



REGENERATIVE CAPACITY



"The measure of intelligence is the ability to change." - Albert Einstein

Tea Smallholder Factories PLC has equipped itself with a regenerative mindset to adapt to change, standing tall and undefeated amidst the most challenging times.

Our year under review was exceptional, exceeding all expectations. We believe strongly in adaptability as this unique trait plays a key role in driving our business forward and ensuring survival in an extremely competitive environment. We are inspired by our inner strength to renew ourselves and adapt to a rapidly-changing world.

Our precious people are positioned at the forefront of our business sphere, as we are committed to empower and uplift communities to help grow and enrich lives. As we stride forward into an unknown future, we stand assured, ready to reconstruct, replenish and restore our services for the benefit and well-being of our small holders, our employees, our customers and our environment.

** Regeneration is the process of renewal, restoration, and growth that makes cells, organisms, and ecosystems resilient to natural fluctuations or events that cause disturbance or damage. Sea stars, or starfish, as they are commonly known, exhibit this behaviour - and are built to display incredible resilience in the face of change.*

AN OVERVIEW

Introduction to the Report	06
About Us	07
Milestones	08
Performance Highlights	10
Chairperson's Review	12
Year at a Glance	16

MANAGEMENT DISCUSSION AND ANALYSIS

Our Value Creation Model	18
Managing Stakeholder Engagement	20
Materiality Analysis	23
Economic Overview	27
Tea Industry Overview	28
Operations Review	32
Capital Management Review	
Financial Capital	34
Manufactured Capital	40
Social and Relationship Capital	46
Human Capital	55
Natural Capital	61
Intellectual Capital	67

GOVERNANCE AND RISK

Board of Directors	72
Management Team	74
Corporate Governance	75
Report of the Board Audit Committee	97
Report of the Related Party Transactions Review Committee	100
Enterprise Risk Management	101





INSIDE THIS REPORT



FINANCIAL INFORMATION

- 108 Financial Calendar
- 109 Annual Report of the Board of Directors
- 113 Statement of Directors' Responsibility
- 114 Independent Auditors' Report
- 117 Income Statement
- 118 Statement of Comprehensive Income
- 119 Statement of Financial Position
- 120 Statement of Changes in Equity
- 121 Statement of Cash Flow
- 123 Notes to the Financial Statements



SUPPLEMENTARY INFORMATION

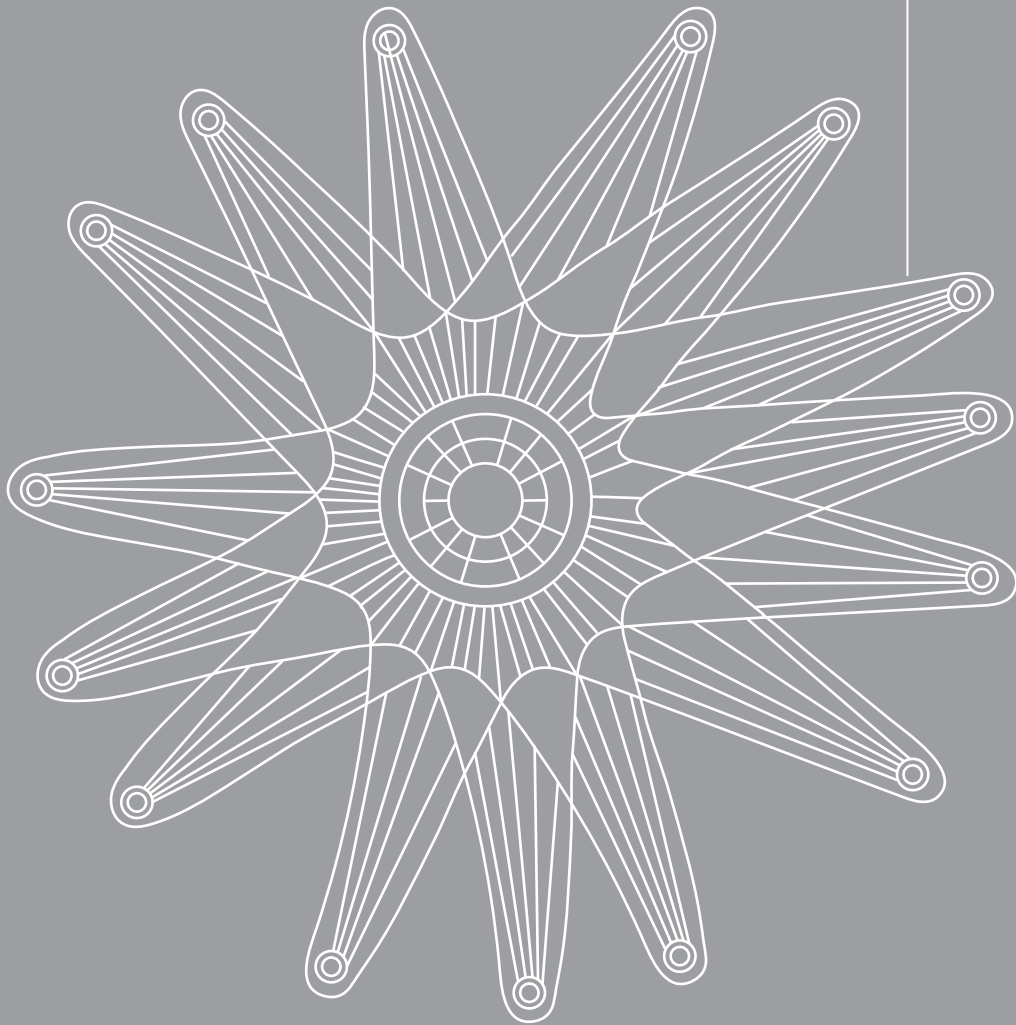
- 164 Quarterly Financial Information
- 166 Five Year Financial Summary and Key Indicators
- 168 Information to Shareholders and Investors
- 172 Statement of Economic Value Added
- 173 GRI Content Index
- 177 Glossary of Financial Terminology
- 182 Notice of Meeting
- 183 Form of Proxy
- IBC - Corporate Information



A MULTIFACETED APPROACH

Our diverse operations and widespread reach enable us to manoeuvre through challenges successfully.

Sea stars often possess five limbs, but certain varieties can grow up to many as fifty limbs. These limbs enable it to navigate any terrain successfully.





INTRODUCTION TO THE REPORT

The Company invests meticulous effort in crafting our integrated report which presents a comprehensive and interconnected perspective of our performance, strategy, and value creation.

Our report serves as a communication platform, promoting transparency and cultivating trust, engagement, and sustainable decision-making among all stakeholders. TSFL's unwavering commitment lies in continuously elevating our disclosure standards and enriching the information shared with our esteemed stakeholders. A transparent assessment of the Company's ability to create sustainable value in the long term has been presented through this report along with the information pertaining to the business model, governance, performance, and risk management. Information contained in this report has been reviewed as applicable by the Board of Directors, Board Audit Committee, Independent Auditors and the Management Committee of the Company.

Scope and Boundaries

This report covers our operations across 6 tea factories located in the low grown region as well as the corporate office located in Colombo, spanning for the period of twelve months ending 31st March 2023.

Management discussion and analysis appearing from pages 17 to 70 identifies the activities and review of the performance of the Company.

The financial statements and related notes, appearing from pages 107 to 174 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, 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

Your comments or questions on this report are welcome. Please direct them to;

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



ABOUT US

Tea Smallholder Factories PLC (TSFL) is registered as a Limited Liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (re-registered under the Companies Act No. 07 of 2007) and is listed in the Colombo Stock Exchange under “Food, Beverage and Tobacco” Sector. The Company is a subsidiary of John Keells Holdings (JKH) PLC and is managed by John Keells Teas (Private) Limited, a fully owned subsidiary of JKH.

The Company operates six (6) tea factories in the low grown region of Sri Lanka and is located in the areas of Galle, Ratnapura and Ginigathhena. The principal business activity of the Company is processing green leaf procured from suppliers comprising of tea small holders and green leaf collectors and sale of processed black tea through the Colombo Tea Auctions which is conducted by the Colombo Tea Traders' Association [CTTA] under the aegis of the Ceylon Chamber of Commerce.

The registered office and principal place of business of the Company is located at No. 186, Vauxhall Street, Colombo 02, Sri Lanka.

Our factories, during the financial year 2022/2023 purchased green leaf from a supplier base of eight thousand six hundred ninety eight (8,698).

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

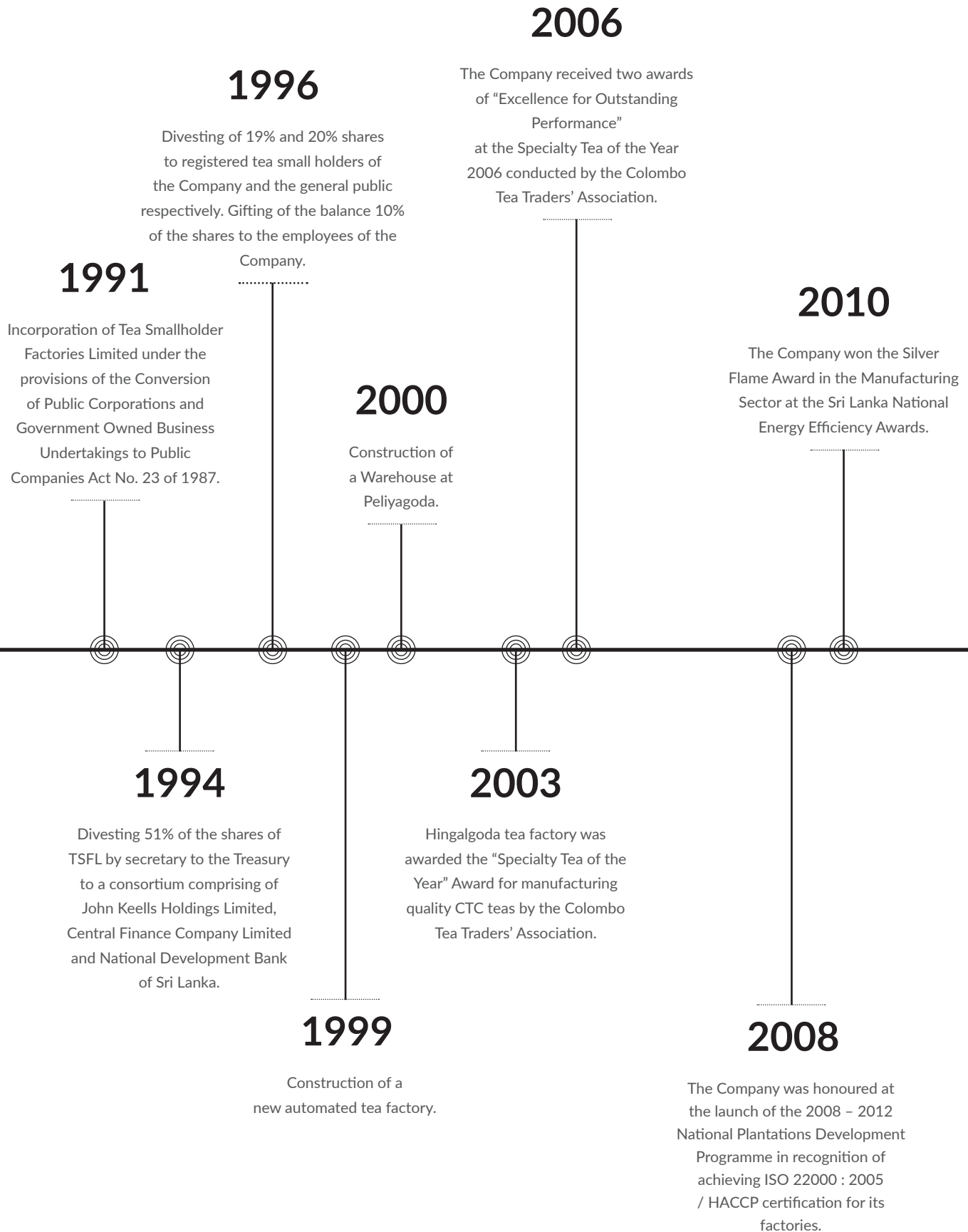
To be recognised as a leading manufacturer and seller of quality tea, to improve the economic well-being of tea small holders and to make a positive contribution to all our stakeholders

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



2015

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

2019

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

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

2011

A project was launched to assist tea small holders to replant their lands which continues to date.

2017

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

2016

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

2018

Hingalgoda Tea Factory achieved the highest average for CTC teas in 2018.

The sale average of Tea Smallholder Factories PLC was the second highest recorded by institutions that markets its teas in the low grown category, as published by the Sri Lanka Tea Board.

2020

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

2012

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



PERFORMANCE HIGHLIGHTS

Financial Highlights		2023	2022	2021
Key Performance Indicators				
Production	Kg. '000	2,463	2,966	3,631
Net Sale Average	Rs. / kg	1,554.58	653.67	664.54
Premium over Low Grown Elevation Average	%	5.33	(0.70)	0.89
Result of the Year				
Revenue from Contracts with Customers	Rs.000s	3,743,939	2,018,797	2,346,224
Profit / (Loss) from Operations	Rs.000s	391,385	(257)	72,197
Net Finance Income / (Expense)	Rs.000s	28,779	7,195	8,764
Profit Before Tax (PBT)	Rs.000s	440,626	22,657	78,589
Profit After Tax (PAT)	Rs.000s	278,495	15,311	66,544
Earnings per Share (EPS)	Rs.	9.28	0.51	2.22
Dividend Paid	Rs.000s	200,100	30,000	45,000
Return on Assets	%	12.08	0.81	3.76
EPS Growth	%	1,719	(77)	(36)
Price Earning Ratio	times	4.74	53.1	18.5
Interest Cover	times	(310.68)	840.15	995.8
Pre-tax Return on Capital Employed (Pre-tax ROCE)	%	27.2	1.5	5.5
Return on Equity (ROE)	%	17.2	1.0	4.6
Financial Position at the Year End				
Total Assets	Rs.000s	2,305,083	1,883,609	1,771,314
Total Equity	Rs.000s	1,618,868	1,515,671	1,447,724
Net Current Assets	Rs.000s	291,727	326,694	338,495
Current Liabilities	Rs.000s	362,973	218,809	178,526
Non Current Liabilities	Rs.000s	323,242	149,129	145,064
Capital Employed	Rs.000s	1,619,630	1,517,754	1,447,726
Market / Shareholder Information				
No. of Shares in Issue	000s	30,000	30,000	30,000
Net Assets per Share	Rs.	53.96	50.52	48.26
Market Price per Share - End March	Rs.	44.00	27.10	41.00
Debt / Equity	times	0.00	0.00	0.00
Market Capitalisaion	Rs.000s	1,320,000	813,000	1,230,000
Annual Turnover Growth	%	85.45	(13.96)	11.24
Current Ratio	times	1.80	2.49	2.90
Quick Asset Ratio	times	0.45	1.39	1.48
Gross Turnover per Employee	Rs.	9,222	4,972	4,730
Dividend per Share	Rs.	6.67	1.00	1.50
Dividend Payout	%	71.9	195.9	67.6
Dividend Yield	%	15.16	3.69	3.66
Market Value Added	Rs.000s	(298,868)	(702,894)	(217,722)

HUMAN CAPITAL

Number of employees

2023	2022
411	404

Female participation

2023	2022
49%	53%

NATURAL CAPITAL

Energy Consumption

2023	2022
28,491 GJ	31,075 GJ

Energy intensity (GJ/MT of production)

2023	2022
11.57	10.48

SOCIAL AND RELATIONSHIP CAPITAL

Leaf Suppliers

2023	2022
8,698	9,700

CSR Expenses

2023	2022
Rs. 1.5 Mn	Rs. 0.5 Mn

MANUFACTURED AND INTELLECTUAL CAPITAL

Capital expenditure

2023	2022
Rs. 213 Mn	Rs. 40 Mn

Premium Over Elevation average

2023	2022
5.33%	(0.70)%



RS. 3,743 Mn
REVENUE

411
NUMBER OF EMPLOYEES

8,773 m³
Water Consumption

CHAIRPERSON'S REVIEW

Dear Shareholders,
On behalf of the Board of Directors, it is my pleasure to present the Annual Integrated Report and Financial Statements of Tea Smallholder Factories PLC for the year ended 31st March 2023.

recorded a strong performance during the year under review, with an 85 percent growth in revenue and a Profit Before Tax (PBT) of Rs. 440.63 million, which is a significant increase to the PBT of Rs. 22.66 million reported in the previous financial year. This was achieved in the backdrop of unprecedented challenges encountered both in the domestic operating environment as well as in external markets, where our teams exhibited resilience and agility, overcoming obstacles while fulfilling commitments to both internal and external stakeholders.

MACROECONOMIC ENVIRONMENT OVERVIEW

Sri Lanka recorded a contraction in the macroeconomy for the Calendar Year 2022 with Gross Domestic Product (GDP) contracting by 7.8%; the agricultural, industrial and services sectors all recorded decreases. Though there were no pandemic related disruptions, the year under review witnessed significant challenges and macroeconomic pressures on account of a precarious external financing position, particularly in the first half of the year, including severe fuel shortage, scarcity of essential commodities, and disruptions to power supply. The resultant economic turmoil, further exacerbated by unprecedented levels of inflation and interest rates, giving rise to public anxiety and political upheaval.

Similar to the previous year, global and domestic supply side disruptions continued to exert inflationary pressures on the economy, thereby impacting

business performance. Inflation, as measured by the National Consumer Price Index (NCPI), peaked at 73.7% (2013 Base) in September 2022, with a gradual reduction thereafter. As at March 2023, inflation stood at 49.2% (2021 Base). Foreign exchange liquidity remained a key concern as high levels of foreign debt, a growing trade deficit and the slower than expected recovery of foreign exchange inflows contributed towards a deterioration of the external financing position. This, among others, prompted the Central Bank of Sri Lanka (CBSL) to accommodate a flexible exchange rate regime from March 2022 onwards, which resulted in an immediate 27% depreciation of the Rupee. Additionally, the foreign exchange crisis also resulted in suspending the servicing of external debt in mid-April 2022, as an interim measure, while soliciting support from official and private creditors to restructure outstanding debt.

RS. 441 Mn
PROFIT BEFORE TAX

RS. 6.67
DIVIDEND PER SHARE

Against this backdrop, Sri Lanka moved to a pre-emptive default status, until such time progress is made on the debt restructure process.

The Sri Lankan government and the Central Bank of Sri Lanka (CBSL) implemented various containment and remedial measure to manage the impact of the above. These measures included a contractionary monetary policy stance and fiscal tightening, with an increase in both direct and indirect taxes to bridge the budget deficit. Market reflective pricing mechanisms were established for fuel and cooking gas whilst multiple upward revisions to electricity tariffs were undertaken to reduce the cost of subsidies provided by the Government. A fuel rationing scheme was successfully implemented to ensure an equitable and consistent distribution across the country. While these policies did come with significant adjustment in costs



in the short-term, they supported the containment of demand-side excessive price pressures, improved foreign exchange liquidity, and minimised external and fiscal sector stresses, supporting economic activity and steering the economy towards stability.

Thus far, the policy measures and reforms implemented have yielded notable success driven by greater clarity on the macroeconomic landscape and the successful securing of the USD 3 billion bailout package from the International Monetary Fund (IMF). The CBSL expects inflation to reduce to low single digits by the end of this calendar year aided by the continued tight monetary policy and favourable base effects together with the easing of global inflationary pressures. The exchange rate, which depreciated sharply during the first half of 2022, has remained relatively stable and even registered an appreciation in early 2023. With the significant turnaround in the foreign exchange market, together with other policy measures, the official reserves position has improved significantly from that of 12 months ago, where the reserves have increased to USD 2.69 billion as at March 2023 from USD 1.81 billion in April 2022.

As of the date of this report, Sri Lanka has managed to transition to a workable equilibrium which is focused on restoring the socio-economic stability of the country.

SRI LANKAN TEA INDUSTRY PERFORMANCE

The Sri Lankan tea industry experienced several setbacks during 2022, which were exacerbated by the domestic macroeconomic crisis that disrupted operations and added additional strain to an industry already grappling with the residual impacts of challenges faced in the past years which impacted production volumes and resultantly export quantities. Conversely the shortage in production of certain types of tea exerted upward pressure on price and together with the depreciation of the Sri Lankan Rupee against the United States Dollar (USD), resulting in export earnings increasing significantly.

Total tea production recorded a decrease of 16 percent to 251.49 million kilograms in 2022 compared to the 7.3 percent increase in production to 299.5 million kilograms achieved in 2021. The declining production levels across all elevations were experienced throughout the year mainly due to the reduced fertiliser applications in the previous year, which affected both the quality and quantity of the crop. The weather conditions in Sri Lanka also posed a continued challenge for the tea industry hindering tea production.

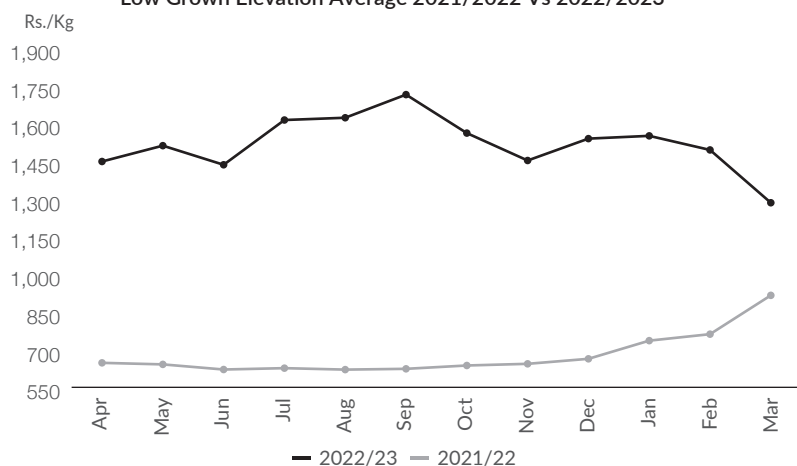
Tea export volumes reduced by 12.5 percent to 250.19 million kilograms in 2022 compared to 286.02 million kilograms recorded in 2021. The main reason for the drop in export volumes was the reduced demand from Russia and Ukraine, a consequence of the ongoing war between the two countries. Iran and Turkey also purchased less tea from Sri Lanka and the lower demand from Iran was mainly stemming from the devaluation of the Iranian Rial.

The rising price of Ceylon Tea in 2022, impacted demand, resulting in declining export volumes. However, export earnings fared exceptionally well, due to the exchange rate fluctuations. Total tea export earnings increased by 54 percent, amounting to Rs. 411.09 billion (US\$ 1,268.37 million) in 2022 compared to Rs. 265.4 billion (US\$ 1,337.4 million) earned in 2021 in the backdrop of reduced production. The sharp depreciation of the Sri Lankan rupee

against the United States dollar and the higher prices secured for Ceylon tea on account of lower production contributed to this growth. This is the highest revenue from tea exports ever recorded by the Sri Lankan tea industry.

Tea Auction prices fared exceptionally well in 2022 with all elevations of teas experiencing an increase in average auction prices. The average auction price for 2022 doubled to Rs. 1,234.24 per kilogram compared to 2021. The most significant price gain was seen in the low-grown elevational teas, which recorded an average auction price of Rs. 1,339.86 per kilogram, an increase of 108 percent compared to 2021. The average price of low-grown orthodox tea reached a historic high of Rs. 1,049.07 per kilogram during Sale No. 12 in March 2022, and the September average auction price for Sale No. 37 soared to a new record of Rs. 1,810.10 per kilogram.

Low Grown Elevation Average 2021/2022 Vs 2022/2023



CHAIRPERSON'S REVIEW

OPERATIONAL PERFORMANCE OVERVIEW

The Company's performance during the year under review was affected by the additional challenges specific to the tea industry in terms of lower production levels, reduced leaf quality and increased cost of production. The ban on use of chemical fertiliser and subsidy removal by the government in 2021 and resultant reduced use of fertiliser by the tea small holders continued to impact tea production levels. With a view to managing this impact, TSFL implemented several strategies together with small holders to minimise the production deficit by creating a basket of value-added services. Resultantly, the Company was able to limit the decline in made tea production to 11 percent year on year in the backdrop of the National low grown production declining by 12 percent during the same period.

To ensure our small holder partners-maintained production levels and tea leaf quality, the Company shared innovative farming practices with small holder tea suppliers and provided short-term loans with favourable settlement terms as a means of further supporting and incentivising them to regularly apply fertiliser and produce high-quality green leaf. The Company continued to procure green leaf directly from small holder suppliers whenever possible; and maintained the premium price pay-outs showcasing our continued commitment to our partners even under challenging circumstances. As a result, the Company's factories achieved 84 top prices, including 17 all-time record prices at the tea auctions conducted during the

year and maintained a premium of 5.33 percent over the national low grown elevation in comparison to the previous best of 3.93 recorded in the past 10 years.

During the year under review, the Company sourced 12.07 million kilograms of green leaf from 8,698 smallholders, with 7,013 being direct suppliers and 1,685 being indirect. The total payment to suppliers was Rs. 2.88 billion, and the highest purchase price of Rs. 290.42 per kilogram was paid through Neluwa Factory. The average price paid for green leaf purchased during the year was Rs. 238.66 per kilogram.

Despite the rising costs triggered by inflationary pressures, the Company upgraded its factories to improve efficiency and maintain production standards. TSFL proactively secured fuel stocks, which enabled continued operations with minimal disruptions during periods of fuel shortages and power cuts. The Company also renovated the housing facilities of employees as a show of support and to ensure their wellbeing.

These actions contributed towards the Company enhancing performance levels and earning the highest profit before tax in nominal terms in its history of operations for the year under review.

FINANCIAL PERFORMANCE OVERVIEW

The total revenue earned for the year under review increased by 85 percent to Rs. 3.74 billion compared to Rs. 2.02 billion recorded in the previous year. The gross sale average increased by 138 percent to Rs. 1,601.02 per kilogram during the year ended 31st March 2023 compared to Rs. 671.15 per kilogram recorded in the previous financial year, significantly supported by the steep depreciation of the Sri Lankan Rupee.

This coupled with strong market demand and improved product quality resulted in a significant uptick in the total profit before tax which was recorded at Rs. 440.63 million, an 1,845 percent growth compared to the Rs. 22.66 million recorded in the previous financial year.

Capital expenditure increased by 426 percent to Rs. 212.83 million for the year under review compared to Rs. 40.47 million recorded in the previous financial year resulting from planned investments in building renovations, factory upgrades, and enhancements made to employees living quarters and other facilities which will reap benefits in the future.

ASSISTING TEA SMALL HOLDER PARTNERS

The Company is firmly committed to supporting tea small holders to ensure a working relationship that is beneficial to all. In furtherance of this agenda, TSFL shared information on best agricultural practices and continued to offer financial support for the purchase of fertiliser with favourable payment terms.

Despite the challenging environment the Company completed the ninth replanting project and is making steady progress on project 10 which covers 23 acres of land. Over the years, a total of 387 small holders have benefited from the Company's replanting initiatives, covering 276 acres of land. TSFL also aims to expand its "block infilling of tea" operations in vacant areas of small holder lands as this process has gained popularity due to its faster turnaround to revenue generation. During the year under review, The Company initiated a new block infilling operation, which covered 17,200 tea plants and 17 small holder blocks.



17.2%

RETURN ON EQUITY

CREATING VALUE FOR STAKEHOLDERS

TSFL acknowledges the influence of stakeholders on our operations and achievements. We have consistently aimed to generate value for them while also ensuring the sustainability of our business. The Company is once again adopting a comprehensive reporting approach in compliance with the Integrated Reporting Framework, an all-inclusive methodology developed by the International Integrated Reporting Council (IIRC). As far as possible, we have endeavoured to integrate indicators that correspond with the GRI Universal Standards 2021, which are globally recognised standards for sustainability reporting. The Board of Directors is accountable for upholding the accuracy and authenticity of this Report and affirming, to the best of their understanding, the trustworthiness, dependability, and reliability of the information provided.

In the year under review, we have focused our attention on the well-being of our employees inspiring them to perform their duties to the best of their abilities while rewarding them fairly. To support our employees during the prevailing economic and financial crisis, we implemented a range of initiatives aligned with those of the JKH Group. These included a one-time financial care package, monthly crisis allowances effective from January 2023, financial management seminars and programs, and counselling for emotional well-being. Moreover, we embraced the JKH Group's pioneering approach by adopting their parental leave policy, which allows both parents to take 100 days of leave upon the birth or adoption of a child. This policy acknowledges the vital roles parents play in early childcare. Our commitment to diversity, equity, and inclusion is reflected in our adoption of gender-neutral language and improved accommodations for individuals with disabilities as part of the 'ONE JKH' program.

We have catered to the needs of small holder partners who have had to operate in a difficult environment by providing them with various financial and non-financial assistance. The Company's ESG strategy, deeply integrated with the governance and sustainability management frameworks of the John Keells Group, persistently ensures the incorporation of sustainability and governance factors into business operations. Consequently, the Company persisted in implementing measures to uphold good governance practices, manage risks, and promote sustainable business practices. We have also maintained our efforts towards protecting the environment by launching a tree-planting project; and have supported the development and upliftment of livelihoods of the surrounding communities.

These efforts were instrumental in ensuring our shareholders received returns as per their expectations. More detail related to value creation for our stakeholder groups can be found in the respective reviews from pages 18 to 20 of this annual report.

OUTLOOK


The outlook for the tea industry remains very positive with expectations of improved green leaf quality and increasing production levels on account of better fertiliser availability and reduction in prices. Furthermore, although the Sri Lankan Rupee has stabilised and in fact appreciated by 10% against the USD in February 2023, we anticipate that auction prices will remain robust garnering prices ranging between Rs. 1,300 and Rs. 1,400 per kilogram. From an export perspective, we expect demand to increase, and this is expected to support the Company's objective of increased sales volumes and higher revenue.

The industry's operating framework is transforming, and we acknowledge that changes and challenges will continue.

The Company will proactively adapt cost control measures and improve the efficiency of the tea production process. Furthermore, we will regularly continue to interact and communicate with small holder partners and support their needs. We will reinforce the amicable and reliable connections we have established with all stakeholders over time to secure mutual gains. Although the competitive landscape is anticipated to remain unchanged, TSFL plans to increase its efforts to cultivate loyalty and foster stronger relationships with its stakeholders.

ACKNOWLEDGEMENTS AND APPRECIATIONS

I take this opportunity to convey my appreciation to the Board of Directors for their constant support and guidance. I thank the TSFL team for their commitment and determination towards implementing our strategies and achieving our goals despite the many challenges faced during the year. On behalf of the Board of Directors and the Company's management, I thank all our other stakeholders including our small holder partners, buyers, brokers, bankers, regulators, and shareholders for their continued support, trust, and loyalty to the Company amidst challenges and uncertainties which prevailed during the year under review.


K. N. J. Balendra
 Chairperson

22nd May 2023



YEAR AT A GLANCE-2022/23

April

- REPLANTING PROJECT No. 10 COMMENCED WITH THE PARTICIPATION OF 28 SMALL HOLDERS COVERING 23 ACRES
- FACTORIES ACHIEVED 5 TOP PRICES AT THE AUCTION
- HINGALGODA TEA FACTORY ACHIEVED 4 ALL TIME RECORD PRICES

May

- The highest ever monthly PBT was recorded – Rs. 94.05 Mn
- Factories achieved 11 top prices at the auction
- Hingalgoda Tea Factory achieved 5 all time record prices

June

- 450 plants were planted at New Panawenna Tea Factory during the 1st Phase of the Mahogany planting programme
- SanNap project was rolled out at the Factories where female workers and staff members were provided with free sanitary napkins
- Factories achieved 5 top prices at the auction
- Hingalgoda Tea Factory achieved 3 all time record prices

July

- Factories achieved 6 top prices at the auction
- Hingalgoda and Broadlands Tea Factories achieved 4 all time record prices

August

- Factories achieved 7 top prices at the auction
- Broadlands Tea Factory achieved 1 all time record price

September

- 1st phase of the Six months factory training program for top ten smallholder family members commenced with 4 trainees
- An all-time high monthly combined elevation average of Rs. 1,713.65 and monthly GSA of Rs. 1,820.20 was recorded
- Factories achieved 5 top prices at the auction

October

- Factories achieved 4 top prices at the auction

November

- 750 plants were planted at Kurupanawa Tea Factory during the 2nd Phase of the Mahogany planting programme
- Achieved a market share of 1.79% - highest in the past 2 years
- Halwitigala tea factory successfully conducted a health camp with over 400 participants
- Factories achieved 9 top prices at the auction

December

- Factories achieved 5 top prices at the auction

January

- Head Office was relocated to No. 186, Vauxhall Street, Colombo 02 on 2nd January 2023
- Completed the semi automation of withering process at Hingalgoda tea factory
- Factories achieved 11 top prices at the auction

February

- Rs. 30 Mn was invested on a brand new colour separator for Halwitigala Tea Factory
- Factories achieved 8 top prices at the auction

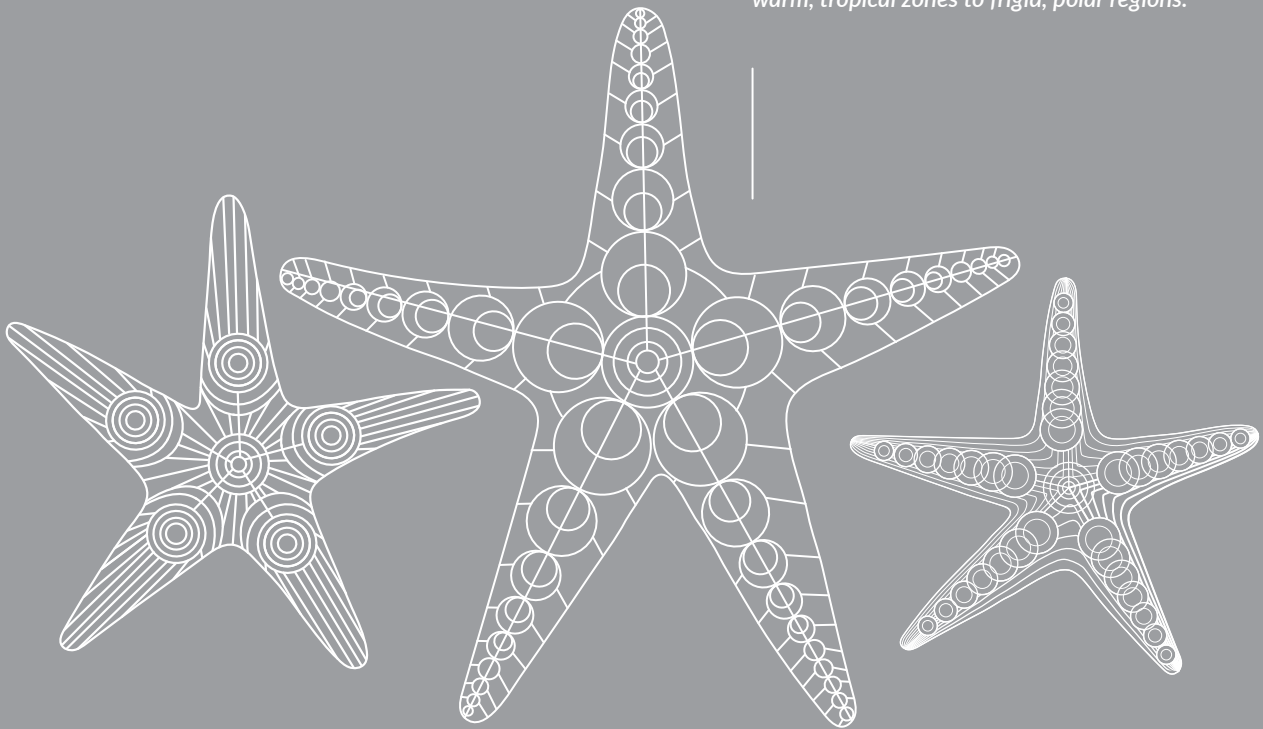
March

- Completed the semi automation of withering process at Hingalgoda tea factory
- Consolidation of data in to cloud hosting was completed at all the factories
- A group of Smallholders from Broadlands Tea Factory visited the tea brokers, broker warehouse & a tea exporter
- Neluwa tea factory successfully conducted a health camp with over 1,000 participants
- Factories achieved 8 top prices at the auction

A GROWTH CULTURE

Our ability to adapt to different challenges plays a key role in driving our business forward and ensuring survival in an extremely competitive environment.

There are about 1,900 species of sea stars that live on the seabed in all the world's oceans, from warm, tropical zones to frigid, polar regions.





OUR VALUE CREATION MODEL

CAPITAL INPUT

VALUE CREATION PROCESS

Financial Capital

- Shareholders' Funds :
Rs. 1,619 Mn
- Bank Overdraft Facilities :
Rs. 150 Mn

Manufactured Capital

- Property, Plant and Equipment : Rs. 1,020 Mn
- Infrastructure facilities

Human Capital

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

Social & Relationship Capital

- Investment in Small Holder Development
- Occupational Health & Safety
- Community Development
- Investor Relations & Stakeholder management

Intellectual Capital

- Strong demand for quality teas
- Corporate Brand Image
- Top Selling Marks

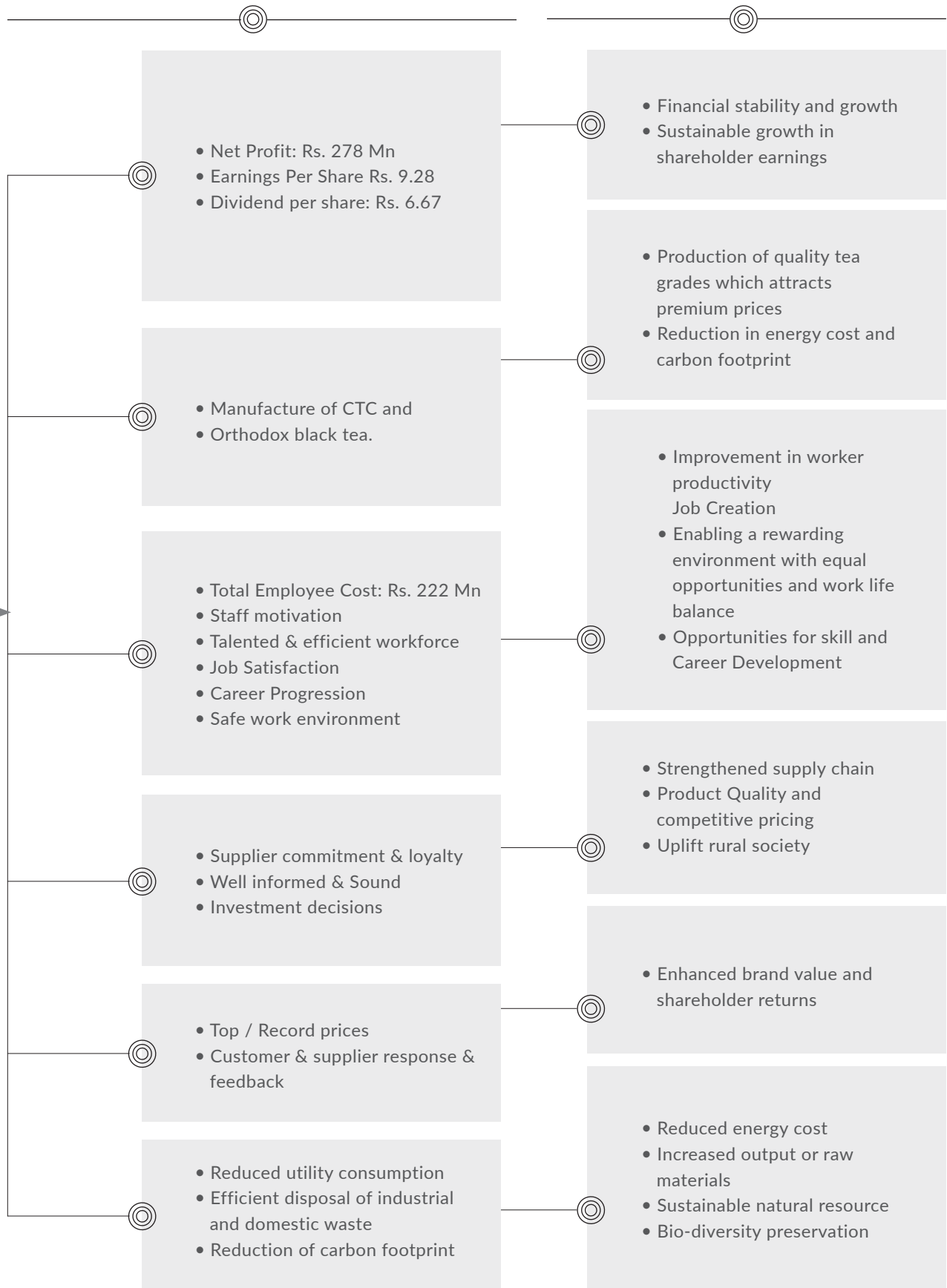
Natural Capital

- Green leaf: 12,070 MT
- Energy Intensity: 11.57 (GJ/MT of made tea)
- Water Consumption: 3.56 (m³/MT of made tea)



KEY OUTPUTS

KEY OUTCOMES



MANAGING STAKEHOLDER ENGAGEMENT

Our stakeholder engagement process forges the relationships which enables the Company to become the foremost producer of exquisitely made tea in Sri Lanka. We are dedicated to consistently enhance the value we bring to all stakeholders as we strive for excellence in the industry.

TSFL actively seeks to understand and meet the diverse needs and expectations of our stakeholders whose actions and reactions have an impact on the sustainability of our business operations and a direct impact on our value creation process. Using a variety of communication methods, the Company consistently interacts with its stakeholders. These interactions range from informal channels like one-on-one

conversations and electronic means to more structured approaches such as our Annual General Meeting.

We prioritise our interactions with stakeholders who hold significant influence over our business operations or are highly impacted by the Company's activities. We have established robust and consistent mechanisms to ensure

that any concerns that may arise are promptly recognised and resolved.

These engagement mechanisms also serve the purpose of aligning our stakeholders' expectations with the strategic goals of TSFL. By adopting this approach, TSFL is well-positioned to generate value for our stakeholders through all facets of our diverse resources.

The Company remains committed to efficiently managing our stakeholders and aligning our business operations to position ourselves as the leading tea manufacturing company in Sri Lanka, while actively contributing to the socio-economic advancement of the country. We strive to earn the support and trust of all our stakeholders in this endeavour.

The various engagement methods to establish an open and constructive dialogue with stakeholders utilised by the Company during the financial year under review are outlined below.

Key Stakeholders	Importance of Engagement	Engagement Approach	Key Topics and Concerns Identified	Strategic Response
Shareholders and Providers of Capital	Shareholders provide necessary capital to finance the Company's operations and future expansion initiatives	<ul style="list-style-type: none"> Annual General Meeting (AGM) Quarterly results updates Annual Report JKH Website and CSE Website Open door policy 	<ul style="list-style-type: none"> Maximize Return on Investment Sustainable Growth and Business Continuity Corporate Governance and ethics Transparency of operations Risk management Opportunities for growth Planned future activities 	<ul style="list-style-type: none"> Accomplishing corporate goals and objectives Sustaining consistent financial growth over time Sustaining exemplary governance standards Growth in shareholder funds Dividend payments Implementing strategies to support market share price increases

Key Stakeholders	Importance of Engagement	Engagement Approach	Key Topics and Concerns Identified	Strategic Response
Employees	Employees contribute to the core activities of the Company and is vital in achieving our strategic objectives.	<ul style="list-style-type: none"> • Open door policy • Staff meetings, joint consultative committees at multiple levels • Annual performance appraisal • Annual employee survey • Quarterly newsletters 	<ul style="list-style-type: none"> • Job security • Performance management • Opportunities for growth • Training and development • Health and safety 	<ul style="list-style-type: none"> • Continuous identification of training requirements and the provision of pertinent training programs • Enforcing and promoting awareness of health and safety measures • Maintaining the ISO Health and Safety certification • Rigorous tracking of employee performance and productivity to identify high-performing individuals • Salaries aligned to industry norms • Rewards and recognition programs
Green Leaf Suppliers	Strong ties with green leaf supply partners are critical for continued production of Made tea	<ul style="list-style-type: none"> • Extension services and frequent field visits • Open door policy • Personal interaction with management • Frequent seminars and pocket meetings 	<ul style="list-style-type: none"> • Green leaf rate and quality of service • Crop production and productivity • Labour shortage • Diminishing yields and climate change • Ease of transactions 	<ul style="list-style-type: none"> • Provision of extension services for small holders where the Company provides various training programs, consults on sustainable agricultural practices, supports with financial aid, etc. • Payment of reasonable prices for the purchase of green leaf from small holders and other suppliers
Other Suppliers and Service Providers	TSFL relies on many suppliers to purchase a range of materials, products, and services to support our manufacturing operations and to maintain uninterrupted operational continuity.	<ul style="list-style-type: none"> • Open door policy • One-to-one communication • Group sessions and ceremonies 	<ul style="list-style-type: none"> • Ease of transactions • Prompt payments • New business opportunities to supply other goods or services 	<ul style="list-style-type: none"> • Timely payment of invoices • Fostering transparent communications • Welcoming feedback and suggestions

MANAGING STAKEHOLDER ENGAGEMENT

Key Stakeholders	Importance of Engagement	Engagement Approach	Key Topics and Concerns Identified	Strategic Response
Customers and Tea Brokers	Brokers possess a deep understanding of customers' requirements and actively promote the unique selling points of our factories and teas. Keeping them satisfied is part of our customer relationship management process and ensures higher demand and returns while supporting the long-term viability of business operations.	<ul style="list-style-type: none"> • Regular meetings and interactions • Weekly broker visits 	<ul style="list-style-type: none"> • Product quality and food safety • Production levels 	<ul style="list-style-type: none"> • Preserving the quality of tea through the adoption of industry best practices • Subscribing to standards such as the ISO for quality management • Upholding ethical and non-discriminatory business operations • Ensuring product traceability • Conducting business operations in an environmentally sustainable manner
Government and Regulatory Bodies	Provides support by creating a conducive environment for business operations. However, non-compliance with laws and regulations can result in business disruptions, financial penalties, or other consequences.	<ul style="list-style-type: none"> • Written communications • Annual reports and quarterly • Results updates 	<ul style="list-style-type: none"> • Tax revenues • Compliance with all laws and regulations • Job creation • Making a positive impact on uplifting communities • Environmental protection and conservation 	<ul style="list-style-type: none"> • Payment of taxes as required and on-time. • Compliance with industry regulations, employment laws, environmental laws • Complying with rules and regulations required to operate a listed company in Sri Lanka • Employing individuals residing in communities in proximity to factory operations
Communities	As the Company operates across several regions and towns, it is important to establish robust connections with local communities to ensure community acceptance and sustainable business growth.	<ul style="list-style-type: none"> • Livelihood development programs • CSR and awareness programs • Community meetings 	<ul style="list-style-type: none"> • Employment opportunities • Environmental conservation • Service to the community 	<ul style="list-style-type: none"> • Hiring local workers when possible • CSR initiatives and programs • Community welfare initiatives

MATERIALITY ANALYSIS

Determining Materiality Topics

The analysis involves several steps. The first is gathering information from multiple sources, such as stakeholders, industry trends, regulations, and internal data, to identify a wide range of issues that are relevant to the Company. These issues encompass aspects such as the environment, society, governance, finance, and operations. Much input for materiality analysis is gathered after concluding the stakeholder engagement process.

Secondly, we assess the significance of the identified topics. This assessment involves evaluating the impact and significance of each topic on both our business and our stakeholders. This evaluation considers the financial magnitude, reputational consequences, legal and regulatory implications, stakeholder expectations, and industry norms.

Once the material topics are identified and assessed, they are prioritised based on their importance to the Company and the perspectives of stakeholders. The Company uses this process to help allocate adequate resources to important issues that require our attention and action.

The validation of material topics serves as the fourth step in TSFL's materiality analysis process. Prior to being integrated into the strategic business planning process, all material aspects undergo validation by the senior management.

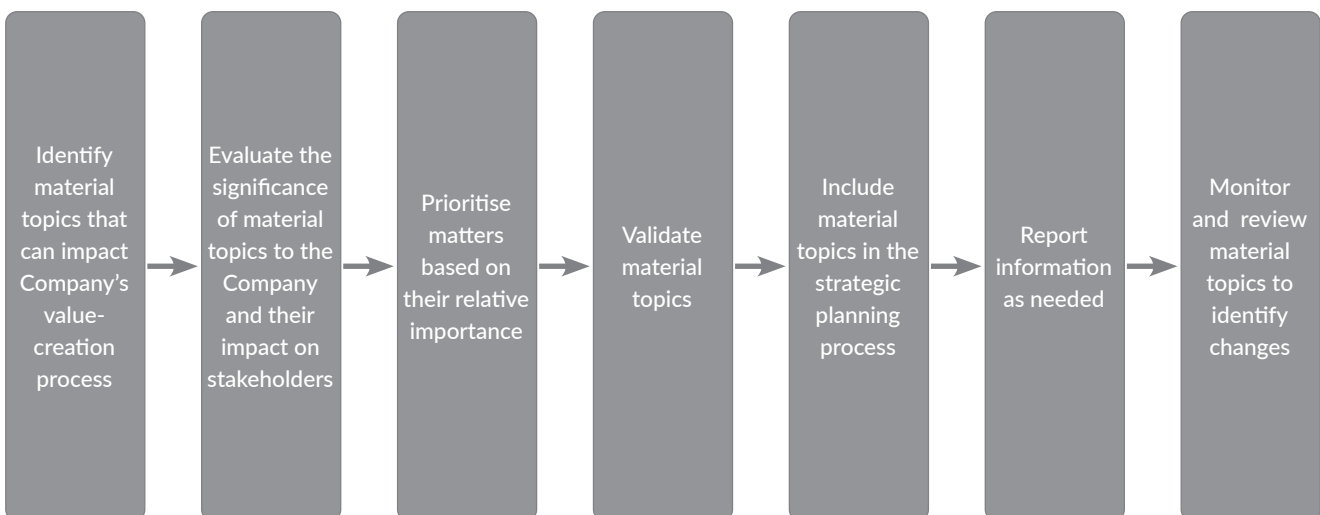
Next, we ensure that these validated material topics are duly considered during the Company's strategic planning process to guarantee their seamless integration with our business objectives. Additionally, we incorporate material topics as key performance indicators for business units and employees to ensure their integration at lower levels within our business activities.

The sixth step involves reporting on material topics to support and aid the dissemination of a true and fair view of our business operations; and to empower stakeholders and management to make well-informed decisions and take prompt actions.

As the last step, the Company has implemented a process for ongoing monitoring of these material topics to promptly identify changes and manage them appropriately. Furthermore, TSFL periodically reviews the materiality analysis and monitoring process to ensure its effectiveness. Adjustments

and refinements to the approach are made as necessary, considering evolving stakeholder expectations, market conditions, and emerging risks and opportunities.

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.



MATERIALITY ANALYSIS

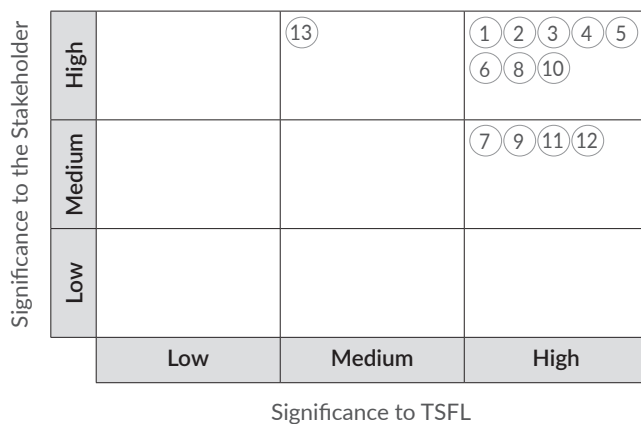
By conducting a materiality analysis, we prioritise our efforts and allocate resources effectively. This enables us to focus on the issues that have the greatest potential impact on our long-term success. It also assists us in developing strategies, setting goals and making informed decisions to address and manage these material issues.

Materiality Matrix

Based on the materiality analysis, the Company has prepared a materiality matrix which plots each material topic against its importance to the Company and importance to the stakeholder. Accordingly, for the financial year under review, the following material topics were identified to be given the highest priority across the Company’s strategic planning process and within our business operation.

1. Sustained Financial Performance – overall focus on maintaining financial capital amidst the challenges within the economic environment and the financial crisis with a shortage of fertiliser and other goods required for tea manufacturing.
2. Production and Productivity – with a specific focus on maximising factory capacity utilisation to increase production efficiency and maintaining responsible manufacturing processes.
3. Product Quality - enhance product quality to maintain consistency and command higher prices in the market.

4. Energy Management – with a specific focus on reducing cost of production and minimising carbon footprint.
5. Responsible Manufacturing Operations - implementing automation within specific areas of the manufacturing process to improve efficiency and quality and reduce negative environmental impacts.
6. Responsible Sourcing and Supplier Development – with a focus on small holder development by implementing various initiatives to improve the long-term productivity of tea small holder lands and uplift social standards.



Material Topics and Corresponding GRI Standard Topic

The Complete list of material topics identified for the financial year ended 31st March 2023 are shown in the table below

	Material Topics	Impacted Stakeholders	Corresponding GRI Standard Topic
1	Sustained Financial Performance	<ul style="list-style-type: none"> • Shareholders and Providers of Capital • Employees • Small Holder Partners • Government and Regulatory Bodies • Communities 	201: Economic Performance 202: Market Presence 203: Indirect Economic Impacts 207: Taxation
2	Production and Productivity	<ul style="list-style-type: none"> • Shareholders and Providers of Capital • Employees • Small Holder Partners • Other Suppliers and Service Providers • Customers and Tea Brokers 	204: Procurement Practices

	Material Topics	Impacted Stakeholders	Corresponding GRI Standard Topic
3	Product Quality	<ul style="list-style-type: none"> • Small Holder Partners • Customers and Tea Brokers • Government and Regulatory Bodies 	416: Customer Health and Safety 417: Marketing and Labelling
4	Product Responsibility	<ul style="list-style-type: none"> • Customers and Tea Brokers • Government and Regulatory Bodies 	416: Customer Health and Safety
5	Responsible Manufacturing Processes	<ul style="list-style-type: none"> • Shareholders and Providers of Capital • Employees • Customers and Tea Brokers • Government and Regulatory Bodies • Communities 	416: Customer Health and Safety 417: Marketing and Labelling
6	Responsible Sourcing and Supplier Development	<ul style="list-style-type: none"> • Small Holder Partners • Other Suppliers and Service Providers • Customers and Tea Brokers • Government and Regulatory Bodies • Communities 	204: Procurement Practices 308: Supplier Environmental Assessment 414: Supplier Social Assessment
7	Occupational Health and Safety	<ul style="list-style-type: none"> • Employees • Government and Regulatory Bodies • Communities 	403: Occupational Health and Safety
8	Energy Management	<ul style="list-style-type: none"> • Shareholders and Providers of Capital • Customers and Tea Brokers • Government and Regulatory Bodies • Communities 	302: Energy 305: Emissions 308: Supplier Environmental Assessment
9	Protecting Natural Resources and Nurturing the Environment	<ul style="list-style-type: none"> • Employees • Small Holder Partners • Customers and Tea Brokers • Government and Regulatory Bodies • Communities 	301: Materials 303: Water 304: Biodiversity 306: Waste 307: Environmental Compliance 308: Supplier Environmental Assessment

MATERIALITY ANALYSIS

	Material Topics	Impacted Stakeholders	Corresponding GRI Standard Topic
10	Compliance and Good Governance	<ul style="list-style-type: none"> Shareholders and Providers of Capital Employees Government and Regulatory Bodies 	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
11	Remuneration and Benefits	<ul style="list-style-type: none"> Employees Government and Regulatory Bodies 	401: Employment 402: Labour/Management Relations
12	Managing Human Resources	<ul style="list-style-type: none"> Employees Government and Regulatory Bodies Communities 	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
13	Community Engagement and Development	<ul style="list-style-type: none"> Employees Government and Regulatory Bodies Communities 	405: Diversity and Equal Opportunity 413: Local Communities 419: Socioeconomic Compliance



ECONOMIC OVERVIEW

GLOBAL ECONOMY OVERVIEW

According to the World Economic Outlook report by the International Monetary Fund (IMF), global growth was 3.4% in 2022 compared to the 5.7% growth recorded in 2021. The slower growth is attributed to the broad-based and sharper-than-expected slowdown of global economic activity. The war between Russia and Ukraine, and the inflationary pressures leading to the cost of living crisis and causing the tightening of financial conditions in most regions were the primary causes of the slow economic activity. Additionally, the lasting effects of the COVID-19 pandemic led to a slowdown in recovery in China impacting global economic growth.

These factors increased the challenges faced by many emerging markets and developing economies. As such, the priority in most economies was to achieve sustained disinflation amid the cost of living crisis. Furthermore, with tighter monetary conditions and lower growth potentially affecting financial and debt stability, it was necessary to deploy macroprudential tools and strengthen debt restructuring frameworks. Additionally, the sharp appreciation of the US dollar added to the domestic price pressures and worsened the cost of living crisis in these nations. The severely reduced movement of money for investment impeded capital inflows and further hampered the economic recovery of many low-income and developing economies that faced debt problems. The economic shocks of 2022 reopened old wounds that were not fully healed after the pandemic and worsened their financial situation.

SRI LANKAN ECONOMY OVERVIEW

The year 2022 was a tough year for the Sri Lankan economy which suffered from severe economic hardship, causing public concern and political turbulence. To prevent the situation from worsening and shield the economy from the

repercussions of unrestrained economic turmoil, the government and central bank jointly executed policy initiatives. Unfortunately, these measures had an immediate impact on economic growth, industry operations and the nation's citizens.

Focus for most of the year was on restoring socioeconomic stability and obtaining assistance on debt restructuring from international financial institutions and lending bodies. While the government maintained this focus, the economy continued to be troubled by balance of payments pressures, spiralling inflation, rising interest rates, currency devaluation, and dampened economic activity, among other factors.

Consequently, real GDP contracted by 7.8% in 2022, compared to the 3.5% growth achieved in 2021. The agricultural sector growth contracted by 4.6%, the industrial sector contracted by 16%, and the services sector recorded the lowest contraction at 2%.

The Central Bank continued to maintain a strict monetary policy approach, resulting in policy interest rates increasing by 700 basis points in April 2022. By the end of 2022, both the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) increased by 10 percentage points. Both core and headline inflation measured by the Colombo Consumer Price Index (CCPI) and the National Consumer Price Index (NCPI) rose steeply. The year-on-year headline inflation based on CCPI accelerated to 69.8% in September 2022 before decreasing to 57.2% by December 2022. Similarly, the headline inflation based on NCPI increased to 73.7% at the end of September 2022 but moderated to 59.2% by the end of 2022. Core inflation based on CCPI which was 9.9% in January 2022 increased to 47.7% by December 2022. Core inflation based on NCPI increased to 57.5% in December 2022 compared to only 12.9% in January 2022.

Prevailing social unrest resulted in political instability, warranting an urgent need for redefining policy priorities to steer the economy away from further unrest. The government initiated measures to seek assistance from the International Monetary Fund (IMF) after months of indecisiveness. Simultaneously, several initiatives were made by the government to enhance revenue, curtail expenditure, introduce reforms to major State-Owned Enterprises (SOE), implement import controls and ration energy supply, while exploring bridging finance from bilateral and multilateral partners for essential expenditures as well as supporting the most vulnerable segments.

In September 2022, a staff-level agreement was reached for an Extended Fund Facility (EFF) from the IMF, followed by efforts to secure financing assurances from official creditors towards the restructuring of debt, in line with the debt sustainability targets envisaged under the IMF-EFF supported programme. In March 2023, the Executive Board of the IMF approved the EFF-supported programme of 48 months, amounting to approximately US\$3 billion, together with an economic adjustment programme aimed at putting Sri Lanka back on a recovery path, while addressing structural obstructions that constrained the country's growth potential over the past decades.



TEA INDUSTRY OVERVIEW

GLOBAL TEA INDUSTRY

The global tea industry face challenges such as climate change, falling production and quality, changing consumer tastes, declining exports and supply chain disruptions. Africa and Asia are home to the largest tea-producing nations, and sustaining growth in the modern world poses a challenge. The evolving preferences of tea consumers require fast-paced changes in production and tea blends to meet the future market demand. Global tea exports are suffering due to economic issues and changing weather patterns. Rising tea prices are a concern for tea importers. The industry needs to work together to overcome challenges and remain sustainable to cater to changing market demands and to manage operations in evolving and changing economic conditions.

GLOBAL TEA PRODUCTION

In 2022, global tea production recorded a slight decrease of 1% amounting to 6,397.92 Mn kgs, as compared to 6,452.19 Mn kgs in 2021. The decline was largely due to reduced production in Sri Lanka, Africa, Bangladesh, Indonesia, and India.

China remains the world's top tea producer, with a 0.9% increase in production to 3,090 Mn kgs in 2022, compared to 3,063.15 Mn kgs in 2021. India, the second-largest producer of tea, experienced a marginal decline in total tea production to 1,340.49 Mn kgs in 2022 compared to 1,343.06 Mn kgs in 2021. The reduction was mainly due to a drop in South Indian tea production by nearly 5 Mn kgs. Kenya, the third-largest producer of tea, recorded a 1.5% decrease in production to 530 Mn kgs in 2022, down from 537.83 Mn kgs in 2021, while Sri Lanka slipped down to fifth place on the list of the world's top tea-producing nations due to a 16% drop in production in 2022. Turkey, on the other hand, with a production volume of 280 Mn kgs, regained its fourth-place position lost in 2021.

The Asian region is the largest tea producer globally with a production of 5,535.15 Mn kgs accounting for 86.5% of total global tea production in 2022. Africa, the second largest tea-producing region, only accounted for 12% of global tea production with a volume of 764.42 Mn kgs in 2022. South America as the third largest tea-producing region produced 79.75 Mn kgs of tea in 2022. The CIS region and Oceania account for the rest of the world's tea production.

GLOBAL TEA EXPORTS

In 2022, there was a 5% decline in global tea exports, which decreased to 1,827.99 Mn kgs from 1,918.4 Mn kgs in 2021. Generally, most major tea-exporting nations experienced a decrease in their export volumes during the year. A variety of factors have contributed to this declining trend, including fluctuating tea prices, reduced tea production, slower consumption growth, natural disasters in key tea-importing countries, as well as other domestic developments affecting tea-drinking and importing nations.

Kenya remains the world's top tea exporter, even though its export volumes dropped in 2022. Kenya exported 456 Mn kgs of tea in 2022, which was 18% lower than the 558.92 Mn kgs exported in 2021. The second, third, and fourth largest tea exporters were China, Sri Lanka, and India, respectively. The second largest tea exporter was China, which increased its tea exports by 2% to 375.23 Mn kgs in 2022 compared to 369.3 Mn kgs in 2021. Sri Lanka is the third largest tea exporter although the country experienced a 12.5% export volume decline in 2022 compared to the previous year. India, which is placed fourth, increased its exports by 17% to 224 Mn kgs in 2022 compared to 190.8 Mn kgs in 2021. Vietnam was the fifth largest tea exporter, with 140 Mn kgs of tea exported in 2022, down from 145 Mn kgs in 2021.

Asia was the biggest tea exporting region in the world, with a slight increase in total tea exports to 1,073.26 Mn kgs in 2022 from 1,072.73 Mn kgs in 2021. Africa remains the second largest tea exporting region, but it saw a decline in total tea exports from 769.37 Mn kgs in 2021 to 671.222 Mn kgs in 2022.

WORLD AUCTION CENTRES

While tea exports experienced a decline in volume, many tea-exporting nations experienced increasing auction price averages. Thus, the global average auction prices of tea recorded an increasing trend during 2022 a reversal from the declining trend that most auction centres worldwide experienced in 2021.

Generally, the prices at the tea auctions in Mombasa recorded increasing average prices, with the average auction price for 2022 rising by 18.3% to reach US\$ 2.33 per kg, up from US\$ 1.97 per kg recorded in 2021. The Mombasa auction saw prices peaking at US\$ 2.74 per kg in February 2022 although by the end of March, there was a marginal decline to US\$ 2.63 per kg. In terms of volume, total auction sales for 2022 increased by 2.5% to 516.34 Mn kgs, compared to 503.89 Mn kgs sold in 2021.

All Indian auction centres recorded a general decline in average auction prices in 2022, except for the Kolkata auction which experienced increasing prices. The overall average auction price in 2022 increased to US\$2.82 per kg from US\$2.74 per kg in 2021. However, the volumes sold at the Kolkata auctions decreased to 156.24 Mn kgs in 2022 compared to 169.32 Mn kgs sold in 2021. The Siliguri auction centre recorded a decline in the average auction price to US\$2.14 per kg from US\$2.31 per kg in 2021. Auction sales volumes at Siliguri amounted to 143.95 Mn kgs in 2022 compared to 149.81 Mn kgs sold in 2021. The Guwahati auction centre recorded a marginal decline in the average auction price to US\$2.32 per kg

in 2022 from US\$2.37 per kg in 2021. Guwahati's auction volumes decreased by 16% to 142.66 Mn kgs in 2022 from 169.93 Mn kgs sold in 2021. The average auction price of the Cochin auction centre also declined to US\$1.7 per kg in 2022 from US\$1.85 per kg in 2021. However, Cochin's auction volumes increased to 54.01 Mn kgs in 2022 compared to 47.88 Mn kgs sold in 2021.

It is important to acknowledge that the tea auction industry has undergone significant changes since 2020, as most auctions worldwide have adopted a modern digital platform. This transformation has had a notable impact on improving efficiencies at the industry's auctions while enhancing the overall industry outlook for the modern generation of tea brokers.

SRI LANKAN TEA INDUSTRY

The Sri Lankan tea industry faced numerous challenges in 2022, but strong demand for Ceylon Tea led to high auction prices and record-breaking export earnings. The industry also recorded many new all-time auction price records.

However, Ceylon Tea production and export volumes decreased due to unfavourable weather conditions, irregular fertiliser application and the prevailing economic crises. Industry operations faced challenges in terms of increasing prices due to high inflation rates, rising interest rates, shortage of fuel and other inputs required by the industry, and supply chain interruptions.

The Sri Lankan tea industry also faced external pressures from various global developments such as the Ukraine/Russia war, rising oil prices, and changing conditions in key export markets like Turkey. In addition, devaluing currencies of tea-importing countries also affected the industry in 2022.

Despite these challenges, industry personnel worked closely to maintain the renowned "Ceylon Tea" brand and sustain industry operations.

SRI LANKA TEA PRODUCTION

Tea production recorded declined in 2022 mainly due to reduced fertiliser application in the previous year which led to lower quality and quantity of green leaf. Unfavourable weather conditions also impacted production levels, resulting in a 16% decrease in total tea production to 251.49 Mn kgs in 2022 compared to 299.5 Mn kgs achieved in 2021.

Production declines were recorded across all quarters of 2022, unlike in 2021 where there were increases in the first three quarters. Quarter one production was 63 Mn kgs in 2022, a decline of 15.5% when compared to production levels of 2021. The second quarter had the highest decline in production by 20.8% to 69.10 Mn kgs. The third quarter recorded a 19% decline in production to 59.10 Mn kgs, while the fourth quarter production decline of 9.5% to 58.32 Mn kgs was the lowest recorded in 2022.

The low levels of production were evident across all elevations. High-grown elevation production decreased by 14% to 56.32 Mn kgs in 2022, while the medium-grown elevation produced 40.19 Mn kgs of tea, recording a decline of 21%. The low-grown elevation witnessed the highest decline at 15% to 154.99 Mn kgs in 2022.

SRI LANKA TEA EXPORTS

In 2022, the total volume of Ceylon Tea exports decreased by 12.5% to 250.19 Mn kgs compared to the export volume of 286.02 Mn kgs in 2021. This decline was primarily due to reduced demand from Russia and Ukraine and decreasing orders from Japan and Turkey. The price of Ceylon Tea also affected export volumes, with many countries opting to buy teas from other producing countries like India and Vietnam at lower prices.

In 2022, Iraq remained the top importer with a total import volume of 43.25 Mn kgs, compared to 42.5 Mn kgs imported in 2021. Russia retook its second-place position in the top 5 largest importers of Sri Lankan tea, despite a decline in volume to 24.73 Mn kgs in 2022 compared to 27.4 Mn kgs in 2021. The United Arab Emirates (UAE) was placed third, importing 22.58 Mn kgs in 2022, slightly lower than the 23.1 Mn kgs imported in 2021. Turkey fell to fourth place with tea imports declining by 48% to 15.6 Mn kgs in 2022 compared to 29.7 Mn kgs in 2021. Iran maintained its position as the fifth-largest importer of Ceylon Tea despite decreasing volumes to 13.06 Mn kgs in 2022 from 15.8 Mn kgs in 2021.

All major varieties of tea exports recorded a declining trend in 2022. While Orthodox tea continues to dominate the Sri Lankan tea export market, export volumes declined by 12.50% to 250.19 Mn kgs compared to 286.02 Mn kgs recorded in 2021. Export volumes of black tea in bags declined by 12% to 21.67 Mn kgs in 2022 compared to 24.67 million kilograms recorded in 2021. Export volumes of both black tea in bulk and packets declined by 12% and 14%, respectively, recording a little over 110 Mn kgs each.

Export volumes of green tea slightly decreased to 4.22 Mn kgs compared to 4.59 Mn kgs in 2021. Conversely, instant tea exports marginally increased to 3.08 Mn kgs in 2022 from 3.03 Mn kgs in 2021.

SRI LANKA TEA EXPORT PRICES AND EARNINGS

Due to lower production levels and the devaluation of the Sri Lankan rupee, export prices of tea were positively impacted, despite some variation in the quality of Ceylon Tea across all elevations. The quarterly average sales prices displayed a remarkable increase, starting from Rs. 988.15 per kg in the first quarter and reaching Rs. 2029.12 per kg by the

TEA INDUSTRY OVERVIEW

fourth quarter. The average price for the second quarter was Rs.1644.36 per kg, and the average price for the third quarter was recorded at Rs.1931.58 per kg. The FOB value showed a downward trend in the first quarter of 2022 compared to 2021 but increased for each quarter for the remainder of the year. The FOB values rose by 56% from Quarter 1 to Quarter 4.

The export earnings of the Sri Lankan tea industry recorded a remarkable increase of 54%, totalling Rs. 411.09 billion (US\$ 1,268.37 million) in 2022 compared to Rs. 265.4 billion (US\$ 1,337.4 million) in 2021. The export earnings from tea exports in 2022 marked a historic high for the industry. This significant increase can be primarily attributed to the substantial devaluation of the Sri Lankan rupee in contrast to the US dollar, coupled with the escalated prices of select categories and grades of Ceylon Tea due to reduced production levels and heightened market demand. The revenue generated from tea exports in 2022 marked a historic high.

TEA AUCTION PERFORMANCE

The limited availability of tea for sale and the devaluation of the Sri Lankan rupee supported the rise of auction prices for Ceylon Tea. Throughout 2022, auction average prices increased and were higher than in 2021, except for a slight drop in November. However, prices picked up again in December, with 2022 recording an average auction price of Rs. 1,234.24 per kg, which is twice the price recorded in 2021.

Averages prices at auction recorded several milestones. During Sale No. 12 in March 2022, the average price of low-grown orthodox tea reached a historic high of Rs. 1,049.07 per kilogram, while in September, the average auction price for Sale No. 37 soared to an unprecedented Rs. 1,810.10 per kilogram, setting a new record for average prices at the Sri Lankan auction centre.

The different elevation-level average auction prices also recorded exceptional performance in 2022. High-grown teas saw an 86% increase, with an average auction price of Rs. 1,093.1 per kg. Medium-grown teas increased by 87% to Rs. 1,030.82 per kg, while low-grown elevation teas experienced the most significant price gain, recording a 108% increase in the average auction price to Rs. 1,339.86 per kg.

However, despite the increasing prices, auction sales volumes in 2022 showed a declining trend compared to 2021, both in total quarterly sales and elevation-wise sales. The highest sale of the year occurred in May, with 27.7 Mn kgs of tea sold, while December had the lowest sales volume for auction, with only 13.6 Mn kgs of tea sold. The total auction sales volume in 2022 was 237.07 Mn kgs compared to 280.38 Mn kgs in 2021.

CHALLENGES FACED BY THE TEA INDUSTRY IN 2022

The numerous challenges faced by the Sri Lankan tea industry faced in 2021, impacted industry operations and growth. These challenges are outlined below.

FERTILISER APPLICATION

The lower levels of fertiliser application throughout 2021 due to the import ban on inorganic fertiliser, reduced fertiliser application to crops in 2021 which had an impact on production levels in 2022. Furthermore, in 2022, the Sri Lankan tea industry faced a shortage of fertiliser due to import restrictions aimed at addressing the country's low levels of foreign exchange reserves. Thus, the industry faced a reduction in the application of fertiliser to crops, leading to a decline in crop growth and quality. It wasn't until late June 2022 when the government imported fertiliser for use in the agricultural sector that this issue was finally resolved.

RISING COSTS OF PRODUCTION

In recent years, the costs of tea production have been consistently rising. In the past, rising wage levels have had a great impact on production costs. However, in 2022, the high inflation rates further exacerbated the situation. To remain competitive and sustainable, the industry, particularly tea producers and manufacturers, proactively adopted cost-control measures, leveraging technology and innovative approaches to tea production and manufacturing. Such efforts are crucial to maintaining the industry's competitiveness and the global appeal of the Ceylon Tea brand, which remains the highest-priced tea worldwide.

FUEL SHORTAGE

The Sri Lankan tea industry was greatly affected by the country's fuel shortage throughout most of 2022. This shortage had a significant impact on the transportation network, making it challenging to transport tea from the plantations to factories and Colombo for cataloguing and final delivery. As a result, the amount of tea available for auction was reduced, particularly in February and March. Additionally, tea production was hindered as many factories were unable to maintain regular production hours due to the shortage of fuel needed to operate their generators.

Furthermore, the global increase in petroleum prices due to concerns of a potential global economic recession added to inflationary pressures in other nations, further exacerbated the impact on fuel prices and the ability to purchase fuel to satisfy the nation's demand.

POWER OUTAGES

The industry also faced the challenge of planned power outages that were implemented throughout the country for the first seven months of 2022 to manage the fuel shortage. Tea factories had to rely on diesel generators to keep their plants running, which led to higher production costs. Moreover, fuel scarcity

caused problems in operating generators during power outages due to insufficient diesel availability.

WEATHER CONDITIONS

The Sri Lankan tea industry continues to be deeply concerned about local weather conditions and unpredictable shifts in weather patterns. In 2022, weather conditions continued to affect Sri Lankan tea crops, although the impact was relatively less severe compared to previous years.

DEVALUATING SRI LANKAN RUPEE

The devaluation of the Sri Lankan rupee, which commenced in late 2021, persisted throughout 2022, resulting in high levels of inflation and increased interest rates. Although the devaluation was advantageous in terms of tea auction and FOB prices and resulted in extraordinarily increasing export earnings in rupees, imported items used in tea production experienced price hikes, leading to increased the costs of tea production.

DEVALUATING CURRENCIES OF TEA-IMPORTING NATIONS

The depreciation of the currencies of major tea importing nations such as Russia and Iran, posed a challenge for the industry. As the value of their currencies declined against the US dollar, their ability to purchase Ceylon Tea decreased. The prevailing higher prices together with the reduced money value of tea-importing nations caused these countries to seek out cheaper tea alternatives from India and Vietnam, impacting export volumes in 2022.

HIGH INFLATION

The prevailing high inflation rates in 2022 impacted the industry, causing an increase in the prices of goods and services, as well as a scarcity of fertiliser, agricultural inputs and fuel. These factors contributed to higher production costs for the industry.



Rising inflationary pressures in other nations had a cascading impact on the prices of goods and services in the country, further exacerbating the reduced purchasing power of the nation and the industry.

FOREIGN EXCHANGE RESERVE

The economic crisis in Sri Lanka which was partly caused by a significant reduction in the foreign exchange reserve due to the limited availability of U.S. dollars created concerns regarding foreign exchange payments, particularly for essential items such as fuel and medicine. For the agricultural sector, this also affected the importation of chemical fertiliser needed to sustain production levels. Despite these challenges, the tea industry was able to contribute towards the stabilisation of the forex reserve through its higher export earnings in USD.

CRUDE OIL PRICES

The conflict between Russia and Ukraine had a significant impact on crude oil prices, causing prices to increase to US\$100 per barrel in the first quarter of 2022 when sanctions were imposed on Russia. While the first half of the year saw crude oil prices rise due to supply constraints, the trend reversed in the second half as more oil was released

from storage to meet growing demand and fears of a global recession dampened consumption. On January 3, 2022, the spot price of Brent crude oil was US\$78 per barrel, and by the end of the year, it closed at US\$85 per barrel. The average spot price of Brent crude oil for 2022 was US\$100 per barrel.

OPERATIONS REVIEW

The year under review which was expected to recover from the impact of the COVID-19 pandemic realised several economic shocks which resulted in the country facing its most severe economic crisis in 2022 compounded by political instability and social unrest. The prevailing economic conditions were detrimental to the recovering economic activity and had far-reaching consequences resulting in a financial crisis which impacted all industries and the people of the nation.

OVERVIEW OF PERFORMANCE

The proactive measures implemented by the management to maintain business growth ensured that the economic crisis and the challenges of the industry's operating environment had a lesser impact on the Company's business operations than expected for the financial year ended 31st March 2023.

Accordingly, made tea production recorded a 17% decrease to 2.46 Mn kgs compared to 2.97 Mn kgs produced in the previous financial year. However, after taking out the Karawita production quantities which were only available during the FY 2021/22, the year-on-year production drop for the Company stands at 11% whilst national low grown production reduced by 12%. This increase in production is mainly attributed to strategies implemented, notwithstanding the challenges encountered by small holder partners in fertiliser application. By working collaboratively with small holder partners the Company was also able to maintain green leaf quality.

TSFL recorded a revenue of Rs. 3,743.94 million for the financial year ended 31st March 2023 compared to the Rs. 2,018.80 million recorded for the financial year ended 31st March 2022. A noteworthy achievement for the Company during the financial year under review is the substantial increase in profit before taxation which grew by a record 1,845% to Rs. 440.63 million for the year under review compared to Rs. 22.66

million recorded for the financial year ended 31st March 2022. Rising tea prices together with the increased premiums achieved by the factories were the key contributing factors.

During the year under review, prices of low-grown elevational teas increased substantially. Market rates increased by 125%, reaching Rs. 1,520.05 per kg, in contrast to the previous financial year, when prices declined, with rates falling to Rs. 675.95 per kg. As a result, the gross sales average for TSFL experienced a significant increase of 138%, amounting to Rs. 1,601.02 per kg. This is a marked difference from the Rs. 671.15 per kg recorded during the previous financial year.

Despite the energy crisis and rising prices of goods and services, the Company was able to maintain acceptable increases in production costs through proactive cost management. As a result, optimal production schedules were maintained despite the prevailing conditions. Thus, all factories performed well, resulting in the Company achieving 84 top prices and 17 all-time record prices at the weekly auctions for the financial year under review. Hingalgoda factory maintained its position as the top achiever in terms of high prices and continued to outperform all other factories with 71 top price records and 14 all-time record prices by the end of the financial year under review. The rest of the three all-time record prices were achieved by the Company's Broadlands factory. Hiniduma and Broadlands factories recorded six top prices each for the financial year under review, while Halwitigala factory recorded one top price for the financial year ended 31st March 2023.

Additionally, TSFL invested in upgrades to machinery and continued with general repairs and maintenance of factories to maintain efficiencies and production levels at the factories. Investments were also made to improve employee facilities to ensure their well-being and

satisfaction. Total capital expenditure for the financial year under review amounted to Rs. 212.83 million.

KEY BUSINESS CHALLENGES

During the financial year under review, TSFL faced several challenges due to the prevailing economic conditions and some inherent industry issues. However, the Company's experienced and skilled management together with employees implemented strategies which enabled TSFL to manage these challenges without significant disruptions. As a result, the Company was able to excel in its performance and achieve a phenomenal increase in profit before tax.

INCREASING PRODUCTION COSTS

The increasing production costs continued to remain a major concern for the Company during the financial year under review. Inflation which peaked in September before recording declining levels resulted in increasing prices of goods and services which caused rising costs across all sectors. Furthermore, the depreciation of the Sri Lankan rupee increased the burden on production costs, resulting in significant price hikes for imported goods such as packing material, fuel, and machinery spare parts.

WEATHER CONDITIONS

The persistent effects of climate change have made it challenging to predict weather patterns and have led to fluctuations in tea crop production. During the financial year, low-elevational teas were especially affected by changing weather patterns, especially during the last quarter of the financial year under review. These irregular weather patterns have also made it difficult to apply fertiliser at optimal frequencies to benefit tea bushes.

FERTILISER APPLICATION

The application of fertiliser on tea crops was a general concern for the industry and the Company during the year under review. The ban on inorganic fertilisers and the removal of the fertiliser subsidy in the previous financial year coupled with the rising importation costs of fertiliser combined to result in erratic fertiliser application since the year 2021 leading to an impact on made tea quantity and quality during the year under review.

LOW CROP LEVELS

The general decline of crop levels in the industry is a concern for the Company as this could affect made tea production levels in the coming years. The Company maintains a close working relationship with tea small holder partners to ensure they have access to sufficient fertiliser. To achieve this, we provide financial assistance and offer them repayment periods of 2 to 5 months in instalments.

MADE TEA QUALITY

Maintaining green leaf quality continues to be of a significant concern for both the industry and the Company, as it directly affects the quality of the final tea product. While high-quality teas can command premium prices globally, fluctuations in fertiliser application and erratic weather patterns have negatively impacted the quality of tea crops. To address this, TSFL continued to closely collaborate with tea small holder partners to help them increase and maintain quality tea crops that produce high-quality made tea. Furthermore, five of the Company's factories have been awarded and maintain the ISO 22000:2018 Food Safety Management Standard certification strengthening TSFL's efforts to enhance production efficiency and maintain high standards of tea production, which leads to increased productivity and improved quality of made tea.

ENERGY CRISIS

While the shortage of fuel and the continued planned national power outages remained a challenge, the Company took proactive measures to overcome this by pre-purchasing fuel to operate generators to reduce any disruptions in factory production operations. Furthermore, we also assisted tea small holder partners and other vendors by assisting them to purchase fuel as required to ensure they were able to continue with normal business operations.

RUSSIA-UKRAINE WAR

The ongoing war between Russia and Ukraine continues to have an impact on the Company as both countries have recorded declining tea imports between January and May 2022. The devaluation of Ukraine's currency and the significant increase in prices of Ceylon Tea in 2022 further exacerbated this situation.

FUTURE OUTLOOK

The coming year brings about a better outlook for the tea industry and the Company. The recovery of the Sri Lankan economy will have a positive impact on key economic indicators which have already recorded improvement in the last quarter of the financial year. Thus, prices are expected to stabilise and the impact on production costs minimised. Furthermore, the improved application of fertiliser by the second half of the financial year is expected to have a positive impact on crop growth and quality leading to increased green leaf production and then hence, made tea.

The Company will continue to collaborate closely with our small holder partners and support them to improve their efficiencies and production levels. TSFL will provide them with additional financial assistance and guidance on cost-effective production and planting procedures, as relevant and feasible. Furthermore, TSFL will persist in our efforts to educate small holders on sustainable

and efficient agricultural practices, as well as implement long-term replanting programmes to benefit them.

The Company will evaluate operations and continue to make strategic capital investments that generate sustainable long-term returns. Our commitment to creating value across all stakeholder groups remains unchanged.

The Company will closely monitor both local and global external market developments to effectively execute strategies that maintain production levels and achieve growth. TSFL remains committed to supporting optimal operations in the Sri Lankan tea industry and ensuring that the industry maintains its competitive position in the global market.

FINANCIAL CAPITAL



The Company's relentless commitment to producing superior quality teas, together with the leadership's unwavering attention to detail and proactive mindset, have consistently contributed to TSFL's sustainable financial growth and remarkable financial accomplishments, even in the face of unexpected economic and market challenges.



Rs. 440.63 Mn

PROFIT BEFORE TAXATION

YOY Growth 1,845%



Rs. 9.28

EARNINGS PER SHARE

YOY Growth 1,720%



Rs. 6.67

DIVIDEND PER SHARE

YOY Growth 567%

MANAGEMENT APPROACH

TSFL implements revenue-generating strategies that aim to retain funds within the business and enhance financial capital value as part of our commitment to creating value for all stakeholder groups. Our strategic management of financial capital entails the proactive allocation of resources, compliance with best practices in accounting, auditing, and management, and a robust risk management framework. To ensure accountability, we secure the services of third-party assurance for our financial statements and reporting processes. Additionally, the Company proactively pursues market opportunities which will create value across all other capitals, further contributing to the growth of our financial capital value.

For the financial year under review, the management’s primary focus was on optimising operational expenses to mitigate the effects of external factors that resulted in rising production and operational costs. Furthermore, the allocation of financial resources was directed towards areas where the impact was most significant to the business, and the returns were the highest, not only in terms of financial benefits but also in social and environmental returns.

TSFL is committed to continuously enhancing the accuracy and transparency of our financial reporting while adhering to regulatory compliance and industry best practices. While doing this, the Company does not lose focus on our obligation to ethical business practices and sustainability, ensuring that our business processes align with these principles. The Company proactively pursues market opportunities which will create value across all other capitals, further contributing to the growth of our financial capital value.

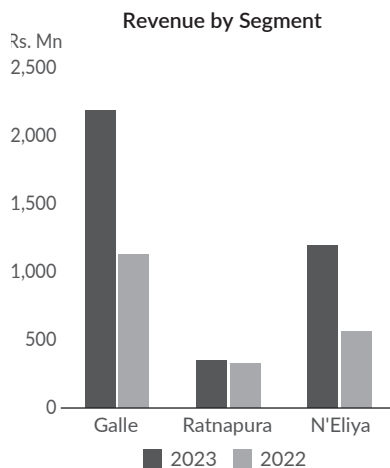
Revenue

The Company recorded a revenue of Rs. 3.74 billion for the year under review, an 85% increase compared to Rs. 2.02 billion recorded in the previous financial year. The increase in revenue was mainly attributed to the increase in selling prices at the Colombo Tea Auction.

Total quantity sold during the year under review declined by 22.01% to 2.41 million kilograms compared to 3.09 million kilograms sold in the previous year. The low grown production recorded a YOY decline of 12% mainly due to the effects of the prolonged Fertiliser shortage. However, with the relaxation of Fertiliser import restrictions, application by smallholders began to improve but remained below pre 2021/22 levels on account of high prices.

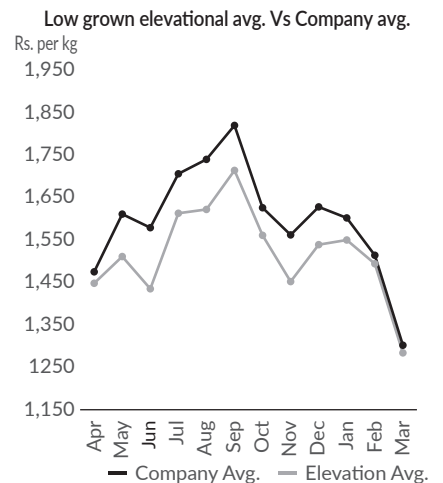
Despite the low grown production drop of 12%, the Company managed to maintain the YOY reduction at 11% whilst procuring leaf selectively to maintain leaf standards whilst recording a premium over elevation of 5.33% during the financial year under review.

Low grown tea prices remained above the previous year, directly attributable to the depreciation of the Sri Lankan rupee against the US dollar and the drop in auction volumes. The YOY increase in elevation average was at 125%. However, a significant drop in market prices was observed during the 4th quarter which was triggered by the appreciation of the Sri Lanka Rupee against the US dollar and increase in volumes offered at the tea auction.



Revenue by Segment

All the regions have recorded a YOY growth in revenue despite the drop in production and sales volume. Galle segment, operating 4 factories, made the highest contribution to revenue achieving a YOY growth of 94%. Broadlands Tea Factory in the Nuwara Eliya segment recorded a 114% increase in revenue compared to the previous year. Despite operating with just one factory, Rathnapura segment was able to record a YOY increase of 8%. Karawita Tea Factory, which was under the Rathnapura segment in 2021/22, was leased on 08th November 2021 and accordingly was categorized as an investment property.



COST OF SALES

Cost of Bought Leaf

Bought leaf cost remains as the single highest cost component that is accounted under cost of sales of the Company and increased by 96% YOY in line with the increase in tea price. The price payable for green leaf is regulated by the Tea Board through the Tea Commissioner’s formula. The Company purchased 12.07 million kilograms of green leaf during the year whilst making a payment of Rs. 2.88 billion to the green leaf suppliers. In 2021/22, Company incurred a cost of Rs. 1.47 billion to capture a green leaf supply of 14.47 million kilograms.

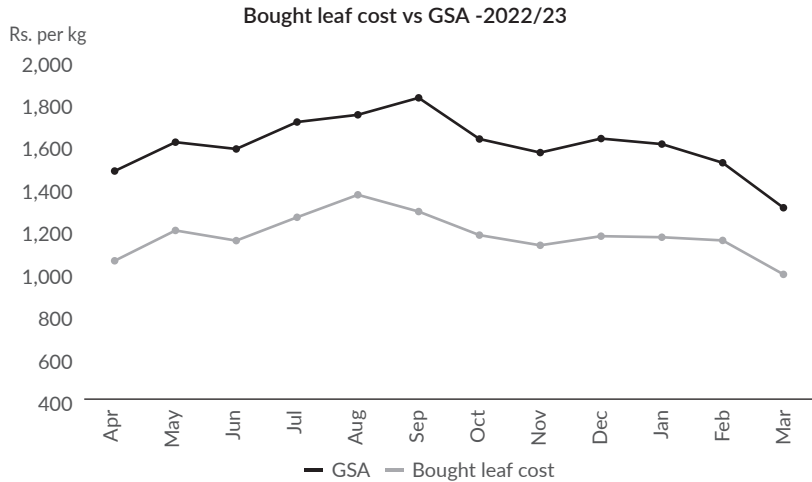
FINANCIAL CAPITAL

Direct Production Cost

During the year, prices of goods and services ascended sharply as a result of the economic crisis which exacerbated economic conditions and access to certain types of goods and services, mainly fuel and electricity. The Management ensured smooth and continuous operations at factories whilst sourcing the required resources such as fuel, firewood and machinery spare parts whilst optimising operational expenses to withstand the sudden price spikes.

Labour cost remained as the 2nd highest cost component under direct production cost of the Company. During the year, cost of labour increased by 11% YOY mainly due to the drop in production volumes. The Company invested on the automation of withered leaf process and fired tea weighing process and the savings of these initiatives are expected to materialize in full in the next financial year.

The cost of leaf transport increased by 48% YOY as a direct result of the multiple fuel price revisions experienced during the year. In order to curb the fuel supply shortages, the Company purchased fuel facilitated through the Sri Lanka Private Tea Factory Owners Association and issued fuel to the transporters to ensure a smooth factory operation as well. Factories continued to negotiate on price changes and maintained increases at reasonable level.



Cost incurred on power increased by 114% during the year to Rs. 28.65 per Kg of made tea, from Rs.13.40 per Kg of made tea incurred in the previous year. The increase was mainly due to the electricity tariff revisions which took place during the year under review. Additionally, the generator running times were comparatively longer due to the power cuts scheduled. Additionally, the drop in production contributed to the unit cost increase as well.

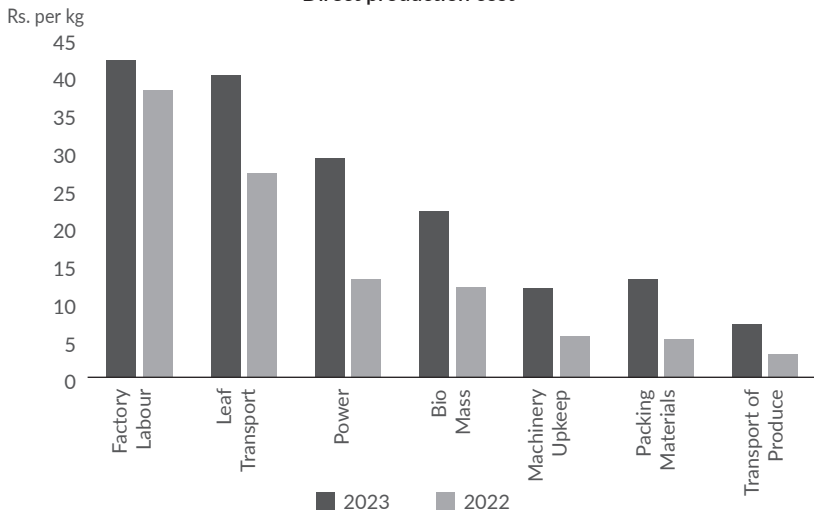
Cost of packing materials recorded the highest YOY increment of 139% mainly due to import restrictions and rupee devaluation against US dollar. However, the cost increase was strategically minimized by proactively purchasing bulk quantities at lower values whilst maintaining adequate stock. This

strategy during the latter part of the year was changed to hold minimum quantities to avail the benefits of price reductions observed from the last quarter onwards.

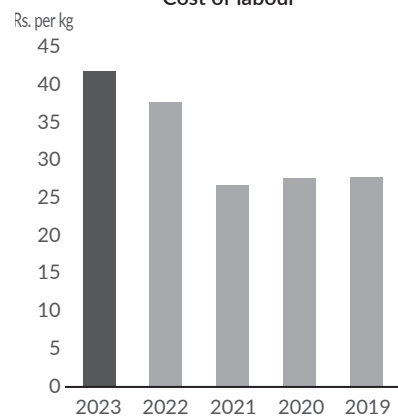
Cost of firewood increased to Rs. 21.55 per Kg, an increase of 77% compared to Rs. 12.19 recorded in previous year. The purchase price of firewood continued to escalate due to reduced availability and increased cost of transport and extraction, all of which are a direct result of the fuel price revisions and fuel scarcity.

The costs incurred on machinery maintenance increased to Rs. 29.15 Mn compared to previous year cost of Rs. 16.05 Mn. With the increase in tea price, the Company invested funds

Direct production cost

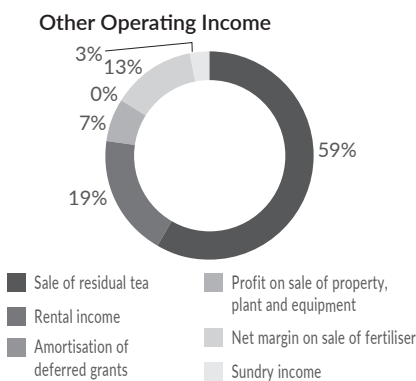


Cost of labour



on improving key machineries whilst maintaining the same at satisfactory levels during the year under review. Through this process, among other benefits, the quality of the end product was enhanced and the machinery down time was reduced.

Production overheads mainly constitute overheads at the factory level such as staff salaries, depreciation and general upkeep. The production overheads increased by 15% during the year under review which was mainly due to the increase in staff cost and unprecedented escalation in prices experienced during the year.



Other operating income

Other operating income for the year increased by 73% to Rs. 152.65 Mn from Rs. 88.26 Mn recorded in the previous year. Sale of residual tea being the main contributor to other income (59% of other income) increased sharply by 61% to Rs. 89.63 Mn compared to the previous year due to the market price increase. The rental income increased from Rs. 17.87 Mn to Rs. 28.58 Mn, mainly due to rental income rate revisions at Karawita tea factory and at the Peliyagoda Warehouse. Increase in Fertiliser prices have widened the Company margins during the year under review and compared to the previous year, availability of fertiliser increased significantly. Net margin identified on fertiliser distribution for the year is Rs. 19.94 Mn.

Selected aged machineries were disposed during the year and the profit recognized on the sale of property, plant and equipment amounted to Rs. 10.61 Mn.

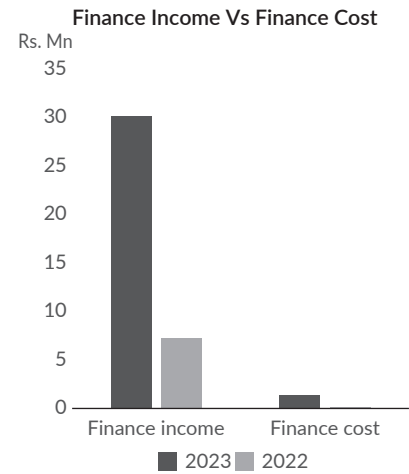
Administration and Other Expenses

Administration expenses related to head office, includes items such as Director fees, salaries and related expenses, rent, electricity cost, business promotion expenses, vehicle fuel and maintenance costs, building maintenance costs, and costs of printing and stationery. During the year, administration cost increased by 69% to Rs. 107.60 Mn from Rs. 62.95 Mn recorded in the previous year. The increment was mainly due to the increase in staff cost coupled with the unprecedented increase in prices with the depreciation of the Sri Lankan rupee.

The management fee which is charged based on the contractual agreement between the Company and the managing agent, John Keells (Teas) Private Limited increased to Rs. 66.08 Mn from Rs. 15.03 Mn recorded in the previous year. The increase is in line with the growth in revenue and profitability of the Company.

Finance Income vs Finance Cost

The finance income of the Company consists of interest income earned on short-term investments, mainly on call deposits, Repos and fixed deposits, loans granted to green leaf suppliers and loans granted under the employee motor vehicle loan scheme for Executives (AM and above).



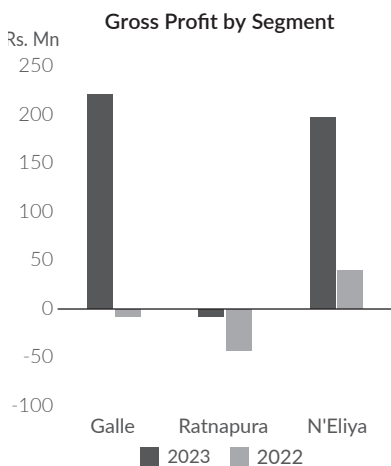
Finance income increased by 318% to Rs. 30.19 Mn during the year under review compared to Rs. 7.22 Mn recorded in the previous year. The Company was able to efficiently manage the working capital and take advantage on the high interest rates offered for short term investments. The interest income on loans granted to green leaf suppliers increased to Rs. 2.16 Mn during the year from Rs. 1.84 Mn recorded in the previous year.

Finance costs of the Company increased to Rs. 1.41 Mn in the year under review compared to Rs. 0.03 Mn recorded in the previous year.

Profitability

The Gross Profit for the year under review, increased by 3,989% to an all-time high of Rs. 411.02 Mn compared to a loss of Rs. 10.57 Mn recorded in the previous year. The increase was mainly due to the increase in premiums achieved by the factories coupled with increased tea prices offered at the Colombo tea auction, thereby increasing the margins of the Company.

FINANCIAL CAPITAL



Galle segment being the highest contributor to gross profit for the year, operating with four (4) factories, recorded a gross profit of Rs. 220.97 Mn which is a YOY increase of 2931%.

Nuwara Eliya segment recorded the second highest gross profit for the year which amounts to Rs. 197.85 Mn, an YOY increase of 396%. Broadlands tea factory is the only factory which comes under the Nuwara Eliya segment, and the factory is the industry leader in the region. Gross profit recorded by Broadlands tea factory is the highest profit achieved by an individual factory in the Company's history.

Loss recorded by the Rathnapura segment reduced to Rs. 7.8 Mn compared to the loss of Rs. 42.67 Mn recorded in the previous year with a YOY improvement of 82%. The management continued to prioritize quality over quantity and this strategic change coupled with the improved market conditions enabled the region to minimize the loss.

The Company recorded a PBT of Rs. 440.63 Mn against Rs. 22.66 Mn recorded in the previous year with a YOY increase of 1845%. The PBT includes a fair value gain on investment property of

Rs. 20.46 Mn in 2022/2023 compared to a fair value gain of Rs. 15.72 Mn recorded in the previous year.

Change in the Fair Value of Investment Property

Fair value of the investment property situated in Peliyagoda increased by Rs. 20.62 Mn during the year under review, effectively increasing the value of the property to Rs. 460.79 Mn from Rs. 440.32 Mn recognised in the previous year. The gain is recorded in the income statement as required by the Sri Lanka Accounting Standards.

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 2022. However, gains identified by the valuer have not been incorporated into the financial statements as it relates to the developments carried out by the sub-lessee. Accordingly, the fair value of Karawita tea factory remains at Rs. 142.47 Mn.

Taxation

Income tax and Deferred tax have been provided as per the new rates legislated by the Inland Revenue (Amendment) Act No 45 of 2022. During the year under review, the Company recorded a tax expense of Rs. 162.13 Mn compared to Rs. 7.35 Mn recorded in the previous year. With the introduction of the Inland Revenue amendment Act, Company's corporate tax rate has increased from 14% to 30%. Similarly, the deferred tax rate has been increased from 14% to 30%. 24% tax rate that was applied on the rental income generated has been increased to 30% as well. (Refer Note 16 on page 141 in the Financial Statements).

Financial Position Review

The Company's total asset base as of 31st March 2023 improved by 22% to Rs. 2.31 Bn from Rs. 1.88 Bn as of 31st March 2022 mainly due to the improvement in the non-current assets.

The Company maintains a strong, asset base with Property, Plant and Equipment covering 44% of the total assets whilst investment property represents 26% of the total assets. From the total Property, Plant and Equipment, 72% represents land and buildings whilst plant and machinery represent 18%. The Company has invested Rs. 212.83 Mn during the year on capital expenditure of which, Rs. 108.92 Mn was on plant and machinery.

Inventory, which mainly comprises made tea, increased to Rs. 491.67 Mn (2021-22 Rs. 241.28 Mn). The increase in made tea was recorded at Rs. 219.17 Mn which was mainly due to the increase in market prices.

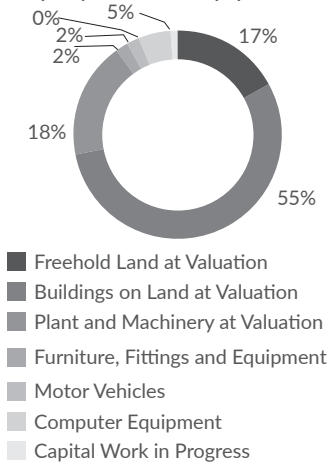
The increase in trade receivables as of 31st March 2023 was mainly due to the tea price improvement observed throughout the year. Accordingly, the last auction sale receivable balance was recorded at Rs. 60.30 Mn compared to the previous year balance of Rs. 59.52 Mn.

The Company's assets were primarily funded by shareholders' funds which accounted for 70% of the Company's total equity and liabilities followed by non-current liabilities at 14% and current liabilities at 16%. The Company was able to increase the shareholders' wealth by Rs. 103.20 Mn through retained earnings and revaluation gains.

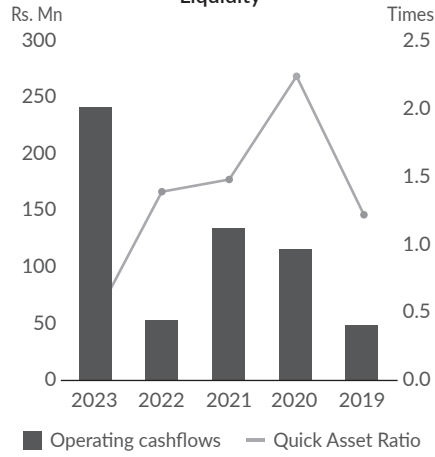
Cash Flow Generation

Cash generated from operations are utilised for capital investments, dividend payments and tax payments. The Company has maintained a strong cashflow generation over the years, enabling the reduction of borrowings and enabling the management to invest funds towards better revenue generating options with a focus to increase shareholder value. Cash generated from operating activities was at Rs. 241.18 Mn for the year under review (2021/22 - Rs. 52.77 Mn) and it is essentially due to prudent management of working

Property, Plant and Equipment



Liquidity



capital, particularly on produce inventory. Current ratio and quick asset ratio for the current year remained in favourable levels of 1.80 times and 0.45 times, respectively.

The Company incurred Rs. 212.83 Mn on capital expenditure, of which a major portion was on investments in machinery towards enhancing product quality. A dividend of Rs 200.10 Mn was paid during the year. As at 31st March 2023, overall cash and cash equivalents recorded Rs. 57.54 Mn compared to Rs. 218.29 Mn as at 31st March 2022.

MANUFACTURED CAPITAL



The Company utilises its manufactured capital assets to enhance its tea production efficiency and to ensure a safe and hygienic workplace for its employees, thereby supporting its business sustainability.

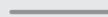


Rs. 82.06 Mn

INVESTMENTS IN UPGRADING

EMPLOYEE FACILITIES

YOY Increase by 448%

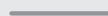


Rs. 5.14 Mn

INVESTMENTS IN TECHNOLOGY AND

DIGITALISATION

YOY Increase by 311%



Rs. 108.92 Mn

INVESTMENT IN AUGMENTING

MANUFACTURING FACILITIES

YOY Increase by 374%

MANAGEMENT APPROACH

TSFL values manufactured capital as a key ingredient in our value-creation process which enables us to produce high-quality made teas with efficiency and reliability. The Company's manufactured capital comprises tangible assets, such as our office and factory buildings, machinery, and equipment. Additionally, the warehouse, vehicles, water treatment facilities, employee accommodation facilities, furniture, fittings, office equipment, and IT hardware are also part of the infrastructure which supports the successful operations of the core business of manufacturing black tea for the global market.

The Company now views information technology software, which is acquired to enhance business efficiency and operations, as a component of its manufactured capital. This recognition underscores the software's potential to deliver significant value for the business and our stakeholders.

Every year, TSFL allocates funds for the upgrading and replacement of manufactured assets, as needed, and for acquiring new tangible assets and technology software to fulfil business requirements. We also have in place a regular building maintenance plan, and our ongoing repair and maintenance of these assets ensure the uninterrupted, effective, and environmentally conscious production of high-quality teas.

During the year under review, the Company directed its investments towards achieving all five strategic objectives to generate value from manufactured capital assets.

Strategic Objectives for Leveraging Manufactured Capital



TSFL adopts a methodical approach to leveraging manufactured capital to accomplish these strategic objectives.

Investment on manufactured capital assets as of 31st March 2023	(Rs. Mn)
Land and factory buildings (including Staff quarters and restrooms)	66.01
Plant and machinery	108.92
Furniture, fittings, and equipment	16.05
Factory owned vehicles	16.70
IT Hardware	5.14
Total	212.83

MANUFACTURED CAPITAL

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	NBV
			Freehold			Leasehold			No. of Buildings	Square Feet	As at 31.03.23	As at 31.03.22
			A	R	P	A	R	P			Rs'000	Rs'000
Neluwa	Neluwa	Galle	3	2	38	-	-	-	18	53,266	112,971	91,752
Halwitigala	Thawalama	Galle	9	2	18	-	-	-	14	53,999	106,108	80,136
Hingalgoda	Hiniduma	Galle	12	-	6	-	-	-	26	65,686	134,700	116,135
Kurupanawa	Nagoda	Galle	12	-	19	-	-	-	22	55,728	147,076	104,272
New Panawenna	Kahawatte	Ratnapura	10	2	14	-	-	-	8	46,389	102,030	75,493
Broadlands	Pitawela	Nuwara Eliya	4	-	22	-	-	-	14	62,765	133,566	101,627

Investment Property

Factory/Site	Location	District	Extent of Land						Buildings		NBV	NBV
			Freehold			Leasehold			No. of Buildings	Square Feet	As at 31.03.23	As at 31.03.22
			A	R	P	A	R	P			Rs'000	Rs'000
Warehouse	Peliyagoda	Gampaha	-	-	-	-	3	37	1	31,629	460,786	440,324
Karawita	Uda Karawita	Ratnapura	-	-	-	4	3	37	12	79,244	142,474	142,474

FACTORY INFRASTRUCTURE

The Company invested in upgrades that include the renovation of the loft deck at the Broadlands factory, re-roofing of the New Panawenna and Broadlands factory buildings, and reconstruction of flooring at the Neluwa, Halwitigala, Hingalgoda and Broadlands factories. By upgrading the factories' infrastructure, these investments are anticipated to improve manufacturing efficiency and sustainability, leading to the production of high-quality products. Additionally, the upgrades will enhance factory standards, eliminate product contamination, and promote safety measures.

TSFL invested Rs. 38.71 million for the upgrade of factory buildings during the financial year under review.

FOCUS ON AUTOMATION AND MACHINERY UPGRADES

During the financial year under review, the Company automated the fired tea weighing process at all the four factories in the Galle region. Additionally, semi automation of withering process was completed at Hingalgoda, New Panawenna and Broadlands tea factories. These process automations and machinery upgrades assisted the factories in reducing the labour cost, reducing human errors whilst generating savings on energy and maintenance cost.

Total invested in automation and machine and equipment upgrades amounted to Rs. 108.92 million for the year ended 31st March 2023.

BUILDING RENOVATIONS

During the year under review, the Company invested over Rs. 4 Mn for the renovation of the office building of the Kurupanawa factory. The purpose of these renovations was to create a comfortable and conducive working environment for the employees, thereby enhancing their productivity and job satisfaction. Upgrades to the washroom facilities were also part of the renovation project, ensuring that our employees have access to modern and well-maintained amenities. Similarly, the Company went on to invest in other factory office building renovation projects during the year as well.

EMPLOYEE FACILITIES

A significant number of TSFL's personnel employed in our factories reside within our factory locations. Thus, it is the Company's responsibility to provide them with satisfactory housing facilities and other amenities. During the year under review, the Company renovated and upgraded various housing facilities, including the superintendent bungalow at the Neluwa factory, employee living quarters at the New Panawenna factory, and improved washroom facilities at the Kurupanawa, Neluwa, Hingalgoda, and Halwitigala factory bungalows. These renovations are expected to enhance the living standards of our employees and promote their well-being while creating more value for them.

INFORMATION TECHNOLOGY

To continuously improve our business and manufacturing processes while keeping pace with technological developments, the Company continues to make annual investments in information technology upgrades and updates. During the year under review, TSFL partnered with a leading mobile service provider in Sri Lanka to invest in a state-of-the-art solution, aimed at ensuring stable network connectivity. The Company also continues to procure and maintain software licenses annually and updates IT software as new releases are available to benefit from reduced vulnerabilities and better functionality.

To safeguard the security, privacy and confidentiality of our customers, employees, and other stakeholders, we invest in IT security tools and technologies to ensure the safety and security of data. During the year under review, TSFL started the process of transferring all data to a secure cloud server, which is expected to be completed in the coming year.

HEAD OFFICE RELOCATION

To enhance employee convenience and satisfaction, as well as promote communication and collaboration amongst employees, TSFL's Head Office, previously located at Leyden Bastian Road, Colombo 01, has been relocated to a new site at Vauxhall Street, Colombo 02.

REGULAR MAINTENANCE

The Company has in place a machinery and equipment maintenance program which is designed to ensure that machinery and equipment are regularly serviced and maintained in a timely and efficient manner to minimise disruptions to operations. This is achieved through maintenance contracts with vendors or service agents who possess the necessary technology and expertise.

Furthermore, in line with the building maintenance plan, TSFL undertook basic repairs and renovation to ensure that the buildings and facilities are well-maintained and kept in good condition.

FUTURE PLANS

Investments in manufactured capital will remain a focus for the years ahead as it supports the value creation 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 automate several processes to enhance manufacturing efficiency and reduce human errors, enabling employees to engage in more value-creating activities. Furthermore, renovations to office buildings and employee housing facilities in line with the maintenance plans will continue.

In the medium to long term, TSFL aims to identify strategic investments in technology, and replacement or upgrades to equipment and machinery which will further enhance business process efficacies. We will also research and identify new machinery that could create greater value in terms of the quality of our tea products. We will also prioritise investments in equipment and processes that promote sustainable business practices and minimise our environmental impact.



MANUFACTURED CAPITAL VALUE CREATED BY OUR FACTORIES

GALLE REGION

4 factories
Total annual capacity of
3.7 million Kilograms
Caters to a total of
4,186 green leaf suppliers

Neluwa Tea Factory



Annual Production Capacity **883,000** kg
Registered green leaf suppliers **1,413**
Type of Manufacture - Low Grown Orthodox

Halwitigala Tea Factory



Annual Production Capacity **888,000** kg
Registered green leaf suppliers **956**
Type of Manufacture - Low Grown Orthodox

Hingalgoda Tea Factory



Annual Production Capacity **1,075,000** kg
Registered green leaf suppliers **892**
Type of Manufacture - Low Grown Orthodox and CTCs

Kurupanawa Tea Factory



Annual Production Capacity **888,000** kg
Registered green leaf suppliers **925**
Type of Manufacture - Low Grown Orthodox

RATHNAPURA REGION

2 factories
Total annual capacity of
2.41 million Kilograms
Caters to a total of **1,473** green
leaf suppliers

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

Registered green leaf suppliers **1,473**

Type of Manufacture - Low Grown Orthodox

NUWARA ELIYA REGION

1 factory
Total annual capacity of
0.95 million Kilograms
Caters to a total of
3,100 green leaf suppliers

Broadlands Tea Factory



Annual Production Capacity **952,000** kg

Registered green leaf suppliers **3,100**

Type of Manufacture - Low Grown Orthodox

SOCIAL AND RELATIONSHIP CAPITAL



The Company's success lies in the strong bonds forged with our suppliers, customers, regulators, and the community. We are dedicated to nurturing these relationships and sharing best practices and providing guidance to empower them to reach new heights of success. Furthermore, we place great importance on building trust and fostering loyalty within these relationships, recognising their significance in creating an unyielding commitment that serves as the foundation for shared expansion and success across our entire value chain.



Rs. 22.56 Mn
FINANCIAL ASSISTANCE EXTENDED
YOY Increase by 111%



Rs. 2,880.21 Mn
BOUGHT LEAF COST
YOY Increase by 96%



12,101
EXTENSION PROGRAMMES
17,347 Participants

MANAGEMENT APPROACH

TSFL creates social and relational value by collaborating with key stakeholders within our value chain. The Company engages in regular communication with these stakeholders to establish enduring relationships and gain comprehensive insights into their business operations and requirements. We employ various programs and communication methods to share information and foster strong relationships, enabling us to better understand their needs and effectively respond to consumer demands and market trends, thereby creating long-term value for all parties involved.

To add value to the primary stakeholder in our value chain, our green leaf suppliers, we offer value-added extension services to support and enhance their business operations resulting in enhancing the made tea products offered by TSFL. The Company also works closely with other suppliers such as transporters, fertiliser providers, packing material suppliers, and biomass suppliers, collaborating to improve their processes and create sustainable value. The Company's primary focus lies in the exchange of best practices, knowledge, and expertise while providing financial support and raising awareness about current business norms and developments in the operating environment to support uninterrupted business operations and the growth of partner businesses.

The Company engages in frequent conversations with our tea brokers and direct customers, enabling us to remain up to date on market advancements and changes in consumer preferences. By staying informed, we are ensured of being adequately prepared to meet evolving demands in alignment with the dynamic landscape of consumer tastes and market conditions.

To meet the demands of sophisticated international consumers and adhere to ethical and sustainable manufacturing practices, TSFL endeavours to implement best practices in line with international standards. This is crucial because a significant portion of our tea products is exported to global markets. By maintaining these high standards, we ensure that our tea manufacturing operations align with the expectations of discerning international customers who prioritise ethical and sustainable products.

The communities surrounding our business operations also are an important creator of capital value. The Company's focus revolves around creating a positive influence by uplifting these communities and enhancing their quality of life and economic well-being. To accomplish this, TSFL plans annual projects and one-off initiatives, and provides financial support for community projects and events that are in line with our objectives, ultimately contributing to the overall welfare of these communities.

Acknowledging the significance of every partner within our sphere of relationship capital, the Company embraces a comprehensive approach to create value for all involved stakeholders.



Supplier Relationships

TSFL's supplier relationships are a critical part of the business's growth story. Thus, the Company places great importance on nurturing enduring relationships with our committed suppliers, fostering partnerships that last for years. When welcoming new suppliers, TSFL exercises careful consideration of various factors and ensures new suppliers are aligned with the Company's beliefs and value systems. Thus, the Company has developed and maintained our supplier network in alignment with our values and requirements, promoting strong and sustainable collaborations.

Furthermore, the Company upholds a strong commitment to treating our suppliers with fairness and integrity. We prioritise conducting contract negotiations that are equitable and just, ensuring that all parties involved are treated fairly. This also ensures that our suppliers receive a fair market price for the goods and services they provide.

Green Leaf Suppliers

The Company's green leaf suppliers consist of both tea small holder partners and other tea growers. They are of paramount importance as they provide the green leaf which is indispensable as it serves as the fundamental raw material for tea manufacturing. The quality and quantity of the green leaf supplied play a pivotal role in supporting TSFL's production process, ensuring that we can consistently produce high-quality teas to meet market demand.

SOCIAL AND RELATIONSHIP CAPITAL

Nurturing Small Holder Partners

TSFL places great emphasis on nurturing and caring for its small holder partners who play a crucial role in supplying a significant percentage of the tea leaf required for our made-tea production. The company recognises the vital contribution of these small holder farmers and ensures they receive the necessary support and attention through our Extension Service Program.

Furthermore, the Company goes beyond tea production by promoting social development, healthcare access, education, and sustainable livelihoods. These efforts aim to create a mutually beneficial partnership that ensures small holder success and a reliable supply of high-quality tea for TSFL.

During the financial year under review, the Company continued to provide the following benefits to our tea small holder partners:

- Inclusion in TSHDA subsidy schemes for activities like re-planting and establishing nurseries.
- Enrolment in Tea Board subsidy schemes for the purchase of essential resources such as fertiliser, and for supporting activities such as irrigation, soil conservation, and mechanisation of tea lands.
- Facilitating the connection between small holders and the Tea Research Institute (TRI) to access and disseminate new tea technologies and research findings.
- Organised a visit for small holder partners from the Broadlands factory to John Keells brokers in Colombo. This visit aimed to provide small holders with a comprehensive understanding of the requirements of global clients and the expectations for Ceylon Tea quality. The purpose was to enhance their knowledge and awareness, enabling them to better meet the demands of the international tea market.

Small holder Supplier Base of TSFL for the financial year 2022/23

Factory	No. of Suppliers
Neluwa	1,413
Halwitigala	956
Hingalgoda	890
Kurupanawa	718
New Panawenna	1,387
Broadlands	1,649
Total Small Holder Supplier Base (Direct)	7,013

Secondary Suppliers

The Company's network of secondary suppliers encompasses a wide range of stakeholders, including agents, green leaf and produce transporters, fertiliser suppliers, packing material suppliers, biomass suppliers, and various service providers. They support us across the tea manufacturing process and provide other support services. These suppliers hold a crucial position within the Company's value chain, significantly contributing to the fulfilment of our strategic growth objectives.

Procurement

The Company firmly believes in the importance of supporting local businesses and fostering the sustainable development of local suppliers while contributing to the growth of the national economy. As part of this commitment, we prioritise sourcing 99% of our key materials from local suppliers across the nation. During the year under review, TSFL invested Rs. 2,880.21 Mn in procuring green leaf from small holders and collectors.

Financial Year	2023 (Rs. Mn)	2022 (Rs. Mn)	Variance %
Local Suppliers			
Green Leaf Suppliers	2,880.21	1,466.95	96%
Leaf Transporters	97.86	79.57	23%
Firewood	53.09	36.15	47%
Electricity	52.20	34.61	51%
Packing Material	31.48	15.83	99%
Produce Transport	18.29	8.88	106%
Total	3,133.13	1,642.00	91%

Supplier Assessment

Aligned with good business practices and sustainability principles, the Company has established a comprehensive supplier assessment policy to ensure that suppliers can meet the Company's stringent requirements for product and service quality. Through this policy, we evaluate suppliers based on their capability, reliability, and track record regarding regulatory compliance, health and safety standards, human rights and labour practices, and environmental standards. By conducting these assessments, TSFL can determine their eligibility to become Company suppliers and their willingness to adhere to the ethical standards and code of conduct set forth by the John Keells Holdings PLC (JKH) Group.

To ensure adherence to the Company's business and sustainability requirements, regular inspections are carried out on a random sample of suppliers as a part of our monitoring process. TSFL is pleased to report that none of our suppliers are non-compliant with the Company's policies and expectations, nor have they been cited by regulatory authorities for non-

compliance with laws. This serves as a testament to their dedication to meeting TSFL's established standards and embracing our core values, all while considering the broader operational landscape and the associated impacts.

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

Engaging with Suppliers

TSFL maintains ongoing engagement with suppliers to provide support for their business requirements and foster a mutual understanding of the Company's needs. This engagement is facilitated through various means, including face-to-face meetings, supplier site visits, regular informal and formal communications, surveys, and participation in events. These proactive measures enable effective collaboration and ensure a clear alignment of goals and expectations between TSFL and our suppliers.

During the year under review, the Company actively pursued the following engagements with our suppliers.

Activity	No. of Programs	No. of Participants
Seminars	17	1,235
Pocket Meetings	188	2,162
Field Days/Demonstrations	409	1,838
Mini Crop Clinics	172	797
Advisory Visits	1 visit each for 4,555 blocks	
Replanting Monitoring Visits	1 visit each for 380 blocks	
Small Holder Visits	1 visit each for 2,129 small holders	
Leaf Route Visits	1 visit each for 1,496 leaf routes	
Conducted pH Tests	1 test each for 2,755 fields	

SOCIAL AND RELATIONSHIP CAPITAL

Extension Services to Small Holder Partners

The Company has in place a dedicated program known as 'extension services' for all our green leaf suppliers. To support this program, TSFL has established dedicated teams, known as the 'Extension Team,' in each of our seven factories. Led by the Manager - Extension, in collaboration with the factory manager, these teams engage in regular one-on-one discussions with each supplier. In addition, transport agents, leaf societies, and leaf collectors are also utilised to facilitate effective communication. Over time, these ongoing communications have proven beneficial for both the Company and our green leaf suppliers. They have facilitated the identification of any gaps or issues, allowing the extension team to offer guidance and advice on necessary corrective actions.

Additionally, the Company's extension team consistently shares progressive developments and operational processes to enhance the business operations of our green leaf suppliers. They are actively engaged in visiting smallholders to gain insights into their concerns, challenges, and agricultural practices related to tea cultivation. Moreover, the team imparts knowledge of innovative and sustainable agricultural practices. They offer guidance on topics such as mitigating land degradation, addressing climate change impacts on tea crops, enhancing soil fertility, managing tea bushes, implementing eco-friendly weed and shade management techniques, adopting integrated pest management practices, and reducing water consumption through efficient irrigation methods. These efforts aim to improve the viability of the tea-growing lands and promote sustainable business practices among small holders. Additionally, the extension services provided by the Company encompass initiatives to enhance biodiversity on tea small holding lands by introducing resilient cultivars, capable of withstanding adverse weather conditions and pest/disease resistance. The team also focuses on best practices for preserving natural forests.

During the year under review, the Company's long-term extension programmes and projects developed over the years progressed successfully. The following table gives an overview of long-term programmes and projects under the extension services.

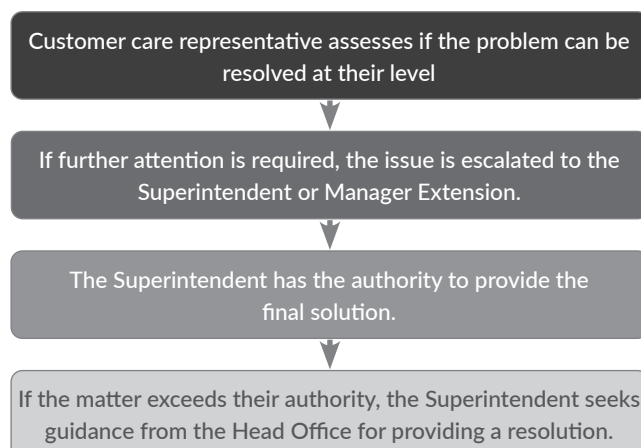
Extension Service	Programme/Project Structure	Update 2022/23
Special Projects		
Development Assistance to Tea Small holders		
Launched in 2010, this is the Company's primary extension project aimed at encouraging small holders to rehabilitate and replant unproductive land	The Company provides small holders with financial assistance at concessionary rates together with technical advice on land preparation for replanting, soil rehabilitation and crop management techniques. Fertiliser mixtures are also offered at concessionary rates, as well as several high yielding, drought and pest resistant cultivars	<ul style="list-style-type: none"> • Project 1, 2, 3,4 and 5 comprising of 165.75 acres with the participation of 245 small holders have been completed and harvesting of these lands are in progress. • Project 6 – comprising of 25.75 acres with the participation of 38 small holders. Planting was completed during 2019. This is in the 4th year upkeep phase. • Project 7 - commenced in 2018/19, where 22 acres has been identified for replanting with the participation of 33 small holders. Planting was completed by end March 2021. This is in the 3rd year upkeep phase. • Project 8 - commenced in 2019/20, where 22 acres have been identified for replanting with the participation of 30 small holders. Planting was completed by end of March 2022. This is in the 2nd year upkeep phase. • Project 9 – commenced in 2021/22, where 20 acres have been identified with 28 small holders. Planting was completed by end of March 2023. • Project 10 – commenced in 2022/23, where 23 acres have been identified with 27 small holders. Planting to be completed by end March 2024.

Extension Service	Programme/Project Structure	Update 2022/23
Infilling Programme		
Launched in 2015 to complement the replanting programme, the aim of the programme is to infill tea plants in vacant blocks and bring into bearing in a shorter period	The Company provides small holders with nursery plants on an easy payment scheme to fill vacant areas. This project is carried out to consolidate productivity of mature tea blocks of small holders	A total of 17,200 plants have been infilled at 17 small holder blocks in 2022/23. Extent planted was 4.50 acres.
Soil Testing Services		
Launched in 2008/09 the aim of this service is to help small holders to maintain soil health and manage land in a sustainable manner	The Company's extension team conducts frequent analysis of soil pH values on small holder lands, followed by the distribution of Dolomite to ensure adequate soil enrichment	2,161 soil samples were tested and 115.95 MT of Dolomite was distributed towards correcting the PH values
Crop Clinics		
Launched in 2011/12 the aim of this service is to transfer expert knowledge on good agricultural practices in collaboration with the Tea Research Institute (TRI), Tea Small Holdings Development Authority and suppliers of fertiliser	The Company's extension team conducts periodic crop clinics at small holder lands to pass on the knowledge on good agricultural practices	172 mini crop clinics were conducted for 851 green leaf suppliers
Financial Assistance		
Launched in 2010, the aim is to support long standing green leaf suppliers / small holders to develop their lands or expand their operations	The Company provides financial assistance in the form of loans to rehabilitate their lands and purchase planting material whilst grants on fertiliser is given	Following loans were granted during the year Replanting Loans – Rs. 4.62 Mn Short Term Loans – Rs. 16.13 Mn Infilling Loans – Rs. 1.81 Mn

Handling Grievances of Small Holder Partners

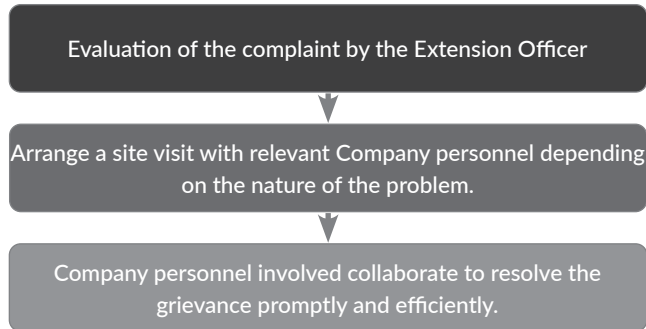
TSFL has established a structured process to address any issues or concerns raised by our small holder partners. This process ensures that every grievance is given proper attention and resolved effectively thereby building more trustworthy relationships with our key suppliers.

The grievance handling process when small holders contact the customer care personnel is explained below;



SOCIAL AND RELATIONSHIP CAPITAL

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



Through these well-defined processes, TSFL ensures that the concerns and issues of our small holder partners are addressed promptly, fostering a strong and mutually beneficial relationship.

Customer Relationships

Establishing and maintaining strong relationships with our customers and tea brokers is a vital aspect of the Company. Tea brokers play a crucial role as intermediaries between the Company and the customers, possessing valuable insights into customer preferences and market trends. They actively promote the unique selling points of the TSFL tea factories and the made tea produced.

Given that tea brokers typically cater to a global clientele, the emphasis is on transparency and ethical business practices, product traceability, product quality, responsible manufacturing operations, and sustainable tea production is of paramount importance. The Company is committed to upholding these values by maintaining fair and competitive pricing, promoting sustainable agricultural practices amongst tea small holders, ensuring unwavering product quality, and adhering to industry standards and regulations.

In addition to working with tea brokers, TSFL engages directly with a select group of local customers to distribute and promote our made teas in the local market. This allows for a closer relationship and a better understanding of local market dynamics, consumer preferences, and specific needs.

During the financial year under review, TSFL extended invitations to customers and tea brokers to visit our manufacturing facilities, aiming to provide them with a deeper understanding of the tea production processes and to showcase the exceptional standards maintained in our factories. As part of this initiative, a group of long-standing customers visited several of our factories.

Customer Relationship Management

Customer Health and Safety

ISO 22000:2018 Food Safety Management System Certified

No instances of non-compliance regarding the health and safety impacts of the Company’s products were reported for the year ended 31st March 2023. TSFL maintained a strong commitment to ensuring the well-being and safety of our customers through established hygiene procedures and manufacturing quality standards in 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. TSFL upheld stringent measures to safeguard customer privacy and protect sensitive information.

TSFL has implemented an effective customer relationship management process to actively engage with customers and tea brokers to comprehend their specific needs and strive to surpass their expectations, particularly in terms of product quality. By ensuring their satisfaction, TSFL can command higher prices and achieve improved financial returns. Moreover, maintaining positive relationships with customers and tea brokers is instrumental in building trust, fostering loyalty, and ensuring repeat business.

To accomplish these objectives, TSFL engages in regular and proactive communication, promptly addressing inquiries, and providing accurate and timely information about their teas. This facilitates the Company in meeting customer requirements through customised tea blends, tailored packaging, and personalised services. With these well-established relationships, TSFL also gains valuable insights into market trends, consumer feedback, and fluctuations in demand, enabling the Company to adapt strategies to effectively respond to current and evolving market developments.



Community Relationships

Community relations are of utmost importance to TSFL due to the close interdependence between our business operations and the surrounding communities. These communities are home to our employees, suppliers, and other business partners, making it crucial for us to support their empowerment and upliftment, thereby adding value to the nation as a whole.

By fulfilling our social responsibility and actively engaging in community relations, the Company not only builds a positive reputation and enhances our brand image but also fosters a sustainable supply chain through trust and cooperation with tea small holders and growers, ensuring a steady supply of high-quality tea leaves. Moreover, our support and investment in local communities contribute to their economic development by creating jobs, generating income, and promoting the growth of local businesses.

Through collaboration with communities in environmental conservation efforts, we encourage sustainable farming practices, protect natural habitats, and contribute to a more environmentally conscious tea industry. Ultimately, positive community relations help shape consumer perception and foster brand loyalty, especially as today's sophisticated global tea drinkers appreciate and reward companies that demonstrate social and environmental responsibility.

An important aspect that positively impacts the communities is the Company's practice of recruiting individuals from neighbouring villages to work at our factories. During the year under review, 11 interns were carefully selected to join the TSFL family and gain valuable experience in the manufacturing operations of our business. Many of them were selected from small holder partner families. This initiative not only provides employment opportunities but also offers individuals the chance to learn and develop skills within the tea industry. By actively involving community members in our workforce, we contribute to the local economic development and foster a sense of pride and engagement amongst the residents.

Community Projects and Engagements

During the financial year under review, TSFL coordinated and executed over 20 projects and initiatives aimed at making a positive impact on the communities surrounding our business operations. These annual programmes were carefully designed to contribute to the betterment and upliftment of these communities, showcasing our commitment to their well-being and development.

- Conducted dengue awareness programmes at Neluwa and New Panawenna factories to educate residents on preventive measures against the disease.



- As part of the Company's efforts to support education, the Hingalgoda factory donated books to the "Dahampasala" and all seven factories distributed school stationery to children of small holder partners at discounted rates.



- Organised health camps at Halwitigala and Neluwa factories, providing essential medical services to the community.



- Organised a full-day seminar for grade five scholarship students from all four factories in the Galle district, aiming to support their educational journey



SOCIAL AND RELATIONSHIP CAPITAL

- Organized a English language scholarship programme by all four factories of Galle region along with John Keells Foundation.



- Children's day celebrations at Havwitigala tea factory.



- Mahogany planting project held at Kurupanawa & New Panawenna factories.



Relations with Government and Regulators

TSFL maintains positive and collaborative relationships with government bodies and regulators in the tea industry, prioritising compliance with laws and regulations for ethical practices and sustainability. The company actively engaged with officials and agencies to stay updated on industry rules and regulations and changes thereto, to ensure full compliance. TSFL also fosters open communication, participating in consultations and sharing insights to contribute to a robust and sustainable tea industry.

Additionally, the Company cooperates with government authorities on environmental sustainability, land management, and biodiversity conservation, aligning our practices to implemented standards and guidelines, and participating in relevant initiatives. These positive relationships demonstrate TSFL's commitment to responsible business practices and support the long-term growth of the tea manufacturing industry.

Future Plans

The significance of social and relationship capital as a valuable asset for creating value will continue into the future, playing a crucial role in driving the sustainable growth and performance of the Company. Accordingly, TSFL's primary focus will be on sustaining our green leaf suppliers, especially small holder partners by providing value-added services to support sustainable agricultural practices and environmentally friendly approaches. The Company's extension services to small holders will remain a priority in the coming years and beyond.

Recognising the importance of strong customer relationships for the Company's continued success we will focus on building exceptional customer services, personalised experiences, and timely deliveries, while maintaining enduring connections with both tea brokers and direct customers.

The satisfaction of community members will also remain important, and TSFL will strive to maintain community engagement and collaboration while implementing corporate social responsibility (CSR) projects. The Company will actively participate in community development initiatives and establish partnerships with local organisations to make positive contributions.

TSFL will also continue to collaborate with government bodies, regulators, and other industry associations to leverage collective expertise and address shared challenges effectively.

By fostering these robust connections and partnerships, TSFL aims to enhance its social reputation, build trust, and contribute to the sustainable growth of the tea industry.



HUMAN CAPITAL



At the heart of the Company's value-creation process lie our employees, who serve as a cornerstone for achieving our objectives and ensuring the smooth and efficient operation of our manufacturing facilities. TSFL is committed to creating a work environment that not only supports and nurtures our workforce but also encourages their growth and development.



2,711

TOTAL TRAINING MAN HOURS



Rs. 2.6 Mn

INVESTMENT IN EMPLOYEE
WELFARE ACTIVITIES



Rs. 3.8 Mn

INVESTMENT IN TRAINING AND
DEVELOPMENT

HUMAN CAPITAL

MANAGEMENT APPROACH

TSFL takes a unified approach to human capital management (HRM) to create value for employees across multiple aspects of HRM. We have in place an equitable and fair system for attracting and retaining talent and promoting employees based on their qualifications and experience, and their ability to fulfil job roles to deliver expected results. The Company ensures all employees across our operations are treated fairly and given equal opportunities to flourish and advance in their careers. To achieve this, we have implemented a structured training and development programmes that helps employees stay up to date with the latest developments in their respective areas of interest and expertise.

The Company has a zero-tolerance policy towards workplace discrimination, and our organisational culture is designed to promote diversity and equal opportunities. As many of our employees come from underprivileged communities, we prioritise their wellbeing and ensure that they are taken care of. Furthermore, the Company places significant emphasis on the health and safety of our employees, and we have established robust systems and procedures to ensure their good health while on the job. To support our efforts, the Company is certified for the ISO 45001:2018 Health and Safety Management System which guides us in implementing optimal health and safety systems in our manufacturing operations thereby enhancing worker safety and health programmes of the Company.

Respecting Human Rights

TSFL is committed to respecting and protecting the fundamental rights and freedom of our employees, small holder partners, suppliers, other stakeholders, and the communities within which we operate. This includes the right to fair and equitable treatment, non-discrimination, and freedom of association.

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.

We recognise that our employees are a vital source of competitive advantage for our business, and we view them as our partners who work within a defined governance framework, corporate policies, systems, and processes. As a member of the John Keells Holdings (JKH) Group, the Company strictly adheres to the Group’s code of conduct and business ethics requirements to create sustainable human capital value.

TSFL acknowledges the contributions of our employees, who invest their belief, trust, knowledge, and experience in helping the Company achieve its business goals and expansion strategies. In response, we invest in various aspects such as training and development; employee health, safety, welfare, and well-being; career progression; and fair remuneration, thereby supporting the overall growth of our workforce while creating sustainable long-term value for them.



TSFL Human Rights Policies

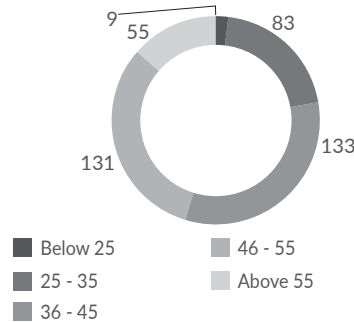
- The Company does not use child or forced labour in any operations or facilities and does not tolerate any form of unacceptable treatment of workers, including the exploitation of children, physical punishment or abuse, or involuntary servitude.
- The Company fully respects all applicable laws establishing a minimum age for employment, to support the effective abolition of child labour worldwide.
- The Company respects the employees' right to choose to join or not join a trade union or to have recognised employee representation in accordance with local Law.
- The Company offers equal employment opportunities and promotes diversity, ensuring that all employees are treated with respect regardless of their background. This includes the commitment towards the elimination of discrimination based on gender, race, class, economic status, ethnic background, sexual orientation, age, political beliefs, marital status or any other status protected by law.

Workforce Profile

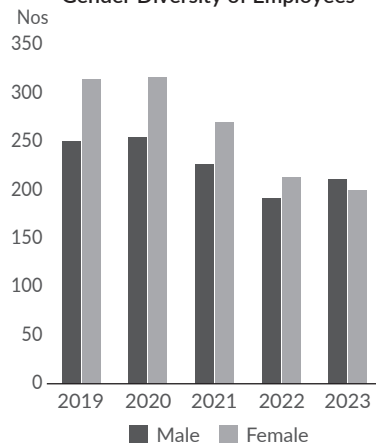
TSFL has a workforce of 411 highly motivated individuals who have come together to lay the foundation for the Company's responsible and sustainable growth. Most of our employees are employed by the Company's manufacturing operations and work at our factories in the Galle, Nuwara Eliya, and Rathnapura Districts. Accordingly, the Company prioritises recruiting local talent from the communities surrounding our factories, aiming to contribute to their personal growth while supporting the development of these communities.

During the year under review, the Company hired 16 employees, who were Sri Lankan nationals. Over 90% of these employees were hired from local communities. The Company maintains a nearly equal gender representation, with a split close to 50:50.

Age Breakdown of Workforce



Gender Diversity of Employees



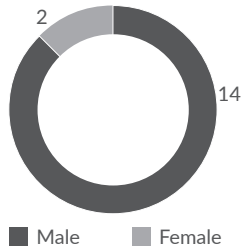
Attracting and Retaining Employees

To create long-term value for human capital, one of the Company's primary strategies is to both attract and retain a dedicated workforce. This enables us to gain a competitive edge by bringing fresh ideas, innovations, and perspectives to our business operations while retaining experienced and knowledgeable employees who can lead the Company's sustainable business growth. The benefits and opportunities we offer to our employees distinguish TSFL as a desired employer, setting us apart from our competitors. Our HRM systems and processes are specifically designed to achieve our objectives and provide value across all aspects of the employee value proposition while ensuring sustainable business growth and improved productivity.

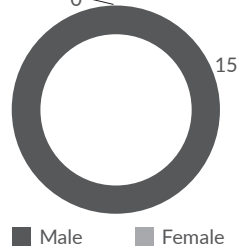
Implemented the pioneering parental leave policy of the John Keells Group, which extends 100 days of parental leave for both males and females, at the birth or adoption of a child. This policy ensures fairness and acknowledges the significance of both parents' involvement in early childcare.

HUMAN CAPITAL

Recruitments - Gender Representation



Attrition - Gender Representation



TSFL's commitment to diversity, equity, and inclusion is reflected in our adoption of gender-neutral language and improved accommodations for individuals with disabilities as part of the 'ONE JKH' program.

Rewards and Recognition

The Company provides a competitive pay structure based on market benchmarks and applicable collective agreements and minimum wage policies. The remuneration package includes various benefits such as medical and life insurance policies, indoor medical schemes, annual ex gratia payments, meals, staff tea allowance, uniforms, provision of accommodation and utilities for factory employees residing away from the operations, free medical screening, and rest rooms for workers.

All employees	Executives and above grades	Non-Executives and staff members	Employees not from the immediate vicinity of the factory
<ul style="list-style-type: none"> • Annual ex gratia payments • Free medical screening • Retirement benefit plan 	<ul style="list-style-type: none"> • Medical and life insurance policies • Vehicle loans (AM and above) • Mobile phones • Tea allowance • Transport when required • Safety and security • Information Technology and accessibility 	<ul style="list-style-type: none"> • Rest rooms for Male/Female workers • Indoor medical schemes • Meals • Tea allowance • Uniforms • Transport 	<ul style="list-style-type: none"> • Residential facilities with water and electricity • Uniforms • Welfare facilities • Insurance • Transport • Tea allowance

The Company annually reviews the existing pay and benefits structure to ensure alignment with market norms and collective bargaining regulations. As a member of the JKH Group, employees have access to the Group's reward and recognition framework, including the Chairperson's Award, which recognises high-performing individuals who have made significant contributions while demonstrating the Group's values.

The Company holds an annual awards and recognition programme where top performers are acknowledged for their dedication and hard work. In addition, Bravo Certificates are given to employees for their special contributions to projects, a certificate is given to employees who passed their evaluation for the food safety and health and safety management systems, and attendance certificates are given to Extension Officers in TOT.



Performance Evaluation

The Company has implemented a comprehensive performance evaluation system for all employees to assess their potential for career advancement and development. This system is a critical component of the Company's employee retention strategy and evaluates employee performance based on pre-established criteria. At the beginning of each financial year, Key Performance Indicators (KPIs) are collaboratively established between employees and their supervisors to track progress and address any deviations. This ongoing engagement helps to clarify expectations, while the annual performance review process determines appropriate rewards and identifies specific training needs. The performance review process is available to all executive-level employees and above.

Career Growth Prospects

Career growth prospects encompass the chances and potential for an employee to progress in their career within the Company through promotions, added responsibilities, and salary increments. The Company has in place a system that identifies employees who are capable of handling more responsibilities and taking on higher levels of work based on their performance evaluation outcomes. Furthermore, TSFL is establishing a leadership pipeline by identifying competent employees suitable for taking on top management positions within the Company. These measures support increased employee satisfaction, retention, and motivation and enable us to attract and retain high-performing employees.

Training and Development

Developing and training employees is a top priority for the Company as it adds significant value to our operations. We ensure that all training programs are conducted professionally, with employees receiving full benefits. The Company's performance evaluation supports the identification of suitable training opportunities for employees at all levels. Moreover, the Company offers technical training to employees when new technologies or automation systems are installed to ensure that they can carry out their work effectively and responsibly.

Training programmes are designed to improve soft skills, enhance knowledge and know-how, and keep employees up to date with new developments in their respective fields. The training programmes are delivered through internal and external channels, including professional workshops and seminars that employees can attend. In addition, new employees are provided with on-the-job training opportunities to help them integrate into their roles effectively.

During the year under review, TSFL invested in a range of training programs for employees covering health and safety, fire safety, first aid, food safety, energy management, sustainability agriculture, and other areas. The Company also offered advisory and extension training, PH testing training, residential training, and cloud-based training on Azure. Additionally, the Company conducted training and awareness programs on business continuity plans, general safety, and female hygiene across all operating locations of the business.

Key Highlights	2023	2022	Variance %
Total training man hours	2,711	3,348	-19%
Average hours of training per employee	6.09	8.29	27%
Total No. of Training Programs	125	118	6%

Employee Relations

The Company's culture of diversity, honesty, and respect is supported by its mutually respectful and trustworthy relationships with employees, which in turn enables TSFL to create greater human capital value. This approach supports the Company's values of caring for its people, working together, and acting with integrity and honesty while promoting a culture of mutual respect. The Company is open to employees joining trade unions and engaging in collective bargaining agreements, without any restrictions. TSFL is dedicated to complying with all relevant laws and regulations while engaging with employee union representatives.

Grievance Handling

The Company has established a formal grievance process that is available to all employees to report any concerns that arise during their employment. The grievance mechanism is compliant with the formal procedures of the JKH Group and ensures that employee concerns are addressed promptly in line with established processes. Additionally, the 'Chairperson Direct' channel is a confidential whistle-blower mechanism that allows employees to report any concerns about unethical behaviour or perceived violations of JKH Group values directly to the Chairperson, and these complaints are investigated via a select committee under the Chairperson's direction.

If an employee is not satisfied with the outcome of the select committee, they can 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, after which the Ombudsperson's duties end.

HUMAN CAPITAL

Employee Health and Safety

The Company fosters a safe and healthy working environment by promoting a culture of safety and wellbeing for employees. The implementation of health and safety plans ensures that employees are protected while at work. To this end, the Company has taken a proactive approach by subscribing to the OHSAS 18001 certification, a globally recognised standard for workplace safety, in all seven of the TSFL factories. This certification provides guidelines and processes to ensure the safety of employees without compromise. Additionally, the Company's membership in the Ethical Tea Partnership (ETP) offers further guidelines and best practices to strengthen safety protocols and measures.

The Company conducted several programmes in the year under review to ensure the health and safety of employees, including a health camp, a vision check-up programmes, a dental clinic, and investigations for breast and cervix cancer.

During the financial year under review, there were 4 reported incidents of accidents or injuries at our factories.

Key Highlights	2023	2022	2021	2020	2019
No. of work-related injuries	4	5	Nil	5	5
Loss of days due to work-related injuries	53	33	Nil	238	56
Injury rate	0.97%	1.24%	Nil	0.88%	0.88%
No. of work-related fatalities	Nil	Nil	Nil	Nil	Nil
Incidents of Occupational Diseases	Nil	Nil	Nil	Nil	Nil

Employee Well-being

The Company takes a comprehensive approach to employee well-being, catering to the specific needs of different teams and departments. We consider several aspects of the work environment such as promoting good relationships, maintaining cleanliness, and respecting inclusivity. Our efforts also include providing flexible work arrangements that accommodate personal and home needs, offering health and wellness benefits, encouraging breaks, providing growth opportunities, and promoting open communication.

The Company has implemented specific measures to support employee wellbeing, such as promoting healthy lifestyles and offering residential quarters and related amenities for employees who live far from our business operations. Additionally, non-executive employees at the factories are provided with meal and tea allowances, as well as uniforms.

Furthermore, in response to the economic and financial crisis and the sudden rise in the cost of living during the year under review, TSFL provided dry rations and hygiene products to our employees as a form of support.

TSFL's goal is to create a workplace environment that fosters a sense of belonging and supports the physical and mental health of employees, ultimately leading to a motivated and satisfied workforce.

Employee Engagement

The TSFL corporate values emphasise the importance of ensuring the satisfaction of our employees. We provide numerous opportunities for employees to engage and interact with management and supervisors, and we strongly believe in maintaining an open-door communications policy.

During the year under review, the Company organised various events and programmes to strengthen employee engagement, team building, and camaraderie. These included celebrations for International Women's Day and International Children's Day, blood donation campaigns, cricket tournaments, staff and workers trips, and religious ceremonies.

Additionally, TSFL motivates employees to take part in Company sponsored CSR initiatives, such as health camps and programmes for forestry and tree planting for them to further integrate with the Company's values.

Future Plans

To prepare for the future and maintain a competitive edge in the market, the Company will concentrate on enhancing HRM operations and creating greater value for our employees. This will be done by continuing to prioritise safety, health, and wellness; ensuring maintaining a diverse and inclusive workforce; and focusing on employee development by offering more training and development programmes.

TSFL's emphasis for the forthcoming year is to improve employee engagement and motivation by implementing various programmes, such as outbound training for operational-level employees, arranging motivational workshop sessions, and conducting other motivational programs for the factory team. The Company will also increase investments in training and development for both operational and administrative employees, to enhance their skills and knowledge and create greater value for both human and intellectual capital.

In the long term, the Company will also explore the adoption of systems and processes that automate routine HRM tasks. This will enable us to leverage technology to increase efficiency within our business operations and enable employees to focus on value-adding tasks, fostering their professional development and allowing them to undertake more valuable responsibilities.



NATURAL CAPITAL



At the heart of the Company's approach to managing the impact of our tea manufacturing operations on scarce natural resources and the environment, there is a foundation built upon identification, measurement, monitoring, and mitigation.



28,491 GJ

ENERGY USAGE
YOY Decrease by 8%



0.44

CO₂e Per ton of MT
YOY Increase by 4%



8,773 m³

WATER CONSUMPTION
YOY Decrease by 1%

NATURAL CAPITAL

MANAGEMENT APPROACH

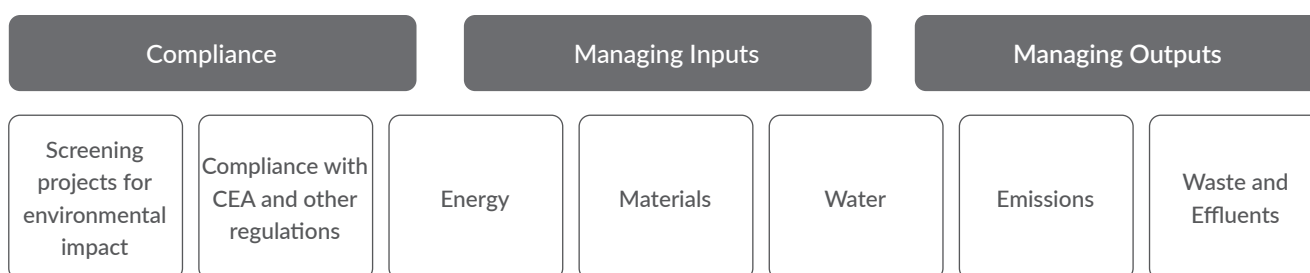
TSFL places a high priority on creating natural capital value in our operations by prioritising environmental sustainability and natural resource conservation in our business strategies, processes, and systems. This is reflected in the way we intrinsically integrate identification, measurement, monitoring, and mitigation of our impact on the environment into our strategic planning process. This proactive approach ensures that we consider key environmental sustainability factors in our business strategies at every stage.

To guide us in this effort, the Company has in place an environmental management policy and framework which directs on compliance aspects, as well as the management of inputs and outputs within our business value chain.

Environmental Impact of Our Product

The Company's black tea is both eco-friendly and non-toxic, and poses no environmental hazards or risks due to its biodegradability.

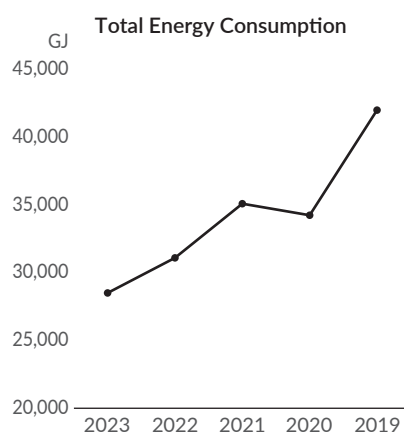
Environmental Management Framework



Material aspects of environmental sustainability include the reduction of water usage, non-renewable energy consumption, and materials used while optimising waste management and minimising our impact on climate change. Our efforts align with our final goal of reducing the carbon footprint of our factories and business operations.

We also follow global best practices in operating our business and aspire to contribute to specific Sustainable Development Goals (SDGs). Our adherence to voluntary global certification requirements has been successful in enabling us to continually improve our processes and operations, minimise our impact on the environment and the use of scarce natural resources, and preserve biodiversity on our estates.

Source of Energy	Unit of Measurement	2023	2022	2021	2020	2019
Electricity from the National Grid	kWh	2,089,626	2,332,133	2,660,572	2,818,807	3,027,987
Biomass	Cubic metre	16,755	19,088	21,950	19,531	21,367
Diesel used for Generators	Litres	55,774	41,334	39,626	40,705	38,000
Diesel used for Transportation	Litres	60,380	56,544	56,339	84,263	90,058
Petrol used for Transportation	Litres	1,224	1,314	1,085	1,088	1,779



COMPLIANCE

TSFL strives to align all projects and operations with the Company's Environmental Management Policy (EMP), which has been designed to comply with the standards established by the Central Environmental Authority (CEA), the guidelines set forth by the Ethical Tea Partnership (ETP), and the certification criteria of the Rainforest Alliance (RA). Through our EMP, we have established a framework to monitor and evaluate our environmental performance, which enables us to continually enhance our environmental efforts.

Energy Conservation

The Company obtains energy from various renewable and non-renewable sources such as electricity, biomass, diesel, and petrol. Energy is a vital part of our natural capital and a significant cost factor for our tea production, accounting for about 17% of our manufacturing expenses. The Company is duly aware of the importance of reducing our energy consumption by adopting sustainable practices and procedures in our manufacturing process and investing in equipment and machinery that are energy efficient and increase the use of renewable or alternative energy sources. TSFL is pleased to note that 59% of our total energy demand was met by renewable energy sources during the year under review.

To minimise our energy usage, Emission, and reduce our carbon footprint, the Company consistently invests in equipment and machinery that helps regulate our energy consumption. We also monitor the manufacturing process to identify areas that require more energy and prioritise them for switching to renewable or alternative energy sources or more efficient methods. Over the years, we have invested in and implemented many initiatives leading to reduced energy usage in our factories.

Emissions Control

Although the Company's manufacturing operations generate emissions, TSFL has employed various control measures to mitigate these impacts. These measures include utilising renewable energy sources, employing energy-efficient machinery, maintaining equipment regularly, implementing waste management programs, monitoring, and tracking energy usage and emissions, and sharing knowledge on adopting sustainable agricultural practices with our small holder partners. The Company has been incorporating these measures into our tea manufacturing process and other operations to reduce environmental impact and improve environmental performance.

initiative	Location	Completion Level
Rehabilitation of aging drier furnaces to improve the output	All six Factories	80%
Replace aging colour sorters with state-of-the-art, energy efficient colour sorters, which are equipped with enhanced cleaning capabilities	Halwitigala 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)	Halwitigala Tea Factory	100%
Replacing fluorescent bulbs with energy efficient LED bulbs	All six Factories	90%
Rehabilitation of withering trough to improve the energy efficiency of the withering process	Neluwa/ New Panawenna Tea Factories	100%
Automation of tea rolling process to minimize the machine idling time whilst generating a labour saving	Broadlands Tea Factory	80%
Automation of withering leaf collection process to minimize the machine idling time whilst generating a labour saving	Hingalgoda/ Kurupanawa/ Broadlands Tea Factories	100%

NATURAL CAPITAL

initiative	Location	Completion Level
Replace old leaf transport lorries with fuel efficient Bolero trucks which can be operated with a minimum maintenance cost	New Panawenna/ Hingalgoda Tea Factories	100%
Modification of leaf transport lorry to facilitate the transportation of leaf through plastic crates to reduce the leaf damages and to increase the maximum load	Halwitigala Tea Factory	100%

As a result, the Company's carbon footprint during the financial year ended 31st March 2023 was 0.44 kg of CO₂e per ton of tea produced, showing the effectiveness of the Company's energy management initiatives.

Energy Intensity Monitoring

The Company has implemented monitoring processes for energy usage at all our factories for key energy sources - electricity, firewood, and fuel. During the year under review, the lower production levels supported reduced energy usage. However, the Company has in place many best practices directed at reducing energy usage which has resulted in our energy consumption per kilogram of production decreasing year-on-year. This is an indication of the success of TSFL's efficient and effective energy management initiatives.

	2023	2022	Variance %
Renewable sources - Biomass (GJ)	16,864	19,212	-12%
Non-renewable sources (GJ)	11,627	11,863	-2%
Electricity (GJ)	7,523	8,396	-10%
Diesel (GJ)	1,952	1,447	35%
Diesel - Transportation (GJ)	2,113	1,979	7%
Petrol - Transportation (GJ)	39	41	-6%
Direct Energy Consumption (GJ)	28,491	31,075	-8%

Electricity Intensity	Firewood Intensity	Fuel Intensity
<p>The Company relies mainly on electricity supplied by the National Grid and only uses self-generated electricity from generators as a backup. During the year under review, the Company's total energy consumption decreased primarily because of lower production levels and scheduled power outages implemented by the government to conserve fuel due to national shortages.</p> <p>Electricity intensity increased to 0.85 kWh per kg of black tea produced for the financial year ended 31st March 2023.</p>	<p>The Company primarily uses firewood as a source of energy for tea leaf driers and is evaluating the possibility of using biomass as an alternative to firewood at all factories. Reduced production levels adversely impacted biomass usage during the year under review. The Company has implemented measures to minimise the usage by increasing operational efficiency through firewood output improvements.</p> <p>Firewood intensity decreased to 147 kg of black tea made per m3 of fuel wood consumed during the financial year ended 31st March 2023.</p>	<p>The Company uses fossil fuels such as diesel to transport green leaf to the factories and to operate generators. During the year under review, the quantity of diesel used for the transportation of green leaf was reduced due to lower production. However, diesel used for operating generators increased significantly due to the planned power outages between March and November 2022.</p> <p>Fuel intensity reduced to 21 during the financial year ended 31st March 2023.</p>

Materials Usage

The Company relies on green leaf purchased from small holder partners as the primary raw material for its black tea production. To ensure sustainability in the sourcing of this material, the Company follows Rainforest Alliance (RA) standards, which offer new techniques and processes for safeguarding biodiversity and promoting sustainable agriculture practices among suppliers.

The Company's procurement policy requires suppliers to adhere to sustainable business practices and considers these practices when evaluating suppliers during the material purchase process. The policy places particular emphasis on small holder partners who provide green tea leaf, requiring them to adhere to sustainable plantation concepts.

Additionally, to encourage sustainable practices among small holder partners, the Company provides extension services that promote Good Agricultural Practices for soil enrichment and management, while minimising the use of agrochemicals to prevent land degradation. Our "Development Assistance to Tea Small Holders" programmes, which began in 2010, provides funding and guidance to rehabilitate and replant unproductive tea lands owned by small holders.

For more information about TSFL's extension services refer to the Social and Relationship Capital Report on pages 46 to 54 .

Tea packaging is another essential part of the tea manufacturing process. The Company is committed to using only environmentally friendly and sustainable packaging materials, such as those that are biodegradable or recyclable.

The Company uses firewood as a fuel source for the tea leaf driers. The use of firewood as a fuel source is common in many tea factories and is considered a traditional method. However, the Company is evaluating the possibility of using alternate and sustainable fuel sources such as biomass briquettes, to reduce its reliance on firewood and mitigate any negative environmental impact.

Materials	2023	2022	2021	2020	2019
Green Leaf (Kg)	12,070,124	14,465,112	17,708,491	16,785,139	18,222,971
Packing Materials (No. of bags)	67,377	159,537	115,321	112,369	107,320

Water Management

The Company's manufacturing process involves minimal and indirect use of water, as it is primarily utilised for the humidification of the rolling room, which accounts for only 20% of the total water consumed by the Company. The remaining water is mainly used by employees and for cleaning purposes. TSFL's water supply is sourced from the groundwater using deep wells. As water is a limited resource, the Company promotes responsible water usage and adopts practices to minimise water consumption.

Waste and Effluents Management

Wood Ash Waste

To maintain an optimum level of waste generation, the Company employs several measures. These include achieving higher combustion efficiency by using dry and split fuel wood, conducting preventive maintenance on the driers, and controlling flue gas temperatures and excess air. Wood ash is disposed of through controlled landfilling.

The Company demonstrates a high level of responsibility in managing waste and effluents that arises from the manufacturing process by adhering to the guidelines of the Central Environmental Authority (CEA) of Sri Lanka; and by implementing sustainable best practices for minimising environmental pollution. To achieve this, TSFL avoids disposing of waste in open dumps and by burning, and effluents are released into the soakage pits in all the Company's tea manufacturing facilities.

Additionally, waste is segregated, and recyclable materials are sent for recycling. Organic waste produced in our factory operating locations is disposed of in landfills. The Company ensures that no effluents escape into natural waterways or other lands in their raw form by having installed secure processes for effluent releases and management. TSFL encourages employees to adopt the "reduce, reuse, and recycle" concept whenever possible.

As part of the John Keells group, the Company participates in the Plastic recycle project to reduce plastic waste and promote recycling, adopting, and promoting the 5R concept to display good practices in plastic usage.

NATURAL CAPITAL

Climate Change

The impact of climate change has been a continuing concern for TSFL and the tea industry as it impacts both tea production and the quality of the green leaf. Additionally, operating in the tea industry means that the Company's operations could also influence climate change factors which cause erratic weather conditions, rising temperatures, droughts, and loss of biodiversity.

The Company's commitment to minimising the impact of climate change is reflected in our Forestry Project, which seeks to increase forest cover in areas where TSFL operates. During the year under review, as part of our continuing efforts to reverse any negative impact from our operations and to contribute to the reduction of climate change effects, the Company planted 1,200 Mahogany trees in New Panawenna and Kurupanawa factory premises during the year under review.

For more information on our extension services, replanting program, and forestry project, refer to the Social and Relationship Capital Report on pages 46 to 54.

The Company maintains a steadfast dedication to implementing sustainable business practices that mitigate the depletion of natural resources and counteract the detrimental impacts of climate change on the environment, thus contributing towards preserving a sustainable world for future generations.

Preserving Biodiversity

Preserving biodiversity is a significant focus for TSFL as the Company recognises the potential environmental and ecosystem impacts of tea plantations and other manufacturing operations. The Company is committed to safeguarding natural habitats and preventing their conversion into tea plantations through close collaboration with industry regulators and tea small holders. We actively promote the adoption of sustainable land management practices among our tea small holder partners to reduce soil erosion, preserve soil quality, and minimise the use of agrochemicals. TSFL also educates our tea leaf suppliers on the implementation of integrated pest management practices to minimise pesticide usage and follow nature-friendly practices. By implementing these comprehensive measures, TSFL endeavours to contribute to biodiversity preservation, mitigate environmental impacts, and ensure the long-term sustainability of business operations.

At the New Panawenna factory site, a noteworthy initiative was undertaken to plant Mahogany trees, while at the Kurupanawa factory site, Mahogany and Halmilla trees were planted. This reforestation effort demonstrates the Company's commitment to environmental sustainability and conservation. By planting these trees, we contribute to the preservation of biodiversity, promote ecological balance, and support the long-term health of the surrounding ecosystems.

Future Plans

The Company's dedication to environmental sustainability and responsible use of natural resources is a fundamental aspect of conducting a sustainable business. Therefore, natural capital management will always remain a priority for the Company, and we work towards continually reducing natural resource usage and minimising the negative impact of made tea manufacturing operations on the environment.

For the forthcoming year, TSFL plans to reduce water usage in the manufacturing process by harvesting rainwater. This will enable the Company to reduce its dependency on the renewable water sources of nearby streams and increase our water conservation efforts. In addition, the Company is evaluating the feasibility of introducing rooftop solar power generation to reduce energy usage and carbon footprint. The Company is proactively seeking alternative sources of firewood to reduce its usage in the tea leaf driers. Its objective is to explore cost-effective and efficient substitutes that can either replace or reduce the use of firewood. In addition, the Company is conducting research to identify more sustainable ways of using dry and wasted firewood as a renewable energy source, rather than relying on petroleum products, as part of its broader sustainability initiatives.

TSFL is committed to maintaining its natural capital management and monitoring processes and making improvements as necessary to achieve its goals. TSFL will focus on daily monitoring of energy use for every kilogram of tea produced, with ongoing efforts to reduce consumption. Additionally, the Company will closely monitor waste generation and implement measures to reduce inefficiencies and promote the reduce, reuse, and recycle concept.



INTELLECTUAL CAPITAL



The Company has over time built a wealth of intellectual capital value drivers which have propelled our operational excellence and given us a competitive advantage. Our unwavering commitment to continuous learning and embracing organisational change allows us to create greater brand awareness and remain steadfast in our efforts to build a sustainable business.



Rs. 1,601.02 Kg

GROSS SALE AVERAGE
YOY Increase by 138%



+75 Years

SENIOR MANAGEMENT
EXPERIENCE



QUALITY STANDARDS

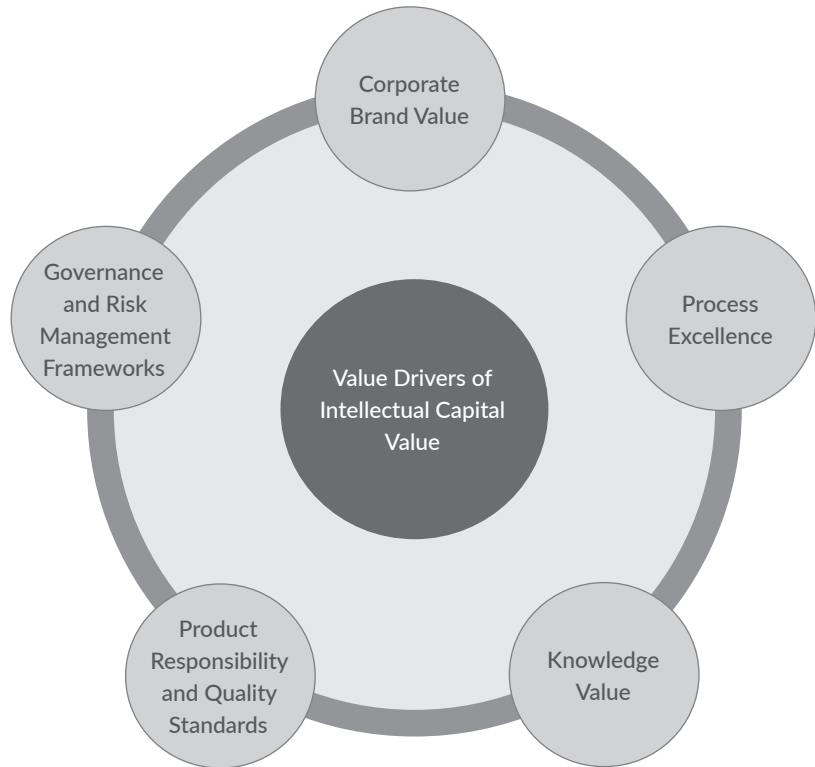


INTELLECTUAL CAPITAL

MANAGEMENT APPROACH

TSFL integrates specific mechanisms to develop and improve our intellectual capital creating greater value for our stakeholders and supporting sustainable business growth. The cornerstone of our intellectual capital is founded on the Company's corporate values, unique systems and processes, quality standards and our commitment to product responsibility, experienced leadership and management teams, and governance and risk management frameworks. Although these components were developed independently, they collaborate seamlessly to generate consistent intellectual capital value for stakeholders.

The Company regularly invests in intellectual capital to foster a distinctive culture and create brand value which supports our efforts to distinguish our products in the market. TSFL collaborates with our stakeholders to strengthen these intellectual capital assets while simultaneously optimising and creating derived value from our intellectual capital. During the year under review, we focused on maintaining our brand value by investing in brand-building activities to increase brand awareness, get higher prices for our teas, and stay competitive in the industry. We invested Rs. 4.55 million towards enhancing the intellectual capital value during the financial year under review.



CORPORATE BRAND VALUE

For the past few years, TSFL has been investing in developing a brand associated with high-quality teas, leading to its recognition as a reputable player in the industry. This was made possible by the Company's constant efforts in establishing its brand identity, ensuring consistency across communication channels, promoting positive company culture, engaging with stakeholders, fulfilling commitments, embracing social responsibility, and regularly monitoring and adapting its branding strategy to match internal and external changes.

Our efforts have been supported by our values, employee commitment, and the emphasis on ensuring we work closely with our tea small holder partners to commit to year-on-year improvements in tea production and made tea operations.

PROCESS EXCELLENCE

The Company's commitment to investing in cutting-edge technology, machinery, and equipment fortifies our operational processes and enhances productivity and efficiency, providing us with a competitive advantage in the marketplace. Furthermore, this enables us to maintain our position as a premier producer of high-quality black tea. During the year under review, TSFL invested Rs. 108.92 million in improving factory operations by purchasing new machinery and equipment.

Moreover, the Company has strategically invested in technology-driven platforms to enhance connectivity and foster transparent relationships with our green leaf suppliers. These investments have yielded significant progress to date and have supported our suppliers in improving their process efficiencies.

Sharing Best Practices

We endeavour to adopt best practices in our internal processes whilst also sharing them with our value chain partners, as part of our broader commitment to improving quality throughout the tea industry's value chain.

The Company aims to establish robust relationships with our small holder partners by offering extension services such as development programmes to promote Good Agricultural Practices (GAP) in areas such as soil management, planting, maintenance, and harvesting. This helps them grow their businesses sustainably and enables the Company to benefit from higher-quality green leaf. For more information about TSFL's extension services refer to the Social and Relationship Capital Report on pages 46 to 54 for more information.

TSFL also aims to strengthen relationships with tea brokers who facilitate the auction process of tea sales. We share industry developments and best practices to enable these partners to understand the sustainable practices we adopt in our production processes, which ultimately enhances the reputation of our products in the marketplace, enabling us to obtain premium prices.

The Company actively invites its partners, from small holders to tea brokers and buyers/exporters, to visit our factories to acquire first-hand experience of the tea production processes and quality standards utilised. This provides them with valuable insights that they can share with their customers and offer guidance on changing consumer trends, market requirements, and any necessary adjustments to our manufacturing processes to meet global tea market demands. Ultimately, this adds value not only to the business but also to our stakeholders.

PRODUCT RESPONSIBILITY AND QUALITY STANDARDS

As a producer of premium Ceylon Tea, the Company takes product responsibility seriously and prioritises the quality and safety of our products. To ensure that our teas meet the highest standards of quality and food safety, we adhere to strict policies and procedures that govern critical factors such as hygiene, temperature, and humidity control. Our factories have been certified with ISO 22000:2005 Food Safety Management Standards since 2006. The Company is also accredited with the RA 2022 - Rainforest Alliance Sustainable Agriculture Standard certificate since 2020. We diligently maintain and renew these certifications as needed, and fully comply with them. These certifications were renewed successfully during the financial year under review.

Through the ISO 22000:2005 Food Safety Management Standards, TSFL follows the Hazard Analysis and Critical Control Points (HACCP) system, and our black tea is certified under ISO 3720:2011 standards. This certification not only reflects the overall excellence of our product quality, but also attests to the rigorous processes and methods that we employ to produce our teas. As a producer who follows the Ethical Tea Partnership Programme, we demonstrate our commitment to being a sustainable and ethical tea producer in Sri Lanka by adhering to multiple best practices and voluntarily adopting guidelines for quality and excellence.

The Company's commitment to maintaining these quality standards is the foundation of our commitment to product responsibility.

Product Labelling

TSFL ensures compliance with the guidelines established by the Sri Lanka Tea Board and the Colombo Tea Traders' Association for product labelling. Our product packaging includes essential information, such as the selling mark, grade, invoice number, number of packages, net weight, gross weight, and certification obtained by the manufacturer.

The Company places great importance on adhering to industry regulations and global customer expectations, ensuring that our products are of the highest quality and remain untainted. We enforce strict controls to prevent the addition of banned, disputed, or illegal products to our teas, and we guarantee that our tea is free of adulterants.

INTELLECTUAL CAPITAL

KNOWLEDGE VALUE

Inherent knowledge is derived from the expertise and experience of skilled individuals employed by the Company, as well as in the continual refinement of our processes and procedures to maximise the efficiency and effectiveness of our operations. Our leadership and management possess extensive industry experience while employees bring a wealth of learned knowledge and skills to the table. By leveraging their combined experience and academic qualifications, TSFL is well-positioned to overcome challenges to meet business objectives and improve our business growth prospects. We actively encourage continuous learning and development, which is not limited to new employees but is also embraced by long-standing employees who recognise the need to remain relevant in today's evolving operating context.

GOVERNANCE AND RISK MANAGEMENT FRAMEWORKS

TSFL has in place a comprehensive governance framework that includes both mandatory requirements and voluntary best practices. Our risk management structure provides consistent oversight of the risks faced by the business and supports us to identify material topics that will impact both the business and our stakeholders. These frameworks help ensure transparent and ethical management of the Company while proactively managing or mitigating risk factors in the operating environment. They are essential components of our intellectual capital and play a crucial role in maintaining our corporate reputation in the marketplace.

Refer to our Corporate Governance and pages 75 to 96 and the Risk Management Report on pages 101 to 106 for more detailed information.

FUTURE PLANS

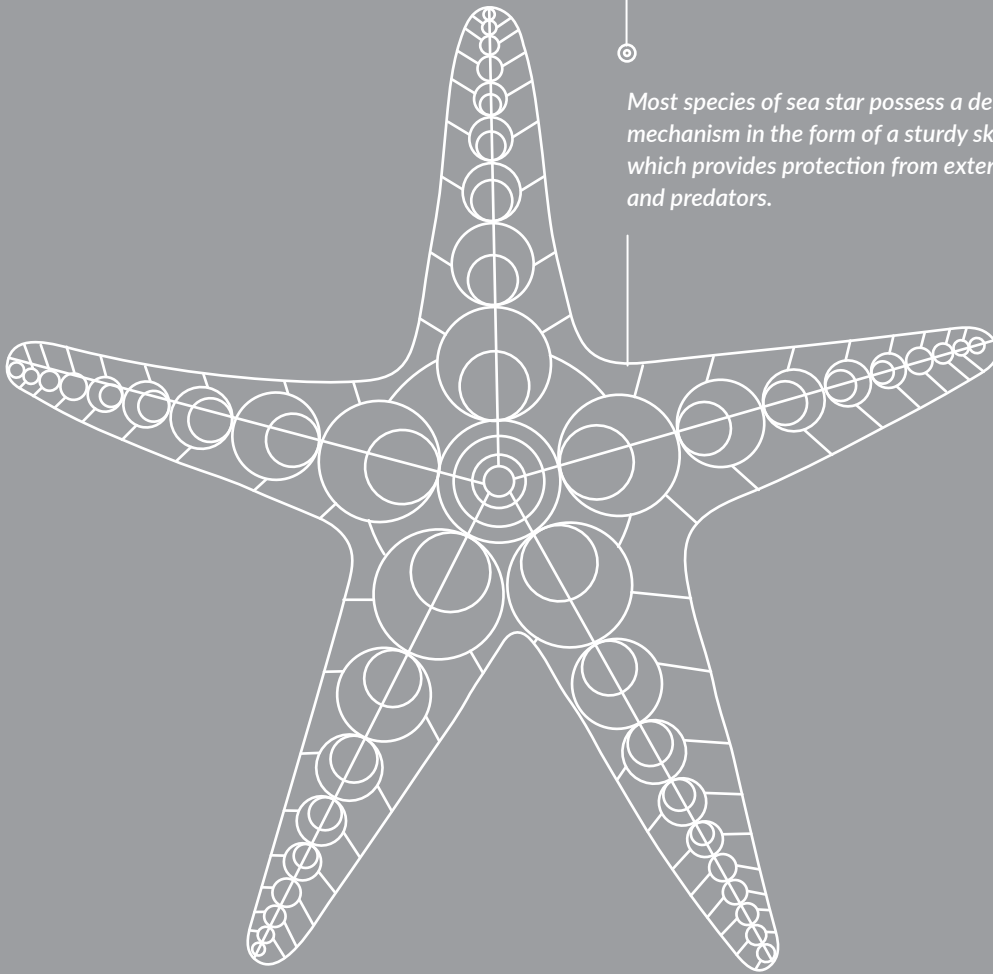
TSFL has set a specific goal for the upcoming year to improve our brand presence in the global market while establishing stronger brand awareness in the local market. The Company aims to achieve this by increasing its marketing and promotional activities, as well as building a stronger presence on popular social media platforms. Additionally, the Company will slowly build on direct sales by promoting TSFL teas to the end buyer, creating greater value for our tea brand. Engaging with stakeholders and participating in significant annual tea industry-related exhibitions and trade shows will also be evaluated as these forums will enable us to showcase our teas and promote the TSFL brand to a new audience. It is expected that by following these strategies, the Company will successfully strengthen the TSFL brand reputation and increase its market presence and market share in both the global and local tea industry.

The Company will continue to focus on growing intellectual value by focusing on operational excellence and our product responsibility framework. We will allocate resources and make planned investments to enhance efficiency in the tea production process and optimise process efficiency in our factories. Additionally, we will work closely with tea small holder partners to promote best practices and improve services such as the extension service, which has proven successful thus far. Emphasis will also be placed on the adoption of technology and digitalisation to advance process excellence and knowledge value. Furthermore, the Company will continue to leverage the knowledge and experience of our leaders, managers, and employees to drive business growth and future success.

A SECURE STRUCTURE

Our robust, resilient framework ensures our ability to safeguard and defend ourselves against external risks.

Most species of sea star possess a defensive mechanism in the form of a sturdy skeleton, which provides protection from external attacks and predators.





BOARD OF DIRECTORS

Krishan Balendra

Chairperson/Non-Independent,
Non-Executive Director
(Member of the Board since 2017)

Board Sub-Committees:

Member of Nominations Committee and Related Party Transactions Review Committee of John Keells Holdings PLC.

Skills and Experience :

Krishan Balendra is the Chairperson - CEO of John Keells Holdings PLC. He is also the Chairperson of the Employers Federation of Ceylon, Deputy Vice Chairperson of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairperson 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:

Chairperson - CEO of John Keells Holdings PLC, former Chairperson of Nations Trust Bank PLC and Chairperson of number of listed companies in the John Keells Group.

Others:

He is the Chairperson of the Employers Federation of Ceylon, Deputy Vice Chairperson of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka.

Gihan Cooray

Deputy Chairperson
Non-Independent, Non-Executive
Director
(Member of the Board since 2017)

Board Sub-Committees:

Member of Project Risk Assessment Committee of John Keells Holdings PLC.

Skills and Experience :

Mr. Cooray has overall responsibility for the Group's Finance and Accounting, Taxation Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He is a Director of several companies in the John Keells Group. Mr. Cooray 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 and Director of number of listed companies in the John Keells Group.

(He served as the Chairperson 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 Sub-Committees:

None.

Skills and Experience :

Zafir Hashim 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 20 years he has held the position of CEO at John Keells Logistics Lanka Ltd. for a short time, and Mackinnons Mackenzie Shipping Co. Ltd, Mack International Freight Ltd and Mackinnons Travels Ltd. He has an MSc in

Chemical Engineering from the University of Birmingham (UK).

Other Current Appointments Listed Companies:

He is a Director of John Keells PLC

Others:

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:

Non Executive Director of Equity One Limited, Equity Two PLC, and Central Industries PLC. Managing Director of Central Finance Company 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 an Executive Director at Central Industries PLC

Others:

Director of many unlisted companies within the Central Finance Group.

Ananda Jayatilleka**Independent, Non-Executive Director**

(Member of the Board since 2005)

Board Sub-Committees:

Member of the Board Audit Committee

Skills and Experience :

Ananda Jayatilleka is a specialist in Rubber 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 at Hayleys Fabric PLC
- Non-Executive Director of Unisyst Engineering PLC (Alufab) under the Hayleys Group

Shanthy 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 46 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
- Council Member – Employers' Federation of Ceylon
- 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 serves 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 Master's 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:**

She is the Chairperson of Hatton National Bank PLC.

Others

Non- Executive Director at Eswaran Brothers Exports Pvt Ltd and Audit Committee Member of Goodhope Asia Holdings Ltd.



MANAGEMENT TEAM

SENIOR MANAGEMENT

R. H. Walpola

Chief Executive Officer / Senior Vice President

S. I. S. Dissanayake

Head of Operations/ Assistant Vice President

D. M. S. S. Devapriya

Manager-Engineer

S. M. Dissanayake

Manager - Extension

K. D. Weerasinghe

Chief Financial Officer/ Executive Vice President

M. R. Ahamed

Sector Financial Controller/ Assistant Vice President

D. D. Sellahewa

Manager - Finance

FACTORY MANAGERS

B. W. T. Nadeeshana

Superintendent - Neluwa Tea Factory

M. S. Withanage

Superintendent - Halwitigala Tea Factory

H. L. T. De Silva

Superintendent - Hingaloda Tea Factory

M. D. K. C. Hathurusingha

Superintendent- Kurupanawa Tea Factory

W. A. A. N. Weragoda

Acting Superintendent - New Panawenna Tea Factory

E. M. W. N. Weerasinghe

Senior Superintendent- Broadlands Tea Factory



CORPORATE GOVERNANCE

EXECUTIVE SUMMARY

Managing a diverse business portfolio requires a sound corporate governance framework that facilitates effective, entrepreneurial and prudent management to deliver long term value to shareholders. Balancing stakeholder interests, accountability, transparency and regulatory compliance underpin corporate governance, facilitating effective discharge of the Board's responsibilities to shareholders.

As a subsidiary of the John Keells Group, Tea Smallholder Factories PLC (Company), endows a legacy of best practices founded on the core

principles of accountability, participation, integrity and transparency. A robust and comprehensive governance framework, directed towards creating an enabling environment for a sustainable growth, will continue to drive the Company's performance while creating value for its stakeholders.

The Company is bound by the John Keells Holdings (JKH) code of conduct and the JKH governance framework, which applies to all our employees and Directors. JKH Governance framework has been published in the Corporate website and can be accessed through the following link www.keells.com/esg/#governance

As the highest decision making body of the Company, the Board bears the responsibility to ensure the Company pursues its strategic goals in accordance with sound corporate governance principles and values while ensuring the governance framework remains robust and relevant in a challenging business environment.

The Company remains fully compliant with all statutory requirements imposed by all regulatory bodies concerning matters relevant to the business.

COMPLIANCE FRAMEWORK

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 including regulations	
Listing Rules of the Colombo Stock Exchange (CSE)	
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars	Mandatory provisions - fully compliant
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	
Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with the 2017 Code to the extent of business exigency and as required by the John Keells Group

KEY INTERNAL POLICIES

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information

CORPORATE GOVERNANCE

- Policies on diversity, equity and inclusion including gender
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti- money laundering
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group Accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group environmental and economic policies
- Whistleblower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services
- Policies for bidding on contracts and tenders

Key Governance Highlights of the Group and Company for 2022/23

- JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL), with a 100 percent score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices, under four different thematic areas crucial to fighting and preventing corruption:
 - o reporting on anti-corruption programmes,
 - o transparency in company holdings,
 - o disclosure of key financial information in domestic operations and
 - o disclosure on gender and non-discrimination policies.

The Company ensures that the Group's transparency disclosures are being made at the Company level as well.

- As a part of the Group's ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Group, in liaison with a third-party consultant, embarked on formulating the Group's ESG framework, setting group wide ESG ambitions and translating such ambitions to ESG related targets. Accordingly, the Company went on to set the Company specific ESG targets as well.
- For the year under review, the Board declared an interim dividend of Rs. 6.67 per share in March 2023

Highlights of the 28th Annual General Meeting held on 23rd June 2022

- Mr. A.K. Gunaratne who retired in terms of Article 83 of the Articles of Association of the Company, was re-elected as a Director of the Company
- Ms. E. H. Wijenaikie 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. Jayatilleka 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 & Young as the External Auditors of the Company for the year 2022/2023

The integrated Governance framework formulated is outlined in the diagram below and set out in the report that follows:



A. DIRECTORS

A1. An Effective Board

The Board is responsible for implementing the corporate governance framework across the business. The Board of the Company comprises five (5) Non Executive, Non Independent Directors (NED/NID) including the Chairperson and three (3) Non Executive, Independent Directors (NED/ID) whose profiles are given on pages 72- 73 of this Annual Report. Stakeholders, including the regulatory bodies continue to place an increased emphasis on the Independence of the Board. By following the Group’s directions, the Company ensures that its structure and Nominating Procedures are designed to foster an independent decision making process while mitigating any conflicts of interest. In accordance with the

criteria for “Independence” specified by Section 7.10.4 of the listing rules of the CSE, the Board affirms that the three (3) NED/IDs satisfy the criteria for independence and have satisfied the requirements under clause 7.10.2 and is deemed to have sufficient balance in line with the requirements of the Code of Best Practice on Corporate Governance (2013) issued jointly by the CA Sri Lanka and the SEC.

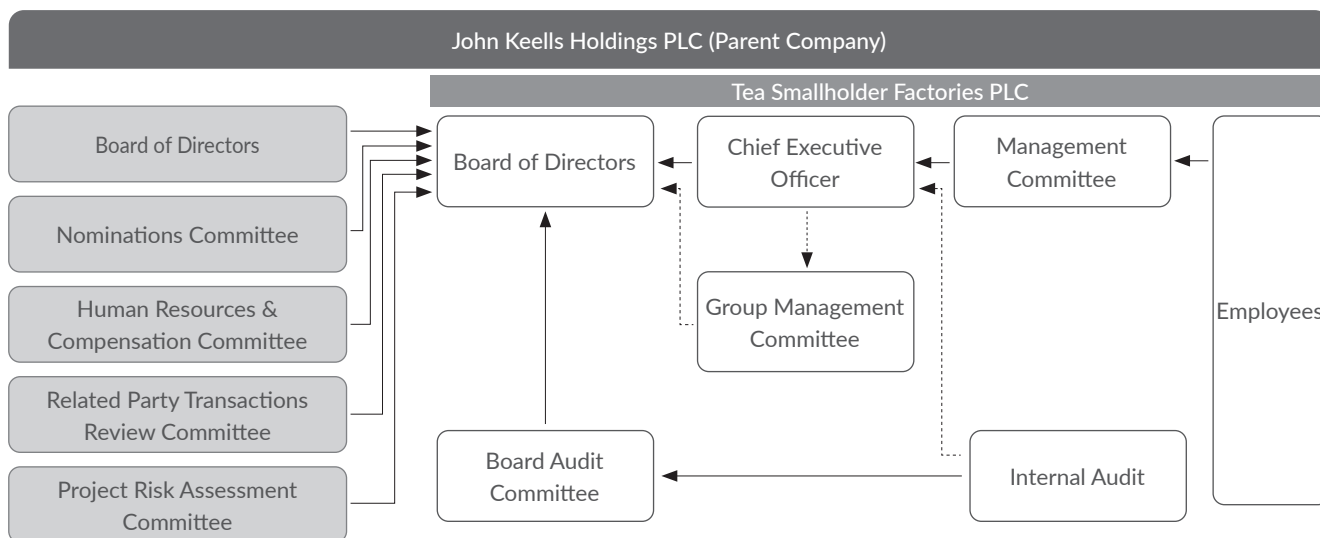
The Board is of the view that its present composition ensures a healthy balance between executive expediency and independent judgment. Executive authority is well delegated through committees with clearly defined authority limits, responsibilities and accountability which are agreed upon in advance to achieve greater operating efficiency and freedom of decision

making. As permitted by the listing rules of the CSE, Nominations, Human Resources and Compensation, Related Party Transactions Review, and Project Risk Assessment committees of the Company’s parent Company, JKH, assist the Board of the Company.

The Board recognises the need for diversity in the Board and is aware of the requirement to attract appropriately skilled Directors who reflect the values of its business and vision. By following the DE&I policy, the Board acknowledges the need of having gender diversity among the Directors. As a percentage, the female participation in the Board stands at 12.5%.

CORPORATE GOVERNANCE

The governance structure of the Company is given below with reporting lines clearly identified.



The Board's effective governance is supported by the following sub-committees and senior management committees.

Board Sub-Committees

Certain functions of the Board have been delegated to the Board Sub-Committees, with the Board retaining final decision rights. This enables to bring in more specialized knowledge into the decision-making process, whereby having the members of these Sub-Committees focus on their area of expertise.

As permitted by the listing rules of the CSE, Nominations, Human Resources and Compensation, Related Party Transactions Review, and Project Risk Assessment committees of the Company's parent Company, JKH, function on behalf of the Company.

Board Audit Committee (BAC)	
Composition	<p>The Board Audit Committee comprise three (3) NED/IDs and (1) NED/NID. The Committee members are endowed with a 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. Current members are:</p> <ol style="list-style-type: none"> 1. Ms. A. Goonetilleke- Chairperson 2. Mr. A. S. Jayatilleka 3. Mr. S. K. L. Obeyesekere 4. Mr. A. K Gunaratne <p>Detailed information regarding the activities of the BAC are provided in the BAC report on pages 97 to 99.</p>
Mandate	<p>To 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;</p> <ul style="list-style-type: none"> • Adequacy and fairness of disclosure • Transparency, integrity and quality of financial reporting

Board Audit Committee (BAC)

- Scope**
- 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

Attendance

Name	Details of Meetings				Attendance
	18-05-2022	21-07-2022	27-10-2022	26-01-2023	
Ms. A. Goonetilleke	√	√	√	√	4/4
Mr. A. S. Jayatilleka	√	√	√	√	4/4
Mr. S. K. L. Obeyesekere	√	√	√	√	4/4
Mr. A. K. Gunaratne	√	√	√	-	3/4

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

Composition The Committee comprises three (3) NED/IDs including Chairperson of the Committee and one ED/NID. Current members are:

1. Mr. D. A. Cabraal* - Chairperson
2. Mr. M.A. Omar**
3. Mr. K. N. J. Balendra – Non Independent Director
4. Ms. M. P. Perera
5. Dr. S. S. H. Wijayasuriya

*Appointed w.e.f. 27.06.2022

** Resigned w.e.f. 27.06.2022

Mandate

- Define and establish the nomination process for NEDs
- Lead the process of Board appointments and recommendations to the Board

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 the 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

CORPORATE GOVERNANCE

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

Attendance	Details of Meetings				
	Name	23/05/2022	06/12/2022	Eligible to Attend	Attended
	Mr. M. A. Omar	√	N/A	1	1/1
	Mr. K. N. J. Balendra	√	√	2	2/2
	Dr. S. S. H. Wijayasuriya	√	√	2	2/2
	Ms. M. P. Perera	√	√	2	2/2
	Mr. D. A. Cabraal	N/A	√	1	1/1

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

Composition The Committee comprises three (3) NED/IDs including Chairperson of the Committee. Current members are:

1. Mr. D. A. Cabraal - Chairperson
2. Mr. A.N Fonseka*
3. Dr. S. S. H Wijayasuriya
4. Mr. M. A. Omar**

*Appointed w.e.f. 27.06.2022

** Resigned w.e.f. 27.06.2022

- The Chairperson-CEO 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 is the Secretary of the Committee

Mandate

- To assist the Board in the establishment of remuneration policies and practices
- To review and recommend appropriate remuneration packages for the Chairperson and other EDs

Scope

- Review and recommend overall remuneration philosophy, strategy, policies and practice and performance-based pay plans for the Group
- Determine and agree with the Board a framework for the remuneration of the Chairperson and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration
- Succession planning of Key Management Personnel
- Determining compensation of Non-Executive Directors is not under the scope of this Committee

Name	Details of Meetings		Eligible to Attend	Attended
	01/07/2022	12/12/2022*		
Mr. D. A. Cabraal	√	√	2	2/2
Dr. S. S. H. Wijayasuriya	√	√	2	2/2
Mr. M. A. Omar	N/A	N/A	N/A	N/A
Mr. A. N. Fonseka	√	√	2	2/2
By Invitation				
Mr. K. N. J. Balendra	√	√	2	2/2
Mr. J. G. A. Cooray	√	√	2	2/2
Ms. M. P. Perera	N/A	√	1	1/1

*Directors of John Keells Holdings PLC who were not sub-committee members of the Human Resources and Compensation Committee were requested to attend via invitation.

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

Composition	<p>The Committee comprises two (2) NED/IDs and One (1) Senior Independent Non Executive Director. The Chairperson is a NED/ID. Current members are:</p> <ol style="list-style-type: none"> Ms. M. P. Perera - Chairperson Mr. D. A. Cabraal Mr. A. N. Fonseka <p>The Chairperson/ CEO, Mr. K. N. J. Balendra and the Deputy Chairperson /Group Finance Director, Mr. J. G. A. Cooray attend meetings by invitation. The Head of Group Business Process Review serves as the Secretary to the Committee.</p> <p>Detailed information regarding the activities of the Committee are provided in the Related Party Transactions Review Committee report on page 100 of this Annual Report.</p>																																																					
Mandate	To ensure that all related party transactions of the Company are consistent with the Code on Related Party Transactions issued by SEC and with the Listing Rules of the CSE.																																																					
Scope	<ul style="list-style-type: none"> Transactions of the senior decision makers in the list of key management personnel with group companies, to be reviewed by the committee, in addition to the requisitions of the CSE 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 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 and similar issues relating to listed companies 																																																					
Attendance	<table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="4">Details of Meetings</th> <th rowspan="2">Eligible to Attend</th> <th rowspan="2">Attended</th> </tr> <tr> <th>19/05/2022</th> <th>25/07/2022</th> <th>03/11/2022</th> <th>30/01/2023</th> </tr> </thead> <tbody> <tr> <td>Ms. M. P. Perera</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>4</td> <td>4/4</td> </tr> <tr> <td>Mr. A. N. Fonseka</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>4</td> <td>4/4</td> </tr> <tr> <td>Mr. D. A. Cabraal</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>4</td> <td>4/4</td> </tr> <tr> <td colspan="7">By Invitation</td> </tr> <tr> <td>Mr. K. N. J. Balendra</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>4</td> <td>4/4</td> </tr> <tr> <td>Mr. J. G. A. Cooray</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>4</td> <td>4/4</td> </tr> </tbody> </table>	Name	Details of Meetings				Eligible to Attend	Attended	19/05/2022	25/07/2022	03/11/2022	30/01/2023	Ms. M. P. Perera	√	√	√	√	4	4/4	Mr. A. N. Fonseka	√	√	√	√	4	4/4	Mr. D. A. Cabraal	√	√	√	√	4	4/4	By Invitation							Mr. K. N. J. Balendra	√	√	√	√	4	4/4	Mr. J. G. A. Cooray	√	√	√	√	4	4/4
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Mr. J. G. A. Cooray	√	√	√	√	4	4/4																																																

Project Risk Assessment Committee

Composition	<p>The Committee should comprise a minimum of four Directors, Including the Group Chairperson and Group Finance Director and two NED/IDs. The Committee Chairperson must be a NED /ID. Current members are:</p> <ol style="list-style-type: none"> Dr. H. S. S. Wijayasuriya - Chairperson Mr. K. N. J. Balendra Mr. J. G. A. Cooray Ms. M. P. Perera
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CORPORATE GOVERNANCE

Project Risk Assessment Committee	
Mandate	To evaluate and assess risks associated with Significant New Investments at the initial stages of formulation and in any event prior to making any contractual commitments for the long term.
Scope	<ul style="list-style-type: none"> • 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 • Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate

Group Management Committee (GMC)	
Composition	<p>The Group Management Committee of the Plantations Services Sector comprises the following members.</p> <ul style="list-style-type: none"> • President – Plantations Services Sector • Chief Executive Officers of each business units (BUs) • Chief Financial Officer of the Plantations Services Sector • Sector Financial Controller 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	<ul style="list-style-type: none"> • Strategy formulation • Implementation of sector strategies for the Plantations Services Sector • Performance monitoring • Risk management • Any other business matters

Senior Management Committee	
<p>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.</p>	

Board Meetings, Agenda and Attendance at Board meetings

The Board meets once in every quarter to discuss all matters relevant to the operation and governance of the Company and the minutes of all Board meetings are documented by the Company secretaries, Keells Consultants (Private) Limited. Any absences are excused in advance and duly recorded in the minutes. The absent members are briefed on the discussions and actions taken during the meeting.

Directors are provided with Board packs which include board resolutions, performance reports, information on human resources and capital expenditure, treasury and compliance statements etc. in advance of the Board meeting (at least one week prior to the Board meeting) to facilitate informed decision making. The dates and attendance of the Board of Directors at the quarterly Board meetings is tabled below:

Name of Director	Attendance at Meetings				Attendance
	29/04/2022	21/07/2022	27/10/2022	26/01/2023	
Non Executive Non Independent Director (NED/NID)					
Mr. K. N. J. Balendra	√	√	√	√	4/4
Mr. J. G. A. Cooray	√	√	√	√	4/4
Mr. A. Z. Hashim	√	√	√	√	4/4
Mr. E. H. Wijenaikē	√	√	√	-	3/4
Mr. A. K. Gunaratne	√	√	√	-	3/4
Non Executive Independent Director (NED/ID)					
Ms. A. Goonetilleke	√	√	√	√	4/4
Mr. A. S. Jayatilleka	√	√	√	√	4/4
Mr. S. K. L. Obeyesekere	-	√	√	√	3/4

Board Agenda
A typical Board agenda in 2022/23 contained;
<ul style="list-style-type: none"> • 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 • Report on corporate social responsibility • Review of risks, sustainability development, HR practices / updates, etc. • 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

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 Conduct of JKH. 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 geo-political 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 feasibilities 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 John Keells 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 John Keells 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 is a NED/NID. The main responsibility of the Chairperson is to lead and manage the Board and its Committees so that they can function effectively. He also sets the tone for the governance and ethical framework of the Company, facilitates and encourages the expression of differing views, and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders. He represents the Company externally and is the focal point of contact for shareholders on all aspects of 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 is maintained

The Human Resources and Compensation Committee of the parent Company, JKH appraises the performance of the Chairperson on an organizational 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 operating model of the Company is aligned to 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, three (3) NED/IDs ensuring that there is sufficient balance on the Board. The Board is of the view that its present composition ensures 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 Directors of the Company whose profiles are outlined on pages 72 and 73 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 in ensuring that the skills representation is in insync 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.

CORPORATE GOVERNANCE

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)
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Non Executive, Non Independent Director (NED/NID)

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. Wijenaika	Yes	Yes	No	No	No	N/A	No
Mr. A. K. Gunaratne	No	Yes	No	No	No	N/A	No

Non Executive, Independent Director (NED/ID)

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

- i. Shareholding in the Company carrying not less than 10 percent of voting rights
- ii. Director of a listed Company in which they are employed or having a significant shareholding or have a material business relationship
- iii. Income / Non-cash benefits derived from the Company is equivalent to 20 percent of the Director's annual income
- iv. Director is employed by the Company two years immediately preceding appointment
- v. Immediate family member who is a Director or CEO
- vi. Has served the Board for a continuous period exceeding nine (9) years
- vii. 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 7.10.4 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 7.10.2 (b).

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 period of three years and are eligible for re-election by the shareholders subject to the age limit as per statutory provisions at the time of re-appointment. Further, NEDs can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the Company. Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement made to the CSE. Details of such appointments are also carried in the respective Interim Release and the Annual Report. Directors are required to report any substantial change in their professional responsibilities and business associations to the

Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

At each Annual General Meeting (AGM) one third of the Directors, retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment / re-appointment. In addition, any new Director who was appointed to the Board during the year is required to stand for re-election at the next AGM in terms of the Articles of Association of the Company.

The re-election of Directors ensures that shareholders have an opportunity to re-assess the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders in advance to enable them to make an informed decision on their election. The names of the retiring Directors eligible for re-election this year are also mentioned in the Notice of the AGM of the Company. Annually, the Board discusses the possibilities of any impairment of Directors independence due to extended Board tenures, and collectively evaluates the re-election of such Board members.

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 organizational 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 72 to 73
2. Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 78 to 82
3. Related party transactions on pages 160 to 161

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.

D. 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,

CORPORATE GOVERNANCE

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 161 of this report.

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.

C.3 MAJOR AND MATERIAL TRANSACTIONS

Shareholders are advised of any instance where the contemplated value of a transaction would be greater than of half of the assets value of the Company (Major transactions). There were no major transactions as defined under Section 185 of the Companies Act, during the year under review.

D. ACCOUNTABILITY AND AUDIT

D.1 FINANCIAL AND BUSINESS REPORTING

The Board recognizes 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 109 to 112 cover all areas of this section
- The "Statement of Directors' Responsibility" is given on page 113
- The Directors' Statement on Internal Controls is given on page 112
- The "Independent Auditors' Report" on page 114 to 116 for the Auditors' responsibility
- The Management Discussion and Analysis on page 17 to 70
- Related Party Transactions on page 160 to 161

The Management Discussion and Analysis contained on pages 17 to 70 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 authorized 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 unauthorized 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; SAP 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 authorization 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 Group Business Process Review 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 Risk Management report on pages 101 to 106 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 Sector Head of the Plantation Services Sector and the CFO of the Company to confirm compliance with financial standards and regulations. The Sector Head 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 page 109 to 112 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

CORPORATE GOVERNANCE

preparation and presentation of financial statements. Related party transactions are disclosed on page 160 to 161 of the Annual Report.

D.3 BOARD AUDIT COMMITTEE

The Board Audit Committee comprises three Non-Executive, Independent Directors and one Non-Executive, Non Independent Director and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange. It is governed by a Charter, which inter alia, covers the reviewing of policies and procedures of internal control, business risk management, compliance with laws and Group policies and independent audit function.

The Committee is also responsible for the consideration and recommendation of the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing the accounting principles, policies and practices adopted in the preparation of published financial information and examining all documents representing the final Financial Statements. The audit fees paid by the Company to its auditors are separately classified in the Notes to the Financial Statements on page 139.

A quarterly self-certification programme requires the Sector Head of the Plantation Services Sector, CEO and Head of Finance of the Company and the Chief Financial Officer (CFO) to confirm compliance on a quarterly basis, with statutory requirements and key control procedures and to identify any deviations from the set requirements. In addition, the Sector Head of the Plantation Services Sector, CEO and the Operational Heads of the different business units are also required to confirm operational compliance with statutory and other regulations and key control procedures, coupled with the identification of any deviations from the expected norms. These have significantly aided the committee in its efforts in ensuring

correct 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 97.

The President of the Plantation Services Sector, CEO of the Company, the Chief Financial Officer, 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 2022/2023 is given on pages 97 to 99 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, are bound to abide by the JKH Code of Conduct which is outlined below.

JKH Code of Conduct

- Allegiance to the group that ensures the Company will “do the right thing”, by going further than the letter of any contract, the law and our written policies
- Compliance with rules and regulations
- Conduct all businesses in an ethical manner at all times in keeping with acceptable business practices and demonstrate respect for the communities we operate in and the natural environment
- Exercise of professionalism and integrity in all business and “public” personal transactions

The objectives of the Code of Conduct are further affirmed by a strong set of corporate values which are well institutionalized at all levels within

the Company through structured communication. The degree of employee conformance with Corporate values and their degree of adherence to the JKH 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 subsidiary of JKH, 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 can report to the Chairperson through a communication link named “Chairperson Direct”, on any concerns about unethical behavior and any violation of Group values. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a select committee under the direction of the Chairperson.

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 designed in a manner that enables high accessibility by any employee to every level of management. Structured 'skip level' meetings are held where employees are given the opportunity to discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment. Through the participation of 360 Degree surveys and Voice of Employee (VOE) surveys which are conducted annually, employees are able to voice their opinion about the Company and their respective superiors. The employees also have the opportunity to take part in the Great Place To Work (GPTW) survey conducted by JKH once every four years giving them the opportunity to voice their opinion 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 & 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. SUSTAINABILITY REPORTING

Environmental, social and governance (ESG) aspects continue to gain popularity among the stakeholders as it aims to reduce the 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

CORPORATE GOVERNANCE

management model and a duly up to date business continuity plan. The Risk Report on page 101 to 106 describes how risks and opportunities pertaining to ESG are recognized, 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 fulfill the obligation towards the environment. Such best practices on emission management, water management, waste management and material management are explained on pages 61 to 66.

The Company recognizes that emphasis should not only be on maximizing long term shareholder value, but it should also endeavor to protect the rights and appropriate claims of many non-shareholder 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 46 to 54.

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.

Digital Oversight, Cyber security Data Protection, Information Management and Adoption

Covid 19 pandemic accelerated the digitalisation of business process across the world. Accordingly, the a greater emphasis has been placed on key material IT topics such as the Cyber security, Data Protection, Information Management and Adoption. These topics are regularly discussed and processes in place are reviewed at the Board level as well as during Risk Management and Audit Committee meetings.

The IT Governance framework used by our Parent Company JKH leverages best practices and industry leading models such as COBIT (Control Objectives for Information and Related Technology), ISO 35800, ISO 27001, ISO 9000:2008, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library) in providing a best of breed framework.

Cyber Security

With the organisation becoming more data driven, there is a significant increase in the organisation's reliance on technology and cyber security continues to be a regular item on the agenda of Risk Management and Audit Committee and is periodically discussed at the Board level. In such a backdrop, securing and protecting the Company's most valuable assets becomes a priority.

The Board accepts that the risk of a security breach needs to be continually managed, and that one needs to be well aware of where the vulnerabilities lie. During the year under review, the Company with the help of our Parent Company's IT division took necessary steps to help curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

Regulatory Compliance Sign Off

A regulatory compliance check list is signed off on a quarterly basis by the Heads of Departments ensuring compliance with the applicable laws and regulations. Changes in the regulation are monitored both by the Legal Division of JKH as well as the Company level and are updated on a regular basis. The compliance reports are tabled and discussed at 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 Robust and sound governance helps to create and maintain trust with employees, investors, governments, business partners, guests and other stakeholders. Within this framework, the Company's goal is to run its business sustainably, engaging with society in a way that leads to the creation of shared value over the long term.

COMPLIANCE SUMMARY AS AT 31ST MARCH 2023**1. Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange****MANDATORY PROVISIONS - FULLY COMPLIANT**

Rule	Committee	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)	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	
(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	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 Statement
(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 Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Complied	Corporate Governance
(xvi)	Related Party transactions exceeding 10 percent of the equity or 5 percent of the total assets of the Entity as per audited financial statements, whichever is lower	Complied	

CORPORATE GOVERNANCE

2. Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10 Compliance				
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
7.10.1 Non Executive Directors				
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
7.10.2 Independent Directors				
a.	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, shall be independent	Complied	Corporate Governance
b.	Independent Directors	Each NED should submit a signed and dated declaration of his/her independence or non independence	Complied	Available with the Secretaries for review
7.10.3 Disclosures relating to Directors				
a./b.	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs	Complied	Corporate Governance
c.	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise	Complied	Board of Directors (profile) section in the Annual Report on pages 72 and 73
d.	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board along with details to CSE for dissemination to the public	Complied	Corporate Governance
7.10.4 Criteria for defining independence				
(a-h)	Determination of Independence	Requirements for meeting criteria to be an Independent Director	Complied	Corporate Governance
7.10.5 Remuneration Committee				
7.10.5	Remuneration Committee (RC)	The Human Resources and Compensation Committee (equivalent of the RC with a wider scope) of the listed parent Company may function as the RC	Complied	Corporate Governance
a.	Composition of Remuneration Committee	RC shall comprise of NEDs, a majority of whom will be independent One NED shall be appointed as Chairperson of the Committee by the Board of Directors	Complied	Corporate Governance
b.	Functions of Remuneration Committee	The RC shall recommend the remuneration of the CEO and Executive Directors	Complied	Corporate Governance
c.	Disclosure in the Annual Report relating to Remuneration Committee	<ul style="list-style-type: none"> Names of Directors comprising the RC Statement of Remuneration Policy Aggregated remuneration paid to ED's and NED 	Complied	Corporate Governance and Notes to the Financial Statements

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10.6 Audit Committee (AC)				
a.	Composition of Audit Committee	<ul style="list-style-type: none"> • Shall comprise of NEDs a majority of whom should be Independent • A NED shall be appointed as the Chairperson of the Committee • The CEO and Financial Controller should attend AC meetings unless otherwise determined by the AC • The Chairperson 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
b.	Audit Committee Functions	<p>Overseeing of the –</p> <ul style="list-style-type: none"> • Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) • Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements • Process to Ensure the internal and risk management controls are adequate to meet the requirements of the SLFRS/LKAS • Assessment of the independence and performance of the entity's External Auditors • Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor 	Complied	Corporate Governance and the Board Audit Committee Reports
c.	Disclosure in Annual Report relating to Audit Committee	<ul style="list-style-type: none"> • Names of Directors comprising the AC • The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination • The AR shall contain a Report of the AC setting out its functions and the manner of compliance with their functions 	Complied	Corporate Governance and the Board Audit Committee Reports

CORPORATE GOVERNANCE

3 Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule	Subject	Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions (RPT)	Yes	Notes to the Financial Statements
(b)	Details pertaining to RPT	Yes	Notes to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transaction Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

4. Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Section	Subject	Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof during the accounting period	Yes	About Us
168 (1) (b)	Signed financial statements of the Company for the accounting period	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements of the Company	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes thereto	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Yes	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	Yes	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	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors

5. 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)

VOLUNTARY PROVISIONS - FULLY COMPLIANT

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.



REPORT OF THE BOARD AUDIT COMMITTEE

INTRODUCTION

This report focuses on the activities of the Board Audit Committee (BAC), a formally constituted sub-committee of the Board of Directors of Tea Smallholder Factories PLC (the Company) for the year under review. The Board Audit Committee assists the Board of Directors in the areas of financial reporting, internal audit, internal controls and external audit.

Role of the Board Audit Committee

The Audit Committee Charter defines the terms of reference of the Committee and its proceedings are conducted in accordance with and pursuant to the Audit Committee Charter. 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. The term of reference of the Committee was last reviewed and approved by the Board in January 2023.

The Committee assists the Board in fulfilling its responsibilities with regard to:

- Ensuring the integrity of the financial statements of the Company and that good financial reporting systems are in place in order to provide accurate, appropriate and timely information to the management, regulatory authorities, shareholders and other stakeholders in accordance with the financial reporting 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 continuing Listing Rules of the Colombo Stock Exchange (CSE).
- Ensuring the prevalence and adequacy of company's internal control and risk management framework.
- Assessing the independence and monitoring the performance of external auditors and outsourced internal auditors and follow up on their findings and recommendations.
- Ensuring compliance with applicable laws, regulations and policies of the John Keells Group and the Company.
- Assessing the Company's ability to continue as a going concern in the foreseeable future.
- Ensuring that high standards of Corporate Governance are in place.

Composition of the Board Audit Committee

The Board Audit Committee (Committee) is appointed by and accountable to the Board of Directors and is formally constituted as a Sub Committee of the Board of Directors in accordance with the requirements of the Listing Rules of the CSE. The members have an adequate blend of experience and knowledge to carry out their duties. Detailed profiles of the Directors are given on pages 72 to 73 of this report.

Name of Director	
Ms. A. Goonetilleke (Chairperson)	Independent, Non-Executive Director
Mr. A. S. Jayatilleka	Director
Mr. S. K. L. Obeyesekere	
Mr. A. K Gunaratne	Non independent, Non-Executive Director

The Chief Financial Officer for the Plantation Services Sector of the John Keells Group serves as the secretary to the Committee. The President - Plantation Services Sector, Sector Financial Controller - Plantation Services Sector, Chief Executive Officer, Head of Operations, Finance Manager of the Company and the Head of Group Business Process Review (Group BPR) of John Keells Holdings PLC (JKH) attend the meetings by invitation. The external auditors and the outsourced internal auditors also attend meetings on invitation when required.

Meetings of the Board Audit Committee

The Committee convened four times during the financial year 2022/2023 and the attendance of the committee members at these meetings are illustrated below. The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee's meetings at Board meetings and verbally at Board meetings when necessary. The Chairperson and members of the Committee were in regular contact with the management of the Company through numerous meetings and communications to oversee the auditing and control aspects of the Company.

Attendance at Committee Meetings					
Name of Director	18-05-2022	21-07-2022	27-10-2022	26-01-2023	Attendance
Ms. A. Goonetilleke	✓	✓	✓	✓	4/4
Mr. A. S. Jayatilleka	✓	✓	✓	✓	4/4
Mr. S. K. L. Obeyesekere	✓	✓	✓	✓	4/4
Mr. A. K Gunaratne	✓	✓	✓	-	3/4

REPORT OF THE BOARD AUDIT COMMITTEE

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

The Committee has reviewed the financial reporting system adopted in the preparation of its quarterly and annual financial statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

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 financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, The Sri Lanka Accounting and Auditing Standards and the Rules of the Colombo Stock Exchange.

The Audit Committee reviewed the quarterly and annual Financial Statements prior to its publication.

Internal Audit

The internal audit plan and scope of work were formulated in consultation with the Group BPR Division and the outsourced internal auditors (BDO Partners), which was then approved by the Committee. The focus of the internal audit is to provide the adequacy and effectiveness

of the internal controls and highlight the areas which require attention, and suggested recommendations.

During the year, the reports were presented to the Committee by the outsourced internal auditors, which were reviewed and discussed along with the management and the Group BPR Division. Findings and recommendations of internal investigations have been given due attention and followed up for implementation.

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 kept the Committee advised on an on-going basis regarding any unresolved matters of significance. Before the conclusion of the audit, the Committee met with the external auditors to discuss all audit issues and agreed on their treatment. The Committee also met the external auditors, without the management, prior to the finalization of the financial statements.

A declaration has been given 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 Senior management of the Company followed a formal assessment process to evaluate the performance of External Auditors and the Committee has recommended to the Board of Directors that Messrs. Ernst & Young be re-appointed as Auditors for the financial year ending 31st March 2024, subject to approval by the shareholders at the next Annual General Meeting.

Risk Management

The Audit Committee has reviewed the risk management process for identification, evaluation and management of all significant risks faced by the Company. Key risks that could impact operations have been identified by the management along with the Sustainability and Enterprise Risk Management Division of the John Keells Group and wherever necessary, appropriate action has been taken to mitigate those risks. Formal confirmations and assurances have been received quarterly from the senior management regarding the efficacy and status of the internal control systems, risk management systems and compliance with applicable laws and regulations.

Compliance of the Board Audit Committee

The scope and the functions of the Committee are in compliance with the requirements of the Code of Best Practice on Audit Committee. The Committee has conducted its affairs in accordance with the requirements of the code of best practice on Corporate Governance and the Corporate Governance Rules as per section 7.10 of the Listing Rules of the Colombo Stock Exchange.

Evaluation of The Board Audit Committee

An evaluation of the effectiveness of the Committee was carried out during the year and steps have been taken to address the matters highlighted. The result of the evaluation is tabled at the Board Audit Committee meeting and communicated to the Board of Directors of the Company.

Conclusion

The Audit Committee is satisfied that the effectiveness of the organizational 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

22nd May 2023



REPORT OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

COMPOSITION

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

Ms. M. P. Perera
Mr. A. N. Fonseka
Mr. D. A. Cabraal

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.

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's 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 sec 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

Accordingly Recurrent RPTs as well as the aforesaid disclosures and 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.

M P Perera
Chairperson of the Related Party Transaction Review Committee

22nd May 2023

Related Party Transactions Review Committee meeting attendance

Name	Details of Attendance				Eligible to Attend	Attended
	19/05/2022	25/07/ 2022	03/11/2022	30/01/2023		
Ms. M. P. Perera	✓	✓	✓	✓	4	4/4
Mr. A. N. Fonseka	✓	✓	✓	✓	4	4/4
Mr. D. A. Cabraal	✓	✓	✓	✓	4	4/4
By Invitation						
Mr. K. N. J. Balendra	✓	✓	✓	✓	4	4/4
Mr. J. G. A. Cooray	✓	✓	✓	✓	4	4/4

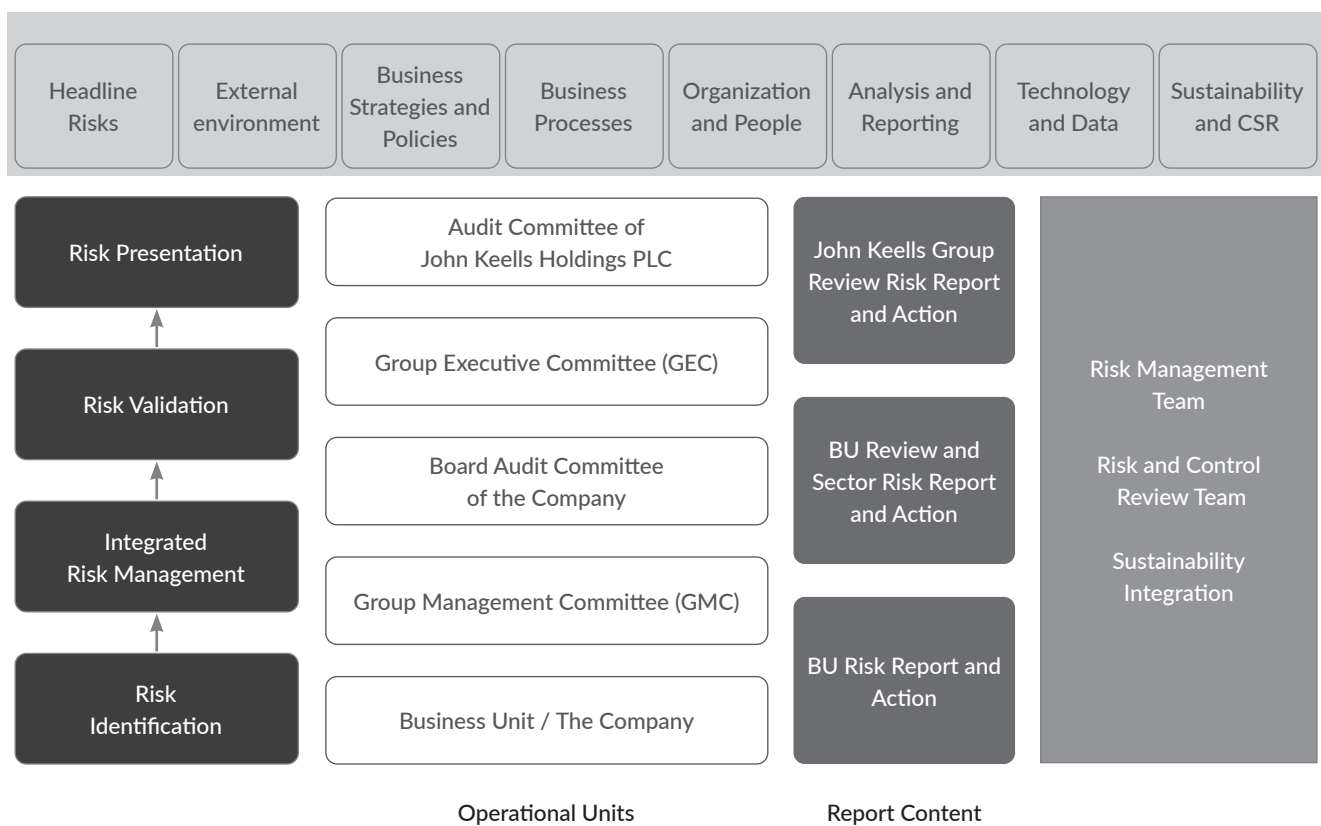


ENTERPRISE RISK MANAGEMENT

Risk management is the strategic discipline of assessing, prioritizing, monitoring and controlling the impact of uncertainty on objectives. Our risk management process seeks to create and protect the value of all stakeholders by ensuring that the Company effectively identifies, measures and develops strategies to mitigate the range of structural, operational, financial and strategic risks that may prevent us from meeting our core objectives.

RISK MANAGEMENT FRAMEWORK

The risk management team is guided by the framework established by the Sustainability and Enterprise Risk Management Division of the Parent Company, John Keells Holdings PLC as depicted below.



RISK MANAGEMENT PROCESS

The annual enterprise risk management cycle begins with the Company's risk team together with JKH ERM division comprehensively assessing the identification of impact, likelihood and velocity of risks, along with preventive, detective and corrective mitigation plans of the identified risks.

The Board of Directors oversee and retain the ultimate responsibility for the Company's risk management framework. They are assisted by the Board Audit Committee (BAC), who has the oversight responsibility for risks and internal controls. The Group Business Process Review (GBPR) division of the parent Company, John Keells Holdings PLC, together with the outsourced Internal Auditors, M/s. BDO, Chartered Accountants assist the BAC in performing its assurance role through regular reviews and recommendations on the robustness of the internal controls of the Company. At the business unit level, the risk management team is headed by the Chief Executive Officer and assisted by the senior management of the Company. The team would also include a risk champion who will be the focal communication point for reporting.

The risk management process is carried out through the group's online Enterprise Risk, Audit and Incident Management platform that maintains a live and dynamic risk register. The system provides a real time and comprehensive assessment of the Company's risk profile, delivering metrics that support identification and management of material issues and principal risks faster and more proactively.

ENTERPRISE RISK MANAGEMENT

Identification of types of Risk

Risk Event- Any event with a degree of uncertainty which, if it occurs, may result in the organization failing to meet its stated objectives.

Core Sustainability Risks- Core Sustainability Risks are defined as those risks having a catastrophic impact to and from the organisation but may have a very low or nil probability of occurrence.

Establishment of a Risk Register with Likelihood of Occurrence and Severity of Impact

The risk grid for the Company is established based on JKH group guidelines. Each risk is analysed in terms of Likelihood of Occurrence and Severity of Impact and assigned a score 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. Please see Table 1 for further details.

The identified risks as stated on pages 103 to 106 are broadly classified into the Risk Universe as given 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

The risk management team decides on the measures of risk management, such as acceptance, mitigation, control and transfer. Each identified risk is assigned to a respective member of the risk team as the risk owner, depending on his/her level and field of expertise. High-level risks or core risks are reviewed by the Group Management Committee (GMC) headed by the President Plantation Services as a means of validating the risk process. The risk owners are also responsible for implementing the strategies within the agreed timelines and updating the risk committee accordingly.

Risk Presentation

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

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.

Key Risks	Rating	
	2023	2022
Reduced availability of green leaf resulting in reduced factory utilization.	High	High
Availability of Fertiliser	Medium	Medium
Brand Reputation	Medium	-
Availability of regular workforce	Medium	Medium
Unstable nature of market in respect of prices	Medium	Medium
Interruption on Power and Fuel supply	Low	High
Fire	Low	Medium
Natural Disaster /Extreme weather condition	Low	Low
Registration of the Lands	Low	Low
Civil Unrest	Low	-
Supply chain sustainability	Low	-
IT system failure	Low	Low
Unionization of Worker	Low	Low
Unethical practices in the industry	Low	Low
Unrecoverable Advances	Low	Low
Act Of Terrorism	Low	Low
Environmental Pollution	Low	Low
External access to operational technology	Low	Low
Health and Safety	Low	Low

Risk Description	Risk Response
<p>1. Reduced availability of green leaf resulting in reduced factory utilization</p> <p><u>Implication</u> Lower crop intakes and reduced profitability</p>	<ul style="list-style-type: none"> • Continuous monitoring of supplier "Dropouts" and retention by, <ul style="list-style-type: none"> - Payment of competitive rates for quality raw materials - Offering forward advances and soft loans to eligible small holders - Establishing and maintaining the New year bonus scheme and small holder welfare societies • Extension services are provided to small holders and advice on Good Agricultural Practices (GAP) are disseminated towards improving productivity • Expanding the replanting programs in small holder lands and consolidating tea field vacancies through infilling programs • Improve soil fertility by providing chemical fertilisers and encouraging organic fertilisers • Supply high shade material to mitigate adverse weather condition such as drought • Maintain adequate stocks of fertiliser to cater to the small holder base during a fertiliser shortage • The application of Organic Fertiliser is being encouraged

ENTERPRISE RISK MANAGEMENT

Risk Description	Risk Response
<p>2. Availability of Fertiliser</p> <p><u>Implication</u> Lower crop intakes and decline in the standard of green leaf</p>	<ul style="list-style-type: none"> • Ensure that adequate stocks of chemical and organic Fertilisers are maintained to cater to small holder requirements • Distribute organic/inorganic Fertiliser as per the TRI guidelines • Establish new supplier routes to increase the small holder supply base • Obtain green leaf from field collectors to cover the shortfall and to maintain optimum production
<p>3. Brand Reputation</p> <p><u>Implication</u> Loss of shareholder value /Financial loss</p>	<ul style="list-style-type: none"> • Be mindful of the ethical conduct whilst closely monitoring and adhering to the Code of Conduct of the Company • Ensure compliance with minimum requirements of product labeling and packaging listed by SLTB/CTTA • Maintain ethical business practices whilst adhering to statutory requirement of the industry • Keep employees motivated whilst providing an inclusive and a balanced working environment • Penalties on Ex-gratia charged for quality claims • Zero Tolerance on Adulteration or Unscrupulous manufacturing practices
<p>4. Availability of regular workforce</p> <p><u>Implication</u> Shortage of skilled workforce</p>	<ul style="list-style-type: none"> • Provide adequate residential and rest room facilities for workers • Continuous monitoring of worker facilities and training on health and safety • Adequate transport facilities are provided to report to work • Provide discounted meal facilities • Factory automation
<p>5. Interruption on Power and Fuel supply</p> <p><u>Implication</u> Disruption to production, green leaf transport and loss of revenue</p>	<ul style="list-style-type: none"> • Combine leaf routes where possible to avoid any disruptions in green leaf transportation • Obtain special approval from the CTTA through PTFOA for cataloguing of teas in the event of any transport delays • Ensure full stock capacity of fuel is made available during power disruptions and is replenished • Ensure that generators are in good running condition whilst attending to repairs and maintenance on a timely manner
<p>6. Unstable nature of market in respect of prices</p> <p><u>Implication</u> Unpredictable profitability</p>	<ul style="list-style-type: none"> • Communicate regularly with the broker and exporters in relation to demand and prices and make strategic changes to the grade mix to suit market requirements • Flexibility to change the manufacturing process to cater to market demands. (Product diversification) • Forecast market movements through broker information and maintain regular communication with broker and exporters in relation to the demand and prices` • Minimize stocks held at factories to reduce impact due to price reductions

Risk Description	Risk Response
<p>7. Fire</p> <p><u>Implication</u> Business interruption, loss of revenue and assets</p>	<ul style="list-style-type: none"> • Adequate firefighting equipment's are available in the premises • Firefighting awareness programs are conducted every quarter • Annual firefighting demonstrations are conducted at all factories • BCP in place and is reviewed quarterly • Insurance covers have been obtained on fire and business interruption
<p>8. Natural Disaster /Extreme weather condition</p> <p><u>Implication</u> Business interruption / loss of revenue</p>	<ul style="list-style-type: none"> • BCP in place and reviewed quarterly • Insurance covers have been obtained on the Business interruption
<p>9. Registration of the Lands</p> <p><u>Implication</u> Loss of asset</p>	<ul style="list-style-type: none"> • Re-survey of land and registering in the appropriate land registry • Frequent monitoring of boundaries to ensure that there is no encroachment
<p>10. Civil Unrest</p> <p><u>Implication</u> Disruption of operation</p>	<ul style="list-style-type: none"> • Conduct frequent awareness and interactions with the employees • Ensure all security measures are in order • Build good relationships with the local community and maintain close interactions with area police in charge and be vigilant on social engagement and developments
<p>11. Supply Chain Sustainability</p> <p><u>Implication</u> Loss of product certification</p>	<ul style="list-style-type: none"> • Maximum Residue Limit (MRL) levels are checked every 2 years • Continuous monitoring of moisture, chemical content of the product whilst meeting the minimum requirement • Frequent evaluation of food safety controls under ISO 22000/2018 certification
<p>12. IT System Failure</p> <p><u>Implication</u> Breakdown of ERP system</p>	<ul style="list-style-type: none"> • Internet security (Virus guards) and windows security updates • System data hosted through Azure • Implementation of Data Classification • Management supervision
<p>13. Unionization of Worker</p> <p><u>Implication</u> Industrial Disputes/Union action</p>	<ul style="list-style-type: none"> • Continuation of the Joint Consultation Committee (JCC) • Conduct social activities and engagements on a frequent basis • Adherence to the statutory laws and create a safe and conducive work environment
<p>14. Unethical Practices in the Industry</p> <p><u>Implication</u> Unfair competition</p>	<ul style="list-style-type: none"> • Regular coordination with Tea Board, CTTA and be involved in bringing fair rules into the industry

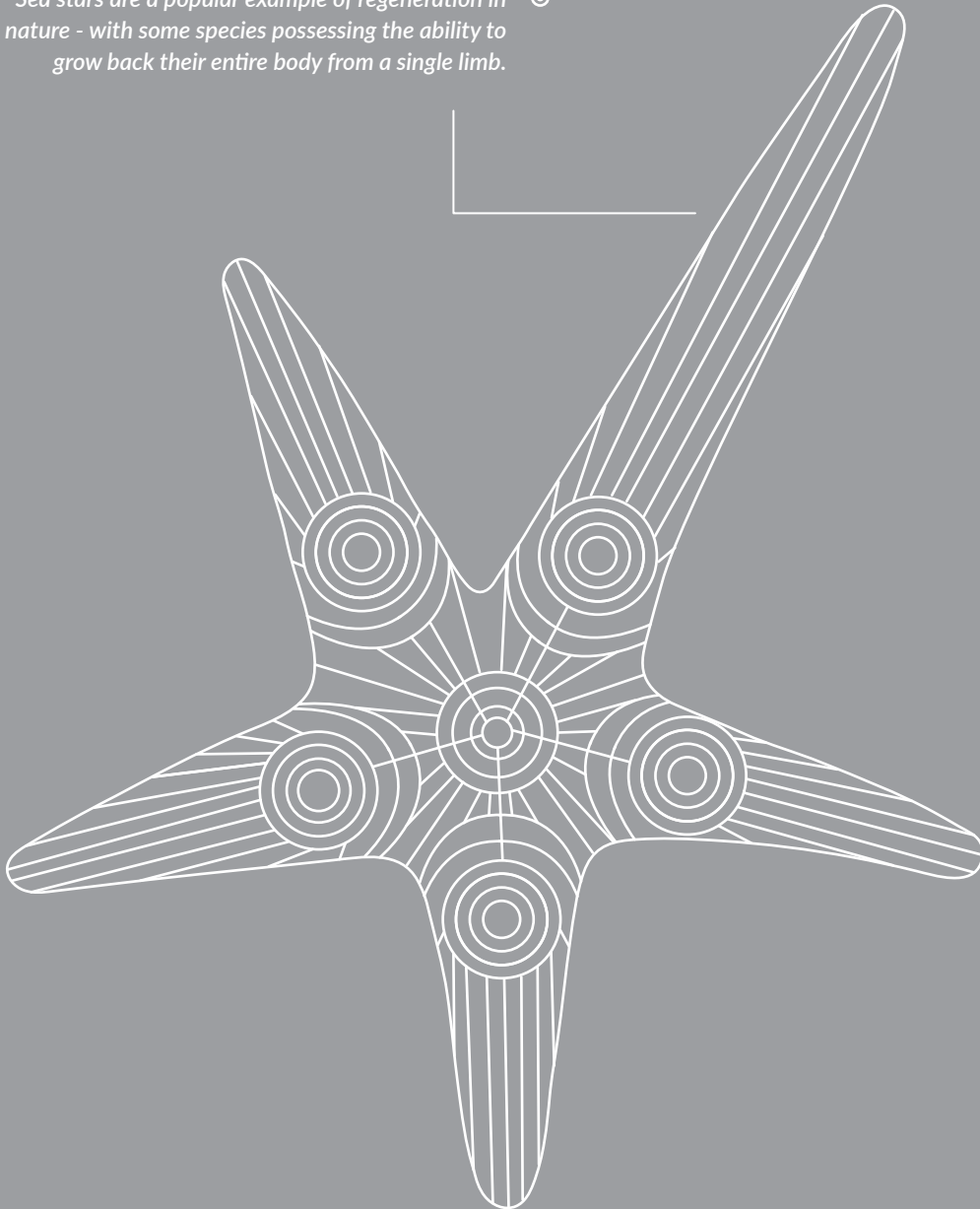
ENTERPRISE RISK MANAGEMENT

Risk Description	Risk Response
<p>15. Unrecoverable Advances</p> <p><u>Implication</u> Bad Debts</p>	<ul style="list-style-type: none"> Advances are issued at 75% of the green leaf rate payable and reviewed frequently based on market movements If green leaf supply falls short on estimated quantity, the shortfall is recovered from transport agents Reduce over advance requirement by promoting secured short term loan facilities with guarantors Weekly monitoring of debts and recoveries
<p>16. Act of Terrorism</p> <p><u>Implication</u> Loss of business asset/disruption to operations</p>	<ul style="list-style-type: none"> Maintain adequate stocks of critical supplies at the factories Ensure that the generators are in good working order at the factories in case of an emergency Updated BCP for head office and factories and conduct awareness programs on security and safety Ensure that administrative work could be carried out off site by the employees Insurance policies covering terrorism Backup of important data
<p>17. Environmental Pollution</p> <p><u>Implication</u> Loss of EPL, Fines</p>	<ul style="list-style-type: none"> Frequent review and monitoring of environmental policy ISO 45001 certification covers wastewater management and disposal Regular audits are conducted at all factories
<p>18 . External Access to Operational Technology</p> <p><u>Implication</u> System failure, distortion to data</p>	<ul style="list-style-type: none"> Audit trail for 3rd party access Vendor creation process with segregation of approval levels Implementation of pre-defined beneficiaries Internet security (Virus guards) and windows security updates Management supervision Primary records Protected passwords, NDAs with suppliers
<p>19. Health & Safety</p> <p><u>Implication</u> Loss of man-days</p>	<ul style="list-style-type: none"> Proactively identifying health and safety issues for preventive action to be set in place using ISO 45001:2018 certification guidelines, training on health and safety, fire drills, health and safety internal audits and external audits (ISO 45001:2018)

Our capacity to grow in the face of adversity will undoubtedly assure our continued progress in the future.

A REGENERATIVE MINDSET

Sea stars are a popular example of regeneration in nature - with some species possessing the ability to grow back their entire body from a single limb.





FINANCIAL CALENDAR

INTERIM FINANCIAL STATEMENTS

1st Quarter	July	21, 2022
2nd Quarter	November	02, 2022
3rd Quarter	January	26, 2023
4th Quarter	May	22, 2023

ANNUAL REPORTS

2021 / 2022	May	20, 2022
2022 / 2023	May	22, 2023

MEETINGS

28th Annual General Meeting	June	23, 2022
29th Annual General Meeting	June	29, 2023

DIVIDENDS 2022 / 2023

Interim Dividend - Rs. 6.67 per share paid on	April	11, 2023
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ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Tea Smallholder Factories PLC (Company) have pleasure in presenting their 29th Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March 2023.

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 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 small holders 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 07 of this Annual Report.

3. REVIEW OF BUSINESS PERFORMANCE

A review of operations of the Company during the year ended 31st March 2023 is contained in the Chairperson's Message on pages 12 to 15 and the Management Discussion and Analysis section on page 17 to 70. 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 2023 have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and are set out on pages 117 to 162 of this Annual Report. The Independent Auditors' Report on the Financial Statements are given on page 116 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 123 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. 3,744 million (2021/2022 - Rs. 2,019 million) which is a 85% increase compared to the previous year. An analysis of the revenue based on geographical segments is disclosed in note 5.2 to the Financial Statements on page 126.

6.2 Profit and Appropriations

The profit after tax of the Company was Rs. 278.50 million (2021/2022 - Rs. 15.31 million). The segmental profits are disclosed in note 5.2.1 to the Financial Statements on page 126.

The Company's total comprehensive income net of tax for the financial year 2022/2023 was Rs. 303.30 million (2021/2022 - Rs. 97.95 million).

6.3 Taxation

The Company is liable to income tax at 30 percent (2021/2022 - 14 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 page 141 to 144.

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.

Information on dividends and reserves are given below;

Tea Smallholder Factories PLC For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Profit before tax	440,626	22,657
Provision / Reversal for taxation including deferred tax	(162,131)	(7,346)
Net profit after tax	278,495	15,311
Other adjustments	5,133	1,025
Balance brought forward from the previous year	755,044	768,708
The amount available for appropriation	1,038,672	785,044
Interim dividend declared for 2022/2023 for of Rs. 6.67 per share and 2021/2022 for of Rs. 1.00 per share	(200,100)	(30,000)
Balance to be carried forward next year	838,572	755,044

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 endeavor is made to minimize 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 61 to 66 of this Annual Report.

9. PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment of the Company as at 31st March 2023 was Rs. 1,019.62 million (as at 31st March 2022 was Rs. 739.47 million). 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. 212.83 million. The movement of property, plant and equipment during the year is shown in note 17.2 of the Financial Statements on page 146.

Right of Use Assets amounting to Rs. 2.13 million (2021/2022 - Rs. 2.22 million) have been shown separately from property, plant and equipment as per SLFRS 16 - Leases.

Investment properties totaling to Rs. 603.26 million have been shown separately from property, plant and equipment as per LKAS 40 - Investment Properties.

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 2022 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 2022. 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 147, 148 and 151 respectively.

10. INVESTMENTS

Investments of the Company (short term) as at 31st March 2023 amounted to Rs. 52.04 million (as at 31st March 2022 - Rs. 216.13 million).

11. STATED CAPITAL AND RESERVES

The Stated Capital of the Company as at 31st March 2023 was Rs. 150 million (as at 31st March 2022 - Rs. 150 million) with 30 million shares in issue.

The total Reserves of the Company as at 31st March 2023 amounted to Rs. 1,469 million (as at 31st March 2022 - Rs. 1,366 million). The movement in these reserves is shown in the Statement of Changes in Equity on page 120.

12. SHAREHOLDING AND STOCK MARKET INFORMATION

As at 31st March 2023 there were 1,434 (as at 31st March 2022 - 1,253) 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. 44.0 as at 31st March 2023 (31st March 2022 - Rs. 27.1). Information relating to earnings, dividend, net assets and market value per share is given under the "Five Year Summary" on page 166 to 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 Share Information section (page 169) of this Annual Report.

13. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities and capital commitments made on capital expenditure and as at 31st March 2023 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 2023 and their brief profiles are given in the Board of Directors section of this Annual Report on pages 72 to 73.

	2023	2022
Revaluation Reserve	Rs. 630 Mn	Rs. 611 Mn
Retained Earnings	Rs. 839 Mn	Rs. 755 Mn
Total	Rs. 1,469 Mn	Rs. 1,366 Mn

15.2 New Appointments and Resignation of Directors

All Directors of the Company held office during the entire year.

15.3 Board Sub-Committees

Information regarding the Board Audit Committee, Human Resources and Compensation Committee, Nominations Committee, Related Party Transactions Review Committee and Project Risk Assessment Committee is given under Corporate Governance on pages 78 to 82.

15.4 Retirement of Directors and their re-election

In accordance with Article 83 of the Articles of Association of the Company, Mr. J. G. A. Cooray and Mr. S. K. L. Obeyesekere who retire by rotation and being eligible, will offer themselves for re- election at the Annual General Meeting.

Mr. A. S. Jayatilleka who has exceeded the age of 70 years and is eligible for re-election in terms of Section 211 of the Companies Act No. 7 of 2007, will offer himself 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 (including their spouses) in the shares of the Company are as follows.

As at 31st March	2023 No. of Shares held	2022 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. 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
Mr. R. H. Walpola (CEO)	Nil	Nil

15.6 Interest Register and Interest in Contracts

The Company has maintained an Interest Register as contemplated by the Companies Act and entries have been made therein from 3rd May 2007 being the date on which the Companies Act came into operation.

Interest Register is available at the Registered office of the Company in keeping with the requirement of the section 119 (1) (d) of 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.

(a) 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.

(b) Share Dealings - There have been no other disclosures of share dealings as at 31st March 2023.

16. DIRECTORS' MEETINGS

Details of Directors' meetings is presented on page 79 of this Annual Report.

17. RELATED PARTY TRANSACTIONS

The Company's transactions with related parties, given under Note 34 (Pages 160-161) to the Financial Statements have complied with the listing Rule 9.3.2 of the Colombo Stock Exchange and the 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.

18. EMPLOYMENT

The number of persons employed by the Company as at 31st March 2023 was 411 (as at 31st March 2022 - 404).

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 75 to 96.

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 ensures 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 minimize 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 113 and the Audit Committee Report set out on pages 97 to 99 of the Annual Report to provide further information in respect of the above.

21. RISK MANAGEMENT

The Directors have established and adhere 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 101 to 106 of this Annual Report.

22. STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge that 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 141 and 144.

23 GOING CONCERN

The Company has prepared the financial statements for the year ended 31 March 2023 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 2023, based on available information, the management has

assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern. 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 judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations 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 endeavor is made to minimize 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 22nd May 2023. 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 22nd May 2023.

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 Thursday, 29th June 2023 at 11.00 a.m. The notice of the meeting relating to the Twenty-Ninth 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

22nd May 2023



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 in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007 ('Companies Act') is set out in the Independent Auditor's Report on pages 114 to 116 of the Annual Report. As per the provisions of the Companies Act No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of;

- 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 2023 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.

Further, as required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a certificate from the auditors, prior to declaring an interim dividend of Rs. 6.67 per share for the year ending 31st March 2023, paid before 11th April 2023.

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, 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 except as specified in Note 37 to the Financial Statements covering contingent liabilities.

By Order of the Board

TEA SMALLHOLDER FACTORIES PLC

Keells Consultants (Private) Limited
Secretaries

22nd May 2023



INDEPENDENT AUDITORS' REPORT



**Building a better
working world**

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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 2023, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023 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 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

1. Valuation of land and buildings and Investment Property

Property, Plant and Equipment and Investment Property include Land & Buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Company.

This was a key audit matter due to:

- Materiality of the reported Land & Buildings and Investment Property balances amounted to Rs. 736 Mn and Rs. 603 Mn respectively which collectively represented 58 % of the total assets as at 31 March 2023.
- the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of Land and Buildings such as reliance on comparable market transactions, and current market conditions

Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following:

- Estimate of per perch value of the land
- Estimate of the per square foot value of the buildings

Our audit procedures were based on the best available information as at date of this report and focused on the valuations performed by the external valuer engaged by the Company. Our procedures included the following;

- Assessed the competency, capability and objectivity of the external valuer engaged by the Company.
- Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each land and building.
- Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each land and building.

We have also assessed the adequacy of the disclosures made in Notes 17.2 and 19.2 to the financial statements relating to the significant judgements, valuation technique and estimates used by the external valuer.

Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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, related safeguards.

INDEPENDENT AUDITORS' REPORT

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.



22 May 2023

Colombo

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

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

A member firm of Ernst & Young Global Limited



INCOME STATEMENT

For the year ended 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
Revenue from contracts with customers	9.2	3,743,939	2,018,797
Cost of Sales		(3,332,924)	(2,029,365)
Gross Profit/ (Loss)		411,015	(10,568)
Other Operating Income	10.2	152,646	88,258
Administrative Expenses		(106,191)	(62,919)
Management Fees	11	(66,085)	(15,028)
Results From Operating Activities		391,385	(257)
Finance Cost	12.2	(1,414)	(27)
Finance Income	12.2	30,193	7,222
Net Finance Income		28,779	7,195
Change in fair value of Investment Property	19.2	20,462	15,719
Profit Before Tax	13.1	440,626	22,657
Tax (Expense)	16.2	(162,131)	(7,346)
Profit for the Year		278,495	15,311
Earnings per share - Basic	14	9.28	0.51
Dividend Per share	15	6.67	1.00

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 123 to 162 form an integral part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
Profit for the year		278,495	15,311
Other Comprehensive Income			
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Revaluation of Land and Buildings	17.2	129,457	93,169
Tax Effect	16.2.1	(109,788)	(11,557)
		19,669	81,612
Re-measurement Gain on Defined Benefit Plans	31.2	7,333	1,191
Tax Effect	16.2.1	(2,200)	(167)
		5,133	1,024
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent period		24,802	82,636
Total Other Comprehensive Income for the year, net of tax		24,802	82,636
Total Comprehensive Income for the year, net of tax		303,297	97,947

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 123 to 162 form an integral part of these financial statements.



STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17.2	1,019,625	739,470
Right of Use Assets	18.1	2,132	2,220
Investment Property	19.2	603,260	582,798
Intangible Assets	20	8,003	8,403
Non-Current Financial Assets	21.1	11,224	4,680
Other Non-Current Assets	22.1	6,139	535
		1,650,383	1,338,106
Current Assets			
Inventories	23.2	491,670	241,285
Trade and Other Receivables	24	99,190	80,947
Other Current Assets	25	5,534	2,894
Short Term Investments	26	52,041	216,128
Cash in Hand and at Bank	27	6,265	4,249
		654,700	545,503
Total Assets		2,305,083	1,883,609
EQUITY AND LIABILITIES			
Stated Capital	28	150,000	150,000
Revaluation Reserve	29	630,296	610,627
Retained Earnings	30	838,572	755,044
Total Equity		1,618,868	1,515,671
Non-Current Liabilities			
Deferred Tax Liabilities	16.4	287,739	110,149
Employee Benefit Liabilities	31.2	35,076	38,533
Deferred Grants and Subsidies	32.2	427	447
		323,242	149,129
Current Liabilities			
Trade and Other Payables	33	281,042	200,007
Amounts due to Related Parties	34.1	8,073	2,965
Income Tax Liabilities	16.3	37,631	613
Other Current Liabilities	35	35,465	13,141
Bank Overdraft	36	762	2,083
		362,973	218,809
Total Equity and Liabilities		2,305,083	1,883,609
Net Assets Per Share (Rs.)		53.96	50.52

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 123 to 162 form an integral part of these financial statements.

22nd May 2023
Colombo



STATEMENT OF CHANGES IN EQUITY

	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
		Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
As at 01st April 2021		150,000	529,015	768,709	1,447,724
Profit for the year		-	-	15,311	15,311
Other comprehensive income		-	81,612	1,024	82,636
Total comprehensive income		-	81,612	16,335	97,947
Interim dividend paid - 2021/2022		-	-	(30,000)	(30,000)
As at 31st March 2022		150,000	610,627	755,044	1,515,671
Profit 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)
As at 31st March 2023		150,000	630,296	838,572	1,618,868

The Accounting Policies and Notes as set out on pages 123 to 162 form an integral part of these financial statements.



STATEMENT OF CASH FLOW

For the year ended 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
OPERATING ACTIVITIES			
Profit Before Tax		440,626	22,657
ADJUSTMENTS FOR			
Finance Income	12.2	(30,193)	(7,222)
Depreciation of Property, Plant and Equipment	13.1	61,745	64,531
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	6,478	7,474
Amortization of Grants	32.2	(20)	(20)
Finance Cost	12.2	1,414	27
Profit on disposal of Property, Plant and Equipment	10.2	(10,613)	(12,141)
Change in Fair Value of Investment Property	19.2	(20,462)	(15,719)
Operating Profit before Working Capital Changes		449,464	60,076
(Increase) / Decrease in Inventories		(250,386)	12,320
(Increase) / Decrease in Trade and Other Receivables		(27,751)	(24,175)
(Increase) / Decrease in Other Current Assets		(2,640)	1,112
Increase / (Decrease) in Trade and Other Payables		81,035	10,560
Increase / (Decrease) in Amount due to Related Parties		5,108	93
Increase / (Decrease) in Other Current Liabilities		22,324	(142)
Cash Generated from Operations		277,154	59,844
Finance Income Received		27,553	6,253
Finance Cost Paid		(1,414)	(27)
Gratuity Paid	31.2	(2,602)	(13,300)
Tax Paid	16.3	(59,510)	-
Net Cash from Operating Activities		241,181	52,770
INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		11,000	14,436
Purchase of Property, Plant and Equipment	17.2	(212,831)	(40,466)
Net Cash from / (used) in Investing Activities		(201,831)	(26,030)
FINANCING ACTIVITIES			
Dividend Paid	15	(200,100)	-
Net Cash from / (used) in Financing Activities		(200,100)	-
Net Increase / (Decrease) in Cash and Cash Equivalents		(160,750)	26,740
Cash and Cash Equivalents at the beginning	Note A	218,294	191,554
Cash and Cash Equivalents at the end	Note B	57,544	218,294
Notes			
A. Cash and Cash Equivalents at the beginning			
Cash and Bank Balances	27	4,249	4,291
Short Term Investments	26	216,128	187,265
Bank Overdraft	36	(2,083)	(2)
		218,294	191,554
B. Cash and Cash Equivalents at the end			
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

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 123 to 162 form an integral part of these financial statements.



INDEX TO NOTES

Corporate Information

- 1 Corporate Information

Basis Of Preparation And Significant Accounting Policies

- 2 Basis of preparation
3 Summary of significant accounting policies
4 Changes in Accounting Standards

Business, Operations and Management

- 5 Operating segment information
6 Financial risk management objectives and policies
7 Fair value measurements and disclosures
8 Financial instruments and related policies

Position

- 9 Revenue
10 Other operating income
11 Management Fees
12 Finance Income and Finance Costs
13 Profit before tax
14 Earnings per share
15 Dividend per share
16 Taxes
17 Property, plant and equipment
18 Right of use assets
19 Investment property
20 Intangible assets
21 Other non-current financial assets
22 Other non-current assets
23 Inventories
24 Trade and other receivables
25 Other current assets
26 Short term investments
27 Cash in hand and at Bank
28 Stated Capital`
29 Revaluation Reserve
30 Revenue Reserves
31 Employee Benefit Liabilities
32 Other Deferred Liabilities
33 Trade and other payables
34 Related party transactions
35 Other current liabilities
36 Bank overdraft

Other Disclosures

- 37 Contingent liabilities
38 Capital and other commitments
39 Assets pledged as security
40 Events after the reporting period



NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

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 2023 were authorized for issue by the Board of Directors on 22nd May 2023.

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 SIGNIFICANT 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 2023 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 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern. 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 judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is classified as a current 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 Standards Issued but not yet Effective

The following amendments and improvements are not expected 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 : Disclosure of Accounting Policies
- Amendments to LKAS 8 : Definition of Accounting Estimates
- Amendments to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 As at	Galle		Ratnapura		N'Eliya		Total	
	2023 Rs. '000s	2022 Rs. '000s	2023 Rs. '000s	2022 Rs. '000s	2023 Rs. '000s	2022 Rs. '000s	2023 Rs. '000s	2022 Rs. '000s
Segment Revenue								
Revenue from contracts with customers	2,191,256	1,130,080	352,883	327,542	1,199,800	561,175	3,743,939	2,018,797
Segment Results								
Revenue Expenditure	(1,926,769)	(1,099,418)	(350,989)	(356,062)	(988,878)	(508,673)	(3,266,636)	(1,964,153)
Depreciation of Property, Plant and Equipment	(40,070)	(36,834)	(9,019)	(13,499)	(11,386)	(11,950)	(60,475)	(62,283)
Amortisation of Right of Use Assets	-	-	-	(89)	-	-	-	(89)
Amortisation of Intangible Assets	(229)	(210)	(57)	(86)	(57)	(52)	(343)	(348)
Gratuity Charge and Related Costs	(3,216)	(1,423)	(621)	(480)	(1,633)	(589)	(5,470)	(2,492)
Segment Gross Profit / (Loss)	220,972	(7,805)	(7,803)	(42,674)	197,846	39,911	411,015	(10,568)
Other Operating Income							152,646	88,258
Change in fair value of Investment Property							20,462	15,719
Finance Income							30,193	7,222
Finance Cost							(1,414)	(27)
Unallocated Expenses							(106,191)	(62,919)
Management Fees							(66,085)	(15,028)
Profit Before Tax							440,626	22,657

Geographical Segment	Galle		Ratnapura		N'Eliya		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
5.2.2 Segment Assets								
Allocated Assets								
Non - Current Assets								
Property, Plant & Equipment	832,292	616,204	171,853	122,011	238,598	177,424	1,242,743	915,639
Depreciation of Property, Plant and Equipment	(149,198)	(109,268)	(38,478)	(29,370)	(51,182)	(39,593)	(238,858)	(178,231)
Right of Use Assets	-	-	-	3,083	-	-	-	3,083
Amortisation of Right of Use Assets	-	-	-	(863)	-	-	-	(863)
Intangible Assets	1,000	1,000	250	500	250	250	1,500	1,750
Amortisation of Intangible Assets	(688)	(460)	(172)	(211)	(172)	(115)	(1,032)	(786)
Current Assets	344,413	209,274	82,003	32,118	164,236	80,741	590,652	322,133
	1,027,819	716,750	215,456	127,268	351,730	218,707	1,595,005	1,062,725
Unallocated Assets								
Non - Current Assets								
Cost							673,875	624,037
Depreciation / Amortisation							(27,845)	(26,523)
Current Assets							64,048	223,370
Total Assets							2,305,083	1,883,609
5.2.3 Segment Liabilities								
Allocated Liabilities								
Non Current Liabilities	14,501	15,531	2,454	7,347	9,099	9,604	26,054	32,482
Current Liabilities	116,718	94,977	23,817	16,064	54,643	42,133	195,178	153,174
	131,219	110,508	26,271	23,411	63,742	51,737	221,232	185,656
Unallocated Liabilities								
Non Current Liabilities							297,188	116,647
Current Liabilities							167,795	65,635
							464,983	182,282
Total Liabilities							686,215	367,938
5.2.4 Segment Capital Expenditure								
Allocated Capital Expenditure	121,552	28,783	27,906	4,952	48,425	6,459	197,883	40,194
Unallocated Capital Expenditure							14,948	272
							212,831	40,466

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.

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.

For the year ended 31st 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%
Total credit risk exposure		11,224	6,265	99,190	52,041	168,720	100%

6.1.1 Credit Risk Exposure (Contd.)

For the year ended 31st March 2022	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	4,680	-	-	-	4,680	2%
Trade and other receivables	6.1.3	-	-	80,947	-	80,947	26%
Short term investments	6.1.4	-	-	-	216,128	216,128	71%
Cash in hand and at bank	6.1.4	-	4,249	-	-	4,249	1%
Total credit risk exposure		4,680	4,249	80,947	216,128	306,004	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 the necessary promissory notes as collateral for the loans granted.

6.1.3 Trade and Other Receivables

As at 31st March		2023 Rs. '000s	2022 Rs. '000s
Neither past due nor impaired		94,150	79,820
Past due but not impaired	0-30 days	4,282	896
	31-60 days	558	99
	61-90 days	67	83
	91-180 days	133	49
	> 180 days	2,994	4,178
Gross carrying value		102,184	85,125
Less: impairment provision			
Collectively assessed impairment provision		(2,994)	(4,178)
Total		99,190	80,947

NOTES TO THE FINANCIAL STATEMENTS

The Company has obtained customer deposits and promissory notes from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Company considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

6.1.4 Cash and Cash Equivalent and Short Term Investments

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Company held cash and cash equivalents of Rs.57.54 Mn as at 31 March 2023 (2022-Rs. 218.29 Mn).

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 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	2023 Rs. '000s	2022 Rs. '000s
Short term investments	52,041	216,128
Cash in hand and at bank	6,265	4,249
Total liquid assets	58,306	220,377
Bank overdraft	762	2,083
Total liabilities	762	2,083
Net cash	57,544	218,294

The Company has obtained banking facilities to the value of Rs. 150 million, which comprise an overdraft facility of Rs. 50 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 2023 was 0.76 Mn. Hence, an amount of Rs. 149.24 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 31st March 2023 based on contractual undiscounted payments.

For the year ended 31st March 2023	Below 3 months	Between 3-6 months	Between 6-12 months
	Rs. '000s	Rs. '000s	Rs. '000s
Amounts due to related parties	8,073	-	-
Bank overdraft	762	-	-
Trade and Other Payables	281,042	-	-
Other Current Liabilities	35,465	-	-
	325,342	-	-

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) continued the tightening of monetary policy stance during current financial year, resulting in a sharp upward trend in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year further put pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country.

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 Company's external valuer, which valuation techniques and inputs to use for individual asset and liability.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

7.2 Fair Value Hierarchy

7.2.1 Financial Assets and Liabilities

The financial assets and liabilities held by the Company as at 31st March 2023 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	
			2023	2022	2023	2022	2023	2022	2023	2022
			Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
Assets measured at fair value										
Land and buildings	17.3	31st December 2022	-	-	-	-	736,451	569,414	736,451	569,414
Plant and machinery	17.4	31st March 2020	-	-	-	-	185,966	152,290	185,966	152,290
Investment property	19.3	31st December 2022	-	-	-	-	603,260	582,798	603,260	582,798
			-	-	-	-	1,525,677	1,304,502	1,525,677	1,304,502

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 2022 and a confirmation was obtained from the external valuers to ensure the values as at 31 March 2023.

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 right 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	2023 Rs. '000s	2022 Rs. '000s
Non-current financial assets	21.1	11,224	4,680
Financial Assets in current assets			
Trade and other receivables	24	99,190	80,947
Short term investments	26	52,041	216,128
Cash in hand and at bank	27	6,265	4,249
Total Financial Assets at amortised cost		168,720	306,004

Financial Liabilities at amortised cost	Note	2023 Rs. '000s	2022 Rs. '000s
Financial liabilities in current liabilities			
Trade and other payables	33	281,042	200,007
Amounts due to related parties	34.1	8,073	2,965
Bank overdraft	36	762	2,083
Total Financial Liabilities at amortised cost		289,877	205,055

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	2023	2022
For the year ended 31st March	Rs. '000s	Rs. '000s
Goods transferred at a point in time	3,795,037	2,050,119
Less - brokerage and handling charges	(51,098)	(31,323)
Revenue from contracts with customers	3,743,939	2,018,797

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 2023.

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 2023.

9.4 Performance obligations and significant judgements

The principal business activity of the Company is processing green leaf procured from smallholders and sale of processed black tea through the Colombo Tea Auction.

Net revenue is recognised when the Company satisfies the performance obligation at a point in time based on Sellers' Contract which is the agreement between the Company and the buyer that creates enforceable rights and obligations. Transaction price shall comprise cost and mark up which is equal to net proceeds.

10 OTHER OPERATING INCOME

10.1 Accounting Policy

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Other Income

Other income is recognised on an accrual basis.

Rental Income

Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the lease terms

NOTES TO THE FINANCIAL STATEMENTS

10.2 Other Operating Income

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Sale of residual tea	89,626	55,777
Rental income	28,581	17,873
Amortisation of deferred grants	20	20
Net gain on disposal of property, plant and equipment	10,613	12,141
Net margin on sale of Fertiliser	19,936	851
Sundry income	3,870	1,596
	152,646	88,258

11 MANAGEMENT FEE

For the year ended 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
Management fee to John Keells Teas (Private) Limited	34.5	66,085	15,028
		66,085	15,028

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	2023 Rs. '000s	2022 Rs. '000s
Finance Income		
Interest income on loans to green leaf suppliers	2,157	1,835
Interest income on staff vehicle loans	1,760	537
Interest income on short term investments	26,276	4,850
Total finance income	30,193	7,222
Finance Cost		
Interest cost on short term borrowings	(1,414)	(27)
Total finance cost	(1,414)	(27)
Net finance income	28,779	7,195

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	2023 Rs. '000s	2022 Rs. '000s
Remuneration to Non Executive Directors	6,405	3,600
Auditors' remuneration		
Audit services	2,067	1,782
Non-audit services	85	70
Costs of defined employee benefits		
Defined benefit plan cost	6,478	7,474
Defined contribution plan cost - EPF and ETF	26,825	28,176
Staff costs	157,003	122,040
Depreciation of PPE and ROU asset	61,834	64,620
Amortisation of purchased software and licenses	400	400
Legal fees	425	200
Profit on sale of property, plant and equipment	10,613	12,141

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	2023	2022
Net profit applicable to ordinary shareholders for basic earnings per share - Rs. '000s		278,495	15,311
Weighted average number of ordinary shares in issue - No. of shares '000s	14.1	30,000	30,000
Basic earnings per share - Rs.		9.28	0.51

14.1 Amount used as denominator

For the year ended 31st March	2023	2022
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	2023	2022
Declared and paid during the year		
Interim dividend Rs. '000s	200,100	30,000
Total Dividends Rs. '000s	200,100	30,000
Weighted average number of ordinary shares in issue - No. of shares Rs. '000s	30,000	30,000
Dividend per share - Rs.	6.67	1.00

16 TAXES

16.1 Accounting policy

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised outside Income Statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

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 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 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.

Surcharge Tax

The Company is not liable for the tax individually as well as a subsidiary, as the shareholding percentage of John Keells Holdings PLC does not exceed 50% of the issued share capital.

NOTES TO THE FINANCIAL STATEMENTS

16.2 Tax Expense

For the year ended 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
Current Income tax			
Current tax charge	16.6	96,539	6,387
Under / (Over) provision of current tax in respect of previous years		(11)	1,580
Deferred Income Tax			
Relating to origination and reversal of temporary differences	16.2.1	65,603	(621)
Total tax expense		162,131	7,346

16.2.1 Deferred Tax Expense

For the year ended 31st March		2023 Rs. '000s	2022 Rs. '000s
Income Statement			
Deferred tax expense arising from;			
Accelerated depreciation for tax purposes		25,797	(1,380)
Revaluation of investment property to fair value		47,199	1,572
Employee benefit liabilities		(7,328)	(816)
Other deferred liabilities		(66)	3
Deferred tax charge / (reversal)		65,603	(621)
Other Comprehensive Income			
Deferred tax expense arising from;			
Revaluation of Land and building to fair value		109,788	11,557
Re-measurement gain on defined benefit plans		2,200	167
Deferred tax charge		111,988	11,724

* Deferred tax has been computed at the rate of 30% (14% in 2022).

16.3 Income Tax Payable

Balance as at 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	613	2,923
Charge for the year	96,539	6,387
Payments and set off against refunds	(59,510)	(10,277)
Under / (over) provision of current tax in respect of previous years	(11)	1,580
At the end of the year	37,631	613

16.4 Deferred Tax Liability

Balance as at 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	110,149	99,046
Charge / (release) for the year	65,603	(621)
Tax effect on revaluations	109,788	11,557
Tax effect on re-measurement gain on defined benefit plans	2,200	167
At the end of the year	287,739	110,149
The closing deferred tax liability relates to the following;		
Revaluation of investment property to fair value	76,278	29,079
Revaluation of Land and building to fair value	70,602	25,679
Accelerated depreciation for tax purposes	151,510	60,849
Employee benefit liability	(10,523)	(5,395)
Other liabilities	(128)	(63)
	287,739	110,149

16.5 Reconciliation between Tax Expense and the product of Accounting Profit

For the year ended 31st March	2023 Rs. '000s.	2022 Rs. '000s
Profit Before Tax	440,626	22,657
Accounting profit before income tax	440,626	22,657
Adjusted accounting profit chargeable to income taxes	440,626	22,657
Aggregate disallowable expenses	82,091	72,382
Aggregate allowable expenses	(90,398)	(62,184)
Taxable income	432,319	32,854
At the effective income tax rate of 24% & 30% - Rent Income	7,717	4,289
At the effective income tax rate of 14% & 30%	88,822	2,097
Total income tax charged at the rate of 14% & 30%	96,539	6,387

NOTES TO THE FINANCIAL STATEMENTS

16.6 Reconciliation between Tax Expense and the product of Accounting Profit

Balance as at 31st March	2023 Rs. '000s	2022 Rs. '000s
Adjusted accounting profit chargeable to income taxes	440,626	22,657
Tax effect on chargeable profits	132,182	2,756
Tax effect on non deductible expenses	496	(16)
Tax effect on deductions claimed	(215)	(48)
Tax Effect on other taxes (Including Capital Gains 30%)	29,679	3,074
Under / (Over) provision of current tax in respect of previous years	(11)	1,580
Total tax expense	162,131	7,346

17 PROPERTY, PLANT AND EQUIPMENT

17.1 Accounting Policy

Basis of Recognition

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

Basis of Measurement

Items of property, plant and equipment are measured at cost (or fair value in the case of land and building, and plant and machinery) less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset and any other cost directly attributable to bring the asset to a working condition for its intended use.

Land and buildings, and plant and machinery are measured at fair value less accumulated depreciation on buildings, plant and machinery and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where land and buildings and plant and machinery are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. The 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, except for properties held for rental, which are revalued by an external valuer at least every 3 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 utilization or at the time the asset is commissioned.

Impairment of Property, Plant and Equipment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded Companies or other available fair value indicators.

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 2023	Total 2022
	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s	Rs. '000s
Cost or Valuation									
Balance as at 01 April 2022	122,244	451,431	225,427	23,659	84,818	16,883	6,183	930,645	980,407
Additions	-	-	-	-	-	-	212,831	212,831	40,466
Transfers from work in progress	-	55,854	71,745	15,790	16,028	5,140	(164,557)	-	-
Revaluations	55,160	74,296	-	-	-	-	-	129,457	93,169
Disposals	-	-	(1,550)	(9)	-	(116)	-	(1,675)	(8,537)
Transferred due to revaluation	-	(17,212)	-	-	-	-	-	(17,212)	(18,681)
Transfer out	-	-	-	-	-	-	-	-	(156,178)
Balance as at 31 March 2023	177,404	564,369	295,622	39,440	100,846	21,907	54,457	1,254,045	930,645
Accumulated Depreciation and Impairment									
Balance as at 01 April 2022	-	4,261	73,137	21,234	77,906	14,636	-	191,175	165,272
Charge for the year	-	18,273	37,681	1,161	2,194	2,435	-	61,745	64,531
On disposals	-	-	(1,163)	(9)	-	(116)	-	(1,288)	(6,242)
Transferred due to revaluation	-	(17,212)	-	-	-	-	-	(17,212)	(18,681)
Transfer out	-	-	-	-	-	-	-	-	(13,704)
Balance as at 31 March 2023	-	5,322	109,656	22,386	80,100	16,956	-	234,420	191,175
Carrying Value									
As at 31 March 2023	177,404	559,047	185,966	17,054	20,746	4,951	54,457	1,019,625	739,470
As at 31 March 2022	122,244	447,170	152,290	2,425	6,912	2,246	6,183	739,470	-

The Notes on pages 123 to 162 form an integral part of these financial statements

17.3 Accounting Judgements, Estimates and Assumptions related to Revaluation of Land and Buildings

The Company uses the revaluation model of measurement of land and buildings. The Company engaged an independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location, or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31st December 2022.

The Freehold Land, Building on freehold land and pre cast concrete structure for six factories were revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as of 31st December 2022 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 31st December 2022 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 31st March 2023 is Rs. 736.45 Mn (as at 31st March 2022 - Rs. 569.41 Mn)

Information on fair value measurement on land and building as at 31st 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				

Information on fair value measurement on land and building as at 31 March 2022 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31st March 2022 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	122,244	Market Approach	Estimated price per perch	Rs. 8,310 - Rs. 30,750	Positively correlated sensitivity
Buildings	447,170	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,143 - Rs.1,493	Positively correlated sensitivity
	569,414				

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 31st 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 31st March 2023 is Rs. 185.97 Mn (as at 31st March 2022 - Rs. 152.29 Mn)

Information on fair value measurement on plant and machinery as at 31st 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

Information on fair value measurement on plant and machinery as at 31st March 2022 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31st March 2022 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	152,290	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	2023 Rs. '000s	2022 Rs. '000s
At cost	97,208	17,766
At valuation	922,417	721,704
	1,019,625	739,470

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	2023 Rs. '000s	2022 Rs. '000s
Land and Buildings		
Cost	315,935	287,610
Accumulated depreciation and impairment	(195,802)	(160,288)
Carrying value	120,133	127,322
Plant and Machinery		
Cost	622,467	550,722
Accumulated depreciation and impairment	(373,202)	(366,198)
Carrying value	249,265	184,524

17.7 The cost of fully depreciated assets, but still in use of the Company amounts to Rs 116 Mn as of 31 March 2023 (As at 31 March 2022 - Rs. 98 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 2023.

18.1 Right of Use Assets

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Balance at the beginning of the year	2,220	2,309
Amortisation for the year	(89)	(89)
Balance at the end of the year	2,132	2,220

.The remaining period of lease for the leasehold property is 24 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 premises 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.

19.2 Carrying Value of Investment Property

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	582,798	424,605
Net gain from fair value remeasurement	20,462	15,719
Transfer in/(out)	-	142,474
At the end of the year	603,260	582,798

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 31st December 2022. 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 31st December 2022. 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 31st December 2022 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 31st 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				

** The value of buildings of Rs. 142.47 Mn includes Plant & Machinery of Rs.15.93 Mn which are integral part of the building given on lease.

NOTES TO THE FINANCIAL STATEMENTS

Information on fair value measurement on investment property as at 31st March 2022 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 2022 (Rs. '000)	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	408,694	Direct capital comparison method	Estimated price per perch	Rs. 2,600,000/- per perch	Positively correlated sensitivity
Buildings	31,630		Estimated price per square foot	Rs.1,000/- per square foot	Positively correlated sensitivity
	440,324				

Investment Property situated in Karawita, Ratnapura

Type of Asset	Fair Value as at 31st March 2022 (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	2023 Rs. '000s	2022 Rs. '000s
Rental Income	28,581	17,873
	28,581	17,873

The Company has not incurred any direct operating expenses in the current year as well as in the previous year in connection with the Investment Property.

Future minimum rentals receivable as at 31st March 2023

For the year ended 31st March	2023 Rs. '000s
Within one year	18,863
After one year but not more than five years	45,400

The Company has entered into an operating lease on its Paliyagoda investment property, and is due for renewal on 1st July 2023.

20 INTANGIBLE ASSETS

Accounting Policy

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

Useful Economic lives, Amortization and Impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end and such changes are treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible Assets

As at 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
Purchased Software	20.1	700	1,100
Goodwill	20.2	7,303	7,303
		8,003	8,403

NOTES TO THE FINANCIAL STATEMENTS

20.1 Purchased software

The Company capitalized the purchased software during the year ended 31st March 2020 which was initially measured at cost. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
Cost/Carrying Value		
At the beginning of the year	2,000	2,000
At the end of the year	2,000	2,000
Accumulated amortisation and impairment		
At the beginning of the year	900	500
Charge for the year	400	400
At the end of the year	1,300	900
Carrying Value		
As at 31 March	700	1,100

The estimated useful life of assets is as follows:

Assets	Years	Type	Impairment Testing
Purchased software	5	Acquired	When indicators of impairment exists, The amortisation method is reviewed at each financial year end.

20.2 Goodwill

For the year ended 31st March	Note	2023 Rs. '000s	2022 Rs. '000s
Carrying Value			
At the beginning of the year		7,303	7,303
Impairment		-	-
At at end of the year		7,303	7,303

The Company carried out a test on impairment of Goodwill at 31 March 2023 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.

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.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

21 OTHER NON-CURRENT FINANCIAL ASSETS

21.1 Loans to Executives

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	5,775	3,622
Loans granted	17,500	3,000
Recoveries	(10,555)	(847)
At the end of the year	12,720	5,775
Receivable within one year	1,496	1,094
Receivable after one year		
Receivable between one and five years	11,224	4,680
	12,720	5,775

22 OTHER NON-CURRENT ASSETS

22.1 Prepaid Staff Cost

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	535	477
Additions	6,675	191
Amortisation	(744)	(133)
Transfers	(327)	-
At the end of the year	6,139	535

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	2023 Rs. '000s	2022 Rs. '000s
Fertiliser stock	22,960	14,848
Consumables and spares	37,543	14,341
Produce stocks*	431,167	212,096
	491,670	241,285

* During the 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	2023 Rs. '000s	2022 Rs. '000s
Trade receivables		60,302	59,517
Other receivables*		40,387	24,514
Less: Impairment provision	24.1	(2,994)	(4,178)
		97,695	79,853
Current portion of loans to Executives	21.1	1,496	1,094
		99,190	80,947

* Other receivables include amounts receivable from bought leaf suppliers as of 31st March.

24.1 Impairment provision

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	4,178	6,612
Recovery for the year	(1,184)	(911)
Write offs for the year	-	(1,523)
At the end of the year	2,994	4,178

25 OTHER CURRENT ASSETS

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
Non financial assets	5,534	2,894
	5,534	2,894

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	2023 Rs. '000s	2022 Rs. '000s
*Fixed Deposits	30,000	30,000
*Call Deposits/ Repos	12,000	180,000
Savings Accounts	10,041	6,128
	52,041	216,128

*Deposits will be matured within a period of 3 months.

27 CASH IN HAND AND AT BANK

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
Cash at bank	6,187	4,205
Cash in hand	66	36
Stamp balance	12	7
	6,265	4,249

28 STATED CAPITAL

For the year ended 31st March	2023		2022	
	Number of Shares '000s	Value of Shares Rs. '000s	Number of Shares '000s	Value of Shares 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	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	610,627	529,015
Net revaluation gain	19,669	81,612
At the end of the year	630,296	610,627

NOTES TO THE FINANCIAL STATEMENTS

30 RETAINED EARNINGS

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
Retained Earnings	838,572	755,044
	838,572	755,044

31 EMPLOYEE BENEFIT LIABILITIES

31.1 Accounting Policy

Defined Contribution Plan - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee Benefit Liabilities – Retirement 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	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	38,533	45,551
Current service cost	4,029	4,285
Transfers	(588)	-
Interest cost on benefit obligation	3,036	3,188
Payments	(2,602)	(13,300)
(Gain) / loss arising from changes in assumptions	(7,333)	(1,191)
At the end of the year	35,076	38,533

The employee benefit liability as at 31st March 2023 of the Company is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd, actuaries. 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. 37.59 Mn (As of 31st March 2022 - Rs. 37.56 Mn)

The expenses are recognised in the income statement in the following line items;

As at 31st March	2023 Rs. '000s	2022 Rs. '000s
Cost of sales	5,470	6,544
Administrative expenses	1,008	930
	6,478	7,474

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	2023	2022
Discount rate - Staff (per annum)	19.50%	8.00%
Discount rate - Workers (per annum)	22.00%	8.00%
Future salary increases - Staff (per annum)	15.00%	8.00%
Future salary increases - Workers (Once in every two years)	15.00%	20.00%

31.4 SENSITIVITY OF ASSUMPTIONS USED

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 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.

31.6 Maturity Profile of the Employee Benefit Liability as at 31st March 2022

Future Working Life Time	Employee Benefit Liability - Rs.'000's		
	Staff	Workers	Total
Within the next 12 months	3,670	6,553	10,223
Between 1 - 2 years	7,383	8,174	15,557
Between 2 - 5 years	3,217	4,515	7,733
Between 5 - 10 years	2,446	1,927	4,373
Beyond 10 years	417	231	648
Total	17,134	21,399	38,533

The average duration of the employee benefit liability as at 31st March 2022 is 3.37 years for staff and 2.65 years for workers.

NOTES TO THE FINANCIAL STATEMENTS

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 modernization of tea factories such as automation of manufacturing process and requirements under CQC certification.

32.2 Carrying Value

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
At the beginning of the year	447	467
Grants received during the year	-	-
Amortisation	(20)	(20)
At the end of the year	427	447

33 Trade and Other Payables

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Trade payables	184,349	148,992
Sundry creditors and accrued expenses	76,639	19,375
Unclaimed dividend	20,054	31,640
	281,042	200,007

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 2022 audited financial statements, which required additional disclosure in the 2022/2023 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

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 2022 audited financial statements, which required additional disclosure in the 2022/2023 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

34.1 Amounts Due to Related Parties

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Parent Company		
John Keells Holdings PLC	1,230	264
Companies Under Common Control		
Mackinnons Keells Limited	-	249
Keells Consultants (Pvt) Ltd	134	149
Infomate (Pvt) Ltd	61	44
Whittall Boustead (Pvt) Ltd	542	75
John Keells Teas (Pvt) Ltd	4,471	2,177
John Keells Informaton Technology (Pvt) Ltd	12	7
John Keells PLC	1,622	-
	8,073	2,965

34.2 Transactions with Related Parties

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Parent Company		
Receiving of services	(4,289)	(2,776)
Companies Under Common Control of the Parent Company		
Purchases of goods	(4,441)	(291)
Receiving of services	(117,454)	(54,038)
Rent paid	(1,774)	(2,151)
Transactions with Associates		
Receiving of services	(4,509)	(4,309)
Companies which have Significant Influence		
Purchases of goods	(308)	(591)

34.3 Transactions with Key Management Personnel of the Company

The Company has paid Rs. 6.40 Mn (2021/2022 - Rs. 3.60 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.

NOTES TO THE FINANCIAL STATEMENTS

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	2023 Rs. '000s	2022 Rs. '000s
Rent advanced on investment property (Peliyagoda)	-	8,544
Other payables	35,465	4,597
	35,465	13,141

36 BANK OVERDRAFT

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
Deutsche Bank	762	2,083
	762	2,083

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 31st March 2023 is Rs. 52.91 Mn (as at 31 March 2022 - Rs. 8.75 Mn).

39 ASSETS PLEDGED AS SECURITY

No assets have been pledged for facilities obtained by the company as at 31st March 2023.

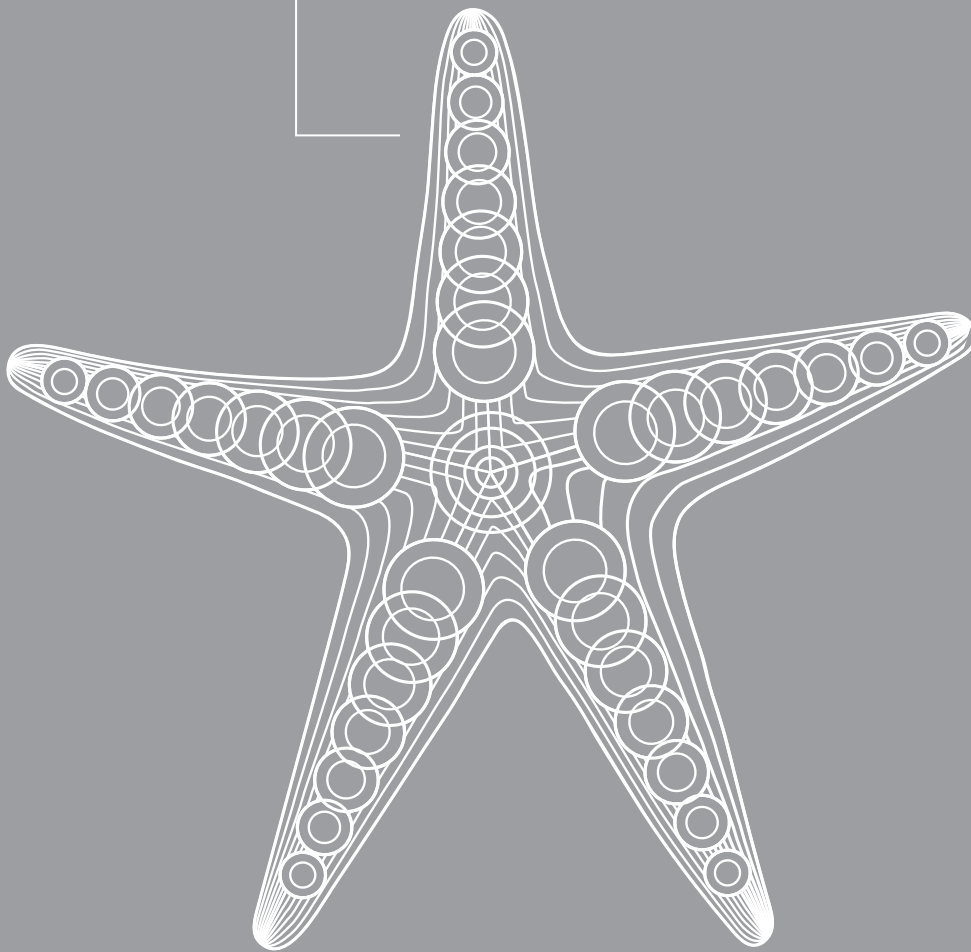
40 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

We are inspired by our inner strength to renew ourselves and adapt to a rapidly-changing world. We are committed to empower and uplift communities to help grow and enrich lives.

A SYMBOL OF HOPE

A sea star symbolises hope, regeneration and adaptability. It reminds us that we are all connected and must care for each other.





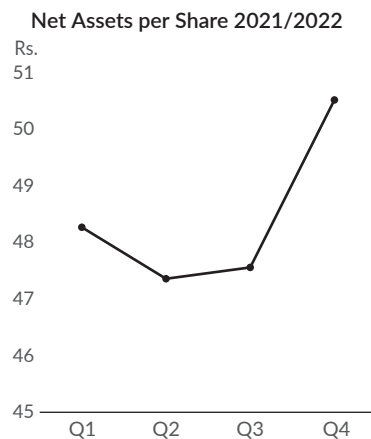
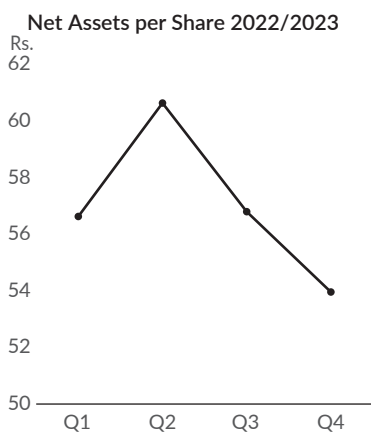
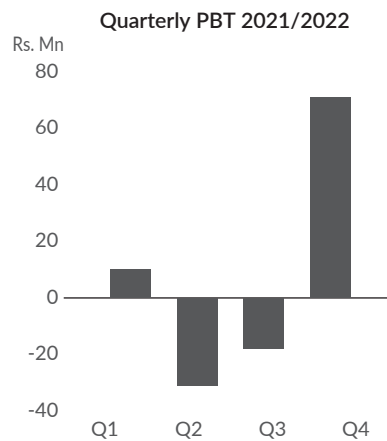
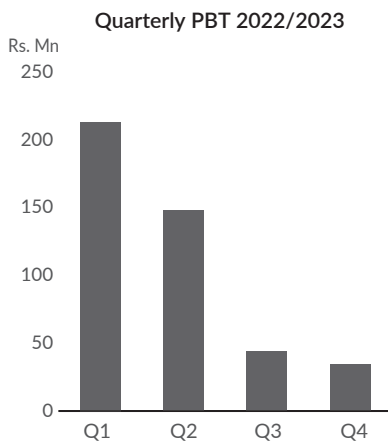
QUARTERLY FINANCIAL INFORMATION

For the Financial Years Ended 2023 and 2022 Statement of Income Statement

For the Quarters and Year Ended	2022 / 2023				2021 / 2022					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	30 Jun '22	30 Sep'22	31 Dec '22	31 Mar '23	30 Jun '21	30 Sep'21	31 Dec '21	31 Mar '22		
	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	932,186	1,042,332	824,920	944,501	3,743,939	501,999	526,835	433,480	556,483	2,018,797
Cost of sales	(709,001)	(891,279)	(783,761)	(948,883)	(3,332,924)	(499,709)	(563,241)	(457,366)	(509,049)	(2,029,365)
Gross profit	223,185	151,053	41,159	4,382	411,015	2,290	(36,406)	(23,886)	47,434	(10,568)
Other operating income	31,176	34,118	34,626	52,726	152,646	15,364	22,237	23,691	26,966	88,258
Administrative expenses	(18,274)	(24,117)	(28,603)	(35,197)	(106,191)	(14,181)	(14,840)	(16,437)	(17,461)	(62,919)
Management Fees	(27,718)	(22,019)	(9,960)	(6,388)	(66,085)	(3,739)	(3,931)	(3,218)	(4,140)	(15,028)
Profit / (Loss) from operating activities	208,369	139,035	37,222	6,759	391,385	(266)	(32,940)	(19,850)	52,799	(257)
Finance cost	(223)	(289)	(656)	(246)	(1,414)	(14)	(7)	(2)	(4)	(27)
Finance income	5,584	9,379	7,848	7,382	30,193	1,293	1,438	1,804	2,687	7,222
Change in fair value of Investment Property	-	-	-	20,462	20,462	-	-	-	15,719	15,719
Profit / (Loss) Before Tax	213,730	148,125	44,414	34,357	440,626	1,013	(31,509)	(18,048)	71,201	22,657
Tax (Expense) / Reversal	(30,506)	(27,694)	(62,898)	(41,032)	(162,131)	(550)	4,046	544	(11,386)	(7,346)
Profit / (Loss) for the Period	183,224	120,431	(18,484)	(6,675)	278,495	463	(27,463)	(17,504)	59,815	15,311
Earning per Share - Rs	6.11	4.01	(0.62)	(0.22)	9.28	0.02	(0.92)	(0.58)	1.99	0.51

Statement of Financial Position

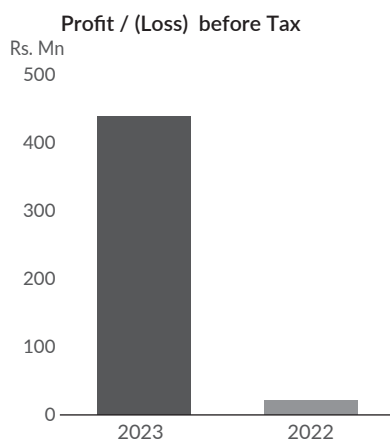
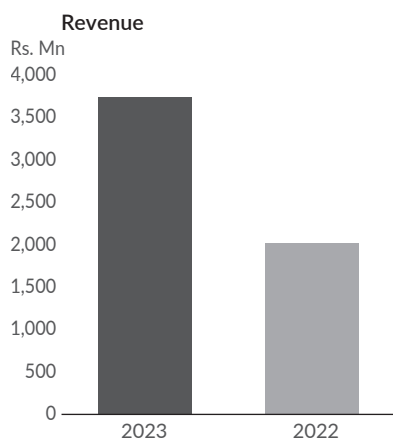
As at	2022 / 2023				2021 / 2022			
	30 Jun '22 Rs. 000's	30 Sep'22 Rs. 000's	31 Dec '22 Rs. 000's	31 Mar '23 Rs. 000's	30 Jun '21 Rs. 000's	30 Sep'21 Rs. 000's	31 Dec '21 Rs. 000's	31 Mar '22 Rs. 000's
Net Assets								
Non-Current Assets	1,361,322	1,386,093	1,412,732	1,650,383	1,244,146	1,235,486	1,256,289	1,338,106
Net Current Assets	486,184	581,096	570,476	291,727	347,474	324,545	301,907	326,694
	1,847,506	1,967,189	1,983,208	1,942,110	1,591,620	1,560,031	1,558,196	1,664,800
Less : Non Current Liabilities	148,611	147,864	279,298	323,242	143,433	139,307	131,256	149,129
Net Assets	1,698,895	1,819,325	1,703,910	1,618,868	1,448,187	1,420,724	1,426,940	1,515,671
Shareholders' Funds								
Stated Capital and Revenue Reserves	1,698,895	1,819,325	1,703,910	1,618,868	1,448,187	1,420,724	1,426,940	1,515,671
Total Equity	1,698,895	1,819,325	1,703,910	1,618,868	1,448,187	1,420,724	1,426,940	1,515,671
Net Assets Per Share - Rs.	56.63	60.64	56.80	53.96	48.27	47.36	47.56	50.52





FIVE YEAR FINANCIAL SUMMARY AND KEY INDICATORS

Year Ended 31st March	2023 Rs.000's	2022 Rs.000's	2021 Rs.000's	2020 Rs.000's	2019 Rs.000's
Total Revenue	3,743,939	2,018,797	2,346,224	2,109,139	2,171,257
Cost of Sale	(3,332,924)	(2,029,365)	(2,256,953)	(2,093,028)	(2,154,168)
Gross Operating Profit / (Loss)	411,015	(10,568)	89,271	16,111	17,089
Other Income	152,646	88,258	60,987	55,283	52,989
Expenses					
Administrative Expenses	(106,191)	(62,919)	(54,788)	(62,074)	(67,862)
Management Fees	(66,085)	(15,028)	(23,274)	(17,680)	(19,016)
Results From Operating Activities	391,385	(257)	72,197	(8,360)	(69,789)
Net Finance (Cost) / Income	28,779	7,195	8,764	1	(138)
Change in fair value of Investment Property	20,462	15,719	(2,371)	39,297	54,768
Profit / (Loss) before Tax	440,626	22,657	78,589	30,938	37,830
Tax (Expense)/ reversal	(162,131)	(7,346)	(12,045)	73,149	13,488
Profit / (Loss) after Taxation	278,495	15,311	66,544	104,086	51,318
Other Comprehensive Income	5,133	1,024	(10,736)	4,832	3,874
Prior Year Retained Profits	755,044	768,709	757,901	657,610	662,418
Total Available for Appropriation	1,038,672	785,044	813,709	766,528	717,609
Dividends Paid	(200,100)	(30,000)	(45,000)	(51,000)	(60,000)
Transfer to General Reserve	-	-	-	42,373	-
Retained Profit at the end of the year	838,572	755,044	768,709	757,901	657,610



Year Ended 31st March	2023 Rs.000's	2022 Rs.000's	2021 Rs.000's	2020 Rs.000's	2019 Rs.000's
CAPITAL AND RESERVES					
Stated Capital	150,000	150,000	150,000	150,000	150,000
Revaluation Reserve	630,296	610,627	529,015	510,984	488,870
Retained Earnings	838,572	755,044	768,709	757,901	657,610
Shareholders' Funds	1,618,868	1,515,671	1,447,724	1,418,885	1,296,480
ASSETS LESS LIABILITIES					
Current Assets	654,700	545,503	517,021	383,757	515,071
Current Liabilities	(362,973)	(218,808)	(178,526)	(90,008)	(177,008)
Net Current Assets	291,727	326,694	338,495	293,749	338,063
Non-Current Assets	1,650,383	1,338,106	1,254,293	1,260,445	1,184,373
Non-Current Liabilities other than Deferred Grants and Subsidies	(322,815)	(148,682)	(144,597)	(134,822)	(225,449)
Deferred Grants and Subsidies	(427)	(447)	(467)	(487)	(507)
	1,618,868	1,515,671	1,447,724	1,418,885	1,296,480
RATIOS AND STATISTICS					
Earnings per Share (EPS) - Rs	9.28	0.51	2.22	3.47	1.71
EPS growth (%)	1,719	(77)	(36)	103	(79)
Price earning ratio (No. of times)	4.7	53.1	18.5	5.5	14.1
Dividend payout ratio (%)	72.0	195.9	67.6	49.0	116.9
Interest cover (No. of times)	310.7	848.1	998.2	8.4	9.1
Pre-tax return on capital employed (Pre-tax ROCE) %	27.7	1.5	5.5	2.6	3.3
Return on equity (ROE) %	17.8	1.0	4.6	7.7	4.0
Return on assets %	13.3	0.8	3.9	6.3	3.0
Net Assets per share (Rs)	53.96	50.52	48.26	47.30	43.22
Market Price per Share (Rs.)	44.00	27.10	41.00	19.10	24.10
Debt/Equity (No. of times)	0.02	0.00	0.00	0.00	0.00
Market capitalisaion (Rs.'000s)	1,320,000	813,000	1,230,000	573,000	723,000
Annual Turnover growth (%)	85.45	(14.0)	11.2	(2.9)	(19.0)
Current Ratio (times)	1.8	2.5	2.9	4.3	2.9
Gross Turnover per employee (Rs.000's)	9,222	4,972	4,711	3,700	3,843
Dividend per Share (Rs.)	6.67	1.00	1.50	1.70	2.00



INFORMATION TO SHAREHOLDERS AND INVESTORS

1. STOCK EXCHANGE LISTING

The issued ordinary shares of Tea Smallholder Factories PLC was listed with the Colombo Stock Exchange on 01st August 1996. The Audited Accounts of the Company for the year ended 31st March 2023 have been submitted to the Colombo Stock Exchange.

2. DISTRIBUTION OF ORDINARY SHAREHOLDERS

No. of Shares held	31st March 2023				31st March 2022			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Less than or equal to 1000	1,083	75.52	233,110	0.78	948	75.66	201,667	0.67
1,001 - 10,000	320	22.32	987,437	3.29	270	21.55	817,622	2.73
10,001 - 100,000	24	1.67	680,774	2.27	29	2.31	726,999	2.42
100,001 - 1,000,000	3	0.21	706,187	2.35	2	0.16	861,220	2.87
Over 1,000,000	4	0.28	27,392,492	91.31	4	0.32	27,392,492	91.31
Total	1,434	100.00	30,000,000	100.00	1,253	100.00	30,000,000	100.00

3. ANALYSIS OF SHAREHOLDERS

Categories of Shareholders	31st March 2023				31st March 2022			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,384	96.51	2,176,326	7.25	1,216	97.05	1,997,380	6.66
Institutions	50	3.49	27,823,674	92.75	37	2.95	28,002,620	93.34
Total	1,434	100.00	30,000,000	100.00	1,253	100.00	30,000,000	100.00
Residents	1,425	99.37	29,963,862	99.88	1,245	99.36	29,969,298	99.90
Non Residents	9	0.63	36,138	0.12	8	0.64	30,702	0.10
Total	1,434	100.00	30,000,000	100.00	1,253	100.00	30,000,000	100.00
Public Shareholding	1,430	99.72	9,915,508	33.05	1,249	99.68	9,915,508	33.05
Non - Public Shareholding	4.00	0.28	20,084,492	66.95	4.00	0.32	20,084,492	66.95
Total	1,434	100.00	30,000,000	100.00	1,253	100.00	30,000,000	100.00

4 PUBLIC SHARE HOLDING

	As at 31st March 2023 Rs. '000s	As at 31st March 2022 Rs. '000s
Number of Public Shareholders	1,430	1,249
Public Holding Percentage	33.05	33.05
The Float Adjusted Market Capitalization - Rs. Mn	436.28	268.71

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 2023, 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 2023		31st March 2022	
	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. K. D. S. R. Upasena	469,120	1.56	469,120	1.56
6 Anverally & Sons (Private) Limited	125,164	0.42	392,100	1.31
7 Merchant Bank of Sri Lanka & Finance PLC/K.V.W.S. Maddumage	111,903	0.37	-	-
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. V. Saraswathi	53,496	0.18	-	-
11 Macksons Holdings (Pvt) Ltd	53,000	0.18	-	-
12 Dr. D. S. A. Samaraweera	53,000	0.18	53,000	0.18
13 Mr. D. Ramachandran	49,414	0.16	-	-
14 T R L Holdings (PVT) Limited	41,511	0.14	-	-
15 Mr. C. N. Pakianathan	28,152	0.09	16,832	0.06
16 Mr. Z. G. Carimjee	25,000	0.08	25,000	0.08
17 Mr. C. N. Lawrence	24,000	0.08	24,000	0.08
18 Mrs. Jacintha Aloysius	20,000	0.07	20,000	0.07
19 Mrs. Jeniffer Aloysius	20,000	0.07	20,000	0.07
20 Mr. H. A. S. Madanayake	20,000	0.07	20,000	0.07
Total	28,625,072	95.42	28,571,364	95.25

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 (including their spouses) of the Company are as follows,

As at 31st March	2023	2022
	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
CEO		
Mr. R. H. Walpola	Nil	Nil

INFORMATION TO SHAREHOLDERS AND INVESTORS

7 MARKET VALUE

For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s	2021 Rs. '000s	2020 Rs. '000s	2019 Rs. '000s
Highest Price	98.20	47.90	46.20	30.00	37.50
Lowest Price	26.50	27.00	19.40	19.10	18.90
As at Year End	44.00	27.10	41.00	19.10	24.10
Market capitalisation (Rs. Mn.)	1,320	813	1,230	573	723

8 TRADING STATISTICS

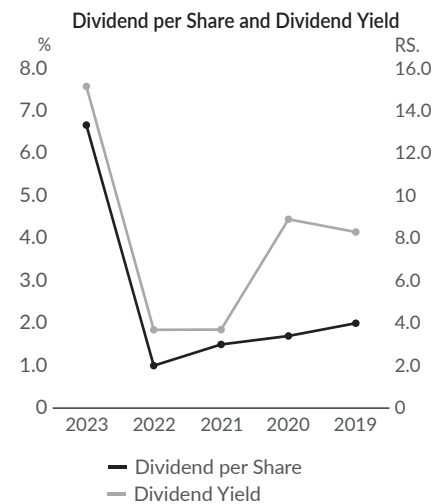
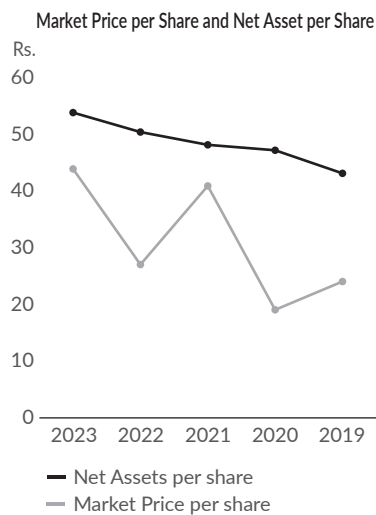
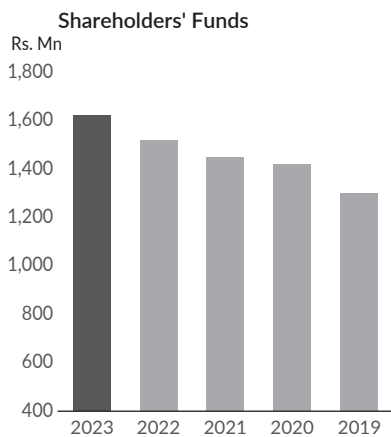
For the year ended 31st March	2023 Rs. '000s	2022 Rs. '000s
No. of Trades	5,215	2,729
No. of Shares Traded	2,589,555	747,415
Value of Traded Shares - Rs.	148,181,748	25,492,374

9 DIVIDEND PAYMENT

An Interim dividend of Rs. 6.67 per share for the year ending 31st March 2023 was paid on 11th April 2023.

10 RATIOS AND STATISTICS

For the year ended 31st March 2023	2023	2022	2021	2020	2019
No. of shares in issue (In '000s)	30,000	30,000	30,000	30,000	30,000
Earnings Per Share (EPS) - Rs.	9.28	0.51	2.22	3.47	1.71
EPS growth (%)	1,719	(77)	(36)	103	(79)
Price earning ratio (No. of times)	4.74	53.10	18.5	5.5	14.1
Dividend payout ratio (%)	71.9	195.9	67.6	49.0	116.9
Pre-tax return on capital employed (Pre-tax ROCE) (%)	27.2	1.5	5.5	2.6	3.3
Return on equity (ROE) (%)	17.2	1.0	4.6	7.7	4.0
Net Assets per share (Rs)	53.96	50.52	48.26	47.30	43.22
Market Price per Share (Rs.)	44.00	27.10	41.00	19.10	24.10
Market capitalisaion (Rs:'000s)	1,320,000	813,000	1,230,000	573,000	723,000
Dividend per Share (Rs.)	6.67	1.00	1.50	1.70	2.00
Dividend Yield (%)	15.16	3.69	3.7	8.9	8.3



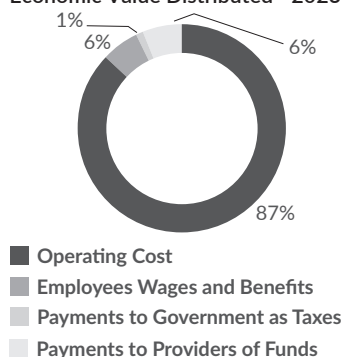


STATEMENT OF ECONOMIC VALUE ADDED

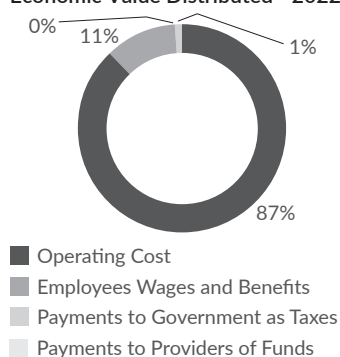
Year Ended 31st March	2023		2022		2021		2020		2019	
	Rs'000s	%	Rs'000s	%	Rs'000s	%	Rs'000s	%	Rs'000s	%
DIRECT ECONOMIC VALUE GENERATED										
Turnover	3,743,939		2,018,797		2,346,224		2,346,224		2,346,224	
Finance Income	30,192		7,222		8,843		8,843		8,843	
Other Income	152,646		88,258		60,986		60,986		60,986	
Valuation gain/ (loss) on Investment Property	20,462		15,719		(2,371)		(2,371)		(2,371)	
	3,947,239		2,129,996		2,413,682		2,413,682		2,413,682	
ECONOMIC VALUE DISTRIBUTED										
Operating Cost	3,315,849	87%	1,812,731	87%	2,061,505	89%	2,061,505	89%	2,061,505	89%
Employees Wages and Benefits	242,328	6%	230,520	11%	198,800	9%	198,800	9%	198,800	9%
Government Taxes	37,018	1%	6,387	0%	18,319	1%	18,319	1%	18,319	1%
Payments to Providers of Funds	211,414	6%	30,027	1%	45,079	2%	45,079	2%	45,079	2%
	3,806,610		2,079,664		2,323,703		2,323,703		2,323,703	
ECONOMIC VALUE RETAINED										
Depreciation	62,234		65,020		68,434		68,434		68,434	
Profit Retained	78,395		(14,689)		21,544		21,544		21,544	
	140,630		50,332		89,980		89,980		89,980	

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS / LKAS).

Economic Value Distributed - 2023



Economic Value Distributed - 2022



Value created for 2022/23 is Rs. 3.95 Bn and an increase of 85% is recorded against Rs. 2.13 Bn created in the previous year. Of the total value distributed of Rs. 3.81 billion in 2022 /2023, 87% was spent on operating cost, 6% was distributed to employees in the form of remuneration and statutory payments, 1% to the government in the form of taxes and tariffs and 2% was paid as dividends and interest for providers of funds. Of the total value created of Rs. 3.95 billion for 2022 / 2023, 4% 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.
GRI 2: General Disclosures 2021	2-1 Organizational details	06 - 07, IBC
	2-2 Entities included in the organization's sustainability reporting	06 - 07, 44 - 45, IBC
	2-3 Reporting period, frequency and contact point	06 - 07
	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	06, 18 - 22
	2-7 Employees	55 - 60
	2-8 Workers who are not employees	55 - 60
	2-9 Governance structure and composition	78 - 83
	2-10 Nomination and selection of the highest governance body	87
	2-11 Chair of the highest governance body	85
	2-12 Role of the highest governance body in overseeing the management of impacts	84 - 85
	2-13 Delegation of responsibility for managing impacts	84 - 92
	2-14 Role of the highest governance body in sustainability reporting	91 - 92
	2-15 Conflicts of interest	85 - 86
	2-16 Communication of critical concerns	88
	2-17 Collective knowledge of the highest governance body	72 73, 85
	2-18 Evaluation of the performance of the highest governance body	87
	2-19 Remuneration policies	87 - 88
	2-20 Process to determine remuneration	87 - 88
	2-21 Annual total compensation ratio	87 - 88, 161
	2-22 Statement on sustainable development strategy	N/A
	2-23 Policy commitments	88 - 92
	2-24 Embedding policy commitments	88 - 92
	2-25 Processes to remediate negative impacts	88 - 92
	2-26 Mechanisms for seeking advice and raising concerns	90 - 91
	2-27 Compliance with laws and regulations	Compliant with applicable laws and regulations
	2-28 Membership associations	67 - 69
	2-29 Approach to stakeholder engagement	20 - 22
	2-30 Collective bargaining agreements	58 - 59

GRI CONTENT INDEX

GRI Standard	Disclosure	Page No.
GRI 3: Material Topics 2021	3-1 Process to determine material topics	23 - 24
	3-2 List of material topics	24 - 26
	3-3 Management of material topics	24 - 26
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	172
	201-2 Financial implications and other risks and opportunities due to climate change	66
	201-3 Defined benefit plan obligations and other retirement plans	158 - 159
	201-4 Financial assistance received from government	48, 160
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	N/A
	202-2 Proportion of senior management hired from the local community	N/A
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	50 - 51, 53 -54
	203-2 Significant indirect economic impacts	47 - 54
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	48
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	76, 90
	205-2 Communication and training about anti-corruption policies and procedures	76, 90
	205-3 Confirmed incidents of corruption and actions taken	Nil
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Nil
GRI 207: Tax 2019	207-1 Approach to tax	92
	207-2 Tax governance, control, and risk management	92
	207-3 Stakeholder engagement and management of concerns related to tax	24, 92
	207-4 Country-by-country reporting	Only operates in Sri Lanka
GRI 301: Materials 2016	301-1 Materials used by weight or volume	65
	301-2 Recycled input materials used	N/A
	301-3 Reclaimed products and their packaging materials	None
GRI 302: Energy 2016	302-1 Energy consumption within the organization	61 - 62, 64
	302-2 Energy consumption outside of the organization	61 - 62, 64
	302-3 Energy intensity	11, 64
	302-4 Reduction of energy consumption	63 - 64
	302-5 Reductions in energy requirements of products and services	63 - 64
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	61, 65
	303-2 Management of water discharge-related impacts	61, 65
	303-3 Water withdrawal	61, 65
	303-4 Water discharge	61, 65
	303-5 Water consumption	61, 65

GRI Standard	Disclosure	Page No.
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A
	304-2 Significant impacts of activities, products and services on biodiversity	66
	304-3 Habitats protected or restored	N/A
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	N/A
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	61 - 62
	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	61
	305-5 Reduction of GHG emissions	61 - 64
	305-6 Emissions of ozone-depleting substances (ODS)	N/A
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	N/A
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	65
	306-2 Management of significant waste-related impacts	65
	306-3 Waste generated	65
	306-4 Waste diverted from disposal	N/A
	306-5 Waste directed to disposal	65
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	47
	308-2 Negative environmental impacts in the supply chain and actions taken	N/A
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	58
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	58
	401-3 Parental leave	57 - 58
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	2 Weeks
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	60
	403-2 Hazard identification, risk assessment, and incident investigation	60
	403-3 Occupational health services	60
	403-4 Worker participation, consultation, and communication on occupational health and safety	60
	403-5 Worker training on occupational health and safety	59 - 60, 106
	403-6 Promotion of worker health	21, 56, 59
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56, 59
	403-8 Workers covered by an occupational health and safety management system	56, 59
	403-9 Work-related injuries	60
	403-10 Work-related ill health	60

GRI CONTENT INDEX

GRI Standard	Disclosure	Page No.
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	59
	404-2 Programs for upgrading employee skills and transition assistance programs	59
	404-3 Percentage of employees receiving regular performance and career development reviews	59
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	57 - 59, 77
	405-2 Ratio of basic salary and remuneration of women to men	N/A
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	None reported
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	N/A
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	57
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Nil
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Nil
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	53 - 54
	413-2 Operations with significant actual and potential negative impacts on local communities	53 - 54
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	N/A
	414-2 Negative social impacts in the supply chain and actions taken	N/A
GRI 415: Public Policy 2016	415-1 Political contributions	N/A
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	69
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Nil
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	69
	417-2 Incidents of non-compliance concerning product and service information and labeling	Nil
	417-3 Incidents of non-compliance concerning marketing communications	Nil
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Nil



GLOSSARY OF FINANCIAL TERMINOLOGY

ACCOUNTING POLICIES

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

TOTAL DEBT

Short and long term loans including overdrafts.

CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interest and debt.

CAPITAL RESERVES

Profits of a company that for various reasons are not regarded as distributable to shareholders as dividend. This includes gains on revaluation of capital assets.

CASH AND CASH EQUIVALENT

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CURRENT RATIO

Current assets divided by current liabilities.

DEFERRED TAX

Sum set aside in the Financial Statements for taxation that may become payable/recoverable in a financial year other than the current financial year (future periods).

DIVIDEND COVER

Profit attributable to shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

DIVIDEND PER SHARE (DPS)

Dividends paid during the year divided by the weighted number of ordinary shares in issue during the period.

EARNINGS PER SHARE

Earnings per Share is the net profit after tax attributable to each ordinary share. This is calculated using the formula -

net profit after tax divided by the total number of ordinary shares in issue during the period.

TOTAL EQUITY

Shareholders' funds

DEBT TO EQUITY

Debt to capital employed.

INTEREST COVER

Profit before Interest and tax over finance cost.

MARKET CAPITALIZATION

Number of shares in issue at the end of period multiplied by the market price per share at the end of period.

NET ASSETS

Total assets minus total current and non-current liabilities.

NET ASSETS PER SHARE

Net assets as at a particular year end divided by the number of shares in issue as at the current financial year end.

NUMBER OF TRADES

The total number of transactions of a company's shares on the Stock Exchange on a particular day.

PRICE EARNINGS RATIO (PER)

Market price per share over earnings per share.

PROFIT AFTER TAX

The profit that a company has earned in a given period of time after payment of tax.

RETURN ON CAPITAL EMPLOYED

Profit before interest and tax divided by average capital employed.

RETURN ON EQUITY

Profit after tax divided by average share holders' funds.

REVENUE RESERVES

Reserves considered as being available for distributions and investments.

"SHARE" OF A COMPANY

One of the equal parts of the issued capital of the company.

SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

STATED CAPITAL

The total of all amounts received by the company or due and payable to the company in respect of the issue of shares and calls on shares.

TURNOVER PER EMPLOYEE

Total turnover of the company for the year divided by the number of employees employed at year end.

VALUE ADDITION / VALUE GENERATED

The quantum of wealth generated by the activities of the company and its application.

WORKING CAPITAL

Capital required to finance the day - to - day Operations

MARKET VALUE ADDED

A calculation that shows the difference between the market value of a company and the capita contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

RETURN ON ASSETS

Profit after tax as a percentage of average total assets.

GLOSSARY OF FINANCIAL TERMINOLOGY

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

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 Twenty Ninth Annual General Meeting of Tea Smallholder Factories PLC (Company) will be held as a virtual meeting on 29th June 2023 at 11.00 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 2023 with the Report of the Auditors thereon.
3. Re-elect as Director, Mr. J. G. A. Cooray who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. J. G. A. Cooray is contained in the Board of Directors section of the Annual Report on page 72
4. Re-elect as Director, Mr. S. K. L. Obeyesekere who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. S. K. L. Obeyesekere is contained in the Board of Directors section of the Annual Report on page 73.
5. Re-elect as Director, Mr. A. S. Jayatilleka who is over the age of 70 years and retires in terms of Section 210 of the Companies Act No.7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

“THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A. S. Jayatilleka, who is 72 years and that he be re-elected a Director of the Company”
6. Re-appoint the Auditors and to authorize the Directors to determine their remuneration.
7. 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://www.keells.com/investor-relations/#annual-reports> ; and
- (2) The Colombo Stock Exchange - <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=TSML.N0000>

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

Should Members wish to obtain a hard copy of the Annual Report, they 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

22nd May 2023

Notes:

- (i) A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- (ii) A Proxy need not be a Member of the Company.
- (iii) A Member wishing to vote by Proxy at the meeting may use the Form of Proxy enclosed herein.
- (iv) Members 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 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 Member and his/her proxy holder are both present at the Meeting, only the Member'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 Member/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 Twenty Ninth Annual General Meeting of the Company to be held on 29th June 2023 at 11.00 a.m. and at any postponement or adjournment thereof and at every poll which may be taken in consequence of thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	For	Against
i To re-elect as a Director, Mr. J. G. A. Cooray, who retires in terms of Article 83 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
ii To re-elect as a Director, Mr. S. K. L. Obeyesekere, who retires in terms of Article 83 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
iii To re-elect as a Director Mr. A. S. Jayatilleka who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No.7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
iv. To re-appoint the Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of Two Thousand and Twenty Three (2023).

.....
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.

PQ32

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 2, Sri Lanka
Telephone : +94 11 2335870
Fax : +94 11 2335880
Website : www.keells.com
Email : 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. Wijenaikē
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,
201, De Saram Place,
P. O. Box 101, Colombo 10.

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
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