholders).

There were no major transactions as defined under Section 185 of the Companies Act or related party transactions requiring a special resolution of shareholders under Section 9.14.6 of the CSE listing rules, during the year under review.

### D. ACCOUNTABILITY AND AUDIT

#### D.1 FINANCIAL AND BUSINESS REPORTING

The Board recognises its responsibility to present a balanced and understandable

assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects in accordance with the requirements of the Companies Act and the Continuing Listing Requirements of CSE. The financial statements included in this annual report are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS).

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. In the unlikely event that the net assets value of the Company fall below half of its stated capital (Serious Loss of Capital), shareholders would be notified and the requisite resolutions would be passed on the proposed way forward as per requirements of the Section 220 of the Companies Act.

The following specialised information requirements are also included in this Annual Report:

- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 107 to 110 cover all areas of this section
- The "Statement of Directors' Responsibility" is given on page 111
- The Directors' Statement on Internal Controls is given on page 110
- The "Independent Auditors' Report" on page 112 to 114 for the Auditors' responsibility
- The Management Discussion and Analysis on page 15 to 60
- Related Party Transactions on page 159 to 160

The Management Discussion and Analysis contained on pages 15 to 60 covers the information specified in the Code which include the following:

- Industry structure and developments
- Social and environmental protection activities carried out by the Company
- Financial performance
- Material developments in Human Resources, Industrial Relations and prospects for the future

## D.2 RISK MANAGEMENT AND INTERNAL CONTROL

The Board, through the involvement of the Group Business Process Review Division of the parent company, JKH, has taken steps to obtain assurance that systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations.

The Company's systems are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors and irregularities are either prevented or detected in a timely manner. Key elements of such procedures are as follows:

- Formal policies and procedures are defined which include the documentation of key systems and rules relating to delegation of financial authority. This restricts the unauthorised use of the Company's assets and ensures the monitoring of controls
- The annual budgets are approved by the Board after a detailed management review. There is a detailed budgeting process for the Company. Budgets are prepared in a manner that facilitates the management to monitor the key business and financial activities. Results are regularly reviewed against budget and revised forecasts for the year are prepared on a half yearly basis
- The Enterprise resource planning system; ERP system has ensured that monthly management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information
- Capital expenditure is subject to formal authorisation procedures
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance

To further strengthen internal control and obtain independent assurance, the Company has enlisted the services of M/s. BDO Partners, Chartered Accountants, a reputed firm of Chartered Accountants to monitor and report on the adequacy of the financial and operational systems of the Company. Their scope included:

1. Assessment of the adequacy of accounting and operational control systems in terms of economy, efficiency and effectiveness
2. Examination of compliance with statutory requirements, management policies and procedures
3. Review and monitor operational and financial controls in order to ascertain adherence to such controls

The internal audit reports are first discussed by the externally appointed internal auditor with the management of the Company. The Head of the GBPR Division of JKH attends these meetings as the moderator, after which these reports are forwarded to the Board Audit Committee. Internal audit reports are structured in a manner that facilitates the resolution of the concerns highlighted and follow up action is monitored by the Board on an ongoing basis.

### External Audit

Messrs. Ernst & Young are the external auditors of the Company and the re-appointment of these auditors was recommended by the Audit Committee. The audit fees paid by the Company to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

### Risk Review

The Board has adopted a Company-wide risk management programme to identify, evaluate and manage significant risks while stress-testing for various risk scenarios. This programme ensures that a multitude of risks, arising as a result of the Company's operations, are effectively managed in creating and preserving shareholder and other stakeholder wealth. The detailed enterprise risk management report on pages 98 to 104 of the Annual Report describes the process of risk management adopted by the Company and the key risks impacting the achievement of the Company's strategic business objectives.

### Internal Compliance

A quarterly self-certification programme requires the President of the Plantation Services Sector and the CFO of the Company to confirm compliance with financial standards and regulations. The President and the CEO of the Company are required to confirm operational compliance

with statutory and other regulations and key control procedures, and also identify any significant deviations from expected norms.

The Annual Report of the Board of Director's on pages 107 to 110 contains a declaration on compliance with laws and regulations, declaration of material interests in contracts involving the Company and confirms that they refrain from voting on matters in which they were materially interested; equitable treatment of shareholders and confirms that the business is a going concern, review of the internal controls covering financial, operational and compliance controls and risk management and that they have obtained reasonable assurance of their effectiveness and compliance thereof. It also sets out the responsibilities of the Board for the preparation and presentation of financial statements. Related party transactions are disclosed on page 159 of the Annual Report.

## D.3 BOARD AUDIT COMMITTEE

The Board Audit Committee consists of three Non-Executive, Independent Directors and one Non-Executive, Non-Independent Director, aligning with the guidelines of the Listing Rules of the Colombo Stock Exchange. The Committee operates under a Charter, which includes reviewing internal control policies and procedures, business risk management practices, compliance with laws and Group policies, and overseeing the independent audit function, among other responsibilities.

The Committee also oversees the selection and recommendation of external auditors, maintains a professional relationship with them, reviews accounting principles, policies and practices used in preparing published financial information, and scrutinises all documents presenting the final financial statements. Details regarding audit fees paid by the Company to its auditors are separately disclosed in the Notes to the Financial Statements on page 137.

A quarterly self-certification initiative mandates the President of the Plantation Services Sector, CEO, Sector Financial Controller, Head of Finance and Chief Financial Officer (CFO) of the Company to affirm compliance with statutory

## Corporate Governance

requirements and key control procedures, as well as to identify any deviations from established standards. Additionally, the President of the Plantation Services Sector and CEO are required to confirm operational compliance with statutory regulations and key control procedures, while also reporting any deviations from expected norms. These measures have greatly supported the committee in its endeavours to ensure accurate financial reporting and effective internal control and risk management.

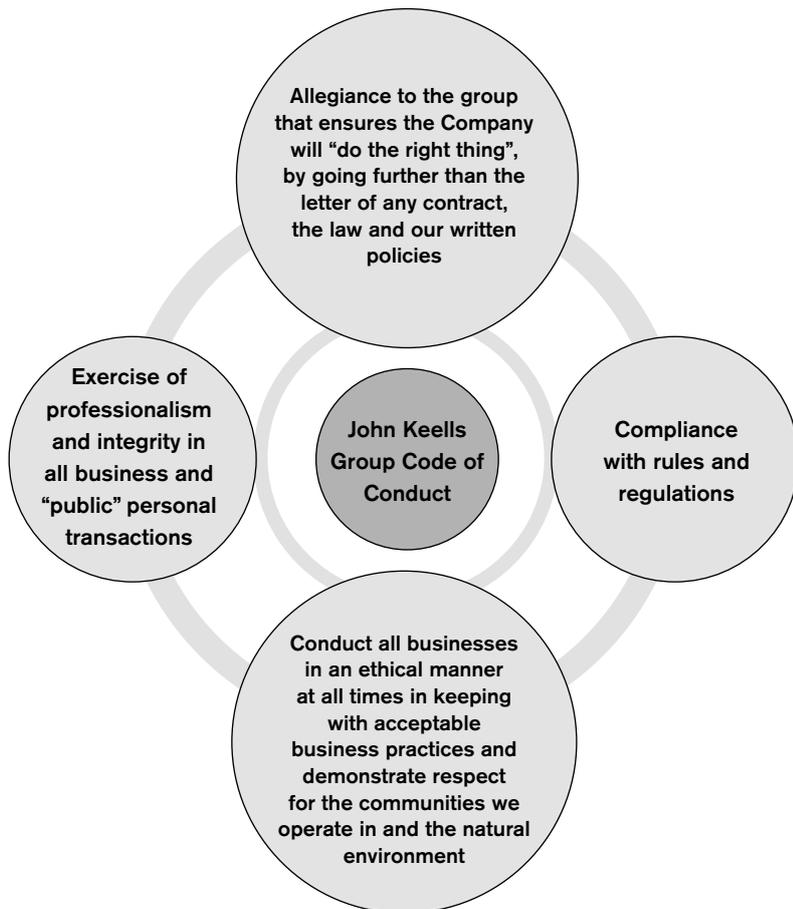
The Board Audit Committee had four (4) meetings during the year and attendance of the Audit Committee members are indicated in the Board Audit Committee Report on page 96.

The President of the Plantation Services Sector, CEO of the Company, Sector Financial Controller, the Head of Finance and other operational heads are invited to the meetings of the Board Audit Committee. The detailed Audit Committee report including areas reviewed during the financial year 2023/2024 is given on pages 95 to 97 of the Annual Report.

### D.4 CODE OF BUSINESS CONDUCT AND ETHICS

#### Code of Business Conduct and Ethics for Directors and Staff

All employees, including the Board of Directors of the Company, are bound to abide by the Group Code of Conduct which is outlined below.



The objectives of the Code of Conduct are further affirmed by a strong set of corporate values which are well institutionalised at all levels within the Company through structured communication. The degree of employee conformance with Corporate values and their degree of adherence to the Group Code of Conduct are key elements of reward and recognition schemes.

The Company believes that the strong set of core values which underlie the Code, is the main source of its competitive advantage which is rewarded by the trust placed by its stakeholders.

The Company as a member of the Group, follows a zero-tolerance policy towards corruption and bribery while placing the highest value on ethical practices. Accordingly, the Company practices these policies in all its transactions while aligning its governance framework to create a culture of honesty as opposed to fraud and corruption.

Employees are at the centre of attention when it comes to the implementation of the Company’s governance system and framework. Accordingly, it is ineffective to only have the compliance and governance framework in place without considering the employee involvement in governance. The Company strives to stimulate employee participation through improved communication and collaboration, engagement and empowerment and implementation of employee information system.

#### Whistleblower Policy

Employees have the option to report concerns regarding unethical behaviour or violations of Group values directly to the Chairperson through a communication channel called "Chairperson Direct." Reports made through this channel are treated with complete confidentiality, and any such complaints are thoroughly investigated and addressed by a dedicated committee under the Chairperson’s guidance.

**Ombudsperson**

In order to deal with a situation in which an employee or group of employees feel that an alleged violation has not been addressed satisfactorily using the available/ existing procedures and processes, an Ombudsperson has been appointed by JKH being the ultimate Parent Company to entertain such concerns.

In a situation where an individual employee or a group of employees complain of an alleged violation of the published Code of Conduct and feels that the alleged violation has not been addressed satisfactorily by internally available mechanisms, provision has been made to refer such complaints to an Ombudsperson.

The findings and recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairperson or to the Senior Independent Director of the parent company, JKH upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairperson or the Senior Independent Director of the parent Company, as the case may be, will place before the Board;

- the decision and the recommendations of the Ombudsperson
- the action taken based on the recommendations
- the areas of disagreement and the reasons adduced in instances where the Chairperson or the Senior Independent Director disagrees with any or all of the findings and / or recommendations. In such cases, the Board shall consider the areas of disagreement and determine the way forward.

Steps are taken to ensure that complainants are not victimised. There were no cases that were brought to the attention of the Ombudsperson during the year under review.

These open door policies facilitate constant dialogue, communication, transparency and ultimately employee confidence, which would help retain existing talent whilst attracting new.

**Employee Participation**

The human resource unit is structured to ensure easy accessibility for employees to engage with management at all levels. Structured 'skip level' meetings are conducted, providing employees the chance to discuss concerns with superiors higher than their immediate managers in a confidential setting. Additionally, through participation in annual 360 Degree surveys and Voice of Employee (VOE) surveys, employees can share their views on the Company and their respective superiors. Every four years, employees also have the opportunity to participate in the Great Place To Work (GPTW) survey conducted by JKH, enabling them to provide feedback on the overall work environment.

**Securities trading policy**

The JKH's securities trading policy prohibits all employees and agents engaged by the Company who are aware of unpublished price sensitive information from trading in the Company shares or the shares of other companies in which the Company presently has business interest. The Group adopts a zero tolerance policy against any employee who is found to be in violation of this policy.

**D.5 CORPORATE GOVERNANCE DISCLOSURES**

The Board of Directors has taken all reasonable steps to ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the CA Sri Lanka and the requirements of the CSE and other applicable authorities.

This report has been prepared as per the listing rules published by the CSE and the Companies Act.

The Company has also adhered to the Code of Best Practice on Corporate Governance Reporting guidelines jointly set out by the CA Sri Lanka and the SEC in preparation of this Corporate Governance Report, and where necessary deviations have been explained as provided within the rules and regulations.

Legal requirements of the Sri Lanka Tea Board and Tea Commissioner's Division and Bye Laws and conditions of sale governing

sale of tea under the aegis of the Colombo Tea Traders' Association have been complied with.

**E AND F – INSTITUTIONAL INVESTORS AND OTHER INVESTORS**

Shareholders are provided sufficient financial information and other relevant information of the Company to enable them to take decisions regarding their investments. Annual Reports are circulated to all registered shareholders within prescribed timelines. All shareholders are encouraged to participate at the Annual General Meeting and vote on matters set before the shareholders.

**G. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)**

Environmental, social and governance (ESG) aspects continue to gain popularity among the stakeholders as it aims to reduce negligent and irresponsible corporate behaviour that may have an adverse impact on the environment and society. Hence, the Company strives to deliver value to its stakeholders by developing a sustainable business model where the core principles of ESG have been embedded to the Governance Framework.

Further, to ensure the proper functioning of a sustainable business model, the Company has identified that it is a prerequisite to have an effective risk management model and a duly up to date business continuity plan. The risk report on page 98 to 104 describes how risks and opportunities pertaining to ESG are recognised, managed, measured and reported.

The Company adopts an integrated approach which mitigates the environmental threats and improves best practices in the Company's engagements to fulfil the obligation towards the environment. Such best practices on emission management, water management, waste management and material management are explained on pages 56 to 60.

The Company recognises that emphasis should not only be on maximising long term shareholder value, but it should also endeavour to protect the rights and appropriate claims of many non-shareholder

## Corporate Governance

groups such as employees, consumers, suppliers, lenders, environmentalists, host communities and governments. A detailed description of the Company's CSR activities can be found on the Management Discussion and Analysis section of this Annual Report, laid down on pages 47 to 52.

### Strategy formulation and Investment Appraisal

The Company over the years has refined the process of investment appraisal which ensures the involvement of the relevant persons when investment decisions are made. In this manner, several views, opinions and advice are obtained prior to the investment decision. Experience has proven that a holistic and well debated view of the commercial viability and potential of proposed projects including operational, financial, funding, risk and tax implications has most of the time culminated a good result. All investment decisions are routed through a committee structure which safeguards against one individual having unfettered decision-making powers in such decisions.

### H. INTERNET OF THINGS AND CYBERSECURITY

As technology rapidly evolves and the Company's operations become increasingly intertwined with technological advancements, processes and controls are enhanced, creating efficiencies and new opportunities. However, this also exposes the Company to greater digital vulnerabilities. Consequently, the Board prioritises ensuring that the Company's soft and hard infrastructure is robust enough to address potential breaches. Data protection, information management, and cybersecurity are recurring topics in risk management and audit committee meetings, and are periodically reviewed at the Board level.

The Company's IT governance framework encompasses five key areas: strategic alignment, value delivery, performance management, risk management, and resource management. Moreover, the Group's IT governance framework draws upon industry-leading models and best practices such as CoBIT (Control Objectives for Information and Related

Technology), ISO 35800, ISO27001, ISO 9001:2015, COSO (Committee of Sponsoring Organizations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library), CMMI (Capability Maturity Model Integration), NIST (National Institute of Standards and Technology), FAIR (Factor Analysis of Information Risk), and others. By integrating these methodologies, the Company establishes a cutting-edge framework for IT governance, risk management, and compliance across the entire Group and organisation.

### Cyber Security

As the organisation increasingly embraces data-driven practices, its reliance on technology grows significantly. Cybersecurity remains a recurring focus in Risk Management and Audit Committee discussions and is periodically addressed at the Board level. Given this context, safeguarding and preserving the Company's most valuable assets emerge as top priorities.

The Board acknowledges the necessity of ongoing management of the risk of security breaches and the importance of understanding vulnerabilities. Throughout the review period, the Company, with assistance from our parent Company's IT division, implemented necessary measures to mitigate exposure to cyber-attacks by minimising the threat surface and addressing potential vulnerabilities.

### Data Protection, Information Management and Adoption

The continuous evolution of IT infrastructure and platforms to meet the Company's operational needs bodes well for its future. Despite witnessing a growing digitisation trend and increased user adoption, the implementation of such systems and features remains in its early stages at the Company level, highlighting a key area of focus for the Company. With the introduction of regulations like the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, the importance of data security, integrity, and information management has become paramount. Furthermore, the

Group's endeavours in advanced data analytics underscore the need for a robust governance framework to oversee data flow. Consequently, the Company is committed to enhancing its data governance structure to ensure clear ownership, accountability, and adherence to defined data governance policies, processes, and quality standards.

### Regulatory Compliance Sign Off

Heads of Departments sign off on a regulatory compliance checklist quarterly, ensuring adherence to relevant laws and regulations. The Legal Division of JKH, along with the Company level, regularly monitors changes in regulations and updates them accordingly. Compliance reports are presented and deliberated upon during the Board Audit Committee meetings.

### Tax Governance

The Company's tax governance framework and tax strategy is formulated based on the principles of compliance, transparency and accountability. Further the Company acknowledges the duty in fulfilling its tax obligations as per fiscal legislation. The presence of a well structure tax governance framework ensures the following:

- Ability to manage tax efficiently by reducing the tax burden on the Company, within the ambit of applicable laws
- Manage tax risks and implications on Company reputation through adequate policies, proactive communication and defense.
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities
- Ensuing integrity of reported numbers and timely compliance

### Conclusion

The Company's resilient and effective governance practices serve as the cornerstone for instilling and upholding trust among a diverse array of stakeholders, encompassing employees, investors, governmental entities, business collaborators, patrons, and beyond. Within this structured framework, the Company is committed to conducting its operations sustainably, actively engaging with society to cultivate enduring shared value.

**COMPLIANCE SUMMARY AS AT 31ST MARCH 2024****1. Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange****MANDATORY PROVISIONS - FULLY COMPLIANT**

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the Entity	Complied	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	About Us
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Corporate Governance and Information to Shareholders and Investors
(iv)	a) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Complied	
	The public holding percentage in respect of non-voting Shares (where applicable)	Not applicable	
	b) The public holding percentage in respect of Foreign Currency denominated Shares	Not applicable	
(v)	A statement of each Director's holding and CEO's holding in shares of the Entity at the beginning and end of each financial year	Complied	
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Enterprise Risk Management
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Complied	Management Discussion and Analysis
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the Financial Statements and Manufactured Capital
(ix)	Number of shares representing the Entity's stated capital	Complied	Information to Shareholders and Investors
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	
(xi)	Financial ratios and market price information	Complied	
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Complied	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	The Company has not raised funds during the year through public issue, right issue and private placements and it does not have Employee Share Option Schemes.
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Complied	
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Section 9 of the Listing Rules	Complied	Corporate Governance and Notes to the Financial Statements
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	
(xvii) to (xxi)	Disclosures pertaining to Foreign Currency denominated Securities, Sustainable Bonds, Perpetual debt Securities, Infrastructure Bonds and/or Shariah Compliant Debt Securities listed on the CSE	N/A	

## Corporate Governance

### 2. Statement of Compliance under Section 7.10 of the Listing Rules of the Colombo Stock Exchange on Corporate Governance

#### MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
<b>7.10 Compliance</b>				
a./b./c.	Compliance with Corporate Governance Rules	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable	Complied	Corporate Governance
<b>7.10.1 Non Executive Directors</b>				
a./b./c.	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors should be NEDs	Complied	Corporate Governance
<b>7.10.2 Independent Directors</b>				
a.	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, shall be independent	Complied	Corporate Governance
b.	Independent Directors	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Complied	The three independent NEDs have submitted signed declarations confirming independence.
<b>7.10.5 Remuneration Committee</b>				
a(1)	Remuneration Committee	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Complied	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs.
<b>7.10.6 Audit Committee (AC)</b>				
a(1)	Composition of Audit Committee	• Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Complied	Corporate Governance and the Board Audit Committee Reports
a(2)		• A NED shall be the Chairman of the committee	Complied	Corporate Governance and the Board Audit Committee Reports
a(3)		• CEO and CFO should attend AC meetings, unless otherwise determined by AC	Complied	Corporate Governance and the Board Audit Committee Reports
a(4)		The Chairman of the AC or one member should be a member of a recognised  • professional accounting body	Complied	Corporate Governance and the Board Audit Committee Reports

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
b	Audit Committee Functions	<ul style="list-style-type: none"> <li>• Functions of the AC</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
b(1)		<ul style="list-style-type: none"> <li>• Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
b(2)		<ul style="list-style-type: none"> <li>• Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
b(3)	Audit Committee Functions	<ul style="list-style-type: none"> <li>• Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
b(4)		<ul style="list-style-type: none"> <li>• Assessment of the independence and performance of the Entity's External Auditors</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
b(5)		<ul style="list-style-type: none"> <li>• Make recommendations to the Board pertaining to External Auditors</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
c(1)	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> <li>• Names of the Audit Committee members shall be disclosed</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
c(2)		<ul style="list-style-type: none"> <li>• Audit Committee shall make a determination of the independence of the external auditors</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports
c(3)		<ul style="list-style-type: none"> <li>• Report on the manner in which Audit Committee carried out its functions and manner of compliance of Company in relation to the above.</li> </ul>	Complied	Corporate Governance and the Board Audit Committee Reports

## Corporate Governance

### 3. Statement of Compliance under Section 9 of the Revised Listing Rules of the CSE on Corporate Governance, effective as at 1 April 2024.

#### MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Compliance Status	TSFL/ Action Reference (within the Report)
<b>9.1 Corporate Governance Rules</b>			
9.1.3	A statement confirming compliance with Corporate Governance Rules	Complied	The Company is in compliance with the Corporate Governance Rules and has stated so within the Report with any deviations explained where applicable.
<b>9.3 Board Committees</b>			
9.3.1 b/c/d	Minimum required Board Committees	Complied	The required Committees are maintained and are functioning effectively.
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees	Complied	The Company is in compliance with the requirements in respect of the Board Committees.
<b>9.4 Meeting procedures and the conduct of all General Meetings with shareholders</b>			
9.4.1	Records of all resolutions and the following information upon a resolution being considered at any General Meeting shall be maintained	Complied	The Company maintains all records and information regarding resolutions considered at General Meetings.
9.4.2 a/b/c	Communication and relations with shareholders and investors	Complied	Refer section C.2 Communication with Shareholders
<b>9.6 Chairperson and CEO</b>			
9.6.1	Requirement for a SID if the positions of Chairperson and CEO are held by the same individual	Not Applicable	-
9.6.2	Market announcement on the rationale behind the appointment of a SID		
9.6.3 a - d	Requirement for a SID		
9.6.3 e	SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties		
9.6.4	Rationale for the appointment of a SID set out in the Annual Report		
<b>9.7 Fitness of Directors and CEO</b>			
9.7.5 a/b	Disclosures that the Directors and CEO satisfy the Fit and Proper Assessment Criteria stipulated by the CSE, with any non-compliance and remedial action taken also mentioned	Complied	Directors are required to provide general disclosures annually, declarations on independence, fitness and propriety and report on any substantial change in their professional responsibilities and business associations. No non-compliances were reported in this regard.
<b>9.8 Board Composition</b>			
9.8.3 (i) to (viii)	Requirements for meeting the criteria to be an ID	Complied	Details of the independence criteria are explained within the Corporate Governance Commentary.
9.8.5 a/b/c	The Board shall annually determine the independence or otherwise of IDs and name the Directors who are determined to be 'independent'.	Complied	All independent NEDs have submitted declarations as to their independence, and a determination of their independence is evaluated.

Rule No.	Subject	Compliance Status	TSFL/ Action Reference (within the Report)
<b>9.9 Alternate Directors</b>			
a-e	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association.	Complied	No Alternate Directors appointed during the financial year. CSE has granted a waiver to amend the Articles of Association to incorporate the requirements of the Rules at an EGM to be held on the same day as the date of the AGM.
<b>9.10 Disclosures relating to Directors</b>			
9.10.2/9.10.3	Market announcement upon the appointment of a new director and any changes to the Board composition	Complied	Market announcement of the new independent NEDs appointed are made through the CSE. There were no new appointments or changes to the Board composition during the year.
9.10.4 a-i	Details in relation to the Board members	Complied	Refer Board Profiles section.
<b>9.12 Remuneration Committee</b>			
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on EDs and individual Directors	Complied	The remuneration of the Executive Directors are determined as per the remuneration principles of the Group and recommended by the JKH Human Resources and Compensation Committee.
9.12.4	Remuneration for NEDs shall be based on a policy of non-discriminatory pay practices to ensure the independence	Complied	Refer Director Remuneration section.
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	Complied	Refer JKH Human Resources and Compensation Committee section.
9.12.6 (2)	Where the parent company and the subsidiary are Listed Entities, the Remuneration Committee of the parent company may function as the Remuneration Committee of the subsidiary.	Complied	
9.12.6 (3)	An ID shall be appointed as the Chairperson of the Remuneration Committee	Complied	
9.12.7	Functions	Complied	
9.12.8 A	Names of Remuneration Committee Chairperson and members	Complied	
9.12.8 B	Statement of Remuneration policy	Complied	
9.12.8 C	Aggregate remuneration paid to EDs and NEDs	Complied	
<b>9.13 Audit Committee</b>			
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties.	Complied	Refer Audit Committee section and Report of the Audit Committee
<b>9.14 Related Party Transactions Review Committee</b>			
9.14.2 (1)	Related Party Transactions Review Committee shall comprise of a minimum of 3 members, majority of whom should be IDs and an ID shall be appointed as the Chairperson	Complied	The JKH Related Party Transactions Committee comprises only of Independent Directors and maintained the minimum requirement of three members throughout the year.

## Corporate Governance

Rule No.	Subject	Compliance Status	TSFL/ Action Reference (within the Report)
9.14.2 (2)	Where the parent company and the subsidiary are Listed Entities, the Related Party Transactions Review Committee of the parent company may function as the Related Party Transactions Review Committee of the subsidiary.	Complied	Refer Related Party Transactions Review Committee section.
9.14.3	Functions	Complied	
9.14.4	General Requirements	Complied	
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied	
9.14.6	Shareholder Approval	Complied	Refer Extraordinary General Meetings, including Shareholder Approval through Special Resolution section.
9.14.8 (1)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Refer Notes to the financial statements.
9.14.8 (2)	Details pertaining to Recurrent Related Party Transactions	Complied	
9.14.8 (3)	Report of the Related Party Transactions Review Committee	Complied	Refer Report of the Related Party Transactions Review Committee.
9.14.8 (4)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Complied	Refer Annual Report of the Board of Directors.
9.14.9 (1)/(2)	Shareholder approval for acquisition and disposal of substantial assets	Complied	Refer Extraordinary General Meetings, including Shareholder Approval through Special Resolution section.
9.14.9 (4)/(5)/(6)	Competent independent advice on acquisition and disposal of substantial asset	Complied	There were no acquisition and disposal of substantial assets during the year 2023/24.
<b>9.16 Additional Disclosures</b>			
(i)	Directors have disclosed all material interests in contracts and have refrained from voting when materially involved.	Complied	Directors make a disclosure of interests at appointment, at the beginning of every financial year and during the year as required.
(ii)	Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence	Complied	Board takes steps to ensure the integrity of internal control systems remain effective via the review and monitoring of such systems on a periodic basis.
(iii)	Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions	Complied	Refer Board Induction and Training section.
(iv)	Disclosure of material non-compliance with laws/regulations and fines by relevant authorities where the Entity operates.	Not Applicable	-

**4. Statement of Compliance pertaining to Companies Act No. 7 of 2007****MANDATORY PROVISIONS - FULLY COMPLIANT**

Rule	Compliance Status	Reference (within the Report)
168 (1) (a) The nature of the business together with any change thereof during the accounting period	Complied	About Us
168 (1) (b) Signed financial statements of the Company for the accounting period	Complied	Financial Statements
168 (1) (c) Auditors' Report on financial statements of the Company	Complied	Independent Auditors' Report
168 (1) (d) Accounting policies and any changes thereto	Complied	Notes to the Financial Statements
168 (1) (e) Particulars of the entries made in the Interests Register during the accounting period	Complied	Annual Report of the Board of Directors
168 (1) (f) Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Notes to the Financial Statements
168 (1) (g) Corporate donations made by the Company during the accounting period	Complied	Notes to the Financial Statements
168 (1) (h) Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Complied	Corporate Information
168 (1) (i) Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	Notes to the Financial Statements
168 (1) (j) Auditors' relationship or any interest with the Company and its Subsidiaries	Complied	Report of the Audit Committee / Financial Statements
168 (1) (k) Acknowledgement of the contents of this Report and signatures on behalf of the Board	Complied	Financial Statements / Annual Report of the Board of Directors

## Corporate Governance

### 6. Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka

The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency and as required by the Group.

Directors	<ul style="list-style-type: none"> <li>The Company is directed, controlled and lead by an effective Board that possess the skills, experience and knowledge and thus all Directors bring independent judgement on various subjects, particularly financial acumen.</li> <li>Roles of Chairperson and CEO are separate. Their performances are appraised annually.</li> <li>Board Balance is maintained as the Code stipulates.</li> <li>Whilst there is a transparent procedure for Board Appointments, election and re-election, subject to shareholder approval, takes place at regular intervals.</li> <li>Specified information regarding Directors is shared in the Corporate Governance Commentary.</li> </ul>
Directors' Remuneration	<ul style="list-style-type: none"> <li>The JKH Human Resource and Compensation Committee, consisting of exclusively NEDs is responsible for determining the remuneration of Chairperson, CEO and EDs.</li> <li>ED compensation includes performance related elements in the pay structure. Compensation commitments in the event of early termination, determination of NED remuneration, remuneration policy and aggregate remuneration paid is disclosed under the Director Remuneration section and is in line with the Code.</li> </ul>
Relationship with Shareholders	<ul style="list-style-type: none"> <li>There is constructive use of the AGM, as per Code. Notice of Meeting, with adequate details, is circulated to shareholders as per statute.</li> <li>The Company has in place multiple channels to reach shareholders as discussed under the Stakeholder Management and Effective Communication section.</li> </ul>
Accountability and Audit	<ul style="list-style-type: none"> <li>Interim and other price sensitive and statutorily mandated reports are disclosed to Regulators. As evident from the Annual Report of the Board of Directors, the Company carried out all business in accordance with regulations and applicable laws, equitably and fairly.</li> <li>The Company continues to be a going concern and remedial action for any material events is in place. All related party transactions are reported under the Notes to the Financial Statements.</li> <li>There is an annual review of the effectiveness of the Company's risk management and internal controls which ensures the maintenance of a sound system of internal control which is reported on under the Internal Controls section</li> <li>The Internal Audit function and the Audit Committee, functions as stipulated by the Code, and are discussed under the Board Audit Committee section.</li> <li>A Related Party Transactions Review Committee is in place and functions in line with the Code.</li> <li>There were no violations of the Group Code of Conduct and the Code of Business Conduct and Ethics during the year, which is mentioned under the Chairperson's Message section.</li> </ul>
Institutional Investors	<ul style="list-style-type: none"> <li>The Company conducts regular and structured dialogue with shareholders based on a mutual understanding of objectives. This is done through the AGM.</li> </ul>
Other Investors	<ul style="list-style-type: none"> <li>Individual shareholders investing directly in shares of the Company are encouraged to carry out adequate analysis and seek independent advice in all investing and/or divesting decisions. They are encouraged to participate at the AGM and exercise their voting rights and seek clarity, whenever required.</li> </ul>
Sustainability	<ul style="list-style-type: none"> <li>ESG (environmental, social, and governance) is a pivotal consideration in the Company's decision making. In reporting performance, the Annual Report covers ESG disclosures through the Integrated Reporting framework, GRI standards and United Nations Sustainable Development Goals.</li> </ul>
Internet and Cybersecurity	<ul style="list-style-type: none"> <li>The JKH Board has prioritised cybersecurity by appointing a dedicated member responsible for overseeing it within the group. Company has implemented the group policies, conduct periodic reviews to ensure its effectiveness, discuss cybersecurity risks at the board level, and disclose the management of risks in the Annual Report. Furthermore, measures have been taken to secure connectivity for both internal and external devices.</li> </ul>

### 7. Code of Best Practice on Corporate Governance (2023) issued by CA Sri Lanka

CA Sri Lanka issued a revised Code of Best Practice on Corporate Governance in December 2023. The Company has reviewed the Code for further adoption, as applicable, and relevant to the Company. As the new Code was issued nine months into our reporting year, the Company has presented its compliance in line with the 2017 Code of Best Practice on Corporate Governance above.

# Report of the Board Audit Committee

## INTRODUCTION

The Audit Committee presents this report as part of its oversight responsibility regarding the financial reporting process of the Company for the financial year 2023/24. This report aims to provide stakeholders with insights into the effectiveness of internal controls, risk management, and the integrity of financial reporting.

## Role of the Board Audit Committee

The Board Audit Committee represents and assists the Board in fulfilling its responsibility relating to the integrity of the financial statements and the financial reporting process, the systems of internal control, compliance with legal and regulatory requirements, risk management practices and the adequacy of external and internal audit with a view to safeguarding the interests of the shareholders and all other stakeholders.

The Audit Committee Charter clearly defines the terms of reference of the Committee and regulates its composition, role and responsibilities. The Audit Committee Charter is periodically reviewed and revised with the concurrence of the Board of Directors to ensure that new developments relating to the function of the Committee are adopted.

## Key Responsibilities of the BACC

### Internal Controls

Ensuring the prevalence and adequacy of Company's internal control and risk management framework.

### Effective Financial Reporting Systems

Ensuring the integrity of the financial statements of the Company and that good financial reporting systems are in place to provide accurate, appropriate and timely information to the management, regulatory authorities, shareholders and other stakeholders in accordance with the Sri Lanka Accounting Standards as defined by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Listing Rules of the Colombo Stock Exchange (CSE).

### Assessing Going Concern

Assessing the Company's ability to continue as a going concern in the foreseeable future.

### Audit

Assessing the independence and monitoring the performance of external auditors and outsourced internal auditors and follow up on their findings and recommendations

### Compliance

Reviewing the Company's compliance with relevant legal and regulatory requirements and ensuring that high standards of Corporate Governance are in place

### Risk Management

Review and assess principal and emerging risks faced by the Company and the risk management process adopted.

## Composition of the Board Audit Committee

The Board Audit Committee is appointed by and accountable to the Board of Directors and is formally constituted as a Sub Committee of the Board in accordance with the Listing Rules of the CSE. Its members possess a diverse range of expertise and experience necessary to fulfill their responsibilities and their detailed profiles can be found on pages 62 to 64 of this report.

### Name of Director

Ms. A. Goonetilleke (Chairperson)

Mr. A. S. Jayatilleka Independent, Non-Executive Director

Mr. S. K. L. Obeyesekere

Mr. A. K. Gunaratne Non independent, Non- Executive Director

The Chief Financial Officer of the Plantation Services Sector of the Group serves as the Secretary to the Committee.

## Report of the Board Audit Committee

### Meetings of the Board Audit Committee

The Committee convened four times during the fiscal year 2023/2024 and the attendance of the committee members at these meetings are detailed below. Invitations are extended to the Chief Executive Officer, the Head of Operations, the Finance Manager of the Company, the Sector Financial Controller and the Head of Group Business Process Review at

John Keells Holdings PLC (JKH), to attend meetings. Other officials are invited to attend on a need basis. External auditors and outsourced internal auditors also attend meetings upon invitation as needed.

The activities and perspectives of the committee have been conveyed to the Board of Directors by presenting the minutes of the meetings during Board

meetings, and verbally when deemed necessary. The Chairperson and Committee members maintained regular communication with the Company's management through various meetings and correspondence to oversee the auditing and control aspects in the Company.

#### Attendance at Committee Meetings

Name of Director	18-05-2023	19-07-2023	26-10-2023	26-01-2024	Attendance
Ms. A. Goonetilleke	√	√	√	√	4/4
Mr. A. S. Jayatilleka	√	√	√	√	4/4
Mr. S. K. L. Obeyesekere	√	√	√	√	4/4
Mr. A. K Gunaratne	√	√	√	√	4/4

### Summary of Activities of the Audit Committee during the Financial Year

#### Financial Reporting

- The Committee reviewed the financial reporting process used in the preparation of quarterly and annual financial statements, ensuring the reliability of processes and the consistency of the accounting policies and methods adopted in accordance with Sri Lanka Accounting Standards.
- Subsequently, the Committee endorsed the Annual and the Quarterly Financial Statements to the Board for consideration and approval. Furthermore, in evaluating the financial reporting system, the Committee acknowledged the sufficiency and quality of routine management information reports provided to its members.
- Assessed the adequacy of the internal controls and procedures, to obtain reasonable assurance that the financial reporting system is effective in providing reliable and timely information.
- The Committee is satisfied that all relevant matters have been considered in the preparation of the financial statements through discussion with management, regarding the operations

of the Company both during the financial year and its outlook.

- The Committee continues to monitor compliance in accordance with the Sri Lanka Financial Reporting Standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards and the Listing Rules of the Colombo Stock Exchange.

#### Internal Controls and Risk Management

- The Committee satisfied itself that adequate controls and procedures are in place to provide reasonable assurance to the effect that the Company's assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of financial statements.
- The Committee conducted a thorough examination of the risk management process, ensuring the identification, assessment, and mitigation of all significant risks faced by the Company. The management, with the guidance of the Sustainability and Enterprise Risk Management Division of the John Keells Group, identified key operational risks, and where required, took necessary measures to address them.

- Formal confirmations and assurances were provided quarterly by the management regarding the effectiveness and status of internal control systems, risk management systems, and compliance with relevant laws and regulations.

#### Internal Audit

- The Committee reviewed and approved the internal audit plan and scope of work developed in consultation with the Group BPR Division and the outsourced internal auditors (BDO Partners).
- Reviewed and discussed the internal audit reports presented by the outsourced internal auditors which were thoroughly examined and deliberated upon in conjunction with both management and the Group BPR Division. The findings and recommendations received careful consideration and were subsequently monitored for implementation.
- The Committee also met the outsourced internal auditors, without the management present.

### External Audit

- The Committee along with the external auditors and the management, reviewed and approved the external auditor's work plan and resources and agreed on various key areas of focus prior to the commencement of the audit.
- The external auditor updated the committee on an on-going basis regarding any unresolved matters of significance.
- The Committee met with the external auditors prior to the conclusion of the audit, to discuss all audit issues and agreed on their treatment. The Committee also met the external auditors, without the management present, prior to the finalisation of the financial statements.
- A declaration has been submitted by Messrs. Ernst & Young to the Committee, confirming the compliance on its independence criteria as required by the Companies Act No.07 of 2007 and the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Committee is satisfied that the independence and objectivity of the external auditors are safeguarded and has not been impaired by any event or service that gives rise to a conflict of interest. The assigned audit and non-audit work were reviewed by the Committee and due consideration has been given to the level of audit and non-audit fees received by the external auditors.
- The Company's senior management conducted a structured assessment to appraise the performance of the external auditors. Based on this evaluation, the Committee has recommended to the Board of Directors the re-appointment of Messrs. Ernst & Young as Auditors for the fiscal year ending March 31, 2025, pending approval by shareholders at the upcoming Annual General Meeting.

### Ethics and Good Governance

The continuous emphasis by the Committee on sustaining the ethical values of the employees through the speak up policy ensures that all members of staff are encouraged to resort to Whistleblowing, if they suspect wrongdoing or other improprieties. Appropriate procedures are in place to conduct independent investigations into incidents reported through Whistleblowing or identified through other means. The reported incidents and concerns raised are reviewed and investigated on a periodic basis and confidentiality of the identity of the whistle blower is maintained. The Committee reviewed the whistle-blowing arrangements for the Company during the year.

### Evaluation of The Board Audit Committee

An assessment of the Committee's effectiveness was conducted during the year, and actions were taken to address any identified issues. The outcomes of this evaluation were presented at the Board Audit Committee meeting and communicated to the Company's Board of Directors.

### Compliance of the Board Audit Committee

The Committee's scope and responsibilities adhere to the standards outlined in the Code of Best Practice on Audit Committee. Furthermore, the Committee has operated in accordance with the guidelines set forth in the Code of Best Practice on Corporate Governance and the Corporate Governance Rules as outlined in section 7.10 of the Listing Rules of the Colombo Stock Exchange.

### Conclusion

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Company and the implementation of accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with accepted policies and the assets are properly accounted for and adequately safeguarded.

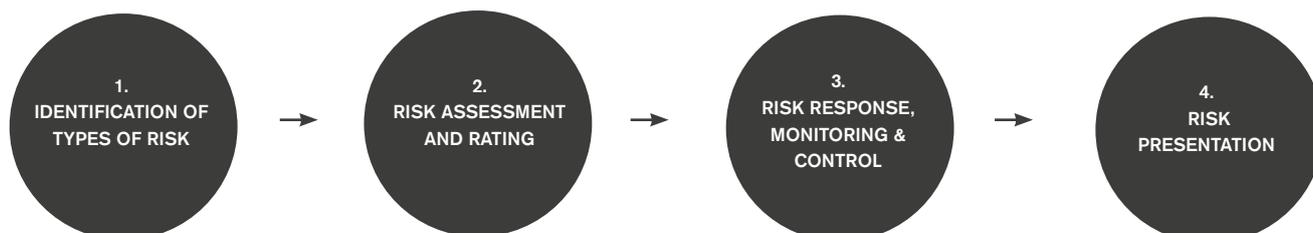


A. Goonetilleke  
Chairperson of the Board Audit Committee  
20th May 2024

# Enterprise Risk Management

Risk management aims to safeguard and enhance the value of all stakeholders by strategically evaluating, prioritising, monitoring, and controlling the effects of a spectrum of structural, operational, financial, and strategic risks that could impede the achievement of our core objectives.

## RISK MANAGEMENT PROCESS



The annual enterprise risk management cycle begins with the Company's risk team, collaborating with the JKH ERM division, to conduct a comprehensive assessment. This involves identifying risks, evaluating their impact, likelihood, and velocity, and formulating preventive, detective, and corrective mitigation plans for identified risks.

Ultimate responsibility for the Company's risk management framework rests with the Board of Directors, who oversee it comprehensively. They are supported by the Board Audit Committee (BAC), tasked with supervising risks and internal controls. The Group Business Process Review (GBPR) division of JKH, along with the outsourced Internal Auditors, M/s. BDO Partners, Chartered Accountants, aids the BAC by conducting regular reviews and providing recommendations on the robustness of the Company's internal controls. The risk management team, led by the Chief Executive Officer, is supported by the Company's senior management. This team includes a designated risk champion who serves as the central communication point for reporting. Oversight on the risk management process is provided by the Group Enterprise Risk Management (ERM) team.

The risk management process makes use of the Company's online Enterprise Risk, Audit, and Incident Management platform, which maintains an active and flexible risk register. This platform provides a comprehensive and real-time assessment of the Company's risk profile, offering metrics that assist in the swift and proactive identification and handling of significant issues and key risks.

### 1. IDENTIFICATION OF TYPES OF RISK

#### Risk Event

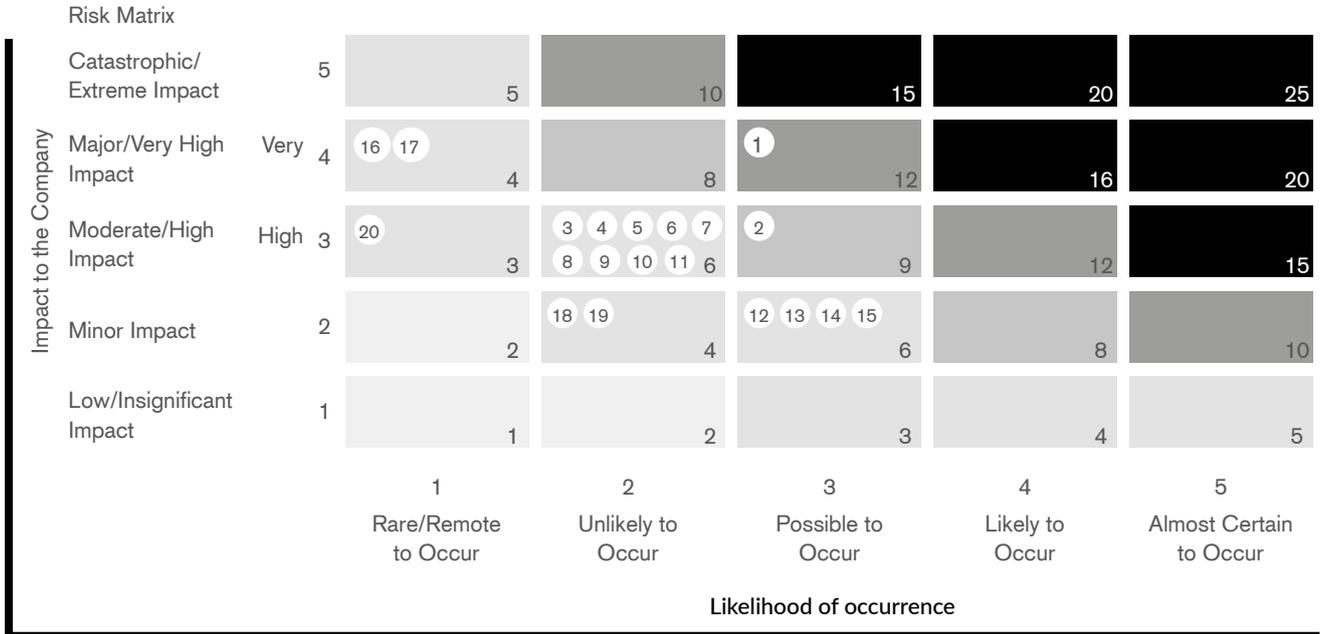
Any uncertain event that, should it happen, could lead to the organisation not achieving its stated objectives.

#### Core Sustainability Risks

Core Sustainability Risks are those risks that could have a catastrophic impact on the organisation, yet they may have a very low or negligible probability of occurring.

### 2. RISK ASSESSMENT AND RATING

Each risk identified is analysed in terms of the severity of impact evaluated by calculating the loss it would cause and the magnitude of impact and the likelihood of it happening is evaluated based on prior experience and preventative measures in place. Accordingly, a score is assigned ranging from 1 (low probability/impact) to 5 (high probability/ impact) to signify the probability of occurrence and the level of impact to the organisation. These risks once rated are plotted on the matrix below.



The Colour Matrix implies the following:

Priority level	1	2	3	4	5
Colour code	Ultra High	High	Medium	Low	Insignificant
Score	15-25	10-12	8-9	3-6	1-2

**3. RISK RESPONSE, MONITORING AND CONTROL**

The risk management team determines risk management measures, including acceptance, mitigation, control, and transfer. Each identified risk is assigned to a member of the risk team as the risk owner based on their expertise, will review the effectiveness of the internal controls implemented and monitor new risks which are arising.

High-level or core risks undergo review by the Group Management Committee (GMC), led by the President of Plantation Services to validate the risk process. The risk owners are also tasked with implementing strategies within agreed timelines and providing updates to the risk committee accordingly. Risk doesn't remain static, and it is essential that risk management remains an on-going process with regular monitoring and reviewing of risks, process, outcome and efficiency of the risk treatment measures. Independent internal audits are carried out regularly to ensure that there are sound internal controls and procedures in place to manage and mitigate risks.

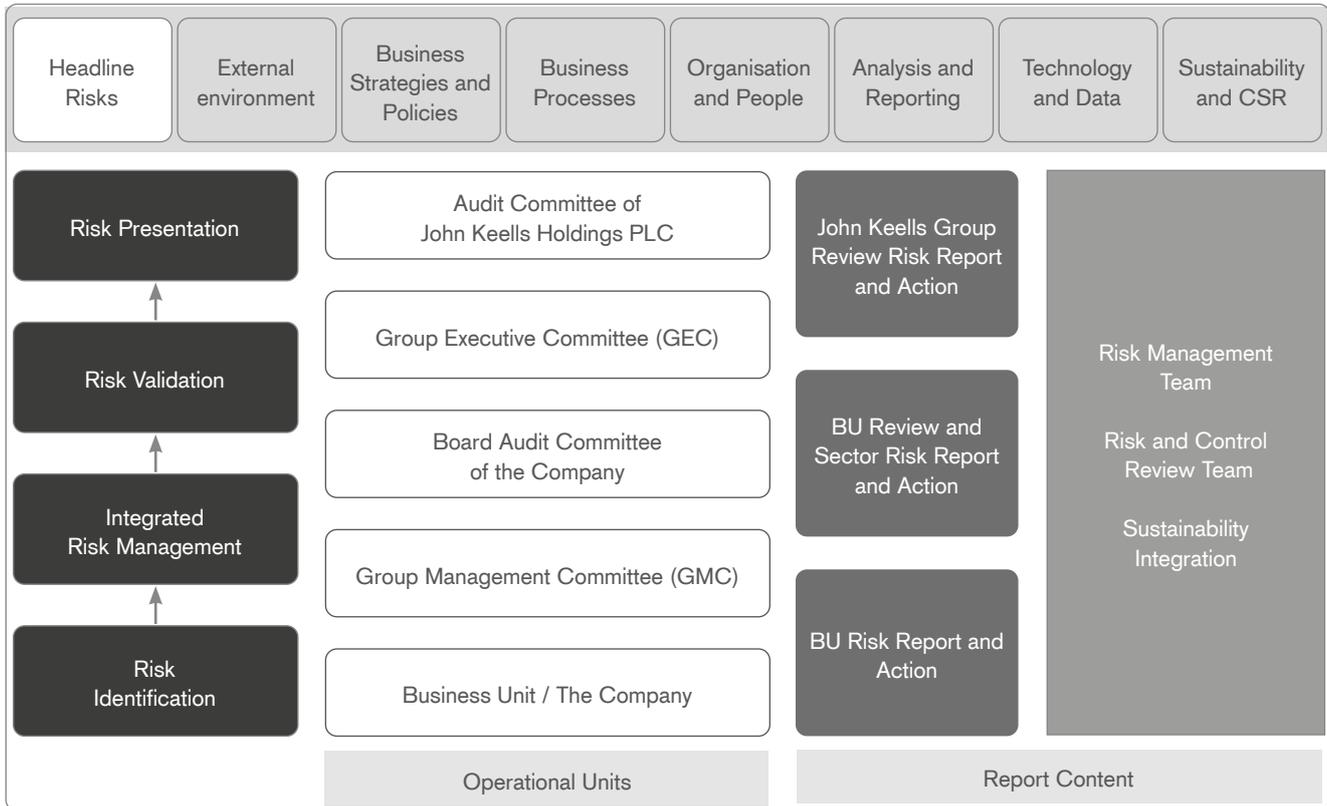
**4. RISK PRESENTATION**

The risks are then presented to the Board Audit Committee (BAC) of the Company where the BAC on behalf of the Board, reviews the risk management process adopted by the Company.

# Enterprise Risk Management

## Risk Management Framework

The risk management team adheres to the framework established by the Sustainability and Enterprise Risk Management Division of our Parent Company, JKH, as illustrated below.



The significant risk areas that impact on the achievement of the strategic business objectives of the Company and measures taken to address these risks are discussed below.

Risk Description	Risk Response						
<p><b>1. Reduced availability of green leaf resulting in reduced factory utilisation</b></p> <p><b>Implication</b> Lower crop intakes, reduced capacity utilisation and reduced profitability</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>High</td> </tr> </tbody> </table>	Risk Rating		2024	2023	High	High	<ul style="list-style-type: none"> <li>Continuous monitoring of supplier "Dropouts" and retention by,                             <ul style="list-style-type: none"> <li>- Payment of competitive rates for quality raw materials</li> <li>- Offering forward advances and soft loans to eligible smallholders</li> <li>- Establishing and maintaining smallholder welfare societies</li> </ul> </li> <li>Extension services are provided to smallholders and advice on Good Agricultural Practices (GAP) are disseminated towards improving productivity &amp; minimising effects of extreme weather</li> <li>Provide high-quality shade material to mitigate the effects of adverse weather conditions like drought.</li> <li>Ensure sufficient fertiliser stocks (Chemical/ Organic) to meet the needs of small holders during periods of fertiliser scarcity.</li> <li>Replanting programs (resistant plants) - Projects 1, to 6 are completed, and Projects 7, to 9 are in progress. Project 10 has been initiated. Vacant tea fields are consolidated by " in-filling" programs.</li> </ul>
Risk Rating							
2024	2023						
High	High						

Risk Description	Risk Response						
<p><b>2. Unstable nature of the market with respect to prices, including the impact on price due to exchange rate and geopolitical risk)</b></p> <p><b>Implication</b> Unpredictable profitability</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Medium</td> <td>Medium</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Medium	Medium	<ul style="list-style-type: none"> <li>• Continuous monitoring of the grade mix to make strategic changes to meet market requirements.</li> <li>• Regular communication with brokers and exporters in relation to the demand and price</li> <li>• Flexibility to change manufacture process to suit market requirements. ( Product diversification)</li> <li>• Market Forecast based on broker/ buyer information</li> <li>• Reduce inventory levels at factories</li> </ul>
Risk Rating							
2024	2023						
Medium	Medium						
<p><b>3. Interruption on Power and Fuel supply</b></p> <p><b>Implication</b> Disruption to production, green leaf transport and loss of revenue</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Combine leaf routes where possible to avoid any disruptions in green leaf transportation</li> <li>• Obtain special approval from the CTTA through PTFOA for cataloguing of teas in the event of any transport delays</li> <li>• Ensure that adequate stocks of fuel are maintained at any given time to continue the manufacture</li> <li>• Ensure that the generators are in good running condition whilst attending to repairs and maintenance on time.</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>4. Availability of fertiliser</b></p> <p><b>Implication</b> Lower crop intakes and decline in the standard of green leaf</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Medium</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Medium	<ul style="list-style-type: none"> <li>• Maintain adequate stocks of non-organic and organic fertiliser are available for distribution</li> <li>• Distribution of fertiliser based on an installment payment plan</li> </ul>
Risk Rating							
2024	2023						
Low	Medium						
<p><b>5. Brand Reputation</b></p> <p><b>Implication</b> Loss of shareholder value /Financial loss/ reduced interest in purchasing tea/ increased unsold quantities</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Medium</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Medium	<ul style="list-style-type: none"> <li>• Practice ethical conduct while closely observing and complying with the Company's Code of Conduct and industry statutory requirements</li> <li>• Ensure adherence to the minimum requirements for product labeling and packaging stipulated by SLTB/CTTA.</li> <li>• Maintain employee motivation while fostering an inclusive and balanced work environment</li> <li>• Penalties on Ex-gratia charged for quality claims</li> <li>• Zero tolerance on adulteration or unscrupulous manufacturing practices</li> </ul>
Risk Rating							
2024	2023						
Low	Medium						
<p><b>6. Fire</b></p> <p><b>Implication</b> Loss of shareholder value /Financial loss/ reduced interest in purchasing tea/ increased unsold quantities</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Sufficient firefighting equipment are available in the premises.</li> <li>• Firefighting awareness programs are held quarterly</li> <li>• Annual firefighting demonstrations are conducted at all factories</li> <li>• BCP in place and is reviewed quarterly</li> <li>• Fire safety audit has been conducted annually</li> <li>• Firefighting equipment's are being checked monthly</li> <li>• Insurance covers have been obtained on fire and business interruption</li> </ul>
Risk Rating							
2024	2023						
Low	Low						

## Enterprise Risk Management

Risk Description	Risk Response						
<p><b>7. Natural Disaster</b></p> <p><b>Implication</b> Business interruption / loss of revenue.</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Business Continuity Plans (BCP) are in place and reviewed quarterly</li> <li>• Insurance covers have been obtained on business interruption</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>8. Registration of the Lands</b></p> <p><b>Implication</b> Loss of asset</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Re-survey of land and registering in the appropriate land registry</li> <li>• Frequent monitoring of boundaries to prevent encroachments</li> <li>• Boundary fences are regularly maintained and repaired as needed</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>9. Supply chain sustainability</b></p> <p><b>Implication</b> Loss of product certification, quality claims and loss of revenue</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Maximum Residue Limit (MRL) levels are checked every 2 years</li> <li>• Continuous monitoring of moisture, chemical content of the product whilst meeting the minimum requirement</li> <li>• Frequent evaluation of food safety controls under ISO 22000:2018 certification</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>10. IT system failure</b></p> <p><b>Implication</b> Breakdown of ERP system</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Internet security (Virus guards) and windows security updates</li> <li>• Centralisation of data through Azure</li> <li>• Implementation of Data Classification</li> <li>• Management supervision</li> <li>• Primary records system backups to cloud</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>11. Unionisation of Worker</b></p> <p><b>Implication</b> Industrial Disputes/Union action</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Continuation of the Joint Consultation Committee (JCC)</li> <li>• Conduct social activities and engagements on a frequent basis</li> <li>• Adherence to the statutory laws</li> <li>• Create a safe and conducive work environment</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>12. Unethical practices in the industry</b></p> <p><b>Implication</b> Unfair competition</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>• Regular coordination with Tea Board, CTTA and involve in bringing fair rules into the industry.</li> </ul>
Risk Rating							
2024	2023						
Low	Low						

Risk Description	Risk Response						
<p><b>13. Unrecoverable advances</b></p> <p><b>Implication</b> Bad Debts</p> <table border="1" data-bbox="145 584 464 701"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>Advances are issued at the 75% of the payable green leaf rate</li> <li>In case of a shortfall in green leaf supply, the deficits are recovered from transport agents.</li> <li>Weekly/monthly monitoring of debts</li> <li>Over Advances are not provided beyond the estimated monthly supply</li> <li>Minimise over advances requirements by offering secured short term loan facility</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>14. Sexual Harassment at Workplace</b></p> <p><b>Implication</b> Reputational damage, safety of Employees</p> <table border="1" data-bbox="145 837 464 954"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>-</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	-	<ul style="list-style-type: none"> <li>Conducting awareness sessions</li> </ul>
Risk Rating							
2024	2023						
Low	-						
<p><b>15. Availability of regular workforce</b></p> <p><b>Implication</b> Shortage of skilled workforce Risk Rating</p> <table border="1" data-bbox="145 1095 464 1211"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Medium</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Medium	<ul style="list-style-type: none"> <li>Provide adequate residential and rest room facilities for workers</li> <li>Consistently monitor worker facilities and provide ongoing health and safety training</li> <li>Despite not being a signatory to the collective bargaining agreement, the Company adheres to updates on payable wages as communicated through gazette notifications by the wages board</li> <li>Adequate transport facilities are provided to report to work</li> <li>Provide discounted meal facilities</li> <li>Factory automation</li> <li>Improving the work environment to enhance employee attendance</li> </ul>
Risk Rating							
2024	2023						
Low	Medium						
<p><b>16. Terrorism</b></p> <p><b>Implication</b> Loss of Business Asset, loss of data, continuation of business affected due to absence of staff and workforce, higher cost of production, higher insurance premiums, reduced production due to fear and increased security measures by forces, delay in transport of tea stocks to brokers warehouses, delay in the sale of teas thereby affecting revenue, discontinuation of power supply</p> <table border="1" data-bbox="145 1727 464 1843"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>Ensure that adequate stocks of firewood, fuel and packing materials are available for 3 months requirement</li> <li>Ensure that the generators at the factories are well-maintained and operational in case of emergencies.</li> <li>Updated BCP for head office and factories and conduct awareness programs on security and safety whilst conducting BCP testing, up to the extent where practically possible</li> <li>Ensure that administrative work could be carried out off site by the employees</li> <li>Review of Insurance policies and premiums.</li> <li>Backup of important data</li> <li>Coordinate with Tea Broker to catalogue teas by sending samples and arrange the delivery for a later date.</li> </ul>
Risk Rating							
2024	2023						
Low	Low						

## Enterprise Risk Management

Risk Description	Risk Response						
<p><b>17.Environmental pollution</b></p> <p><b>Implication</b> Loss of EPL, Fines</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>Regularly review and monitor the environmental policy</li> <li>ISO 45001:2018 certification covers wastewater management and disposal</li> <li>Regular audits are conducted at all factories</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>18. Unauthorised access to critical assets</b></p> <p><b>Implication</b> System failure, distortion to data</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>Audit trail for 3rd party access</li> <li>Verification of bank details for online transfers via signed letterheads</li> <li>Vendor creation process with segregation of approval levels</li> <li>Implementation of Data Classification</li> <li>Implementation of pre-defined beneficiaries</li> <li>Internet security (Virus guards) and windows security updates</li> <li>Management supervision</li> <li>Primary records</li> <li>Protected passwords, NDAs with suppliers</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>19. Health and Safety</b></p> <p><b>Implication</b> Loss of man-days</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>Proactively identifying health and safety issues in order for preventive action to be set in place using ISO 45001:2018 certification guidelines, training on health and safety, fire drills</li> <li>Awareness of the action plan in the BCP has been informed to the employees</li> <li>Security measures at the Head Office and factories have been evaluated and tightened to ensure the safety of the employees.</li> <li>Ensure to conduct awareness sessions throughout the year covering all the factories</li> <li>Health and safety internal audits, External audits (ISO 45001:2018)</li> <li>Insurance</li> </ul>
Risk Rating							
2024	2023						
Low	Low						
<p><b>20. Civil Unrest</b></p> <p><b>Implication</b> Loss of business asset, loss of data, continuation of business affected due to absence of staff and workforce, higher cost of production, higher insurance premiums, reduced production due to fear and increased security measures by forces, delay in transport of tea stocks to Brokers warehouses, delay in the sale of teas thereby affecting revenue, discontinuation of power supply</p> <table border="1"> <thead> <tr> <th colspan="2">Risk Rating</th> </tr> <tr> <th>2024</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Low</td> <td>Low</td> </tr> </tbody> </table>	Risk Rating		2024	2023	Low	Low	<ul style="list-style-type: none"> <li>Ensure that adequate stocks of firewood, fuel and packing materials are available for 3 months requirement</li> <li>Ensure that the generators at the factories are well-maintained and operational in case of emergencies.</li> <li>Updated BCP for head office and factories and conduct awareness programs on security and safety whilst conducting BCP testing, up to the extent where practically possible</li> <li>Ensure that administrative work could be carried out off site by the employees</li> <li>Review of Insurance policies and premiums.</li> <li>Backup of important data</li> <li>Coordinate with Tea Broker to catalogue teas by sending samples and arrange the delivery for a later date.</li> </ul>
Risk Rating							
2024	2023						
Low	Low						

# Infusions of Excellence



## FINANCIAL STATEMENTS

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Independent Auditors' Report 112 | Income Statement 115 | Statement of Comprehensive Income 116

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Statement of Cash Flows 119 | Notes to the Financial Statements 120

# Financial Calendar

**INTERIM FINANCIAL STATEMENTS - 2023/2024**

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1st Quarter	July	20, 2023
2nd Quarter	November	06, 2023
3rd Quarter	January	30, 2024
4th Quarter	May	20, 2024

**ANNUAL REPORTS**

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2022 / 2023	May	22, 2023
2023 / 2024	May	20, 2024

**MEETINGS**

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29th Annual General Meeting	June	29, 2023
30th Annual General Meeting	June	25, 2024

# Annual Report of the Board of Directors

The Directors of Tea Smallholder Factories PLC (Company) have pleasure in presenting their 30th Annual Report of the Company together with the audited financial statements for the year ended 31st March 2024.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 (Companies Act), the Listing Rules of the Colombo Stock Exchange (CSE), Code of best practice on Related Party Transactions (RPT) published by the Securities and Exchange Commission of Sri Lanka (SEC), Rules on Corporate Governance (2013) jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka to the extent of business exigency as required by the Company and are guided by recommended best accounting practices.

## 1. PRINCIPAL ACTIVITIES

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

## 2. VISION, MISSION AND GOALS

The business activities of the Company are conducted in accordance with the highest level of ethical standards and integrity in achieving the Company's vision. The Company's vision, mission and goals are set out in page 5 of this Annual Report.

## 3. REVIEW OF BUSINESS PERFORMANCE

A review of operations of the Company during the year ended 31st March 2024 is contained in the Chairperson's Message on pages 10 to 13 and the Management Discussion and Analysis section on page 15 to 60. These reports together with the audited financial statements reflect the state of affairs of the Company.

## 4. FINANCIAL STATEMENTS AND AUDITORS' REPORT

Financial statements of the Company for the year ended 31st March 2024 have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) and are set out on pages 115 to 162 of this Annual Report. The Independent Auditors' Report on the financial statements are given on pages 112 to 114 of this Annual Report.

## 5. ACCOUNTING POLICIES

All significant accounting policies adopted in the preparation of the financial statements of the Company are given on pages 120 to 162. There were no changes to the accounting policies adopted by the Company during the year under review.

## 6. FINANCIAL RESULTS AND APPROPRIATIONS

### 6.1. Revenue

The revenue generated by the Company for the year under review amounted to Rs. 3,056 Mn (2022/2023 - Rs. 3,744 Mn) which is an 18% reduction compared to the previous year. An analysis of the revenue based on geographical segments is disclosed in note 5.2 to the financial statements on page 124.

Information on dividends and reserves are given below;

Tea Smallholder Factories PLC	2024	2023
For the year ended 31st March	Rs. '000s	Rs. '000s
Profit /(Loss) before tax	(19,688)	440,626
Tax (Expense)/ Reversal	25,917	(162,131)
<b>Net profit /(Loss) after tax</b>	<b>6,229</b>	<b>278,495</b>
Other adjustments	(1,803)	5,133
Balance brought forward from the previous year	838,572	755,044
The amount available for appropriation	842,998	1,038,672
No dividend payments were declared for 2023/24 (Interim dividend declared for 2022/2023 - Rs. 6.67 per share).	-	(200,100)
<b>Balance to be carried forward next year</b>	<b>842,998</b>	<b>838,572</b>

## 6.2 Profit and Appropriations

The profit after tax of the Company was Rs. 6.23 Mn (2022/2023 - Rs. 278.50 Mn). The segmental profits are disclosed in note 5.2.1 to the financial statements on page 124.

The Company's total comprehensive income net of tax for the financial year 2023/2024 was Rs. 54.46 Mn (2022/2023 - Rs. 303.30 Mn).

## 6.3 Taxation

The Company is liable to income tax at 30 percent (2022/2023 - 30 percent) in terms of the Inland Revenue Act No. 45 of 2022 and amendments thereto. A detailed statement of the income tax rates applicable to the Company and a reconciliation of the accounting profits with the taxable profits are given in note 16 to the financial statements on pages 139 to 142.

## 6.4 Dividends and Reserves

As required by Section 56 (2) of the Companies Act, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act, and has obtained a certificate from the auditors, prior to declaring all dividends.

## Annual Report of the Board of Directors

### 7. DONATIONS

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

### 8. CORPORATE SUSTAINABILITY

The Company is conscious of the direct and indirect impact on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Company in recognition of its responsibility as a corporate citizen are disclosed in detail on pages 56 to 60 of this Annual Report.

### 9. PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment of the Company as at 31st March 2024 was Rs. 969.81 Mn (as at 31st March 2023 was Rs.1,019.63 Mn). The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company amounted to Rs. 95.48 Mn. The movement of property, plant and equipment during the year is shown in note 17.2 of the financial statements on page 144.

Right of use assets amounting to Rs. 2.04 Mn (2022/2023 - Rs. 2.13 Mn) have been shown separately from property, plant and equipment as per SLFRS 16 – Leases.

Investment properties totalling to Rs. 785.47 Mn have been shown separately from property, plant and equipment as per LKAS 40 –Investment Properties. New Panawenna tea factory was classified as an investment property subsequent to the lease out in February 2024.

### Market Value of Properties

Land and buildings which includes freehold lands, leasehold land, and buildings on freehold and leasehold lands for six factories were revalued by Mr. K. T. D. Tissera, Chartered Valuation Surveyor as of 31st December 2023 and the results of such valuation were incorporated in the financial statements as at that date.

Properties classified as Investment Property were also revalued on 31st December 2023. Property situated in New Nuge Road, Peliyagoda was revalued by Messrs. P. B. Kalugalagedara & Associates, Chartered valuation surveyors and Karawita Tea factory by Mr. K. T. D. Tissera, Chartered Valuation Surveyor and results of such valuations were incorporated in the financial statements as at that date.

Details of valuation of property, plant and equipment and investment property are provided in notes 17.3, 17.4 and 19.3 to the financial statements on pages 145, 146 & 149 respectively.

### 10. INVESTMENTS

Investments (short term) as at 31st March 2024 - NIL (as at 31st March 2023 - Rs. 52.04 Mn).

### 11. STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31st March 2024 was Rs. 150 Mn (as at 31st March 2023 - Rs. 150 Mn) with 30 Mn shares in issue.

The total reserves of the Company as at 31st March 2024 amounted to Rs. 1,523 Mn (as at 31st March 2023 - Rs. 1,469 Mn). The movement in these reserves is shown in the statement of changes in equity on page 118.

### 12. SHAREHOLDING AND STOCK MARKET INFORMATION

As at 31st March 2024 there were 1,461 (as at 31st March 2023 – 1,434) registered shareholders. Top twenty shareholders, the distribution schedule, along with the public holding is given on pages 168 and 169.

An ordinary share of the Company was quoted on the CSE at Rs. 41.50 as at 31st March 2024 (31st March 2023 - Rs. 44.00). Information relating to earnings, dividend, net assets and market value per share is given under the “Five Year Summary” on page 166-167 and in the “Information to Shareholders and Investors” on page 171.

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Information to Shareholders and Investors section (page 169) of this Annual Report.

### 13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities and capital commitments made on capital expenditure as at 31st March 2024 are given in Note 37 and 38 respectively in the notes to the financial statements on page 162.

### 14. EVENTS OCCURRING AFTER THE REPORTING DATE

The details are given in Note 40 in the notes to the financial statements on page 162.

### 15. INFORMATION ON THE BOARD OF DIRECTORS

#### 15.1. Directorate

The Board of Directors of the Company as at 31st March 2024 and their brief profiles are given in the Board of Directors section of this Annual Report on pages 62 to 64.

	2024	2023
Revaluation Reserve	Rs. 680 Mn	Rs. 630 Mn
Retained Earnings	Rs. 843 Mn	Rs. 839 Mn
Total	Rs. 1,523 Mn	Rs. 1,469 Mn

## 15.2 New Appointments and Resignation of Directors

There were no new appointments and resignations during the period under review.

## 15.3 Board Sub-Committees

Information regarding the Board Audit Committee, Human Resources and Compensation Committee (HRCC), Nominations Committee, Related Party Transactions Review Committee and Project Risk Assessment Committee is given under Corporate Governance on pages 69 to 76.

## 15.4 Retirement of Directors and their re-election

In accordance with Article 83 of the Articles of Association of the Company, Ms. A. Goonetilleke and Mr A. Z. Hashim who retire by rotation and being eligible, will offer themselves for re- election at the Annual General Meeting.

## 15.5 Directors' Shareholding and their Interests

The relevant interests of the Directors and the Chief Executive Officer (CEO) in the shares of the Company are as follows.

	2024	2023
Tea Smallholder Factories PLC As at 31st March	No. of Shares held	No. of Shares held
Mr. K. N. J. Balendra	Nil	Nil
Mr. J. G. A. Cooray	Nil	Nil
Mr. A. Z. Hashim	Nil	Nil
Mr. E. H. Wijenaika	10,000	10,000
Mr. A. K. Gunaratne	Nil	Nil
Ms. A. Goonetilleke	Nil	Nil
Mr. A. S. Jayatilleka	Nil	Nil
Mr. S. K. L. Obeyesekere	Nil	Nil
Mr. R. H. Walpola (CEO)	Nil	Nil

## 15.6 Interests Register and Interest in Contracts

The Company has maintained an Interests Register as contemplated by the Companies Act.

In compliance with the requirements of the Companies Act, this Annual Report also contains particulars of entries made in the Interest Register during the period under review.

- Interests in Contracts – The Directors have all made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.
- Indemnities and remuneration - The contract and standard Director fees of Mr. A S Jayatilleke, Ms. A Goonetilleke Non-Executive Directors have been approved/ renewed by the Board. The Director fees are commensurate with the market complexities associated with the Company:

Share Dealings - There have been no other disclosures of share dealings as at 31st March 2024.

## 16. DIRECTORS' MEETINGS

Details of Directors' meetings is presented on page 77 of this Annual Report.

## 17. RELATED PARTY TRANSACTIONS

There were no related party transactions required to be disclosed under the Listing Rules of the CSE other than as disclosed under Note 34 in the Notes to the financial statements on pages 159 and 160.

## 18. EMPLOYMENT

The number of persons employed by the Company as at 31st March 2024 was 323 (as at 31st March 2023 - 411).

There were no material issues pertaining to employees and industrial relations in the year under review.

## 19. CORPORATE GOVERNANCE

The policies adopted by the Company in relation to best practices and good corporate governance are given on pages 66 to 94.

The Directors declare that:

- The Company has not engaged in any activities, which contravene laws and regulations; and
- The Directors have declared all material interest in contracts involving the Company and refrained from voting on matters in which they were materially interested; and
- The Company has made all endeavours to ensure the equitable treatment of shareholders; and
- The business is a going concern with supporting assumptions or qualifications as necessary; and
- The Directors have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence here with.

## Annual Report of the Board of Directors

### 20. INTERNAL CONTROLS

The Directors ensure that the Company has an effective internal control system which ensures that the assets of the Company are safeguarded, and appropriate systems are in place to minimise and detect fraud, errors and other irregularities. The system ensures that the Company adopts procedures which result in financial and operational effectiveness and efficiency. The Statement of Directors' Responsibilities on page 111 and the Board Audit Committee Report set out on pages 95 to 97 of the Annual Report to provide further information in respect of the above.

### 21. RISK MANAGEMENT

The Directors have established and adhered to a comprehensive risk management framework to ensure the achievement of their corporate objectives. The categories of risks faced by the Company are identified, the significance they pose are evaluated and mitigating strategies are adopted. The Board of Directors reviews the risk management process through the Board Audit Committee. The details of the risk report and risk management process are set out on pages 98 to 104 of this Annual Report.

### 22. STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for in the financial statements. The tax position of the Company is disclosed on pages 139 and 142.

### 23. GOING CONCERN

The Company has prepared the financial statements for the year ended 31 March 2024 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the financial statements for the year ended 31 March 2024, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company in determining the going concern basis for the preparation of financial statements.

The management has formed judgment that the Company have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans along with the financial strength.

In determining the above, significant management judgement, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

### 24. ENVIRONMENTAL PROTECTION

The Company is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavour is made to minimise the adverse effects on the environment to ensure sustainable continuity of our resources.

### 25. ANNUAL REPORT

The Board of Directors approved the financial statements on 20th May 2024. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Board on 20th May 2024.

### 26. AUDITORS

In accordance with the Companies Act a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as auditors of the Company will be submitted at the annual general meeting. The details of fees paid to the auditors by the Company is set out in note 13.1 to the financial statements.

As far as the Directors are aware, the auditors neither have any other relationship with the Company that would have an impact on their independence.

### 27. ANNUAL GENERAL MEETING

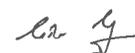
The Annual General Meeting of the Company will be held as a virtual meeting, on Tuesday, 25th June 2024 at 10.30 a.m. The notice of the meeting relating to the Thirtieth Annual General Meeting is given on page 182.

This Annual Report is signed for and on behalf of the Board of Directors.

By Order of the Board



**K. N. J. Balendra**  
Chairperson



**J. G. A. Cooray**  
Director



**Keells Consultants (Private) Limited**  
Company Secretaries

20th May 2024

# Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the Auditors regarding the financial statements prepared in accordance with the Companies Act No. 7 of 2007 ("Companies Act") and the Sri Lanka Accounting Standards (SLFRS/ LKAS), are outlined in the Independent Auditor's Report on pages 112 to 114 of the annual report.

As per the provisions of the Companies Act, the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise;

- An income statement and a statement of other comprehensive income of the Company which present a true and fair view of the profit or loss of the Company for the financial year; and
- A statement of financial position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year; and
- A statement of changes in equity; and
- A cash flow statement for the year ended 31st March 2024 together with notes to the financial statements.

The Directors have ensured that, in preparing these financial statements;

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- All applicable accounting standards, in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) as relevant, have been applied; and
- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- It provides the information required by and otherwise complies with the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company. The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, along with contributions and taxes payable on behalf of the Company's employees, and all other statutory dues known to them, were duly settled or provisioned for as of the reporting date. Exceptions to this are detailed in Note 37 of the financial statements, which covers contingent liabilities.

By Order of the Board  
TEA SMALLHOLDER FACTORIES PLC



**Keells Consultants (Private) Limited**  
Secretaries

20th May 2024

# Independent Auditors' Report



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101

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Fax : +94 11 768 7869  
Email: eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF TEA SMALLHOLDER FACTORIES PLC Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Tea Smallholder Factories PLC (the Company), which comprise the Statement of Financial Position as at 31 March 2024, and the, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These

matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit responded to the key audit matter
<p><b>1. Valuation of land and buildings and Investment Property</b></p> <p>Property, Plant and Equipment and Investment Property include Land &amp; Buildings carried at fair value.</p> <p>The fair values of land and buildings were determined by an external valuer engaged by the Company.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The materiality of the reported Land &amp; Buildings amounted to Rs. 1490 Mn representing 67 % of the company's total assets as of the reporting date; and.</li> <li>the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings using the market approach and depreciated replacement cost approach.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in assessing the fair value of land and buildings, as disclosed in Note 17 and 19 to the financial statements, included judgements involved in ascertaining the appropriate valuation techniques and estimates such as:</p> <ul style="list-style-type: none"> <li>Estimate of per perch value of the land</li> <li>Estimate of the per square foot value of the buildings</li> </ul>	<p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>assessed the competence, capability and objectivity of the external valuer engaged by the company</li> <li>read the external valuer's report and understood the key estimates made and the valuation approaches taken by the valuer in determining the valuation of each property</li> <li>assessed the reasonableness of significant assumptions, judgements and estimates made by the valuer such as per perch value, per square foot value and valuation techniques in assessing the fair value of each property</li> </ul> <p>We also assessed the adequacy of the disclosures made in notes 17 and 19 to the financial statements.</p>

### Other information included in the Company's 2024 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's 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 in this regard.

### Responsibilities of management and Those Charged with Governance for the financial statements

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

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

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

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not

## Independent Auditors' Report

be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



20 May 2024  
Colombo

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

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shaktivel B Com (Sp)

A member firm of Ernst & Young Global Limited

# Income Statement

For the year ended 31st March	Note	2024 Rs. '000s	2023 Rs. '000s
Revenue from contracts with customers	9.2	3,055,960	3,743,939
Cost of Sales		(3,094,974)	(3,332,924)
<b>Gross Profit/ (Loss)</b>		(39,014)	411,015
Other Income	10.2	159,989	152,646
Administrative Expenses		(145,761)	(106,191)
Management Fees	11	(22,705)	(66,085)
<b>Results From Operating Activities</b>		(47,491)	391,385
Finance Cost	12.2	(22,074)	(1,414)
Finance Income	12.2	7,663	30,193
Net Finance Income/ (Expense)		(14,411)	28,779
Change in Fair Value of Investment Property	19.2	42,214	20,462
<b>Profit/ (Loss) Before Tax</b>	13.1	(19,688)	440,626
Tax (Expense)/ Reversal	16.2	25,917	(162,131)
<b>Profit/(Loss) for the Year</b>		6,229	278,495
Earnings per share - Basic	14	0.21	9.28
Dividend Per share	15	-	6.67

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 121 to 162 form an integral part of these financial statements.

## Statement of Comprehensive Income

For the year ended 31st March	Note	2024 Rs. '000s	2023 Rs. '000s
Profit for the year		6,229	278,495
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods</b>			
Revaluation of Land and Buildings	17.2	71,483	129,457
Tax Effect	16.2.1	(21,445)	(109,788)
		50,038	19,669
Re-measurement Gain on Defined Benefit Plans	31.2	(2,575)	7,333
Tax Effect	16.2.1	772	(2,200)
		(1,803)	5,133
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent period		48,235	24,802
<b>Total Other Comprehensive Income for the year, net of tax</b>		48,235	24,802
Total Comprehensive Income for the year, net of tax		54,464	303,297

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 121 to 162 form an integral part of these financial statements.

# Statement of Financial Position

As at 31st March	Note	2024	2023
		Rs. '000s	Rs. '000s
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17.2	969,805	1,019,625
Right of Use Assets	18.1	2,043	2,132
Investment Property	19.2	785,472	603,260
Intangible Assets	20	7,603	8,003
Non-Current Financial Assets	21.1	9,439	11,224
Other Non-Current Assets	22.1	4,995	6,139
		1,779,357	1,650,383
<b>Current Assets</b>			
Inventories	23.2	338,860	491,670
Trade and Other Receivables	24	74,990	99,190
Other Current Assets	25	7,118	5,534
Income Tax Recoverable	16.3	6,096	-
Short Term Investments	26	-	52,041
Cash in Hand and at Bank	27	14,026	6,265
		441,090	654,700
<b>Total Assets</b>		<b>2,220,447</b>	<b>2,305,083</b>
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	28	150,000	150,000
Revaluation Reserve	29	680,334	630,296
Retained Earnings	30	842,998	838,572
<b>Total Equity</b>		<b>1,673,332</b>	<b>1,618,868</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liabilities	16.4	303,515	287,739
Employee Benefit Liabilities	31.2	43,131	35,076
Deferred Grants and Subsidies	32.2	408	427
		347,054	323,242
<b>Current Liabilities</b>			
Trade and Other Payables	33	163,688	281,042
Amounts due to Related Parties	34.1	5,699	8,073
Income Tax Liabilities	16.3	-	37,631
Other Current Liabilities	35	6,418	35,465
Bank Overdraft	36	24,256	762
		200,061	362,973
<b>Total Equity and Liabilities</b>		<b>2,220,447</b>	<b>2,305,083</b>
Net Assets Per Share (Rs.)		55.78	53.96

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

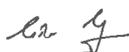


**K. D. Weerasinghe**  
Chief Financial Officer

The Board of Directors is responsible for these financial statements.



**K. N. J. Balendra**  
Director



**J. G. A. Cooray**  
Director

The Accounting Policies and Notes as set out on pages 121 to 162 form an integral part of these financial statements.

20 May 2024

Colombo

## Statement of Changes In Equity

	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
		Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
<b>As at 01st April 2022</b>		150,000	610,627	755,044	1,515,671
Profit/(Loss) for the year		-	-	278,495	278,495
Other comprehensive income		-	19,669	5,133	24,802
Total comprehensive income		-	19,669	283,628	303,297
Interim dividend paid - 2022/2023		-	-	(200,100)	(200,100)
<b>As at 31st March 2023</b>		150,000	630,296	838,572	1,618,868
Profit/(Loss) for the year		-	-	6,229	6,229
Other comprehensive income		-	50,038	(1,803)	48,235
Total comprehensive income		-	50,038	4,426	54,464
Interim dividend paid - 2023/2024		-	-	-	-
<b>As at 31st March 2024</b>		150,000	680,334	842,998	1,673,332

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 121 to 162 form an integral part of these financial statements.

# Statement of Cash Flow

For the year ended 31st March	Note	2024 Rs. '000s	2023 Rs. '000s
<b>OPERATING ACTIVITIES</b>			
Profit / (Loss) Before Tax		(19,688)	440,626
<b>ADJUSTMENTS FOR</b>			
Finance Income	12.2	(7,663)	(30,193)
Depreciation of Property, Plant and Equipment	13.1	75,690	61,745
Amortisation of Right of Use Assets	18.1	89	89
Amortisation of Intangible Assets	13.1	400	400
Gratuity Charge and Related Cost	31.2	12,027	6,478
Amortisation of Grants	32.2	(20)	(20)
Finance Cost	12.2	22,074	1,414
Profit on disposal of Property, Plant and Equipment	10.2	(5,016)	(10,613)
Change in Fair Value of Investment Property	19.2	(42,214)	(20,462)
<b>Operating Profit before Working Capital Changes</b>		<b>35,679</b>	<b>449,464</b>
(Increase) / Decrease in Inventories		152,807	(250,386)
(Increase) / Decrease in Trade and Other Receivables		27,129	(27,751)
(Increase) / Decrease in Other Current Assets		(1,584)	(2,640)
Increase / (Decrease) in Trade and Other Payables		(117,351)	81,035
Increase / (Decrease) in Amount due to Related Parties		(2,374)	5,108
Increase / (Decrease) in Other Current Liabilities		(29,047)	22,324
<b>Cash Generated from Operations</b>		<b>65,259</b>	<b>277,154</b>
Finance Income Received		7,663	27,553
Finance Cost Paid		(22,074)	(1,414)
Gratuity Paid	31.2	(6,546)	(2,602)
Tax Paid	16.3	(22,706)	(59,510)
<b>Net Cash from Operating Activities</b>		<b>21,596</b>	<b>241,181</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from Sale of Property, Plant and Equipment		6,106	11,000
Purchase of Property, Plant and Equipment	17.2	(95,476)	(212,831)
<b>Net Cash from / (used) in Investing Activities</b>		<b>(89,370)</b>	<b>(201,831)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend Paid	15	-	(200,100)
<b>Net Cash from / (used) in Financing Activities</b>		<b>-</b>	<b>(200,100)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(67,774)</b>	<b>(160,750)</b>
Cash and Cash Equivalents at the beginning	Note A	57,544	218,294
Cash and Cash Equivalents at the end	Note B	(10,230)	57,544
<b>Notes</b>			
<b>A. Cash and Cash Equivalents at the beginning</b>			
Cash and Bank Balances	27	6,265	4,249
Short Term Investments	26	52,041	216,128
Bank Overdraft	36	(762)	(2,083)
		57,544	218,294
<b>B. Cash and Cash Equivalents at the end</b>			
Cash and Bank Balances	27	14,026	6,265
Short Term Investments	26	-	52,041
Bank Overdraft	36	(24,256)	(762)
		(10,230)	57,544

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 121 to 162 form an integral part of these financial statements.

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# Notes to the Financial Statements

## 1 CORPORATE INFORMATION

### Reporting Entity

Tea Smallholder Factories PLC is a public limited liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporations or Government Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office and principal place of business of the Company is located at No. 186, Vauxhall Street, Colombo 02. Factories are situated in the districts of Galle, Ratnapura and Nuwara Eliya. Ordinary shares of the Company are listed on the Colombo Stock Exchange.

### Approval of Financial Statements

The financial statements for the year ended 31 March 2024 were authorised for issue by the Board of Directors on 20th May 2024.

### Principal Activities and Nature of Operations

The principal activity of the Company is processing green leaf and sale of processed black tea.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

### Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the annual report.

### Holding Company

John Keells Holdings PLC, the Company's parent company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries and associates.

## BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

### 2 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings and plant and machinery that have been measured at fair value.

### Statement of Compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flow, together with the accounting policies and notes (the "financial statements") have been

prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

### Presentation and Functional Currency

The financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency, which is the primary economic environment in which the Company operates.

### Comparative Information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the financial statements are amended, comparative amounts are reclassified unless it is impractical.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages of the financial statements. Those accounting policies presented with each note, have been applied consistently by the Company.

### Other Significant Accounting Policies Not Covered with Individual Notes to the Financial Statements

Following accounting policies which have been applied consistently and are considered to be significant but not covered in any other sections.

### Going Concern

The Company has prepared the financial statements for the year ended 31 March 2024 on the basis that it will continue to operate as a going concern.

Based on available information, the management has assessed prevailing macroeconomic conditions and its effect on the Company in determining the going concern basis for preparation of financial statements. The management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans along with the financial strength of the Company.

In determining the above, significant management judgement, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

## Notes to the Financial Statements

### Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is classified as a current asset when it is:

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

All other assets are classified as non-current assets.

A liability is classified as a current liability when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current liabilities.

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

### 3.1 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements of the Company require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

	Notes
a) Going concern	Note 3
b) Valuation of property, plant and equipment and investment property	Note 17 and Note 19
c) Impairment of non-financial assets	Note 21
d) Taxes	Note 16
e) Employee benefit liability	Note 31
f) Provision for expected credit losses of trade receivables	Note 6.1.3

## 4 AMENDMENTS TO EXISTING ACCOUNTING STANDARDS

### 4.1 Changes in accounting standards

The following amendments and improvements do not expect to have a significant impact on the Company's financial statements.

- Amendments to LKAS 1 : Disclosure of Accounting Policies
- Amendments to LKAS 8 : Definition of Accounting Estimate
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

### 4.2 Standards Issued but not yet Effective

The following amendments and improvements do not expect to have a significant impact on the Company's financial statements.

- Amendments to LKAS 1: Classification of liabilities as Current or Non-current
- Amendments to LKAS 1: Non-Current liabilities with Covenants
- Amendments to LKAS 7 and SLFRS 7: Supplier Finance Arrangements

## **BUSINESS, OPERATIONS AND MANAGEMENT**

### **5 OPERATING SEGMENT INFORMATION**

#### **5.1 ACCOUNTING POLICY**

The segments are determined based on the Company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Chief Executive Officer. The Chief Executive Officer monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the financial statements.

Transfer prices between operating segments are carried out in the ordinary course of business.

## Notes to the Financial Statements

### 5.2 Reporting Segment Information 5.2.1 Segment Revenue

Geographical Segment	Galle		Ratnapura		N'Eliya		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
As at	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
<b>Segment Revenue</b>								
Revenue from contracts with customers	1,828,241	2,191,256	278,731	352,883	948,988	1,199,800	3,055,960	3,743,939
<b>Segment Results</b>								
Revenue Expenditure	(1,821,943)	(1,926,769)	(319,545)	(350,989)	(871,263)	(988,878)	(3,012,751)	(3,266,636)
Depreciation of Property, Plant and Equipment	(50,835)	(40,070)	(8,914)	(9,019)	(12,947)	(11,386)	(72,696)	(60,475)
Amortisation of Intangible Assets	(200)	(229)	(50)	(57)	(50)	(57)	(300)	(343)
Gratuity Charge and Related Costs	(5,319)	(3,216)	(991)	(621)	(2,917)	(1,633)	(9,227)	(5,470)
Segment Gross Profit / (Loss)	(50,056)	220,972	(50,769)	(7,803)	61,811	197,846	(39,014)	411,015
Other Income							159,989	152,646
Change in fair value of Investment Property							42,214	20,462
Finance Income							7,663	30,193
Finance Cost							(22,074)	(1,414)
Unallocated Expenses							(145,761)	(106,191)
Management Fees							(22,705)	(66,085)
<b>Profit/ (Loss) Before Tax</b>							(19,688)	440,626

Geographical Segment	Galle			Ratnapura			N'Eliya			Total		
	2024		2023	2024		2023	2024		2023	2024		2023
	Rs. '000s											
<b>5.2.2 Segment Assets</b>												
<b>Allocated Assets</b>												
Non - Current Assets												
Property, Plant & Equipment	933,685	832,292	-	171,853	261,016	238,598	1,194,701	1,242,743				
Depreciation of Property, Plant and Equipment	(181,886)	(149,198)	-	(38,478)	(58,582)	(51,182)	(240,468)	(238,858)				
Intangible Assets	1,000	1,000	-	250	250	250	1,250	1,500				
Amortisation of Intangible Assets	(888)	(688)	-	(172)	(222)	(172)	(1,110)	(1,032)				
Current Assets	268,478	344,413	-	82,003	140,999	164,236	409,477	590,652				
	1,020,389	1,027,819	-	215,456	343,461	351,730	1,363,850	1,595,005				
<b>Unallocated Assets</b>												
Non - Current Assets												
Cost							858,022	673,875				
Depreciation / Amortisation							(33,038)	(27,845)				
Current Assets							31,613	64,048				
<b>Total Assets</b>							2,220,447	2,305,083				
<b>5.2.3 Segment Liabilities</b>												
<b>Allocated Liabilities</b>												
Non Current Liabilities	16,404	14,501	-	2,454	12,175	9,099	28,579	26,054				
Current Liabilities	83,284	116,718	-	23,817	47,854	54,643	131,138	195,178				
	99,688	131,219	-	26,271	60,029	63,742	159,717	221,232				
<b>Unallocated Liabilities</b>												
Non Current Liabilities							318,475	297,188				
Current Liabilities							68,923	167,795				
<b>Total Liabilities</b>							387,398	464,983				
							547,115	686,215				
<b>5.2.4 Segment Capital Expenditure</b>												
Allocated Capital Expenditure	50,803	121,552	22,504	27,906	19,234	48,425	92,541	197,883				
Unallocated Capital Expenditure							2,935	14,948				
							95,476	212,831				

## Notes to the Financial Statements

### 6 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has loans and other receivables, trade and other receivables, and cash and short term deposits that arise directly from its operations and the Company's principal financial liabilities comprise of bank overdraft, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company is exposed to market risk, credit risk and liquidity risk.

#### Trade and other receivables

The Group considers a financial asset including trade and receivable as indicating impairment when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to provide impairment indications when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 6.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a result the Company's exposure to bad debts is not significant.

With regard to the credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, short term investments and loans to executives, the Company's exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure the counterparties fulfill their obligations.

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different rearrangement of homogeneous groups. Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

##### 6.1.1 Credit Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following table shows the maximum risk positions.

As at 31 March 2024	Note	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Investments	Total	% of Allocation
Rs. '000s							
Loans to executives	6.1.2	9,439	-	-	-	9,439	10%
Trade and other receivables	6.1.3	-	-	74,990	-	74,990	76%
Short term investments	6.1.4	-	-	-	-	-	0%
Cash in hand and at bank	6.1.4	-	14,026	-	-	14,026	14%
<b>Total credit risk exposure</b>		<b>9,439</b>	<b>14,026</b>	<b>74,990</b>	<b>-</b>	<b>98,455</b>	<b>100%</b>

**6.1.1 Credit Risk Exposure (Contd.)**

As at 31 March 2023	Note	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Investments	Total	% of Allocation
Rs. '000s							
Loans to executives	6.1.2	11,224	-	-	-	11,224	7%
Trade and other receivables	6.1.3	-	-	99,190	-	99,190	58%
Short term investments	6.1.4	-	-	-	52,041	52,041	31%
Cash in hand and at bank	6.1.4	-	6,265	-	-	6,265	4%
<b>Total credit risk exposure</b>		11,224	6,265	99,190	52,041	168,720	100%

**6.1.2 Loans to Executives**

Loans to executive portfolio is made up of vehicle loans which are given to staff at Assistant Manager level and above. The Company has obtained necessary promissory notes as collateral for the loans granted.

**6.1.3 Trade and Other Receivables**

As at 31st March	2024 Rs. '000s	2023 Rs. '000s
Neither past due nor impaired	67,935	94,150
Past due		
0-30 days	6,121	4,282
31-60 days	700	558
61-90 days	171	67
91-180 days	63	133
> 180 days	2,324	2,994
Gross carrying value	77,314	102,184
Less: impairment provision		
Collectively assessed impairment provision	(2,324)	(2,994)
<b>Total</b>	<b>74,990</b>	<b>99,190</b>

The Company has obtained customer deposits and promissory notes from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Company considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## Notes to the Financial Statements

### 6.1.4 Cash and Cash Equivalent and Short Term Investments

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators.

### 6.2 Liquidity Risk

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Company has available funds to meet its medium term capital and funding obligations and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including short and long term bank loans, overdrafts and finance leases over a broad spread of maturities.

#### 6.2.1 Net (Debt) / Cash

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Short term investments	-	52,041
Cash in hand and at bank	14,026	6,265
<b>Total liquid assets</b>	<b>14,026</b>	<b>58,306</b>
Bank overdraft	24,256	762
<b>Total liabilities</b>	<b>24,256</b>	<b>762</b>
<b>Net (Debt) / cash</b>	<b>(10,230)</b>	<b>57,544</b>

The Company has obtained banking facilities to the value of Rs. 250 million, which comprise an overdraft facility of Rs. 150 million from Hatton National Bank PLC, and an overdraft facility of Rs.100 million from Deutsche Bank. From the total limit, the outstanding as at 31 March 2024 was Rs.24.26 million. Hence, an amount of Rs. 225.74 million is available for utilisation to finance any net debt.

### 6.2.2 Liquidity Risk Management

The Company has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company matched cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the repurchase agreement, or other secured borrowings.

The Company continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. The daily cash management processes include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

#### Maturity Analysis

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2024 based on contractual undiscounted payments.

For the year ended 31st March 2024	Below 3 months	Between 3-6 months	Between 6-12 months
	Rs. '000s	Rs. '000s	Rs. '000s
Amounts due to related parties	5,699	-	-
Bank overdraft	24,256	-	-
Trade and other payables	163,688	-	-
Other current liabilities	6,418	-	-
	200,061	-	-

### 6.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### 6.4 Sensitivity Analysis

The sensitivity analysis will only be applicable to the interest rate risk.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Central Bank of Sri Lanka (CBSL) began to ease the monetary policy during the current financial year amid decelerating inflation, resulting in a downward trend in market interest rates throughout the financial year. The directions issued by the Central Bank to licensed banks to reduce interest rates, and the significant reduction of risk premia on government securities, have accelerated the downward adjustment in market interest rates, particularly lending rates, in the second half of the financial year. Downward pressures on inflation on account of many factors including decreases in global commodity prices, food supply, and the appreciation of the currency have resulted in eased policy actions by the CBSL on monetary policy post the end of the reporting period. The Company has managed the risk of volatile interest rates by having a balanced portfolio of borrowings at fixed and variable rates.

## Notes to the Financial Statements

### 7 FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

Property, plant and equipment under revaluation model	Note 7.2, 17.3 and 17.4
Investment properties	Note 7.2 and 19.3
Financial instruments (including those carried at amortised cost)	Note 8

#### 7.1 Accounting Policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company determines the policies and procedures for both recurring fair value measurement, such as investment properties and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as investment properties and land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuer, which valuation techniques and inputs to use for individual asset and liability.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 7.2 Fair Value Hierarchy

### 7.2.1 Financial Assets and Liabilities

The financial assets and liabilities held by the Company as at 31 March 2024 as given under Note 8.2 are carried at amortised cost where the fair value does not significantly vary from the value based on the amortised cost methodology for the Company.

### 7.2.2 Non Financial Assets

As at 31st March	Note	Date of Valuation	Level 1		Level 2		Level 3		Total	
			2024	2023	2024	2023	2024	2023	2024	2023
			Rs. '000s							
Assets measured at fair value										
Land and buildings	17.3	31st December 2023	-	-	-	-	704,850	736,451	704,850	736,451
Plant and machinery	17.4	31st March 2020	-	-	-	-	191,605	185,966	191,605	185,966
Investment property	19.3	31st December 2023	-	-	-	-	785,472	603,260	785,472	603,260
			-	-	-	-	1,681,927	1,525,677	1,681,927	1,525,677

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Fair valuation of land and building under property, plant & equipment and investment property were carried out on 31 December 2023 and a confirmation was obtained from the external valuers to ensure the values as at 31 March 2024.

## 8 FINANCIAL INSTRUMENTS AND RELATED POLICIES

### 8.1 Accounting Policy

#### 8.1.1 Financial Assets

##### Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

The Company's financial assets include cash and cash equivalents, short-term investments, trade and other receivables and loans and other receivables.

## Notes to the Financial Statements

### Subsequent Measurement

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

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

### Debt Instruments

#### Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All the debt instruments of the Company belongs to this category. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired

#### Financial assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the Company's effective interest rate.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 8.1.2 Financial Liabilities

### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

### Subsequent Measurement

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

#### Loans and Borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

#### Financial liabilities - Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## Notes to the Financial Statements

### 8.2 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

Financial Assets at amortised cost	Note	2024 Rs. '000s	2023 Rs. '000s
<b>Financial assets in non-current assets</b>			
Non-current financial assets	21.1	9,439	11,224
<b>Financial assets in current assets</b>			
Trade and other receivables	24	74,990	99,190
Short term investments	26	-	52,041
Cash in hand and at bank	27	14,026	6,265
<b>Total financial assets at amortised cost</b>		<b>98,455</b>	<b>168,720</b>

Financial liabilities at amortised cost	Note	2024 Rs. '000s	2023 Rs. '000s
<b>Financial liabilities in current liabilities</b>			
Trade and other payables	33	163,688	281,042
Amounts due to related parties	34.1	5,699	8,073
Bank overdraft	36	24,256	762
<b>Total financial liabilities at amortised cost</b>		<b>193,643</b>	<b>289,877</b>

The management assessed that cash and cash equivalents, short term investments, trade and other receivables, trade and other payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

## 9 REVENUE

### 9.1 Accounting Policy

#### Contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

#### Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

## 9.2 Disaggregation of revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Timing of Revenue	2024	2023
For the year ended 31st March	Rs. '000s	Rs. '000s
Goods transferred at a point in time	3,099,151	3,795,037
Less - brokerage and handling charges	(43,191)	(51,098)
Revenue from contracts with customers	3,055,960	3,743,939

Disaggregation of revenue based on geographical regions are set out in note 5.2

## 9.3 Contract balances

### Contract assets

Contract assets are Company's right to consideration in exchange for goods or services that the Company has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. The Company does not have contract assets as at 31st March 2024.

### Contract liabilities

Contract liabilities are Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer. The Company does not have contract liabilities as at 31st March 2024.

## 9.4 Performance obligations and significant judgements

The principal business activity of the Company is processing green leaf procured from smallholders and sale of processed black tea through the Colombo Tea Auction.

Net revenue is recognised when the Company satisfies the performance obligation at a point in time based on the sellers' contract which is the agreement between the Company and the buyer that creates enforceable rights and obligations. Transaction price shall comprise of cost and mark up which is equal to net proceeds.

## 10 OTHER INCOME

### 10.1 Accounting Policy

#### Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

#### Other Income

Other income is recognised on an accrual basis.

#### Rental Income

Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the lease terms.

## Notes to the Financial Statements

### 10.2 Other Income

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Sale of residual tea	92,384	89,626
Rental income	25,360	28,581
Amortisation of deferred grants	20	20
Net gain on disposal of property, plant and equipment	5,016	10,613
Net margin on sale of fertiliser	30,746	19,936
Sundry income	6,463	3,870
	159,989	152,646

### 11 MANAGEMENT FEE

For the year ended 31st March	Note	2024	2023
		Rs. '000s	Rs. '000s
Management fee to John Keells Teas (Private) Limited	34.5	22,705	66,085
		22,705	66,085

### 12 FINANCE INCOME AND FINANCE COSTS

#### 12.1 Accounting Policy

##### Finance Income

Finance income comprises interest income earned from financial instruments such as short term deposits, short term investments and loans and receivables that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

##### Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

**12 FINANCE INCOME AND FINANCE COSTS (CONTINUED)****12.2 Finance Income and Finance Costs**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
<b>Finance Income</b>		
Interest income on loans to green leaf suppliers	4,725	2,157
Interest income on staff vehicle loans	2,518	1,760
Interest income on short term investments	420	26,276
Total finance income	7,663	30,193
<b>Finance Cost</b>		
Interest cost on short term borrowings	(22,074)	(1,414)
Total finance cost	(22,074)	(1,414)
Net finance income / (expense)	(14,411)	28,779

**13 PROFIT BEFORE TAX****13.1 Accounting Policy****Expenditure Recognition**

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company.

Profit before tax is stated after charging all expenses including the following;

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Remuneration to Non Executive Directors	7,340	6,405
Auditors' remuneration		
Audit services	2,315	2,067
Non-audit services	-	85
Costs of defined employee benefits		
Defined benefit plan cost	12,027	6,478
Defined contribution plan cost - EPF and ETF	28,780	26,825
Staff costs	169,245	157,003
Depreciation of PPE and amortisation of ROU asset	75,779	61,834
Amortisation of purchased software and licenses	400	400
Legal fees	1,958	425
Profit or loss on sale of property, plant and equipment	5,016	10,613

## Notes to the Financial Statements

### 14 BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic earnings per share computation

For the year ended 31st March	Note	2024	2023
Net profit applicable to ordinary shareholders for basic earnings per share - Rs.'000		6,229	278,495
Weighted average number of ordinary shares in issue - No. of shares - '000s	14.1	30,000	30,000
Basic earnings per share - Rs.		0.21	9.28

#### 14.1 Amount used as denominator

For the year ended 31st March	Note	2024	2023
Ordinary shares at the beginning of the year - No. of shares '000s		30,000	30,000
Ordinary shares at the end of the year - No. of shares '000s		30,000	30,000

### 15 DIVIDEND PER SHARE

For the year ended 31st March	2024	2023
<b>Declared and paid during the year</b>		
Interim dividend - Rs.'000s	-	200,100
Total Dividends - Rs.'000s	-	200,100
Weighted average number of ordinary shares in issue - No. of shares '000s	30,000	30,000
Dividend per share - Rs.	-	6.67

## 16 TAXES

### 16.1 Accounting policy

#### Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Tax Expenses

Income tax and deferred tax have been provided as per the new rates legislated by the Inland Revenue (Amendment) Act No 45 of 2022. The deferred tax charge in the income statement includes Rs.45.14 Mn (2022/23) relating to the Impact of tax rate change on the temporary differences of previous years. The deferred tax charge in the Other Comprehensive Income statement includes Rs. 70.95 Mn (2022/23) relating to the Impact of tax rate change on the temporary differences of previous years. Income tax rate differential has been presented under Tax Expense Note 16.2.1.

#### IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

## Notes to the Financial Statements

### 16.2 Tax Expense

For the year ended 31st March	Note	2024 Rs. '000s	2023 Rs. '000s
<b>Current Income tax</b>			
Current tax charge	16.6	-	(96,539)
(Under) / Over provision of current tax in respect of previous years		21,021	11
<b>Deferred Income Tax</b>			
Relating to origination and reversal of temporary differences	16.2.1	4,896	(65,603)
Total tax (expense)/ Reversal		25,917	(162,131)

### 16.2.1 Deferred Tax Expense

For the year ended 31st March	2024 Rs. '000s	2023 Rs. '000s
<b>Income Statement</b>		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	(46,127)	25,797
Revaluation of investment property to fair value	54,664	47,199
Employee benefit liabilities	(1,644)	(7,328)
Other deferred liabilities	6	(66)
Losses available for offset against future taxable income	(11,795)	-
Deferred tax charge / (Release)	(4,896)	65,603
<b>Other Comprehensive Income</b>		
Deferred tax expense arising from;		
Revaluation of land and building to fair value	21,445	109,788
Re-measurement gain on defined benefit plans	(772)	2,200
Deferred tax charge	20,673	111,988

\* Deferred tax has been computed at the rate of 30%.

### 16.3 Income Tax Payable / (Receivable)

Balance as at 31 March	2024 Rs. '000s	2023 Rs. '000s
At the beginning of the year	37,631	613
Charge for the year	-	96,539
Payments and set off against refunds	(22,706)	(59,510)
Under / (over) provision of current tax in respect of previous years	(21,021)	(11)
At the end of the year / (Receivable)	(6,096)	37,631

**16.4 Deferred Tax Liability**

Balance as at 31 March	2024	2023
	Rs. '000s	Rs. '000s
At the beginning of the year	287,739	110,149
Charge / (release) for the year	(4,896)	65,603
Tax effect on revaluations	21,445	109,788
Tax effect on re-measurement gain on defined benefit plans	(773)	2,200
At the end of the year	303,515	287,739
<b>The closing deferred tax liability relates to the following;</b>		
Revaluation of investment property to fair value	130,942	76,278
Revaluation of Land and building to fair value	60,758	70,602
Losses available for offset against future taxable income	(11,795)	-
Accelerated depreciation for tax purposes	136,672	151,510
Employee benefit liability	(12,939)	(10,523)
Other liabilities	(122)	(128)
	303,515	287,739

**16.5 Reconciliation between tax expense and the product of accounting profit**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Profit/ (Loss) Before Tax	(19,688)	440,626
<b>Accounting profit before income tax</b>	(19,688)	440,626
Adjusted accounting profit chargeable to income taxes	(19,688)	440,626
Aggregate disallowable expenses	99,494	82,091
Aggregate allowable expenses	(119,122)	(90,398)
Utilisation of tax losses	39,316	
Taxable income	-	432,319
At the effective income tax rate of 24% & 30% - Rent Income	-	7,717
At the effective income tax rate of 14% & 30%	-	88,822
Income tax charged at the rate of 14% & 30%	-	96,539

## Notes to the Financial Statements

### 16.6 Reconciliation between tax expense and the product of accounting profit

Balance as at 31st March	2024	2023
	Rs. '000s	Rs. '000s
Adjusted accounting profit chargeable to income taxes	(19,688)	440,626
Tax effect on chargeable profits	(5,670)	132,182
Tax effect on non deductible expenses	1,345	496
Tax effect on deductions claimed	(571)	(215)
Tax Effect on other taxes (Including Capital Gains 30%)	-	29,679
Under / (Over) provision of current tax in respect of previous years	(21,021)	(11)
Total tax expense / (reversal)	(25,917)	162,131

### 17 PROPERTY, PLANT AND EQUIPMENT

#### 17.1 Accounting Policy

##### Basis of Recognition

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

##### Basis of Measurement

Items of property, plant and equipment are measured at cost (or fair value in the case of land and building, and plant and machinery) less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset and any other cost directly attributable to bring the asset to a working condition for its intended use.

Land and buildings, and plant and machinery are measured at fair value less accumulated depreciation on buildings, plant and machinery and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where land and buildings and plant and machinery are subsequently revalued, the entire class of such assets are revalued at fair value on the date of revaluation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. The Company has adopted a policy of revaluing land and building by an external valuer and an internal valuation of plant and machinery to be carried out at least every 5 years.

## 17.1 Accounting Policy (Continued)

### Derecognition

An item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

### Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	40
Plant and machinery	10
Furniture and fittings	10
Motor vehicles	5
Equipment	10
Computer equipment	3

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

### Capital work in progress

Capital work in progress is stated at cost, net of accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilisation or at the time the asset is commissioned.

### Impairment of Property, Plant and Equipment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded Companies or other available fair value indicators.

## Notes to the Financial Statements

### 17.2 Carrying Value of Property, Plant and Equipment

For the year ended 31st March	Freehold Land at Valuation	Buildings on Land at Valuation	Plant and Machinery at Valuation	Furniture, Fittings and Equipment	Motor Vehicles	Computer Equipment	Capital Work in Progress	Total 2024	Total 2023
	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
<b>Cost or Valuation</b>									
Balance as at 01 April 2023	177,404	564,369	295,622	39,440	100,846	21,907	54,457	1,254,045	930,645
Additions	4,000	-	-	1,387	-	2,650	87,440	95,476	212,831
Transfers from work in progress	-	34,070	72,799	-	1,065	-	(107,934)	-	-
Revaluations	12,527	58,955	-	-	-	-	-	71,482	129,457
Disposals	-	-	(4,216)	(688)	(6,580)	(1,700)	-	(13,185)	(1,675)
Transferred due to revaluation	-	(22,643)	-	-	-	-	-	(22,643)	(17,212)
Transfer out	(80,000)	(88,000)	(39,955)	(3,183)	-	-	-	(161,138)	-
Balance as at 31 March 2024	163,931	546,751	324,250	36,955	95,331	22,857	33,963	1,224,038	1,254,045
<b>Accumulated Depreciation and Impairment</b>									
Balance as at 01 April 2023	-	5,322	109,656	22,386	80,100	16,956	-	234,420	191,175
Charge for the year	-	23,783	44,323	2,222	2,545	2,817	-	75,690	61,745
On disposals	-	-	(3,736)	(638)	(6,020)	(1,700)	-	(12,094)	(1,288)
Transferred due to revaluation	-	(22,643)	-	-	-	-	-	(22,643)	(17,212)
Transfer out	-	(630)	(17,597)	(2,913)	-	-	-	(21,140)	-
Balance as at 31 March 2024	-	5,892	132,645	21,058	76,625	18,073	-	254,233	234,420
<b>Carrying Value</b>									
As at 31 March 2024	163,931	540,919	191,604	15,897	18,706	4,784	33,963	969,805	1,019,625
As at 31 March 2023	177,404	559,047	185,966	17,054	20,746	4,951	54,457	1,019,625	-

### 17.3 Accounting Judgements, Estimates and Assumptions related to Revaluation of Land and Buildings

The Company uses the revaluation model of measurement of land and buildings. The Company engaged an independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location, or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 December 2023.

#### Summary description of valuation methodologies

##### 1. Comparable Market approach (CMA)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

##### 2. Depreciation replacement cost (DRC)

The replacement cost method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components, the depreciated cost of the building element and the market value of the land. Current building costs and often the land will be established by comparison.

##### 3. Income Approach (IA)

The Income Approach is used to value properties which are let to produce an income for the investor. Conventionally, investment is a product for rent and yield. Each of these elements is delivered comparison technique

The freehold land, Building on freehold land and for five factories were revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as of 31 December 2023 and the results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of Land and Building Method, the Contractors' Basis of Valuation (originally known as Contractors Test Method). Fair value is determined by reference to market-based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

The valuations as of 31 December 2023 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

The fair value of land and buildings as at 31 March 2024 is Rs. 704.85 Mn (as at 31 March 2023 - Rs.736.45Mn)

Information on fair value measurement on land and building as at 31 March 2024 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31st March 2024 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	163,931	Market Approach	Estimated price per perch	Rs. 14,542 - Rs. 42,750	Positively correlated sensitivity
Buildings	540,919	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,627 - Rs. 1,976	Positively correlated sensitivity
	704,850				

Information on fair value measurement on land and building as at 31 March 2023 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31st March 2023 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	177,404	Market Approach	Estimated price per perch	Rs. 12,984 - Rs. 39,188	Positively correlated sensitivity
Buildings	559,047	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,489 - Rs. 1,878	Positively correlated sensitivity
	736,451				

## Notes to the Financial Statements

### 17.4 Accounting Judgements, Estimates and Assumptions related to Revaluation of Plant and Machinery

The Company uses the revaluation model of measurement of plant and machinery. Plant and machinery of the seven factories were revalued internally by the Engineer as at 31 March 2020 and results of such valuation had been incorporated in the financial statements as at that date. Such assets were valued based on Current Replacement Cost.

The fair value of plant and machinery as at 31 March 2024 is Rs. 191.60Mn (as at 31 March 2023 - Rs.185.97Mn)

Information on fair value measurement on plant and machinery as at 31 March 2024 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31st March 2024 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	191,604	Current Replacement Cost	Estimated replacement cost adjusted for wear and tear	Based on number of years of usage	Negatively correlated sensitivity

Information on fair value measurement on plant and machinery as at 31 March 2023 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31st March 2023 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	185,966	Current Replacement Cost	Estimated replacement cost adjusted for wear and tear	Based on number of years of usage	Negatively correlated sensitivity

### 17.5 Carrying Value of total Property, Plant and Equipment

For the year ended 31st March	2024 Rs. '000s	2023 Rs. '000s
At cost	73,350	97,208
At valuation	896,455	922,417
	969,805	1,019,625

**17.6 The carrying amount of revalued land and buildings, and plant and machinery if they were carried at cost less depreciation, would be as follows;**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
<b>Land and Buildings</b>		
Cost	350,005	315,935
Accumulated depreciation and impairment	(237,678)	(195,802)
Carrying value	112,327	120,133
<b>Plant and Machinery</b>		
Cost	695,265	622,467
Accumulated depreciation and impairment	(380,102)	(373,202)
Carrying value	315,163	249,265

**17.7 The cost of fully depreciated assets, but still in use of the Company amounts to Rs. 108 Mn as of 31 March 2024 (As at 31 March 2023 - Rs. 116 Mn).**

**18 RIGHT OF USE ASSETS**

**Accounting Policy**

Set out below are the accounting policies of the Company upon adoption of SLFRS 16, which have been applied from the date of initial application:

**Right of Use Assets**

The Company recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Company does not have an impact on its statement of financial position or equity on applying the measurement requirements of SLFRS 16 since the lease payment was paid in advance and the Company does not have a lease liability as at 31st March 2024.

**18.1 Right of Use Assets**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Balance at the beginning of the year	2,132	2,220
Amortisation for the year	(89)	(89)
Balance at the end of the year	2,043	2,132

The remaining period of lease for the leasehold property is 23 years

## Notes to the Financial Statements

### 19 INVESTMENT PROPERTY

#### 19.1 Accounting Policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The property situated in Peliyagoda has been obtained on a long term lease from the Urban Development Authority of Sri Lanka for a period of 99 years commencing 1st April 1999 with the eligibility for renewal for a further period of 99 years.

The land under Karawita Tea Factory has been obtained on a 50 year lease from Mr. E.J. Wijewardena, commencing 15th August 1997. On 08th November 2021, the factory was leased out to a Sub-Lessee through a Sub-Lease Agreement. The property was revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as at 08th November 2021 and thereafter the property has been classified as an investment property.

New Panawenna Tea Factory, located in the Rathnapura region, was leased out to a Lessee on 01st February 2024. The property was revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as on 31st December 2023 and thereafter the property has been classified as an investment property.

#### 19.2 Carrying Value of Investment Property

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
At the beginning of the year	603,260	582,798
Net gain from fair value remeasurement	42,214	20,462
Transfer in/(out)	139,998	-
At the end of the year	785,472	603,260

### 19.3 Accounting Judgements, Estimates and Assumptions related to Valuation of Investment Property

Fair value of the investment property situated at No 77A, New Nuge Road, Peliyagoda was ascertained by independent valuations carried out by Messrs P. B. Kalugalagedara & Associates - Chartered Valuation Surveyors as at 31 December 2023. Investment property were appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

Fair value of the Karawita Tea Factory was ascertained by independent valuations carried out by Mr. K.T.D. Tissera, Chartered Valuation Surveyor, as at 31 December 2023. However, gains identified by the valuer have not been incorporated in to the financial statements as it is relates to the developments carried out by the sub-lessee.

In determining the fair value, the current condition of the property, future usability and associated redevelopment requirements have been considered. Additionally the valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The valuations as of 31 December 2023 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Information on fair value measurement on investment property as at 31 March 2024 using significant unobservable inputs (level 3) is given below.

#### Investment Property situated at No. 77 A, New Nuge Road, Peliyagoda

Type of Asset	Fair Value as at 31st March 2024 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	471,400	Direct capital comparison method	Estimated price per perch	Rs. 3,000,000/- per perch	Positively correlated sensitivity
Buildings	31,600		Estimated price per square foot	Rs.1,000/- per square foot	Positively correlated sensitivity
	503,000				

#### Investment Property situated in Karawita, Ratnapura

Type of Asset	Fair Value as at 31st March 2024 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Buildings*	142,474	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,464/- per square foot	Positively correlated sensitivity
	142,474				

\* The value of buildings of Rs. 142.27 Mn includes Plant & Machinery of Rs. 15.93 Mn which are integral part of the building given on lease.

## Notes to the Financial Statements

### Investment Property situated in Kahawatte, Ratnapura

Type of Asset	Fair Value as at 31st March 2024 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	30,000	Market Approach	Estimated price per perch	Rs. 17,710/- per perch	Positively correlated sensitivity
Buildings**	109,998	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,899/- per square foot	Positively correlated sensitivity
	139,998				

\*\* The value of buildings of Rs. 140.00 Mn includes Plant & Machinery of Rs.22.36 Mn which are integral part of the building given on lease.

Information on fair value measurement on investment property as at 31 March 2023 using significant unobservable inputs (level 3) is given below.

### Investment Property situated at No. 77 A, New Nuge Road, Peliyagoda

Type of Asset	Fair Value as at 31st March 2023 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	424,413	Direct capital comparison method	Estimated price per perch	Rs. 2,700,000/- per perch	Positively correlated sensitivity
Buildings	36,373		Estimated price per square foot	Rs.1,150/- per square foot	Positively correlated sensitivity
	460,786				

### Investment Property situated in Karawita, Ratnapura

Type of Asset	Fair Value as at 31st March 2023 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Buildings	142,474	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,464/- per square foot	Positively correlated sensitivity
	142,474				

**19 INVESTMENT PROPERTY****19.4 Rental income earned and direct operating expenses incurred on investment property**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Rental Income	25,360	28,581
Direct Operating Expenses	(7,055)	-
	18,305	28,581

Future minimum rentals receivable as at 31st March 2024

For the year ended 31st March	2024
	Rs. '000s
Within one year	21,580
After one year but not more than five years	98,308

**20 INTANGIBLE ASSETS****Accounting Policy****Basis of Recognition**

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets.

**Basis of Measurement**

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

**Useful Economic lives, Amortisation and Impairment**

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end and such changes are treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

**Intangible Assets**

As at 31st March	Note	2024	2023
		Rs. '000s	Rs. '000s
Purchased Software	20.1	300	700
Goodwill	20.2	7,303	7,303
		7,603	8,003

## Notes to the Financial Statements

### 20.1 Purchased software

The Company capitalised the purchased software during the year ended 31st March 2020 which was initially measured at cost. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
<b>Cost/Carrying Value</b>		
At the beginning of the year	2,000	2,000
At the end of the year	2,000	2,000
<b>Accumulated amortisation and impairment</b>		
At the beginning of the year	1,300	900
Charge for the year	400	400
At the end of the year	1,700	1,300
<b>Carrying Value</b>		
As at 31 March	300	700

The estimated useful life of assets is as follows:

Assets	Years	Type	Impairment Testing
Purchased software	1	Acquired	When indicators of impairment exists, The amortisation method is reviewed at each financial year end.

### 20.2 Goodwill

#### Carrying Value of Goodwill

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
<b>Carrying Value</b>		
At the beginning of the year	7,303	7,303
Impairment	-	-
<b>At the end of the year</b>	<b>7,303</b>	<b>7,303</b>

The Company carried out a test on impairment of Goodwill at 31 March 2024 and there was no impairment loss requiring adjustments during the year. The recoverable amount of the Cash Generating Unit (CGU) has been determined based on the Value in Use (VIU) calculation.

Discount Rate - This discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium, 15%.

## 20.3 Significant Accounting judgements, estimates and Assumptions on Impairment of Intangible Assets

### Key assumptions used in the VIU calculations

#### Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

#### Discount Rates

The discount rate used is the risk-free rate, adjusted by the addition of an appropriate risk premium which is 15%.

#### Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

#### Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates. Cash flows beyond the five year period are extrapolated using 5% growth rate.

## 21 OTHER NON-CURRENT FINANCIAL ASSETS

### 21.1 Loans to Executives

For the year ended 31st March	2024 Rs. '000s	2023 Rs. '000s
At the beginning of the year	12,720	5,775
Loans granted	-	17,500
Recoveries	(1,472)	(10,555)
<b>At the end of the year</b>	<b>11,248</b>	<b>12,720</b>
<b>Receivable within one year</b>	<b>1,808</b>	<b>1,496</b>
<b>Receivable after one year</b>		
Receivable between one and five years	9,439	11,224
	<b>11,248</b>	<b>12,720</b>

## 22 OTHER NON-CURRENT ASSETS

### 22.1 Prepaid Staff Cost

For the year ended 31st March	2024 Rs. '000s	2023 Rs. '000s
At the beginning of the year	6,139	535
Additions	-	6,675
Amortisation	(1,144)	(744)
Transfers	-	(327)
<b>At the end of the year</b>	<b>4,995</b>	<b>6,139</b>

## Notes to the Financial Statements

### 23 INVENTORIES

#### 23.1 Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Raw materials	-	Weighted average basis on actual cost
Produce Inventories and work-in-progress	-	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity excluding borrowing costs
Other inventories	-	At actual cost

#### 23.2 Carrying Value of Inventories

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Fertiliser stock	7,960	22,960
Consumables and spares	29,702	37,543
Produce stocks*	301,198	431,167
	338,860	491,670

\* During the previous financial year 2022/23, Rs. 14.78 Mn was recognised as an expense for inventories carried at net realisable value at Neluwa, Halwitigala, Hingalgoda, Kurupanwa and New Panwenna tea factories. This is recognised under cost of sales.

### 24 TRADE AND OTHER RECEIVABLES

As at 31st March	Note	2024	2023
		Rs. '000s	Rs. '000s
Trade receivables		48,949	60,302
Other receivables*		26,557	40,387
Less: Impairment provision	24.1	(2,324)	(2,994)
		73,182	97,695
Current portion of loans to Executives	21.1	1,808	1,496
		74,990	99,190

\* Other receivables include amounts receivable from bought leaf suppliers as of 31st March.

#### 24.1 Impairment provision

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
At the beginning of the year	2,994	4,178
Recovery for the year	(670)	(1,184)
Write offs for the year	-	-
At the end of the year	2,324	2,994

**25 OTHER CURRENT ASSETS**

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
Non financial assets	7,118	5,534
	7,118	5,534

**26 SHORT TERM INVESTMENTS**

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation.

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
*Fixed Deposits	-	30,000
*Call Deposits/ Repos	-	12,000
Savings Accounts	-	10,041
	-	52,041

\*Deposits will be matured within a period of 3 months.

**27 CASH IN HAND AND AT BANK**

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
Cash at bank	13,930	6,187
Cash in hand	90	66
Stamp balance	6	12
	14,026	6,265

**28 STATED CAPITAL**

For the year ended 31st March	2024		2023	
	Number of Shares	Value of Shares	Number of Shares	Value of Shares
	'000s	Rs. '000s	'000s	Rs. '000s
Issued and fully paid ordinary shares	30,000	150,000	30,000	150,000
	30,000	150,000	30,000	150,000

**29 REVALUATION RESERVE**

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
At the beginning of the year	630,296	610,627
Net revaluation gain / (loss)	50,038	19,669
At the end of the year	680,334	630,296

## Notes to the Financial Statements

### 30 RETAINED EARNINGS

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
Retained Earnings	842,998	838,572
	842,998	838,572

### 31 EMPLOYEE BENEFIT LIABILITIES

#### 31.1 Accounting Policy

##### Defined Contribution Plan - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contribute the defined percentages of gross emoluments of employees to an approved employees' provident fund and to the employees' trust fund respectively, which are externally funded.

##### Employee Benefit Liabilities – Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the other comprehensive income. Under the payment of gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

#### 31.2 Employee Defined Benefit Plan – Retirement Gratuity

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
At the beginning of the year	35,076	38,533
Current service cost	4,766	4,029
Transfers	-	(588)
Interest cost on benefit obligation	7,260	3,036
Payments	(6,546)	(2,602)
(Gain) / loss arising from changes in assumptions	2,575	(7,333)
At the end of the year	43,131	35,076

The employee benefit liability as at 31st March 2024 of the Company is based on the actuarial valuations carried out by Messrs. Smiles Global (Pvt) Limited, If the Company had provided for gratuity on the basis of fourteen days wages and half month salary for each completed year of service for workers and staff respectively, the liability would have been Rs. 35.54 Mn (As of 31st March 2023 - Rs. 37.59 Mn)

The expenses are recognised in the income statement in the following line items;

As at 31st March	2024	2023
	Rs. '000s	Rs. '000s
Cost of sales	9,227	5,470
Administrative expenses	2,800	1,008
	12,027	6,478

The actuarial gain on defined benefit obligation has been recognised in the statement of comprehensive income in terms of the provision in LKAS 19.

**31 EMPLOYEE BENEFIT LIABILITIES (CONTINUED)****31.3 Significant Accounting Judgement, Estimates and Assumptions - Employee Benefit Liabilities**

The employee benefit liability of the Company is based on the actuarial valuation carried out by an independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:

As at 31st March	2024	2023
Discount rate - Staff (per annum)	11.00%	19.50%
Discount rate - Workers (per annum)	13.00%	22.00%
Future salary increases - Staff (per annum)	12.00%	15.00%
Future salary increases - Workers (Once in every two years)	12.00%	15.00%

**31.4 SENSITIVITY OF ASSUMPTIONS USED**

A qualitative sensitivity analysis for significant assumptions as at 31st March 2024 is shown below.

For the year ended 31st March 2024	Discount Rate		Increment Rate	
	Increase	Decrease	Increase	Decrease
Sensitivity level	1%	1%	1%	1%
Net impact on Employee Benefit Liability	(3,315)	3,860	3,960	(3,457)

A qualitative sensitivity analysis for significant assumptions as at 31st March 2023 is shown below.

For the year ended 31st March 2023	Discount Rate		Increment Rate	
	Increase	Decrease	Increase	Decrease
Sensitivity level	1%	1%	1%	1%
Net impact on Employee Benefit Liability	(903)	959	1,065	(1,018)

**31.5 Maturity Profile of the Employee Benefit Liability as at 31st March 2024**

Future Working Life Time	Employee Benefit Liability - Rs. '000's		
	Staff	Workers	Total
Within the next 12 months	3,417	808	4,225
Between 1 - 2 years	-	154	154
Between 2 - 5 years	12,253	2,445	14,698
Between 5 - 10 years	-	6,239	6,239
Beyond 10 years	-	17,815	17,815
Total	15,670	27,461	43,131

The average duration of the employee benefit liability as at 31st March 2024 is 3.46 years for staff and 14.29 years for workers.

## Notes to the Financial Statements

### 31 EMPLOYEE BENEFIT LIABILITIES (CONTINUED)

#### 31.6 Maturity Profile of the Employee Benefit Liability as at 31st March 2023

Future Working Life Time	Employee Benefit Liability - Rs. '000's		
	Staff	Workers	Total
Within the next 12 months	3,337	4,738	8,075
Between 1 - 2 years	7,935	6,138	14,072
Between 2 - 5 years	3,084	4,005	7,089
Between 5 - 10 years	3,390	1,689	5,079
Beyond 10 years	520	240	761
Total	18,266	16,810	35,076

The average duration of the employee benefit liability as at 31st March 2023 is 3.47 years for staff and 2.85 years for workers.

### 32 OTHER DEFERRED LIABILITIES

#### Government Grants

#### 32.1 Accounting Policy

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

The following represents grants received from the Sri Lanka Tea Board under modernisation of tea factories such as automation of manufacturing process and requirements under CQC certification.

#### 32.2 Carrying Value

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
At the beginning of the year	427	447
Grants received during the year	-	-
Amortisation	(20)	(20)
At the end of the year	408	427

**33 TRADE AND OTHER PAYABLES**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Trade payables	135,338	184,349
Sundry creditors and accrued expenses	25,154	76,639
Unclaimed dividend	3,196	20,054
	163,688	281,042

**34 RELATED PARTY TRANSACTIONS**

The Company carried out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Financial Reporting Standard 24 - Related Party Disclosures, the details of which are reported below. The consideration for the goods and services provided has been paid or accrued on terms equivalent to those that prevail in arm's length transactions.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

**Non-recurrent Related Party Transactions**

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of equity or 5% of total assets whichever is lower of the Company as per 31st March 2024 audited financial statements, which required additional disclosure in the 2023/2024 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

**Recurrent Related Party Transactions**

There were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31st March 2024 audited financial statements, which required additional disclosure in the 2023/2024 Annual Report under Colombo Stock Exchange listing rule 9.14.8 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

## Notes to the Financial Statements

### 34.1 Amounts Due to Related Parties

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
<b>Parent Company</b>		
John Keells Holdings PLC	1,211	1,230
<b>Companies Under Common Control</b>		
Keells Consultants (Pvt) Ltd	56	134
Infomate (Pvt) Ltd	73	61
Whittall Boustead (Pvt) Ltd	688	542
John Keells Teas (Pvt) Ltd	2,156	4,471
Jaykay Marketing Services (Pvt) Ltd	4	-
John Keells Informaton Technology (Pvt) Ltd	-	12
John Keells PLC	1,511	1,622
	5,699	8,073

### 34.2 Transactions with Related Parties

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
<b>Parent Company</b>		
Receiving of services	(8,983)	(4,289)
<b>Companies Under Common Control of the Parent Company</b>		
Purchases of goods	(65)	(4,441)
Receiving of services	(62,600)	(117,454)
Rent paid	(2,974)	(1,774)
<b>Transactions with Associates</b>		
Receiving of services	(900)	(4,509)
<b>Companies which have Significant Influence</b>		
Purchases of goods	-	(308)

**34.3 Transactions with Key Management Personnel of the Company**

The Company has paid Rs. 7.34 Mn (2022/2023 - Rs. 6.40 Mn) to their Directors as fees during the year. There are no non cash benefits for Key Management Personnel. Other than that there are no transactions, arrangements and agreements with close family members of Key Management Personnel or with companies controlled / jointly controlled / significantly influenced by Key Management Personnel and their close family members.

**34.4 Terms and Conditions of Transactions with Related Parties**

Transaction with related parties are carried out in the ordinary course of business. Outstanding current account balances at the period end are unsecured, interest free and settlement occurs in cash. The sales to & purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

**34.5 Management Fee**

The management fee to managing agents, John Keells Teas (Private) Limited was paid at contractual price.

**35 OTHER CURRENT LIABILITIES**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Other payables	6,418	35,465
	6,418	35,465

**36 BANK OVERDRAFT**

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
Deutsche Bank	24,202	762
People's Bank	54	-
	24,256	762

## Notes to the Financial Statements

### 37 CONTINGENT LIABILITIES

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed unless the outflow of resources is remote. There is no contingent liability of the company as at the reporting date.

### 38 CAPITAL COMMITMENT

The value of contractual commitments for acquisition of property, plant and equipment as at 31 March 2024 is Rs. 26.93 Mn (as at 31 March 2023 - Rs. 52.91 Mn).

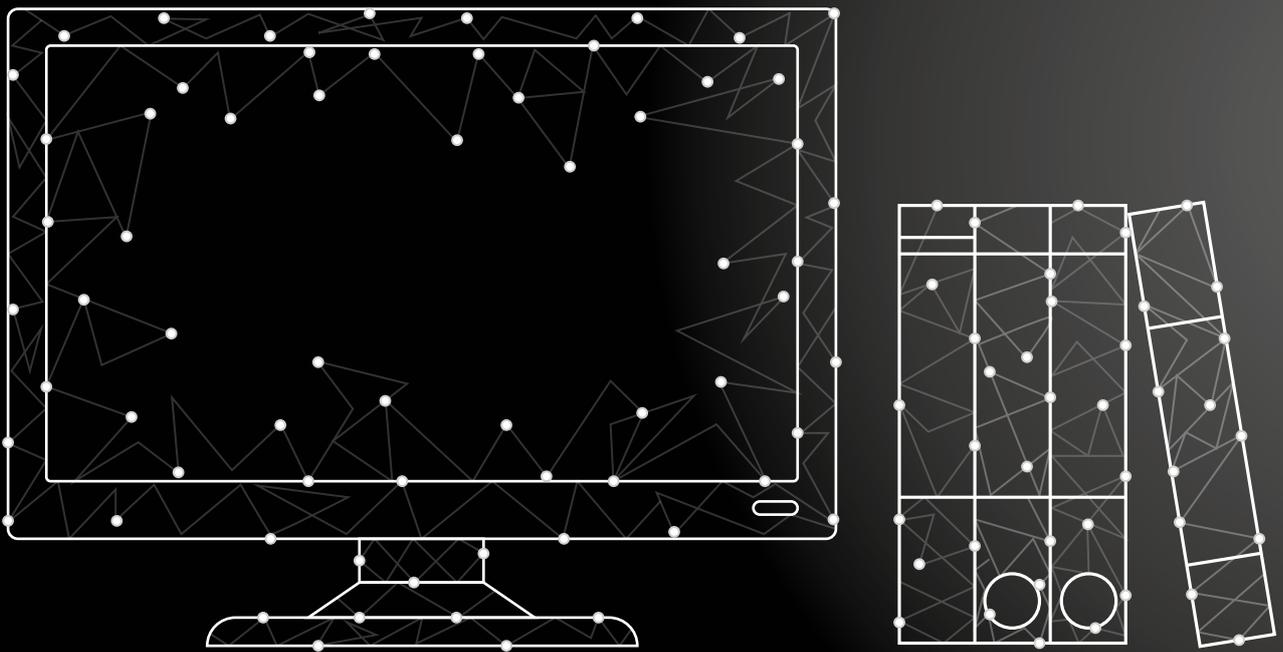
### 39 ASSETS PLEDGED AS SECURITY

No assets have been pledged for facilities obtained by the Company as at 31 March 2024.

### 40 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

# Infusions of involvement



## SUPPLEMENTARY INFORMATION

Quarterly Financial Information 164 | Five Year Financial Summary and Key Indicators 166

Information to Shareholders and Investors 168 | Statement of Economic Value Added 172

GRI Content Index 173 | Glossary of Financial Terminology 177 | Notice of Meeting 182

Form of Proxy 183 | IBC - Corporate Information

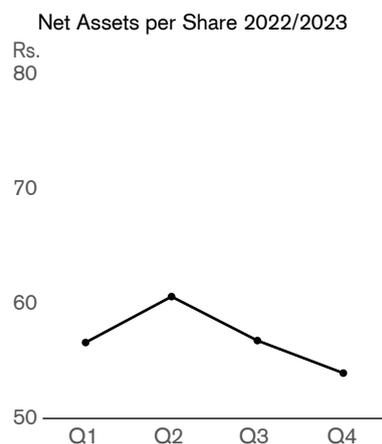
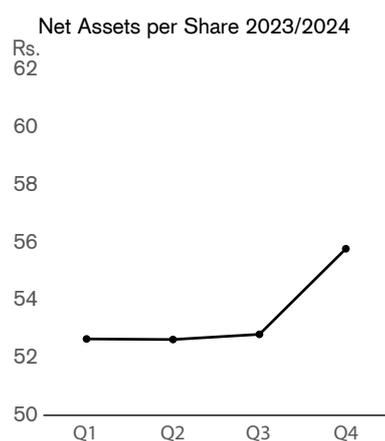
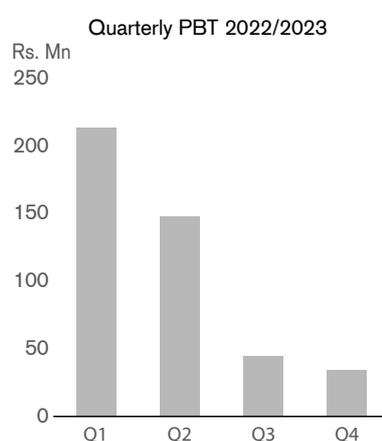
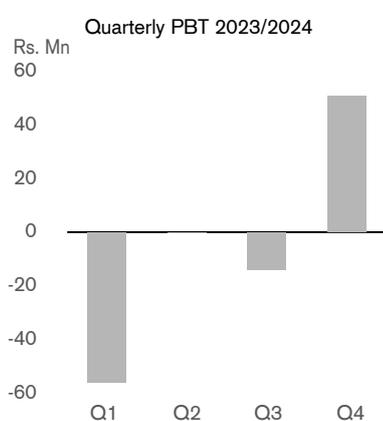
# Quarterly Financial Information

## For the Financial Years Ended 2024 and 2023 Statement of Income Statement

For the Quarters and Year Ended	2023 / 2024				2022 / 2023				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	30 Jun '23	30 Sep'23	31 Dec '23	31 Mar '24	30 Jun '22	30 Sep'22	31 Dec '22	31 Mar '23	
Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	
Turnover	679,363	786,860	732,043	857,694	932,186	1,042,332	824,920	944,501	3,743,939
Cost of sales	(741,397)	(776,655)	(735,358)	(841,564)	(709,001)	(891,279)	(783,761)	(948,883)	(3,332,924)
<b>Gross profit/ (Loss)</b>	(62,034)	10,205	(3,315)	16,130	223,185	151,053	41,159	(4,382)	411,015
Other income	46,966	38,256	38,987	35,780	31,176	34,118	34,626	52,726	152,646
Administrative expenses	(30,932)	(37,905)	(40,607)	(36,317)	(18,274)	(24,117)	(28,603)	(35,197)	(106,191)
Management Fees	(5,055)	(5,863)	(5,407)	(6,380)	(27,718)	(22,019)	(9,960)	(6,388)	(66,085)
<b>Profit from operating activities</b>	(51,055)	4,693	(10,342)	9,213	208,369	139,035	37,222	6,759	391,385
Finance cost	(6,749)	(6,714)	(5,451)	(3,160)	(223)	(289)	(656)	(246)	(1,414)
Finance income	1,889	1,780	1,825	2,169	5,584	9,379	7,848	7,382	30,193
Change in fair value of Investment Property	-	-	-	42,214	-	-	-	20,462	20,462
<b>Profit/ (Loss) Before Tax</b>	(55,915)	(241)	(13,968)	50,436	213,730	148,125	44,414	34,357	440,626
Tax (Expense) / Reversal	16,577	(268)	19,359	(9,751)	(30,506)	(27,694)	(62,898)	(41,032)	(162,131)
<b>Profit/ (Loss) for the Year</b>	(39,338)	(509)	5,391	40,685	183,224	120,431	(18,484)	(6,675)	278,495
<b>Earning per Share - Rs</b>	(1.31)	(0.02)	0.18	1.36	6.11	4.01	(0.62)	(0.22)	9.28

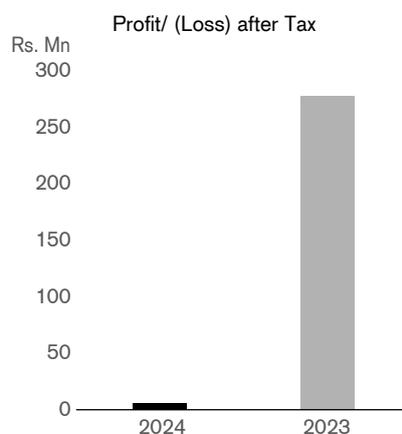
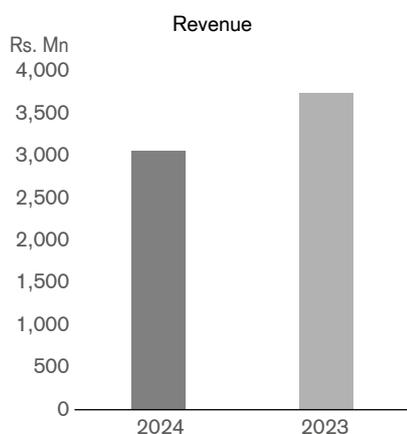
## Statement of Financial Position

As at	2023 / 2024				2022 / 2023			
	30 Jun '23	30 Sep'23	31 Dec '23	31 Mar '24	30 Jun '22	30 Sep'22	31 Dec '22	31 Mar '23
	Rs. 000's							
<b>Net Assets</b>								
Non-current assets	1,665,344	1,658,135	1,650,088	1,779,357	1,361,322	1,386,093	1,412,732	1,650,383
Net current assets	222,462	230,064	240,059	241,029	486,184	581,096	570,476	291,727
	1,887,806	1,888,199	1,890,147	2,020,386	1,847,506	1,967,189	1,983,208	1,942,110
Less : Non current liabilities	308,276	309,178	305,735	347,054	148,611	147,864	279,298	323,242
<b>Net Assets</b>	<b>1,579,530</b>	<b>1,579,021</b>	<b>1,584,412</b>	<b>1,673,332</b>	<b>1,698,895</b>	<b>1,819,325</b>	<b>1,703,910</b>	<b>1,618,868</b>
<b>Shareholders' Funds</b>								
Stated capital and revenue reserves	1,579,530	1,579,021	1,584,412	1,673,332	1,698,895	1,819,325	1,703,910	1,618,868
<b>Total Equity</b>	<b>1,579,530</b>	<b>1,579,021</b>	<b>1,584,412</b>	<b>1,673,332</b>	<b>1,698,895</b>	<b>1,819,325</b>	<b>1,703,910</b>	<b>1,618,868</b>
<b>Net assets per share - Rs.</b>	<b>52.65</b>	<b>52.63</b>	<b>52.81</b>	<b>55.78</b>	<b>56.63</b>	<b>60.64</b>	<b>56.80</b>	<b>53.96</b>



## Five Year Financial Summary and Key Indicators

Year Ended 31st March	2024	2023	2022	2021	2020
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Total Revenue	3,055,960	3,743,939	2,018,797	2,346,224	2,109,139
Cost of Sale	(3,094,974)	(3,332,924)	(2,029,365)	(2,256,953)	(2,093,028)
Gross Operating Profit / (Loss)	(39,014)	411,015	(10,568)	89,271	16,111
Other Income	159,989	152,646	88,258	60,987	55,283
<b>Expenses</b>					
Administrative Expenses	(145,761)	(106,191)	(62,919)	(54,788)	(62,074)
Management Fees	(22,705)	(66,085)	(15,028)	(23,274)	(17,680)
<b>Results from Operating Activities</b>	(47,491)	391,385	(257)	72,197	(8,360)
Net Finance (Cost) / Income	(14,411)	28,779	7,195	8,764	1
Change in fair value of Investment Property	42,214	20,462	15,719	(2,371)	39,297
<b>Profit/ (Loss) before Tax</b>	(19,688)	440,626	22,657	78,589	30,938
Tax (Expense)/ Reversal	25,917	(162,131)	(7,346)	(12,045)	73,149
Profit/ (Loss) after Tax	6,229	278,495	15,311	66,544	104,086
Other Comprehensive Income	(1,803)	5,133	1,024	(10,736)	4,832
Prior Year Retained Profits	838,572	755,044	768,709	757,901	657,610
Total Available for Appropriation	842,998	1,038,672	785,044	813,709	766,528
Dividends Paid	-	(200,100)	(30,000)	(45,000)	(51,000)
Transfer to General Reserve	-	-	-	-	42,373
Retained Profit at the end of the year	842,998	838,572	755,044	768,709	757,901



Year Ended 31st March	2024	2023	2022	2021	2020
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
<b>CAPITAL AND RESERVES</b>					
Stated Capital	150,000	150,000	150,000	150,000	150,000
Revaluation Reserve	680,334	630,296	610,627	529,015	510,984
Retained Earnings	842,998	838,572	755,044	768,709	757,901
Shareholders' Funds	1,673,332	1,618,868	1,515,671	1,447,724	1,418,885
<b>ASSETS LESS LIABILITIES</b>					
Current Assets	441,090	654,700	543,503	517,021	383,757
Current Liabilities	(200,061)	(362,973)	(218,808)	(178,526)	(90,008)
Net Current Assets	241,029	291,727	324,694	338,495	293,749
Non-Current Assets	1,779,357	1,650,383	1,338,106	1,254,293	1,260,445
Non-Current Liabilities other than Deferred Grants and Subsidies	(346,646)	(322,815)	(148,682)	(144,597)	(134,822)
Deferred Grants and Subsidies	(408)	(427)	(447)	(467)	(487)
	1,673,332	1,618,868	1,513,671	1,447,724	1,418,885

**RATIOS AND STATISTICS**

Earnings per Share (EPS) - Rs	0.21	9.28	0.51	2.22	3.47
EPS growth (%)	(98)	1,719	(77)	(36)	103
Price earning ratio (No. of times)	199.9	4.7	53.1	18.5	5.5
Dividend payout ratio (%)	-	71.9	195.9	67.6	49.0
Interest cover (No. of times)	0.1	312.7	848.1	998.2	8.4
Pre-tax return on capital employed (Pre-tax ROCE) (%)	(2.5)	27.2	1.5	5.5	2.6
Return on equity (ROE) (%)	0.4	17.2	1.0	4.6	7.7
Return on assets (%)	0.28	12.08	0.81	3.9	6.3
Net Assets per share (Rs)	55.78	53.96	50.52	48.26	47.30
Market Price per Share (Rs.)	41.50	44.00	27.10	41.00	19.10
Debt/Equity (No. of times)	0.01	0.00	0.00	0.00	0.00
Annual Turnover growth (%)	(18.4)	85.5	(14.0)	11.2	(2.9)
Current Ratio (times)	2.2	1.8	2.5	2.9	4.3
Gross Turnover per employee (Rs.000's)	9,461	9,109	4,972	4,711	3,700
Dividend per Share (Rs.)	0.00	6.67	1.00	1.50	1.70

# Information to Shareholders and Investors

## 1. STOCK EXCHANGE LISTING

The issued ordinary shares of Tea Smallholder Factories PLC was listed with the Colombo Stock Exchange on 01st August 1996. The Audited Accounts of the Company for the year ended 31st March 2024 have been submitted to the Colombo Stock Exchange.

## 2. DISTRIBUTION OF ORDINARY SHAREHOLDERS

No. of Shares held	31st March 2024				31st March 2023			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Less than or equal to 1000	1,099	75.22	221,056	0.74	1,083	75.52	233,110	0.78
1,001 - 10,000	321	21.97	1,004,084	3.35	320	22.32	987,437	3.29
10,001 - 100,000	34	2.33	896,000	2.99	24	1.67	680,774	2.27
100,001 - 1,000,000	3	0.21	486,368	1.62	3	0.21	706,187	2.35
Over 1,000,000	4	0.27	27,392,492	91.31	4	0.28	27,392,492	91.31
Total	1,461	100.00	30,000,000	100.00	1,434	100.00	30,000,000	100.00

## 3. ANALYSIS OF SHAREHOLDERS

Categories of Shareholders	31st March 2024				31st March 2023			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,408	96.37	2,100,102	7.00	1,384	96.51	2,176,326	7.25
Institutions	53	3.63	27,899,898	93.00	50	3.49	27,823,674	92.75
Total	1,461	100.00	30,000,000	100.00	1,434	100.00	30,000,000	100.00
Residents	1,451	99.32	29,965,777	99.89	1,425	99.37	29,963,862	99.88
Non Residents	10	0.68	34,223	0.11	9	0.63	36,138	0.12
Total	1,461	100.00	30,000,000	100.00	1,434	100.00	30,000,000	100.00
Public Shareholding	1,457	99.73	9,915,508	33.05	1,430	99.72	9,915,508	33.05
Non - Public Shareholding	4	0.27	20,084,492	66.95	4	0.28	20,084,492	66.95
Total	1,461	100.00	30,000,000	100.00	1,434	100.00	30,000,000	100.00

## 4 PUBLIC SHARE HOLDING

	As at 31st March 2024	As at 31st March 2023
	Rs. '000s	Rs. '000s
Number of Public Shareholders	1,457	1,430
Public Holding Percentage	33.05	33.05
The Float Adjusted Market Capitalisation - Rs. Mn	411.49	436.28

The Company has complied with the Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange governing the minimum public holding requirement of listed entities for continuous listing requirements. As at 31st March 2024, the public holding of the Company stood at 33.05 percent surpassing the minimum requirement of 20 percent under, option 5.

**5 TWENTY LARGEST SHAREHOLDERS OF THE COMPANY**

Name	31st March 2024		31st March 2023	
	No. of Shares Held	% Holdings	No. of Shares Held	% Holdings
1 John Keells Holdings PLC	11,286,000	37.62	11,286,000	37.62
2 Akbar Brothers Limited	7,318,000	24.39	7,318,000	24.39
3 Central Finance Company PLC	6,854,814	22.85	6,854,814	22.85
4 CF Growth Fund Limited	1,933,678	6.45	1,933,678	6.45
5 Mr. D. Ramachandran	196,882	0.66	49,414	0.16
6 Seylan Bank PLC/ Eagle Crest (Pvt) Ltd	164,322	0.55	-	-
7 Anverally & Sons (Private) Limited	125,164	0.42	125,164	0.42
8 Mr. C. S. N. Silvapulle	76,420	0.25	76,420	0.25
9 Mr. N. D. Kurukulasuriya	62,400	0.21	62,400	0.21
10 Mrs. S. Vasudevan	53,496	0.18	53,496	0.18
11 Dr. D. S. A. Samaraweera	53,000	0.18	53,000	0.18
12 T R L Holdings (PVT) Limited	47,632	0.16	41,511	0.14
13 Mr. S. M. Sancheevan	42,925	0.14	-	-
14 Mr. C. N. Pakianathan	37,613	0.13	28,152	0.09
15 Citizens Development Business Finance PLC/ N. Anoshan	37,191	0.12	-	-
16 Mr. H. A. R. Pieris	35,000	0.12	-	-
17 Mr. T. Raveenthiran	34,500	0.12	-	-
18 Growth Edge Investment (Pvt) Ltd	31,652	0.11	-	-
19 Mr. S. S. Sithambaranathan	28,290	0.09	8,888	0.02
20 Mr. Z. G. Carimjee	25,000	0.08	25,000	0.08
Total	28,443,979	94.83	27,915,937	93.04

Note - The percentage of public shareholding is stated on page 168 under "Public Share Holding".

**6 RELEVANT INTEREST IN SHARES AND SHARE DEALINGS**

The relevant interest of the Directors and Chief Executive Officer of the Company are as follows,

As at 31st March	2024	2023
	No. of Shares	No. of Shares
Mr. K. N. J. Balendra (Chairperson)	Nil	Nil
Mr. J. G. A. Cooray	Nil	Nil
Mr. A. Z. Hashim	Nil	Nil
Mr. E. H. Wijenaik	10,000	10,000
Mr. A. K. Gunaratne	Nil	Nil
Ms. A. Goonetilleke	Nil	Nil
Mr. A. S. Jayatilleka	Nil	Nil
Mr. S. K. L. Obeyesekere	Nil	Nil
<b>CEO</b>		
Mr. R. H. Walpola	Nil	Nil

## Information to Shareholders and Investors

### 7 MARKET VALUE

For the year ended 31st March	2024	2023	2022	2021	2020
	Rs. '000s				
Highest Price	58.50	98.20	47.90	46.20	30.00
Lowest Price	37.20	26.50	27.00	19.40	19.10
As at Year End	41.50	44.00	27.10	41.00	19.10
Market capitalisation (Rs. Mn)	1,245	1,320	813	1,230	573

### 8 TRADING STATISTICS

For the year ended 31st March	2024	2023
	Rs. '000s	Rs. '000s
No. of Trades	3,991	5,215
No. of Shares Traded	1,730,491	2,589,555
Value of Traded Shares - Rs.	81,200,644	148,181,748

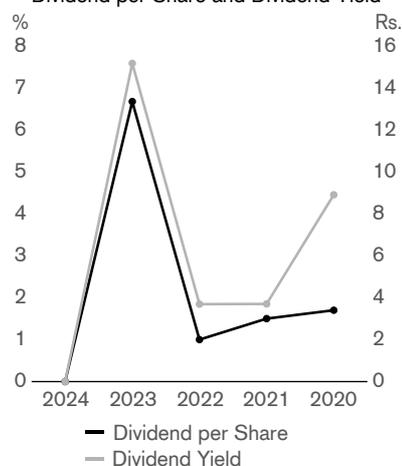
### 9 DIVIDEND PAYMENT

No dividend payments were declared during the financial year 2023/24.

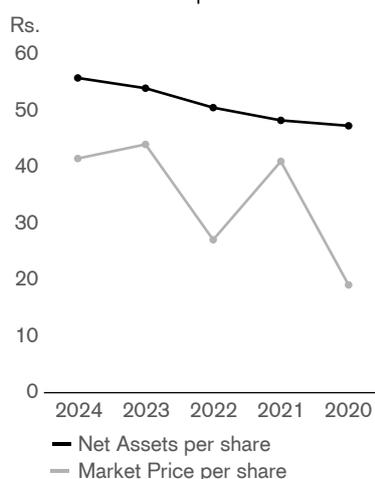
## 10 RATIOS AND STATISTICS

For the year ended 31st March	2024	2023	2022	2021	2020
No. of shares in issue (In '000s)	30,000	30,000	30,000	30,000	30,000
Earnings Per Share (EPS) - Rs.	0.21	9.28	0.51	2.22	3.47
EPS growth (%)	(98)	1,719	(77)	(36)	103
Price earning ratio (No. of times)	199.9	4.7	53.1	18.5	5.5
Dividend payout ratio (%)	-	71.9	195.9	67.6	49.0
Pre-tax return on capital employed (Pre-tax ROCE) (%)	(2.5)	27.2	1.5	5.5	2.6
Return on equity (ROE) (%)	0.4	17.2	1.0	4.6	7.7
Net Assets per share (Rs)	55.78	53.96	50.52	48.26	47.30
Market Price per Share (Rs.)	41.50	44.00	27.10	41.00	19.10
Market capitalisaion (Rs.'000s)	1,245,000	1,320,000	813,000	1,230,000	573,000
Dividend per Share (Rs.)	0.00	6.67	1.00	1.50	1.70
Dividend Yield (%)	-	15.16	3.69	3.7	8.9

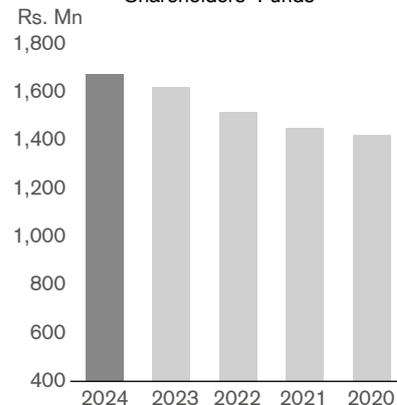
Dividend per Share and Dividend Yield



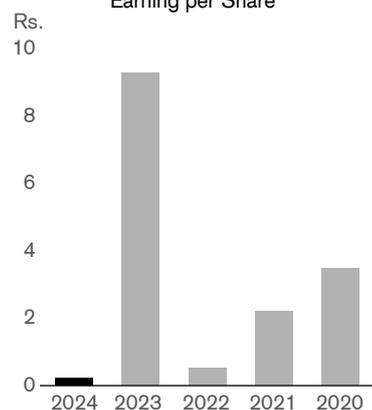
Market Price per Share and Net Asset per Share



Shareholders' Funds



Earning per Share

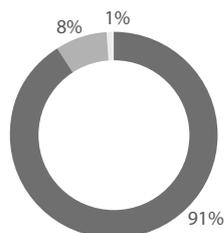


## Statement of Economic Value Added

Year Ended 31st March	2024		2023		2022		2021		2020	
	Rs'000s	%								
<b>DIRECT ECONOMIC VALUE GENERATED</b>										
Turnover	3,055,960		3,743,939		2,018,797		2,346,224		2,109,139	
Finance Income	7,663		30,192		7,222		8,843		4,188	
Other Income	159,989		152,646		88,258		60,986		55,283	
Valuation gain/ (loss) on Investment Property	42,214		20,462		15,719		(2,371)		39,297	
	<b>3,265,826</b>		<b>3,947,239</b>		<b>2,129,996</b>		<b>2,413,682</b>		<b>2,207,907</b>	
<b>ECONOMIC VALUE DISTRIBUTED</b>										
Operating Cost	2,894,461	91%	3,266,229	86%	1,812,731	87%	2,061,505	89%	1,820,485	87%
Employees Wages and Benefits	266,882	8%	242,328	6%	230,520	11%	198,800	9%	204,973	10%
Government Taxes	-	0%	96,539	3%	6,387	0%	18,319	0%	12,795	0%
Payments to Providers of Funds	22,074	1%	201,514	5%	30,027	1%	45,079	2%	55,187	3%
	<b>3,183,418</b>		<b>3,806,610</b>		<b>2,079,664</b>		<b>2,323,703</b>		<b>2,093,440</b>	
<b>ECONOMIC VALUE RETAINED</b>										
Depreciation	76,179		62,234		65,020		68,434		61,381	
Profit Retained	6,229		78,395		(14,689)		21,544		53,086	
	<b>82,408</b>		<b>140,630</b>		<b>50,332</b>		<b>89,980</b>		<b>114,467</b>	

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS / LKAS).

Economic Value Distributed - 2024



- Operating Cost
- Employees Wages and Benefits
- Payments to Government as Taxes
- Payments to Providers of Funds

Economic Value Distributed - 2023



- Operating Cost
- Employees Wages and Benefits
- Payments to Government as Taxes
- Payments to Providers of Funds

Value created for 2023/24 is Rs. 3.27 Bn and it is a reduction of 17% when compared against Rs. 3.95 Bn created in the previous year. Of the total value distributed of Rs. 3.18 Bn in 2023 /2024, 91% was spent on operating cost, 8% was distributed to employees in the form of remuneration and statutory payments and 1% was paid as interest for providers of funds. Of the total value created of Rs. 3.27 Bn for 2023/24, 3% was retained in the business for further development and investment.

# GRI Content Index

Statement of use	Tea Smallholder Factories PLC has reported the information cited in this GRI content index for the period from 01st April 2022 to 31st March 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page No.
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	04 - 05, IBC
	2-2 Entities included in the organization's sustainability reporting	04 - 05, 40 - 41, IBC
	2-3 Reporting period, frequency and contact point	04 - 05
	2-4 Restatements of information	No Restatements
	2-5 External assurance	Company has not obtained External assurance on this report.
	2-6 Activities, value chain and other business relationships	04, 16 - 20
	2-7 Employees	42 - 46
	2-8 Workers who are not employees	42 - 46
	2-9 Governance structure and composition	68 - 77
	2-10 Nomination and selection of the highest governance body	80 - 81
	2-11 Chair of the highest governance body	78 - 79
	2-12 Role of the highest governance body in overseeing the management of impacts	78 - 79
	2-13 Delegation of responsibility for managing impacts	77 - 86
	2-14 Role of the highest governance body in sustainability reporting	85 - 86
	2-15 Conflicts of interest	79 - 80
	2-16 Communication of critical concerns	82
	2-17 Collective knowledge of the highest governance body	62 - 63, 79
	2-18 Evaluation of the performance of the highest governance body	81
	2-19 Remuneration policies	81
	2-20 Process to determine remuneration	81
	2-21 Annual total compensation ratio	83, 137
	2-22 Statement on sustainable development strategy	N/A
	2-23 Policy commitments	80 - 86
	2-24 Embedding policy commitments	80 - 86
	2-25 Processes to remediate negative impacts	81 - 86
	2-26 Mechanisms for seeking advice and raising concerns	85
	2-27 Compliance with laws and regulations	Compliant with applicable laws and regulations
	2-28 Membership associations	53, 19 - 20
	2-29 Approach to stakeholder engagement	18 - 20
	2-30 Collective bargaining agreements	44 - 45

## GRI Content Index

GRI Standard	Disclosure	Page No.
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	21
	3-2 List of material topics	22 - 24
	3-3 Management of material topics	22 - 24
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	172
	201-2 Financial implications and other risks and opportunities due to climate change	59 - 60
	201-3 Defined benefit plan obligations and other retirement plans	156 - 158
	201-4 Financial assistance received from government	48, 158
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	N/A
	202-2 Proportion of senior management hired from the local community	N/A
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	48 - 52
	203-2 Significant indirect economic impacts	47 - 52
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	47
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	67, 84
	205-2 Communication and training about anti-corruption policies and procedures	67, 84
	205-3 Confirmed incidents of corruption and actions taken	Nil
<b>GRI 206: Anti-competitive Behaviour 2016</b>	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Nil
<b>GRI 207: Tax 2019</b>	207-1 Approach to tax	86
	207-2 Tax governance, control, and risk management	86
	207-3 Stakeholder engagement and management of concerns related to tax	21 - 22, 86
	207-4 Country-by-country reporting	Only operates in Sri Lanka
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	59
	301-2 Recycled input materials used	N/A
	301-3 Reclaimed products and their packaging materials	None
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	57 - 58
	302-2 Energy consumption outside of the organization	57 - 58
	302-3 Energy intensity	9, 58
	302-4 Reduction of energy consumption	57 - 58
	302-5 Reductions in energy requirements of products and services	57 - 58
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	56, 59
	303-2 Management of water discharge-related impacts	56, 59
	303-3 Water withdrawal	56, 59
	303-4 Water discharge	59
	303-5 Water consumption	56, 59

GRI Standard	Disclosure	Page No.
<b>GRI 304: Biodiversity 2016</b>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
	304-2 Significant impacts of activities, products and services on biodiversity	59 - 60
	304-3 Habitats protected or restored	N/A
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	N/A
	305-2 Energy indirect (Scope 2) GHG emissions	N/A
	305-3 Other indirect (Scope 3) GHG emissions	N/A
	305-4 GHG emissions intensity	N/A
	305-5 Reduction of GHG emissions	N/A
	305-6 Emissions of ozone-depleting substances (ODS)	N/A
	305-7 Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	N/A
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	59
	306-2 Management of significant waste-related impacts	59
	306-3 Waste generated	59
	306-4 Waste diverted from disposal	N/A
	306-5 Waste directed to disposal	59
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	48
	308-2 Negative environmental impacts in the supply chain and actions taken	N/A
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	44
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	44 - 45
	401-3 Parental leave	46, 67
<b>GRI 402: Labour/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	2 Weeks
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	46
	403-2 Hazard identification, risk assessment, and incident investigation	46
	403-3 Occupational health services	46
	403-4 Worker participation, consultation, and communication on occupational health and safety	46
	403-5 Worker training on occupational health and safety	45-46, 104
	403-6 Promotion of worker health	24, 45 - 46
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	24, 45 - 46
	403-8 Workers covered by an occupational health and safety management system	24, 45 - 46
	403-9 Work-related injuries	46
	403-10 Work-related ill health	46

## GRI Content Index

GRI Standard	Disclosure	Page No.
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	45
	404-2 Programs for upgrading employee skills and transition assistance programs	45
	404-3 Percentage of employees receiving regular performance and career development reviews	45
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	43 - 45, 68
	405-2 Ratio of basic salary and remuneration of women to men	N/A
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	None reported
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
<b>GRI 408: Child Labour 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labour	N/A
<b>GRI 409: Forced or Compulsory Labour 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	44
<b>GRI 410: Security Practices 2016</b>	410-1 Security personnel trained in human rights policies or procedures	Nil
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	Nil
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	51 - 52
	413-2 Operations with significant actual and potential negative impacts on local communities	51 - 52
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	N/A
	414-2 Negative social impacts in the supply chain and actions taken	N/A
<b>GRI 415: Public Policy 2016</b>	415-1 Political contributions	N/A
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	54
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Nil
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	54
	417-2 Incidents of non-compliance concerning product and service information and labeling	Nil
	417-3 Incidents of non-compliance concerning marketing communications	Nil
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Nil

# Glossary of Financial Terminology

## ACCOUNTING POLICIES

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

## TOTAL DEBT

Short and long term loans including overdrafts.

## CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interest and debt.

## CAPITAL RESERVES

Profits of a company that for various reasons are not regarded as distributable to shareholders as dividend. This includes gains on revaluation of capital assets.

## CASH AND CASH EQUIVALENT

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## CURRENT RATIO

Current assets divided by current liabilities.

## DEFERRED TAX

Sum set aside in the Financial Statements for taxation that may become payable/ recoverable in a financial year other than the current financial year (future periods).

## DIVIDEND COVER

Profit attributable to shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

## DIVIDEND PER SHARE (DPS)

Dividends paid during the year divided by the weighted number of ordinary shares in issue during the period.

## EARNINGS PER SHARE

Earnings per Share is the net profit after tax attributable to each ordinary share. This is calculated using the formula - net profit after tax divided by the total number of ordinary shares in issue during the period.

## TOTAL EQUITY

Shareholders' funds

## DEBT TO EQUITY

Debt to capital employed.

## INTEREST COVER

Profit before Interest and tax over finance cost.

## MARKET CAPITALISATION

Number of shares in issue at the end of period multiplied by the market price per share at the end of period.

## NET ASSETS

Total assets minus total current and non-current liabilities.

## NET ASSETS PER SHARE

Net assets as at a particular year end divided by the number of shares in issue as at the current financial year end.

## NUMBER OF TRADES

The total number of transactions of a company's shares on the Stock Exchange on a particular day.

## PRICE EARNINGS RATIO (PER)

Market price per share over earnings per share.

## PROFIT AFTER TAX

The profit that a company has earned in a given period of time after payment of tax.

## RETURN ON CAPITAL EMPLOYED

Profit before interest and tax divided by average capital employed.

## RETURN ON EQUITY

Profit after tax divided by average share holders' funds.

## REVENUE RESERVES

Reserves considered as being available for distributions and investments.

## "SHARE" OF A COMPANY

One of the equal parts of the issued capital of the Company.

## SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

## STATED CAPITAL

The total of all amounts received by the Company or due and payable to the company in respect of the issue of shares and calls on shares.

## TURNOVER PER EMPLOYEE

Total turnover of the Company for the year divided by the number of employees employed at year end.

## VALUE ADDITION / VALUE GENERATED

The quantum of wealth generated by the activities of the Company and its application.

## WORKING CAPITAL

Capital required to finance the day - to - day Operations

## MARKET VALUE ADDED

A calculation that shows the difference between the market value of a company and the capita contributed by investors. In other words, it is the sum of all capital claims held against the Company plus the market value of debt and equity.

## RETURN ON ASSETS

Profit after tax as a percentage of average total assets.

## TOTAL SHAREHOLDER RETURN

$(P1 - P0 + D) / P0 \times 100$

P1 = Market Price at the end of the year

P0 = Market Price at the beginning of the year

D = Dividend for the year

## **Glossary of Financial Terminology**

### **DIVIDEND YIELD**

Dividend per share as a percentage of its market value

### **DIVIDEND PAYOUT**

The percentage of earnings paid to a shareholder as dividends.

### **QUICK ASSETS RATIO**

The quick assets ratio measures a company's ability to meet short term obligations with its most liquid assets.

### **NET CURRENT ASSETS**

Current assets less current liabilities

### **ABBREVIATIONS**

BRM - Business Risk Management

CTC - Crush, Tear and Curl

HACCP - Hazard Analysis and Critical Control Point

SLFRS / LKAS - Sri Lanka Accounting Standards







# Notice of Meeting

Notice is hereby given that the Thirtieth Annual General Meeting (Meeting) of Tea Smallholder Factories PLC (Company) will be held as a virtual meeting on 25th June 2024 at 10.30 a.m.

The business to be brought before the Meeting will be to:

1. Read the Notice convening the Meeting.
2. Receive and consider the Annual Report and Financial Statements of the Company for the financial year ended 31st March 2024 with the Report of the Auditors thereon.
3. Re-elect as Director, Ms. A Goonetilleke who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Ms. A Goonetilleke. is contained in the Board of Directors section of the Annual Report on page 64
4. Re-elect as Director, Mr. A Z Hashim who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. A Z Hashim is contained in the Board of Directors section of the Annual Report on page 62
5. Re-appoint the Auditors and to authorise the Directors to determine their remuneration.
6. Consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report and Financial Statements of the Company are available on the:

- (1) Corporate Website – <https://tsfl-keells.com/annual-report-2024/> ; and
- (2) The JKH Group website - <https://www.keells.com/investor-relations/#annual-reports> ; and
- (3) The Colombo Stock Exchange - <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=TSML.N0000>

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code.



For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Dulaj Sellahewa on 011-2149987 during normal office hours (8.30 a.m. to 4.30 p.m.) or email [dulaj.tsfl@keells.com](mailto:dulaj.tsfl@keells.com).

Any Shareholder who wishes to obtain a hard copy of the Annual Report, may send a written request to the registered office of the Company by filling the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) Market Days from the date of receipt of the request.

By Order of the Board

**TEA SMALLHOLDER FACTORIES PLC**

**Keells Consultants (Private) Limited**

Secretaries  
Colombo

20th May 2024

#### Notes:

- (i) A Shareholder unable to attend the Meeting is entitled to appoint a Proxy to attend and vote in their place.
- (ii) A Proxy need not be a Shareholder of the Company.
- (iii) A Shareholder wishing to vote by Proxy at the meeting may use the Form of Proxy enclosed herein.
- (iv) Shareholders are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
- (v) In order to be valid, the completed Proxy Form must be lodged at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02 or forwarded to the email address: [keellsconsultants@keells.com](mailto:keellsconsultants@keells.com) or Fax No. 011 2439037 not less than 48 hours before the Meeting.
- (vi) A vote can be taken on a show of hands or by poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Shareholder and his/her proxy holder are both present at the Meeting, only the Shareholder's vote is counted. If the Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

# Form of Proxy

I/We .....  
of .....  
being a Shareholder/s of Tea Smallholder Factories PLC hereby appoint  
..... of  
..... or failing him/her,

- Mr. Krishan Niraj Jayasekara Balendra                      or failing him
- Mr. Joseph Gihan Adisha Cooray                              or failing him
- Mr. Ahamed Zafir Hashim                                      or failing him
- Mr. Eranjith Harendra Wijenaikie                              or failing him
- Mr. Arjuna Kapila Gunaratne                                  or failing him
- Mr. Ananda Sunil Jayatilleka                                 or failing him
- Ms. Aruni Goonetilleke                                         or failing her
- Mr. Shanthi Kumar Lalith Obeyesekere

as my/our proxy to represent me/us and vote on my/our behalf at the Thirtieth Annual General Meeting of the Company to be held on 25th June 2024 at 10.30 a.m. and at any postponement or adjournment thereof and at every poll which may be taken in consequence of thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	For	Against	Abstained
i To re-elect as a Director, , Ms. A Goonetilleke who retires in terms of Article 83 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ii To re-elect as a Director, Mr. A Z Hashim, who retires in terms of Article 83 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
iii To re-appoint the Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this ..... day of ..... Two Thousand and Twenty Four (2024).

.....  
Signature/s of Shareholder/s

NOTE: INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY ARE NOTED ON THE REVERSE.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, or forward to the email address: keellsconsultants@keells.com or Fax No. 011 2439037, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : .....

Address : .....

: .....

: .....

Jointly with : .....

Share Folio No./CDS account no : .....

National Identity Card No : .....

# Corporate Information

## NAME OF COMPANY

Tea Smallholder Factories PLC

## COMPANY REGISTRATION NO.

PQ 32

Legal Form

A Quoted Public Company with Limited Liability

Incorporated in Sri Lanka in 1991

Ordinary Shares listed on the Colombo Stock Exchange

## REGISTERED OFFICE OF THE COMPANY

No. 186, Vauxhall Street,

Colombo 02, Sri Lanka

Telephone : +94 11 2335870

Fax : +94 11 2335880

Website : [www.tsfl-keells.com](http://www.tsfl-keells.com)

Email : [romesh.jktl@keells.com](mailto:romesh.jktl@keells.com)

## BOARD OF DIRECTORS

Mr. K. N. J. Balendra - Chairperson

Mr. J. G. A. Cooray

Mr. A. Z. Hashim

Mr. E. H. Wijenaik

Mr. A. K. Gunaratne

Mr. A. S. Jayatilleka

Ms. A. Goonetilleke

Mr. S. K. L. Obeyesekere

## BOARD AUDIT COMMITTEE

Ms. A. Goonetilleke - Chairperson

Mr. A. S. Jayatilleka

Mr. S. K. L. Obeyesekere

Mr. A. K. Gunaratne

## SECRETARIES AND LEGAL ADVISORS

Keells Consultants (Private) Limited

117, Sir Chittampalam A. Gardiner Mawatha,

Colombo 02, Sri Lanka.

Telephone : +94 11 230 6245

Fax : +94 11 243 9037

## EXTERNAL AUDITORS

Ernst & Young,

Chartered Accountants,

Rotunda Towers,

No.109, Galle Road,

Colombo 03, Sri Lanka.

## INTERNAL AUDITORS

BDO Partners

Chartered Accountants,

"Charter House",

No.65/2, Sri Chittampalam A. Gardiner Mawatha,

Colombo 02, Sri Lanka.

## BANKERS

Deutsche Bank AG

People's Bank

Bank of Ceylon

Hatton National Bank

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