

# PEOPLE POWER



A Focus on the Power of the People for Genuine Partnerships and a Sustainable Planet



**DILMAH CEYLON TEA COMPANY PLC**  
ANNUAL REPORT 2020/21



# People Power

## A Focus on the Power of the People for Genuine Partnerships and a Sustainable Planet

In the 1950s, it was the inequality that was embedded into the global tea trade that motivated our Founder, Merrill J. Fernando to start a tea brand that values the people who produce Ceylon Tea, and those who enjoy a cuppa, equally. The trade was defined by colonialism, and the birth of Dilmah was a paradigm shift – the assurance of Taste & Goodness for customers, and ethical Purpose for producers and their natural environment.

The world's first genuinely ethical Ceylon Tea, was therefore handpicked and packed at source for purity and antioxidant goodness – and shipped direct to tea consuming countries. This made it possible for Merrill J. Fernando to retain earnings from his tea in Sri Lanka and share it with the people who crafted his tea, while also promoting biodiversity, conservation and climate action. This year, we focus on the power of our people, the genuine partnerships we've made, and the sustainability of our planet.

### Our People

The true essence of what makes our brand, is people. The pandemic has posed a challenge to all businesses, but it has also shown us the true power of people; it is their strength, compassion and resilience that has created a future inspired by it. Therefore, aiming to create an impact beyond the realm of business and finance, we worked tirelessly to ensure the wellbeing and safety of all our people amidst striving to adapt to a new normal.

### Our Partners

As a Global Citizen, we attribute our reputation to the many Stakeholders that make up our Brand. As a family company, we understand the importance of relationships and human connections. In this new world of 'quarantine, isolation and social distancing', we have taken steps to foster and nurture our brand ecosystem and our network of Partners.

### Our Planet

As a company that values sustainability and advocates change for the better, all our initiatives collectively contribute towards the UN 2030 Sustainable Development Agenda. Here, it is the power of the people that enables collaborations and partnerships that, inevitably, strengthen our efforts towards a sustainable planet.



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# DILMAH CEYLON TEA COMPANY PLC

# ANNUAL REPORT 2020/21



## WELCOME TO OUR 3<sup>RD</sup> INTEGRATED ANNUAL REPORT

Dilmah embarked on an important milestone in our corporate reporting as we steered our journey towards Integrated Reporting, in 2019. This year, we publish our third Integrated Annual Report. Since inception, the Group has been deeply committed to social and environmental sustainability, and the adoption of Integrated Reporting has enabled us to highlight this in a coherent and structured manner. Through this Report, we are building on the foundation laid last year by providing a balanced and concise assessment of how we utilise our capital inputs in the creation of value, for our diverse stakeholders. This Annual Report has been prepared based on the guidelines issued by the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).



## SCOPE AND BOUNDARY

The Report covers the operations of Dilmah Ceylon Tea Company PLC (DCTC) and its subsidiary MJF Beverages (Private) Limited (collectively referred to as the “Group”) for the period from 1st April 2020 to 31st March 2021. The Group adopts an annual reporting cycle, and its latest annual report for the financial year ending 31st March 2021 is available for download at [www.dilmahtea.com](http://www.dilmahtea.com). There were no significant changes to the Group’s size, structure or supply chain during the year, nor any material restatements of non-financial information published in previous years unless specifically mentioned.

## MATERIALITY

In determining the content to be included in this Integrated Report we have adopted the principle of materiality. The material topics listed on page 22 and 23 form the anchor of this Report and have been selected following feedback received from Dilmah's stakeholders, the Group's strategic aspirations and risks and opportunities stemming from the operating landscape.

### Reporting Standards

- **Financial Statements:** Sri Lanka Financial Reporting Standards
- **Narrative Report:** <IR> Framework
- **Sustainability Reporting:** GRI Standards, In accordance 'Core'
- Sustainable Development Goals Reporting of the Colombo Stock Exchange

### External Assurance

- Assurance on the Financial Statements have been provided by Messrs. Ernst and Young
- We have not sought assurance on our sustainability reporting this year



**Print  
available  
on request**



**Available  
online as  
a PDF**

### Feedback

We understand that Integrated Reporting is a journey and a process of continuous improvement. We welcome your comments, suggestions and feedback on our Report.

Kindly direct your feedback to,

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

## APPLYING THE <IR> PRINCIPLES

### Completeness

The scope of the material topics has been widened to include factors specific to the Group and the industry, in addition to the topics prescribed by the GRI Framework

### Materiality

Content included in the Report is determined and structured, based on the principle of materiality

### Strategic Orientation

Dedicated chapter on the Group's Strategic Orientation

### Connectivity

Signposting and navigation icons throughout the Report to show connectivity of information

## REPORTING FORMAT

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

- Increased disclosure of quantitative information relating to the Group's non-financial performance
- Improved structure of the narrative report to present information in a clear and meaningful manner



# PERFORMANCE HIGHLIGHTS 2020/21

Metric		2020/21	2019/20	Y-O-Y
<b>Financial Performance</b>				
Revenue	Rs. Mn	<b>9,212</b>	11,610	-21%
Operating profit	Rs. Mn	<b>1,673</b>	1,975	-15%
Profit before tax	Rs. Mn	<b>1,915</b>	1,989	-4%
Profit after tax	Rs. Mn	<b>1,750</b>	1,559	12%
Return on equity	%	<b>13.36</b>	13.08	2%
Return on capital employed	%	<b>13.36</b>	13.08	2%
<b>Working Capital Ratios</b>				
Inventory days	Days	<b>81</b>	57	42%
Debtor days	Days	<b>180</b>	142	27%
Payable days	Days	<b>32</b>	24	33%
Current ratio	Times	<b>8.2</b>	3.4	135%
Quick asset ratio	Times	<b>7.1</b>	3.0	133%
<b>Financial Position</b>				
Total assets	Rs. Mn	<b>16,789</b>	17,305	-3%
Total liabilities	Rs. Mn	<b>2,913</b>	4,969	-41%
Shareholders' funds	Rs. Mn	<b>13,876</b>	12,336	12%
Non-controlling interest	Rs. Mn	-	-	-
Total debt	Rs. Mn	-	-	-
<b>Shareholder Information</b>				
No of shares in Issue	No.	<b>20,737,500</b>	20,737,500	0%
Earnings per share	Rs.	<b>84.38</b>	75.19	12%
Dividends per share	Rs.	<b>18</b>	25	-28%
Net asset value per share	Rs.	<b>669.12</b>	594.88	12%
Closing price	Rs.	<b>636.75</b>	531.00	20%
Market capitalisation	Rs. Mn	<b>13,205</b>	11,012	20%
P/E ratio	No. of times	<b>7.55</b>	7.06	7%
Dividend pay out	%	<b>6</b>	47	-87%
Dividend cover	No. of times	<b>16.88</b>	2.15	685%
Dividend yield	%	<b>3</b>	5	-43%

Metric		2020/21	2019/20	Y-O-Y
<b>Human Capital</b>				
Total employees – permanent	No.	554	587	-6%
Payments to employees	Rs. Mn	1,050	1,199	-12%
New recruits – permanent	No.	35	52	-33%
Employee retention rate	%	87	85	2%
No. of promotions	No.	36	13	177%
Female representation	%	41	43	-5%
Investment in training	Rs. Mn	11	34	-68%
Total training hours	Hours	16,034	21,584	-26%
Average training hours/employee	Hours	29	37	-21%
Workplace injuries	No.	4	4	0%
Union representation	%	N/A	N/A	-
Instances of disruption to work	No.	Nil	Nil	-
<b>Manufactured Capital</b>				
Investment in capex	Rs. Mn	4,153	4,100	1%
Property, plant and equipment	Rs. Mn	3,328	3,246	3%
Highest performing equipment efficiency	%	97.8	95.6	2%
Capacity utilisation	%	42	80	-38%
<b>Intellectual Capital</b>				
R&D investment	Rs. Mn	10.1	32.6	-69%
New products launched	No.	48	45	7%
Tea standards	No.	336	360	-7%
<b>Social and Relationship Capital</b>				
No. of distributors	No.	109	108	1%
Payments to suppliers	Rs. Mn	8,400	9,538	-12%
Proportional spending to local suppliers	Rs. Mn	6,538	6,012	9%
Investment in CSR	Rs. Mn	255	260	-2%
<b>Natural Capital</b>				
Material - tea, flavours & herbs	MT	4,577	5,639	-19%
Energy consumption	GJ	15,697	16,473	-5%
Energy intensity	GJ per unit	3.4	2.9	17%
Water consumption	m <sup>3</sup>	21,830	23,928	-9%
Water consumption per unit	m <sup>3</sup> per unit	4.8	4.2	12%
Solid waste generation	MT	270	287	-6%
Carbon footprint	tCO <sub>2e</sub>	31,435	28,393	11%
Spending on environmental initiatives	Rs. Mn	25.9	29.7	-13%



# ABOUT DILMAH



## BUSINESS OVERVIEW

Dilmah is a globally renowned Sri Lankan family tea company, with an unparalleled reputation for producing authentic, natural and ethical Sri Lankan tea of the finest quality. The Company pioneered the concept of Single Origin Tea in 1988, offering tea which was ‘picked, perfected and packed’ where it is grown, giving power back to Sri Lankan tea growers and consumers around the world. As the first producer-owned tea brand, Dilmah is the only fully vertically integrated tea company with presence along the entire value chain including ownership in several of Sri Lanka’s finest tea gardens, factories, printing and packaging facilities. Dilmah products are sold in over 100 countries supported by an extensive global distribution network.

The Company has remained true to its Founder, Merrill J. Fernando’s vision of making business a matter of human service, and understand the Company’s most invaluable assets are its people. The Company pursues its commitment towards sustainability through balancing economic success, environmental preservation, and social responsibility, which is reflected through the Company’s key pillars of Taste, Goodness and Purpose. A significant portion of the Group’s profits are directed every year towards supporting the humanitarian and environmental initiatives of Dilmah Conservation and the MJF Charitable Foundation. Dilmah Ceylon Tea Company (DCTC) is 87% owned by MJF Group of companies; inclusive of MJF Teas (Pvt) Ltd. and MJF Exports (Pvt) Ltd.

## DILMAH IN NUMBERS



## ARTISTRY OF OUR TEA

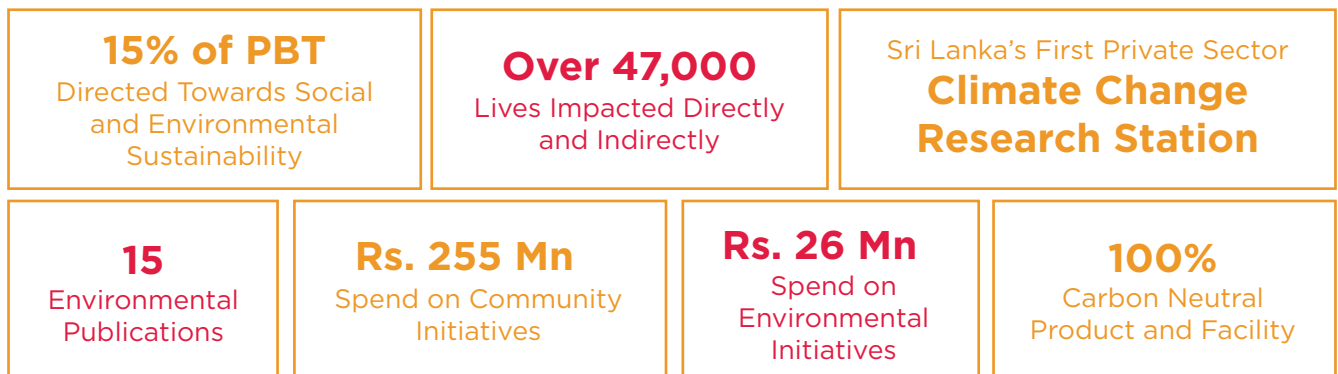


## COMMITMENT TO TASTE, GOODNESS AND PURPOSE



## SUSTAINABLE ORGANISATION

Communities and nature is the heart of Dilmah's purpose. Our Founder's long-term vision of building a truly sustainable tea industry that benefits people, communities and the environment, is deeply instilled into the Company's ethos and organisational culture. The MJF Group's charitable and conservation arms, The MJF Charitable Foundation and Dilmah Conservation, which engage in island-wide humanitarian and environmental sustainability initiatives, are primarily funded by DCTC.



## OUR IMPACT

The Dilmah Ceylon Tea Company has been instrumental in enhancing the brand value of Ceylon Tea in the global arena, with significant investments directed every year towards global marketing efforts, research and development, communications and industry thought leadership. Amidst headwind caused by the pandemic, the Company foregrounded that people are the greatest asset of our business. While thriving as a business, prominence was given to supporting stakeholders to brave the storm of the pandemic. Acknowledging its many challenges, the Company implemented programmes to help its employees and surrounding communities, eliminate mental stress and turmoil the pandemic posed, while also investing in training and

development, promoting sustainable lifestyles and driving the workforce towards a circular economy whilst adhering to strict health guidelines. The Company conducts signature international events and competitions such as the Dilmah Thé Culinaire, Dilmah Tea Sommelier, Chefs & the Teamaker, and The Dilmah School of Tea - to name a few - aimed at engaging industry stakeholders in inspiring new tea experiences. Dilmah also publishes a series of #teainspired publications aimed at raising awareness on industry innovations, health benefits of tea and tea gastronomy and mixology. In commemoration of 150 years of Sri Lanka's tea industry, the Company also launched a dedicated website on the History of Ceylon Tea which includes numerous publications on the fascinating evolution of the industry, preserving Ceylon tea's historical knowledge and heritage.

### Economic Impact

- Foreign Exchange Income Generated: **USD 49 Mn**
- Tax contributions: **Rs. 260 Mn**
- Employment Generated: **554 numbers**
- Payments to Employees: **Rs. 1,050 Mn**
- Payments to Suppliers: **Rs. 8,400 Mn**
- Market Capitalisation: **Rs. 13 Bn**

**Over 25,000 publications aimed at raising awareness on exciting themes such as tea gastronomy, tea mixology, food service and sustainability.**

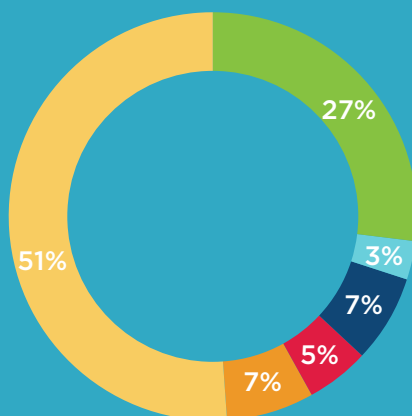
### Promotional and Engagement Initiatives

- Dilmah Tea Inspired Culinary, Mixology and Hospitality Competitions
- Dilmah Tea Fusion Experiences Around the World
- History of Ceylon Tea Website
- The Talking Tea Newsletter
- Global Distributor Conference and Various Global Events

### Dilmah School of Tea

The World's first consumer and hospitality tea school, the Dilmah School of Tea offers programmes that seek to inspire passion in tea amongst hospitality professionals, consumers and industry stakeholders. The school offers tea programmes around the world, with over 5,900 participants successfully completing programmes since inception.

### Value Distribution



#### Value Distribution

To Employees	27%
To Shareholders	3%
Tax Contributions	7%
To Lenders	5%
To Development Interventions & Environmental Initiatives	7%
Retention for Growth	51%

### R&D and Innovation

- Rs. 10 Million Annual Investment in R&D
- Over 3,000 Products
- A Library of over 300 Tea Standards



## BRAND REACH

Dilmah is a global citizen, with products being sold in over 100 countries around the world through an extensive network of sales agents and distributors. These partners are a critical element of our value chain, engaging proactively with consumers, pursuing new opportunities, and identifying emerging consumer preferences. While it is usual to acknowledge that the success and effective reach of a business is dependent on stakeholders and partners, as a family run company, Dilmah understands

the deeper importance of connections, bonds and relationships that go beyond the realms of business and finance. As a family company committed to creating a positive impact and supporting our stakeholders and communities involved, staying connected to sales agents, distributors, people of the tea gardens, and consumers amidst a pandemic - when physical contact is impossible - was vital to generate and define the 'new normal'. This ensured support and the growth of the Company, beyond bar charts and numbers.



# BOARD OF DIRECTORS



**Mr. Merrill J. Fernando**  
Chairman

Mr. Merrill J. Fernando is the founder of Dilmah Tea. He defined business ethics in tea when he launched the first producer-owned tea brand in the world in 1988 and pledged to share his success with those in need. In fulfillment of his commitment to a purpose beyond profit, Mr. Fernando established the MJF Charitable Foundation, one of Asia's largest private charitable foundations. Dilmah Conservation extends his founding principle of making business a matter of human service, to the environment.

He was honored for his service towards humanity with the Oslo Business for Peace Award in 2015 by a committee of Nobel Peace laureates, he received the First Award for Responsible Capitalism in 2016 and in 2019 an Honorary Doctorate from New Zealand's Massey University, and the title of Deshamanya at Sri Lanka's National Honors.



**Mr. Himendra S. Ranaweera**  
Deputy Chairman

Mr. Himendra S. Ranaweera has been working with the MJF Group of Companies for the past 30 years and is its Deputy Chairman. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly known as Ceylon Tea Services PLC) in April 1998. Mr. Ranaweera has over 40 years of experience in Operations Management, in Sri Lanka and overseas.



**Mr. Dilhan C. Fernando**  
Executive Director  
Chief Executive Officer

Mr. Dilhan C. Fernando is the Chief Executive Officer of Dilmah Ceylon Tea Company PLC. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director and was appointed as the CEO of the Company in August 2017.

Mr. Fernando had his secondary education at Stonyhurst College, England and graduated from the London School of Economics with a BSc (Hons) in Economics. He joined the MJF Group as a Management Trainee nearly 31 years ago.

Mr. Fernando serves as Chair of UN Global Compact Network Sri Lanka and Biodiversity Sri Lanka, a pioneering environmental collaboration amongst the Ceylon Chamber of Commerce, IUCN and Dilmah Conservation.



**Mr. Malik J. Fernando**  
Executive Director

Mr. Malik J. Fernando is the Director of Operations of the MJF Group. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director.

Mr. Fernando had his secondary education at Stonyhurst College, England and obtained a BSc in Management from Babson College, Boston.

He joined the MJF Group as a Management Trainee nearly 36 years ago.

Mr. Fernando spearheads Resplendent Ceylon, the first Sri Lankan luxury resort brand, developing a collection of small, luxury resorts offering discerning travellers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation and Dilmah Conservation.



**Mr. Roshan C. Tissaaratchy**  
Executive Director

Mr. Roshan C. Tissaaratchy is the Director of Sales of the MJF Group and was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in April 2005 as an Executive Director.

Mr. Tissaaratchy is a graduate of the University of Colombo and a Fellow member of The Chartered Institute of Marketing, UK. He also has an MBA from the University of Sri Jayewardenepura.

He has over 31 years of working experience in all aspects of sales and marketing in a number of industries and also in advertising. He has now completed 23 years of International Marketing with Dilmah Tea.



**Ms. Minette D. A. Perera**  
Non-Executive Director

Ms. Minette D. A. Perera was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 2000 as an Executive Director. She is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. After serving the Company as the Group Finance Director for over 12 years, Ms. Perera retired from her post on 31st March 2013 and continued on the Board as a Non-Executive Director.

Ms. Perera has over 40 years of working experience in Financial Management, having worked in leading local and international companies. She is currently an Independent Non-Executive Director of several Listed Companies.





**Mr. Rajan Asirwatham**  
Non-Executive,  
Independent Director

Mr. Rajan Asirwatham was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) on 04th September 2008 as a Non-Executive Director. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka. After a distinguished career at Ford Rhodes, now known as KPMG, he retired as its Senior Partner and Country Head on 31st March 2008.

Mr. Asirwatham is the Chairman of the Board of Postgraduate Institute of Medicine, Council of the University of Wayamba and Board of the S.W.R.D. Bandaranaike Memorial National Foundation. He is also the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka.



**Mr. Gritakumar E. Chitty**  
Non-Executive,  
Independent Director

Mr. Gritakumar E. Chitty was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly known as Ceylon Tea Services PLC) on 04th August 2010 as a Non-Executive Director. Mr. Chitty has been an Attorney-at-Law and Advocate of the Supreme Court since 1968. He is also a former Assistant Secretary- General and the founding Registrar of the UN International Tribunal for the Law of the Sea in Hamburg, where he was its Chief Executive and Head of Legal Affairs for the period of 1996-2001. He commenced practicing law in Sri Lanka from 1968 and joined the United Nations in New York, in 1975. He continued to serve at the UN for over 20 years, in the capacity of Principal Legal Officer in the UN Office of Legal Affairs.

Mr. Chitty has been an adviser to the Sri Lanka Delegation to the UN and has served as an adviser to the Inter-Ministerial Committee on Oceans and the Law of the Sea. He is also a member of the Appeals Board of

the International Seabed Authority, a Member of the Editorial Board of the Law Journal "The Law and Practice of International Courts & Tribunals", a practitioner before the UN Disputes Tribunal and the UN Appeals Tribunal, and a Trustee of the Weeramantry International Centre for Peace Education and Research.

In 2016, Mr. Gritakumar E. Chitty was appointed by the Cabinet as the Chairman of the National Ocean Affairs Committee. He is a Life Member of the Bar Association of Sri Lanka and a Member of the American Society of International Law.

# OUR TEAM



**Mr. Darshana Gunasekera**  
Group Finance Director

Mr. Darshana Gunasekera is the Director of Finance of the MJF Group. He joined the MJF Group as the Chief Financial Officer in 2015 and was appointed to the Board of Dilmah Ceylon Tea Company PLC in October 2020 as an Executive Director. He is a double qualified accountant, Fellow member of the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. He holds a BSc from the University of Sri Jayewardenepura and is also qualified in Marketing.

Mr. Gunasekera has over 25 years of working experience including extensive overseas exposure, having worked in leading local and multinational companies.



We leverage the talent, commitment and expertise of our self-motivated team to drive innovation, facilitate the customer experience and to achieve our strategic aspirations.



# CHAIRMAN'S REVIEW

I am pleased to present the Annual Report and Audited Financial Statements of Dilmah Ceylon Tea Company PLC for the year ended 31st March 2021.

## TEA CROP AND TEA PRICES

Tea production was buoyed by favourable weather in Q4 of 2020/21 and reached 299,000kg. The migration to an online auction system marked the end of an era, although it also played a crucial role in continuing the sale of Ceylon Tea amidst the dislocation caused by the pandemic.

Global Tea price trends require us to carefully consider the future of Ceylon Tea. With exports of African CTC Teas to Sri Lanka growing exponentially, the industry must collectively understand the potential and pitfalls in aligning with price, or with quality. If price, the competition is severe and the prospect is only a cycle of decline. If quality, the synergies are evident, while

the challenges more manageable and outcomes more sustainable. The quality and reputation of Ceylon Tea has sustained an industry that is striving to evolve from the colonial model that it once represented. Improvements in welfare, wages and sustainability will only be possible if plantation, trader and export sectors adopt a shared commitment to quality. Like a pane of glass, once cracked, reputation can never be perfectly restored, and a focus on quality at every level is critical for Sri Lanka to chart a future that is socially, environmentally, economically and agriculturally sustainable.

## CONTEXT & BUSINESS PHILOSOPHY

Challenged by an unprecedented health crisis, my colleagues on the Board and I resolved that we would do everything possible to protect our employees as those who have been integral to the progress of the Company. That decision echoes the founding philosophy of the Company, that our business shall serve humanity. It has been honoured through support for the welfare of staff





and workers, and in the work of the MJF Foundation in the wider community, especially the plantation sector.

Your Company's core values of quality and integrity are demonstrated in a commitment to Taste, Goodness and Purpose. Disruption in virtually every key market, and growing emphasis on discounting in grocery retail, challenges all three, although we have maintained our commitment without compromise. Tea consumption is predicted to continue to grow, gaining momentum from research that suggests that natural antioxidants in tea are potent immune boosters. A parallel trend that demands sustainability is driven by awareness of the climate crisis. Together, both are driving a premiumization trend with customers prepared to pay more for sustainable, ethical, high quality products that come with the assurance of wellness.

Your company established the first private sector Climate Research & Adaptation Centre, now collaborating with universities around the world in demonstration options to build climate resilience. Dilmah Conservation collaborates with scientists and government in conservation, restoration, environmental education, encouraging sustainable agriculture and promoting biodiversity. These environmental initiatives have their humanitarian equivalent in the work of the MJF Charitable Foundation. The work of the Foundation has been restricted by the pandemic but continues through innovative initiatives that include teletherapy to support children with developmental disorders and their families, and virtual educational, entrepreneurship development and psychosocial support sessions for youth, women and men.

As the crisis wears on, and the world cries out for a return to normalcy, we must remember that it is normalcy that led to this. The threefold crises in health, economy and climate, now casts our business in a different role which magnifies the Purpose that forms part of our core values. As we reaffirm our commitment to those values, we are effectively aligned with the post pandemic customer with a sincere commitment to the finest Ceylon Tea, sustainably grown and ethically made, with the earnings from our teas and infusions benefiting people and nature.

## Performance

Your Company performed admirably under trying circumstances in 2020-21. In an environment where COVID-19 disrupted almost all aspects of the global trade, the Company grew its bottom line by 12%. Even though

revenue fell by approximately 21%, strong focus on cost control, process efficiencies and other strategic initiatives supported by exchange gain helped achieve the double digit growth in the bottom line.

## Corporate Social Responsibility and Alleviation of Poverty

Your Company is founded on integrity and quality. The outcome of this is our commitment to addressing inequality, and wider social and environmental concerns as part of our core business philosophy. From the previous financial year, with your concurrence, the company increased its contribution to the fulfillment of that philosophy by 50%. The MJF Charitable Foundation now receives 15% of the Company's pre tax profits, fueling a significant increase in its humanitarian operations.

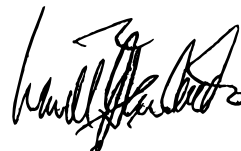
## Dividends

Even though present circumstances caused by COVID 19 requires extreme caution on cash outflows, I am declaring a dividend of Rs 18/- per share for 2020/21.

## Outlook for 2021/22

The present volatility defies reasonable prediction of what we might expect in the current year. The bleak economic outlook is expected to continue into 2022. It remains our prayer that as vaccination programmes are accelerated globally, COVID 19 will be contained. Many businesses in Sri Lanka and across the globe have filed for bankruptcy and it is a tragedy that SMEs are the most vulnerable.

I thank my colleagues on the Board for their advice and guidance; our staff for their commitment and loyalty, our global distributors, their families and staff for their untiring efforts and cooperation; our customers for becoming Dilmah tea lovers.



**Merrill J. Fernando**

Chairman  
23<sup>rd</sup> August 2021



# CEO'S REPORT

The persisting global pandemic and connected economic and environmental crises continue to be the most critical amongst our current challenges. The company was however birthed and refined by adversity and the Founder's relentless pursuit of a noble objective illuminated the way in overcoming adversity in the past. Similarly our focus amidst the recent volatility is defined by a positive direction that values the people who together form the company, the wider community, and environment. Not a single employee was laid off to-date even though operational levels and capacity utilisation deteriorated. We have maintained uncompromising commitment to the safety and welfare of our employees, while emphasizing our commitment to the Company's promise of Taste, Goodness and Purpose.

Up to 31st March 2021, the Company has spent approx. Rs. 20m in safeguarding our employees & their families from COVID 19, with the provision of safe transport, protective equipment, medical testing, dry rations, meals,

nutrition etc. We have not retrenched staff or downsized due to the pandemic. The Company has additionally donated approx. Rs 40m worth of PCR testing kits to the Government to support the complications the country experienced in the early stages of the COVID crisis.

Our sustainability journey has maintained the momentum it has gained since its commencement in 2000 through the co-operation we have with suppliers in delivering more sustainable products. The Company's evolution from Carbon Neutral to Carbon Negative is being charted with a host of initiatives - from expanded renewable energy production to reforestation and blue carbon initiatives. As we absorb what we have learned from the new normal thus far, we are embedding environmental sustainability into every dimension of the Company through a combination of technology and other initiatives designed to build resilience. Through Dilmah Conservation and the MJF Charitable Foundation, we will continue to serve humanity.





With the dramatic impact of the pandemic on the hospitality sector, we are working with our customers to deliver new tea experiences, within the safety and convenience that are necessary for the growing delivery economy. The uncertainty of the times demands innovation which the Company is delivering in product, service and experience. That extends to the fulfillment of our Purpose as we collaborate to deliver education, and specialised therapy in support of less fortunate communities, virtually. It is important that even as we strive to adapt for the benefit of the Company and its employees, we are also mindful of the difficulties faced by so many in our community.

The economic impact of the pandemic is expected to continue well in to 2022 although we also expect that as countries start to manage the pandemic better, retail and hospitality will see growth. The Company's efforts in the areas of e-commerce have strengthened our ability to continue to serve customers at consumer and trade level, in spite of occasional lockdowns. Nevertheless, retail sales globally are negatively affected by a combination of uncertainty and operational complications.

In this context, the Company's performance was remarkable as top and bottom line were achieved without compromise on any aspect of quality or ethical purpose. Although revenue fell by approximately 21% due to the worldwide economic slowdown, aided by stringent cost control measures, operational efficiencies and exchange gain, the company saw double digit growth (12%) in its PAT. Focused efforts on cost control & 24% reduction in Selling and Distribution expenses helped reduce the operating cost base by 13%. The Company also strengthened its Balance Sheet by making the working capital cycle more efficient thereby ending with strong performance in 2020-21. Financial performance is analyzed in detail under the Finance Capital pillar in the report.

Our continued investment in new technology is a critical component in our commitment to efficiency and sustainability, with the use of more environment friendly materials, especially in teabag manufacturing.

Our investment in IT infrastructure has enabled business continuity and seamless transition to remote-working in a secure environment whenever physical movements were restricted due to the pandemic.

As part of our commitment to ethically produced tea, we maintain zero-tolerance of bribery and corruption. The Company's policies on anti-bribery and corruption, business ethics and human rights are applicable to all employees and third parties dealing with the Company. As an initiating partner of Biodiversity Sri Lanka, we will advocate for responsible conduct by business in the area of biodiversity and conservation, while our involvement in UNGC Sri Lanka is part of our affirmation of the Sustainable Development Goals and the Ten Principles of the UN Global Compact.

In concluding, I would like to thank each of my colleagues, for their positive spirit, courage and commitment. I also thank my father, the Founder of Dilmah, for the faith, vision and determination that produced a business sincerely formed around Quality and Integrity. It is that clarity that inspires every Dilmah employee, and gives us the ability to navigate volatility by doing what is right, rather than what is expedient. As the world enters an unpredictable phase of the pandemic, accelerating the changes and challenges we experienced in 2020-21, we will continue to honour that vision, and evolve, with education, innovation and an uncompromising commitment to the promise of Taste, natural Goodness and Purpose beyond profit. Within this framework, the Company will embrace the challenges of the new norm to strengthen resilience to the shocks that must be expected as part of the new norm.

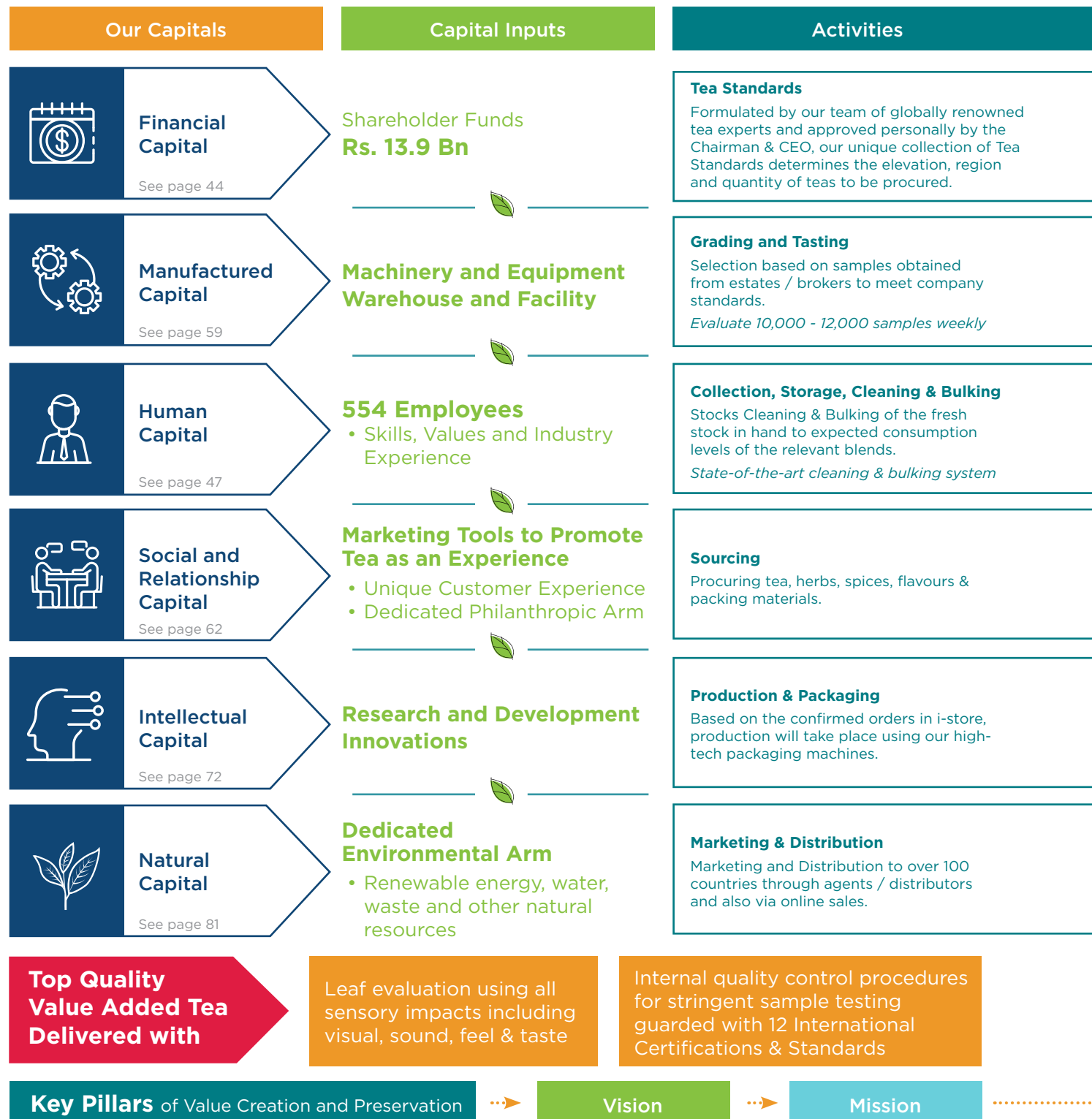








**Dilhan C. Fernando**

CEO

23<sup>rd</sup> August 2021

# VALUE CREATION & PRESERVATION MODEL



Activities	Value Delivered	Outcomes
	Shareholders <b>PAT Rs. 1.75 Bn</b>	Financial stability and growth
	<b>Tea 4,577 MT</b> Improved efficiency ensuring <b>100%</b> delivery in full and on-time	Customer Satisfaction. Improved process efficiency.
	<b>Employees</b> Value created Rs. 1,050 Mn <b>87.1% Retention Rate</b>	Talented, committed and empowered human capital
	<b>47,611 CSR</b> beneficiaries supported through island-wide programmes The World's 1st Consumer & Hospitality Tea School - Dilmah School of Tea with over <b>5,900</b> Ambassadors Globally <b>Rs. 8,400</b> Mn payments to suppliers	Empowered community. Strengthened supply chain.
	<b>A Vertically Integrated Tea Brand</b> (from tea plant to tea cup)	Business evolution with new technologies and process improvements
	<b>100% Carbon Neutral</b> Facility and Product Expanding Reliance in Renewable Energy	Sustainable use of natural resources. Biodiversity Conservation.

Quality checks prior to production (through a trial batch), during production (through samples) & prior to packaging (individual silo samples)

Sample tasting, with approximately 1,000 cups of tea tasted daily

After-sales customer engagement & feedback mechanisms, including customer & market surveys

Dilmah Values

Strategy

Governance

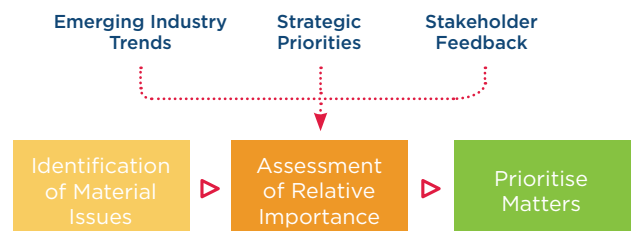
Risk Management

# DETERMINING MATERIAL ISSUES

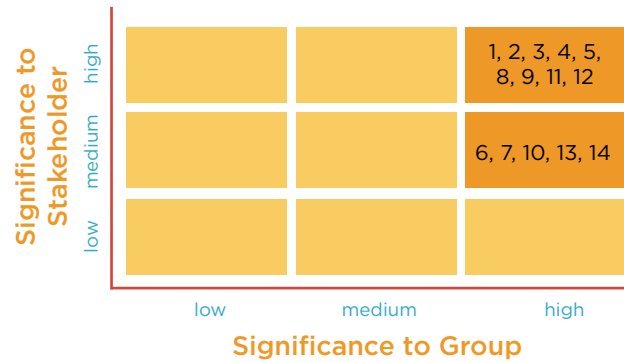


In improving the relevance and meaningfulness of the Annual Report this year, the Group adopted the principle of materiality in determining the content that is included here.

Material matters are defined as the issues that have the highest ability to impact the Group's performance and value creation, and are of the greatest importance to its stakeholders. The material topics presented below represent emerging issues in the industry, factors relevant to the Group's strategic agenda, and its value creation model. The process adopted to determine these issues is illustrated below;



The material topics which are considered most critical to the Group's business are listed below, it also demonstrates how the Group's selected material topics correspond to the topics recommended by the Global Reporting Initiatives (GRI) standards in its sustainability reporting. The process for determining material topics is also in line with the guidelines prescribed by the International Integrated Reporting Framework (IR) Framework.



	Material Topic	Corresponding GRI Topic	Corresponding Sustainable Development Goal
1	Sustainable growth in earnings		
2	Managing our People	GRI 401: Employment GRI 403: Occupational Health and Safety GRI 404: Training and Education	
3	Innovation		
4	Customer Satisfaction		
5	Managing our Distribution Network		
6	Manufacturing Capabilities		
7	Implications of Climate Change		
8	Geopolitical Conditions in Buying Markets		
9	Product Responsibility	GRI 416: Customer Health and Safety GRI 417: Marketing and Labelling	
10	Brand		
11	Managing our Supply Chain	GRI 204: Procurement Practices	
12	Exchange Rate Fluctuations		
13	Preserving the Environment	GRI 301: Raw Materials GRI 302: Energy GRI 303: Water GRI 305: Emissions GRI 306: Effluents and Waste GRI 307: Environmental Compliance	     
14	Community Engagement	GRI 413: Local Communities	

# RISK MANAGEMENT

As a Company with significant international interest and exposure to agronomic supply chains, DCTC is exposed to numerous risks arising from the internal and external landscapes. DCTC adopts a transparent Enterprise Risk Management (ERM) system with structures and tools in place to identify, manage and mitigate risks in a consistent manner. Accordingly, clearly defined governance structures, policy framework and allocation of responsibilities for risk identification, measurement, mitigation and monitoring forms the foundation of DCTC's risk management framework.



## RISK MANAGEMENT FRAMEWORK

The Board of Directors hold ultimate responsibility for identifying and managing the Company's risk exposure. They are assisted by the Board Audit Committee and Corporate Risk Management Team and Decentralised Management Council. Risk identification is a continuous process and involves stakeholder engagement and frequent evaluation of the internal and external business environment. Risk grids are updated on an ongoing basis and presented to the Board for review.

## PRINCIPAL RISKS OF 2020/21

The following table provides a high-level overview of the Company's principal risks in 2020/21

Risk	Potential Impact & Developments in 2020/21	Mitigating Activities
COVID-19 pandemic related disruptions	<ul style="list-style-type: none"> <li>High risk to employees' health and safety.</li> <li>Risk of office / factory operations getting interrupted due to the spread of COVID-19.</li> <li>Supply Chain disruptions due to lockdowns, provincial border closures, factory shutdowns, logistical challenges etc.</li> <li>Increase in cost of raw materials (tea) and packing material due to the disruption in local and global markets and possible decrease in supply.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of stringent COVID-19 health and safety protocols across the organisation, exceeding regulatory requirements.</li> <li>Stringent procedures formulated to adopt in the event of infection.</li> <li>Vaccination programme covering all employees.</li> <li>Adoption and facilitation of 'Work from Home' arrangements for office employees.</li> <li>Establishment of a Health and Safety committee to ensure all employee views, suggestions &amp; concerns are understood and addressed as applicable.</li> <li>Revamped Business Continuity Plan (BCP) taking into account possible COVID-19 disruptions.</li> <li>Broad-base supply chain with increased reliance on local suppliers.</li> <li>Close monitoring of suppliers' stock positions and continuous dialogue with suppliers.</li> <li>Increase the inventory levels based on the risk and demand.</li> </ul>
Geopolitical conditions in buying markets	<ul style="list-style-type: none"> <li>As an export-oriented Company, economic and geopolitical conditions in buying markets have a significant impact on demand and pricing trends.</li> <li>Due to COVID-19, less operations in airlines and hospitality trade have resulted in less demand from the given sectors resulting in a drop in revenue.</li> </ul>	<ul style="list-style-type: none"> <li>The Company's focus and presence in diverse markets limit its dependence on a specific country / region / sector.</li> <li>Focus on developing new channels such as e-commerce and launching more sustainable products, while also looking at opportunities to give more value-added lines to make the products more affordable and cost effective to consumers.</li> </ul>



Risk	Potential Impact & Developments in 2020/21	Mitigating Activities
Fluctuations in tea prices	Tea prices are dependent on a range of factors outside the Company's control including weather patterns, demand conditions and labour productivity among others. As the primary raw material, fluctuations in tea prices have a direct impact on the Group's profitability. From April 2019 to March 2021 tea prices have increased by 21%.	<ul style="list-style-type: none"> <li>Tea buying strategy incorporates price fluctuations and seasonal trends.</li> <li>Ongoing monitoring of emerging industry trends.</li> <li>Pursuing product differentiation through innovation.</li> </ul>
Changing customer preferences	Customer preferences are changing rapidly with the increasing number of health-conscious customers, competition from alternate beverages and more sophisticated customer demands. Inability to cater to these emerging preferences could affect the relevance of the Company's products, ultimately affecting its competitive edge.	<ul style="list-style-type: none"> <li>Proactive and ongoing engagement with customers through numerous platforms.</li> <li>Continuous monitoring of emerging industry trends and preferences via various platforms and resources such as Euromonitor.</li> </ul>
Implications of climate change	As a Company which is dependent on the Agriculture sector, the increasingly pronounced effects of climate change have a direct impact on our operations through adverse weather and natural disasters which affect the quantity and quality of tea. Drought conditions in tea growing areas resulted in the country's tea production declining during the said period.	<ul style="list-style-type: none"> <li>Sourcing from diverse regions and elevations.</li> <li>Conducting research through our self-owned Climate Change. Research Station and educating farmers on adaptation methodology.</li> </ul>
Product responsibility / quality related risks	Issues relating to product responsibility and / or quality will directly impact the Group's brand and reputation, thereby affecting its competitive edge.	<ul style="list-style-type: none"> <li>Compliance on a range of product quality related certifications.</li> <li>Training and awareness of quality aspects across the Company.</li> <li>Internal audit programme spreading throughout the year.</li> <li>Trained staff to conduct inspection and testing.</li> <li>Well-equipped testing facilities.</li> <li>Stringent quality assurance across the sourcing, manufacturing and distribution process.</li> <li>Ongoing monitoring of emerging customer preferences.</li> <li>Strategic focus on product innovation and developing environmentally sustainable packaging.</li> </ul>
Employee attraction and retention	The organisational tacit knowledge of our employee base is a critical factor in sustaining our competitive edge, and the Company's inability to attract and retain the right talent would affect the fulfilment of strategic objectives.	<ul style="list-style-type: none"> <li>Maintain close relationships with employees, training &amp; development programmes, remuneration in line or above the industry.</li> <li>Maintain a healthy working environment through an effective two-way communication system.</li> <li>Provision of hostel facilities.</li> <li>Welfare programmes.</li> </ul>
Credit risk	The Company is exposed to credit risk through potential loss of earnings and constrained cash flow arising from distributors / customers' inability to fulfil their financial obligations.	<ul style="list-style-type: none"> <li>Customers' profiles are carefully evaluated before credit terms are offered.</li> <li>Adopt secure payment terms such as LCs, bank guarantees, performance bonds etc. where required.</li> <li>Obtain SLECIC (insurance) cover when there is a possible default risk.</li> <li>Regular follow up action &amp; continuous and frequent communication with customers.</li> </ul>
Financial risk arising from interest rate fluctuations	<ul style="list-style-type: none"> <li>The increase in interest rates have a direct impact on profitability through both funding costs and finance income. Interest rates were on a downward trend during the year under review.</li> <li>The Company's finance cost increased by 8% due to the short-term loan facility with Citibank. Finance income also increased by 118% during the year due to increase in foreign currency deposits.</li> </ul>	<ul style="list-style-type: none"> <li>The Company is mostly equity financed, and strives to maintain zero exposure to long term debt servicing.</li> <li>Manage interest rate risk by constantly monitoring the market and forecasting trends and proactively negotiating / hedging the rates with the banks.</li> </ul>
Exchange rate impacts	<ul style="list-style-type: none"> <li>Fluctuations in exchange rates have a direct impact on the Group's profitability.</li> <li>LKR recorded sharp depreciation in the last quarter of 2020, as capital outflows and the drastic decline in tourism earnings affected the country's balance of payment.</li> <li>During the year under review, the LKR depreciated by 5% against the US Dollar and depreciated by 22% against the Australian Dollar.</li> </ul>	<ul style="list-style-type: none"> <li>Follow efficient treasury management procedures to take advantage of the positive movements.</li> <li>Adopt hedging strategies when applicable (e.g. forward booking etc.) at the right time to reduce potential exposure to exchange rate risk.</li> </ul>

# SUSTAINABILITY AT DILMAH



As a Brand, Dilmah firmly believes that *business is a matter of human service*. The Founder's long-term vision of building a truly sustainable tea industry that benefits people, communities and the environment, is deeply instilled into the Group's ethos and organisational culture. For Dilmah, sustainability is more than just caring for the environment, and the Company's social responsibility begins with Dilmah's very own employees, because nature and communities lie at the core of Dilmah's purpose.



Dilmah tea was recognised as the winner of Best Corporate Citizen Sustainability Awards 2020 (category B), based on complex criteria linked to social, environmental and economic value, compliance, resilience, stakeholder management and crisis response. In addition to the coveted top award, Dilmah won category awards for Customer Relations, Environment Beyond the Business, and was chosen as one of the Top 10 Corporate Citizens of Sri Lanka.

## OUR COMMITMENT AND APPROACH

The Group pursues its commitment towards sustainability through balancing economic success, environmental preservation, and social responsibility.

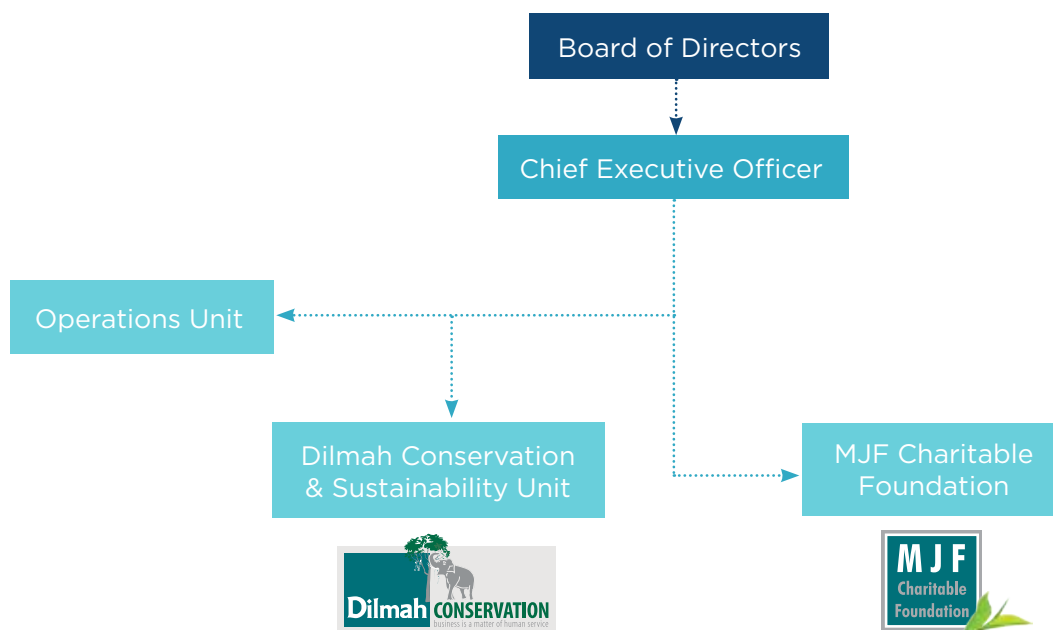
The COVID-19 pandemic posed many challenges to the Brand, whilst also foregrounding that people are the greatest asset of our business. The pandemic not only posed a threat to people's physical health, but also to their mental wellbeing, by forcing individuals to adapt to a new normal in a short period of time. In 2020/2021 the Group focused on worker health and wellbeing, while also promoting mindfulness to help cope with the challenges of the pandemic. In addition, the Group invested in training and development, promoting sustainable lifestyles, climate adaptation, safeguarding natural and cultural ecosystems, development interventions and stakeholder engagement – to drive the workforce towards a circular economy.



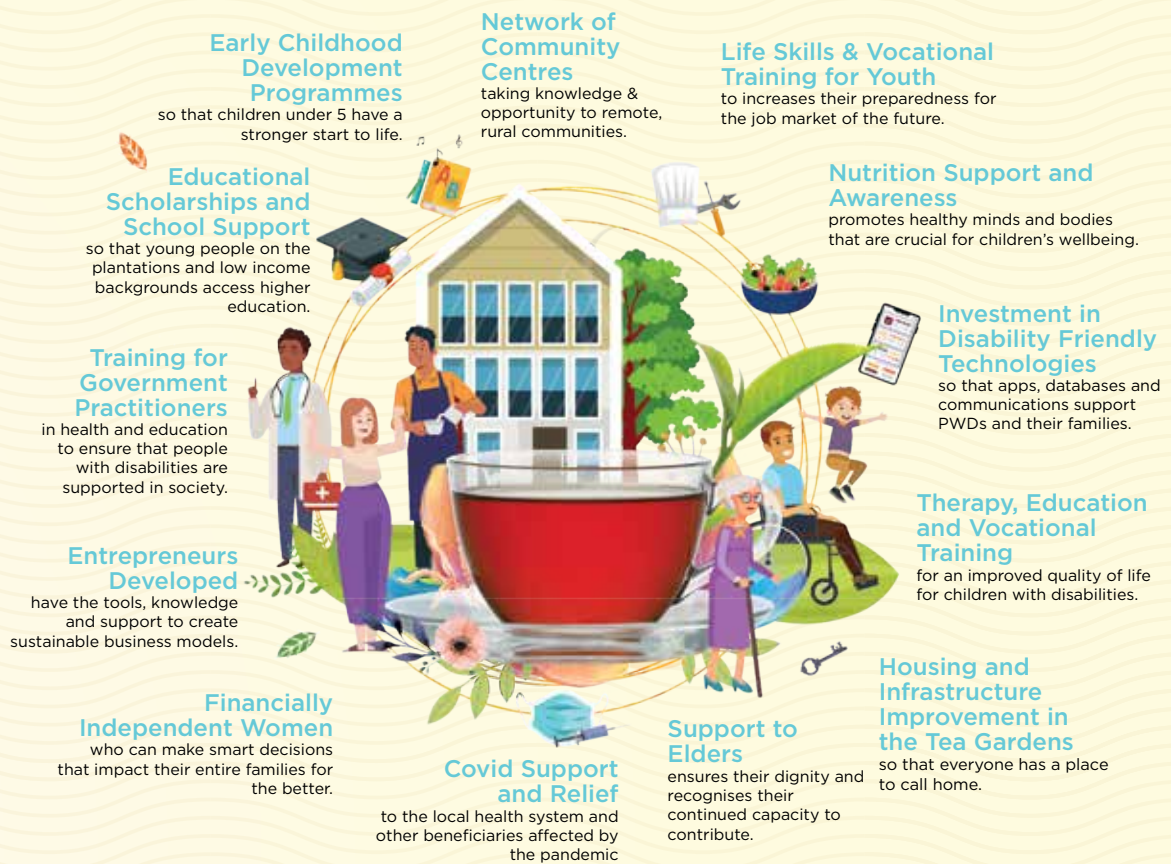
The ensuing section illustrates the Group's sustainability strategy consisting of 6 pillars and 26 elements



## SUSTAINABILITY GOVERNANCE STRUCTURE

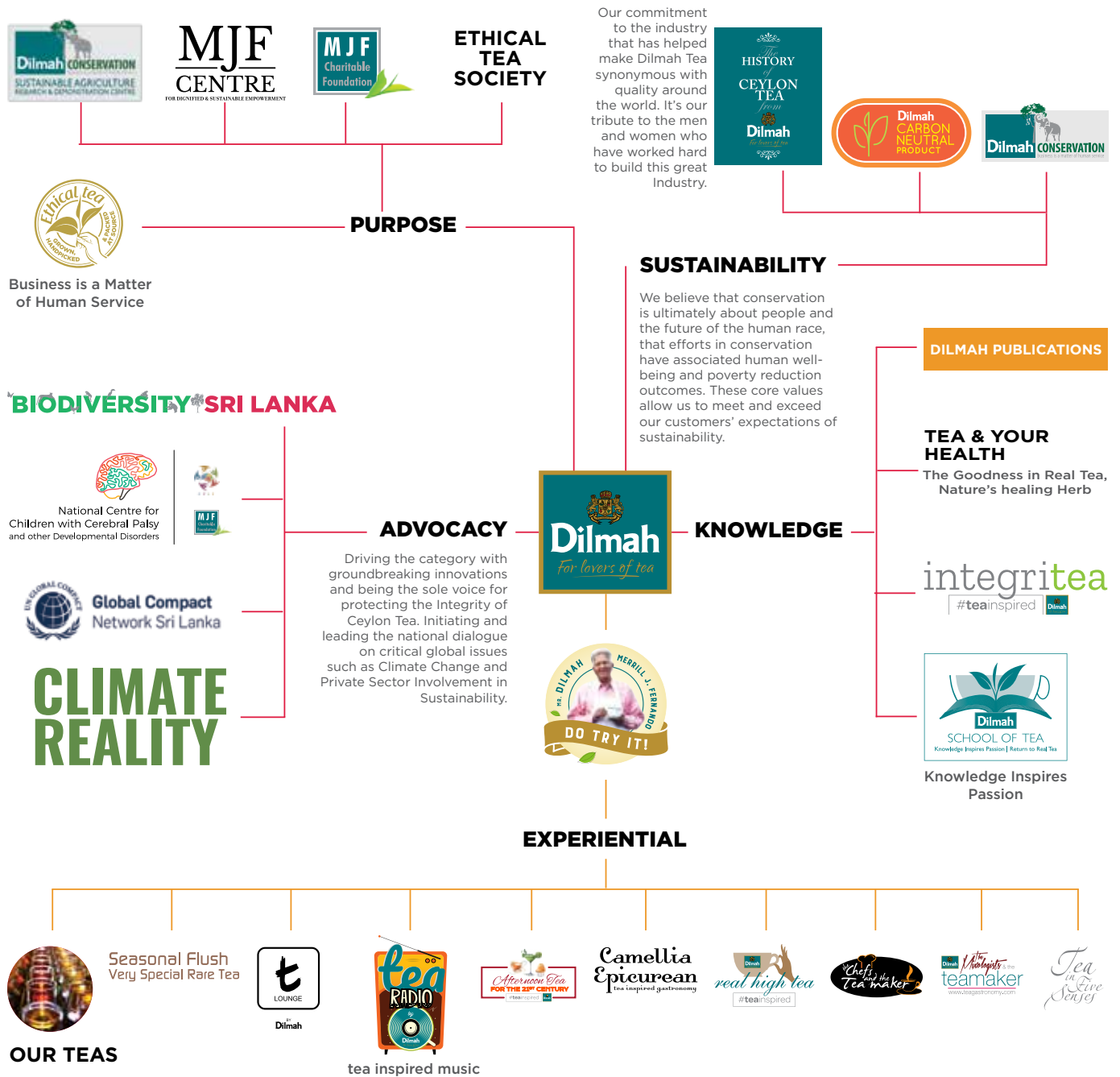






## BRAND ECOSYSTEM APPROACH

Dilmah's business strategy is integrated within the brand ecosystem, enabling all stakeholders to engage better so that every action in the business process contributes to a sustainable approach. As in any other ecosystem, Dilmah acknowledges that the brand ecosystem thrives on the wellbeing of all stakeholders. In the midst of the pandemic, Dilmah has strived to support all stakeholders and create an impact beyond the borders of business and finance, in its attempts to generate and define the 'new normal'.



# Ripple Effect in Business Sustainability

## CORPORATE ADVOCACY

As a brand that aims to create impact beyond the realms of business and finance, with an ardent belief in business as a matter of human service, Dilmah values sustainability advocacy. As a Group that works towards the United Nations 2030 Sustainable Agenda, Dilmah affirms the necessity for strengthening and revitalising partnerships, and realises the effect of stakeholder engagement on the Company's overall Sustainability Strategy. The Company's dedicated environmental arm Dilmah Conservation, was one of the founding partners of Biodiversity Sri Lanka (BSL); a national platform entirely owned and driven by the private sector. It was established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka.

Dilmah is also a lead advocate of corporate sustainability within the United Nations Global Compact; a strategic policy initiative for businesses that are committed to aligning their operations and strategies with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Dilmah Conservation is the climate leader for the United Nations Global Compact (UNGC) Network Sri Lanka, and has established a collaborative platform to build climate awareness amongst businesses and the larger community through multiple initiatives.



## CONTRIBUTION TO THE SDGs

The brand emphasises Sustainable Development, both as a concept and in practice, to build a more robust, competitive, and resilient business. Dilmah drives towards aligning its sustainability strategy and initiatives with the United Nations Sustainable Development Goals (SDGs) through strategic and concerted efforts aimed at alleviating poverty, promoting prosperity and protecting the environment.

The ensuing section is an illustration of Dilmah's focus on the UN SDGs through its businesses and sustainability initiatives.

	Strict health and safety procedures were adopted during our operations amidst the COVID-19 pandemic, to ensure health and safety of all internal and external stakeholders	
	Special focus on employee wellbeing and mindfulness	
	Stringent quality assurance at every stage of the production process	
	Supplier assessments for quality and food safety	ISO 9001:2015 FSSC 22000 BRC Global Standard for Food Safety ISO 17025
	Production and distribution of 4,577 MT of tea - considered to be one of the healthiest beverages available in the market	





Total water consumption of 21,830 m<sup>3</sup>

Rainwater Harvesting unit of 18,000 L capacity at the One Earth Centre Moratuwa

Shift towards remote working arrangements, online meetings, trainings, and events during the COVID-19 pandemic

BRC food safety cultural excellence to enhance the existing overall Company culture

Equal Opportunity Employer

16,034 training hours

Over 96% of total waste recycled / repurposed

'Waste to Craft' initiative promoting reuse and recycling of waste through Circular Economy Concepts

Water and Energy Stewardship

Generation of 447,202 kWh of renewable energy (solar power)

100% Carbon Neutrality

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

Initiating Partner of Biodiversity Sri Lanka in collaboration with Ceylon Chamber of Commerce and IUCN - Sri Lanka

Collaborated with the MillenniumIT ESP for development of Sri Lanka's first teletherapy and tele-education app "disABILITY"

Dilmah Conservation joined forces with conservationists from Global Wildlife Conservation (USA), Durrell Wildlife Conservation Trust (UK) and the IUCN Species Survival Commission - amphibians, for building capacity of Sri Lankan herpetologists to facilitate assessing over 120 species of frogs that inhabit Sri Lanka to include them in the Global IUCN Red List

Fostering sustainable livelihoods through skills and capacity enhancement

17 new University and 19 Advance Level scholarships were granted in 2020/21 with a pledged commitment of Rs. 2.8 Mn

768 school students in the MJF Kids programme benefiting through study support and extracurricular activities throughout the year

Programmes for early identification of children with special needs in the plantation sector - programmes conducted in 5 plantations

1291 kids from ages 6 months to 5 years, belonging to 85 child development centres provided with daily mid-day meals

40 small entrepreneurship grants distributed in 2020

Over 1200 youth empowered through skills development programmes

Construction of a new block of 11 classrooms for Anjali Aham MJF Kids Programme in Point Pedro, costing Rs. 12 million

Providing better, healthy and hygienic working conditions for the plantation workers on estates through projects amounting to Rs. 10,953,513/-

22% Reliance in Renewable Energy across the MJF Holdings

Continue to increase the renewable energy component in the Group's energy mix with a Solar Expansion Plan

Achieved 100% carbon neutrality for all products

Extended the scope of carbon neutrality status, up to destination ports of all overseas markets

The Dilmah Peliyagoda premises has been carbon neutral since 2017

78,749 kWh generated through hydropower plants


447,202 kWh generated through solar units

Dilmah Ceylon Tea Company PLC

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Annual Report 2020/21

	Equal opportunity employer
	41% female representation
	Capacity development through the Women's Development Programme
	Empowerment and advocacy for women concurrent to International Women's Day events. 1423 women participated in Kalkudah and Colombo, including the Dilmah Staff.

	Marine conservation through the Beach Caretaker Programme: Extended to maintain a pollution-free 50km stretch of beach with the help of 50 Beach Caretakers	
	Endana Nature Corridor: Aims to create a biological corridor across our tea estate in Endana which borders the Sinharaja Rainforest - a World Heritage Site and a Man & Biosphere Reserve	
	Initiating Partner of Biodiversity Sri Lanka in collaboration with Ceylon Chamber of Commerce and IUCN - Sri Lanka	Supported 5 initiatives of Biodiversity Sri Lanka
	15 publications on biodiversity and heritage conservation to encourage conservation are made available at affordable prices Selected publications are prescribed for academic programmes in Sri Lankan educational institutes	
	24 ha of Mangrove Restoration to support blue economy and marine conservation	



# STAKEHOLDER ENGAGEMENT

*This issue of the Annual Report is dedicated to ‘People Power’, as a tribute to the collaborations and partnerships that have been the backbone of Dilmah this past year. The Annual Report 2020/21 honours the power of the people who unified and came together to make a positive impact during a globally trying time.*

Dilmah in its sustainability strategy highlights and recognises SDG17 - Partnerships for the Goals - as the most important Sustainable Development Goal, thereby strongly advocating and driving towards partnerships and collaborations that are within and beyond its own sector, both nationally and internationally. Dilmah holds and builds upon the many inclusive partnerships, and strives to uplift all involved - in both its social and environmental spheres. As a truly sustainable brand, all activities of Dilmah hold the people and planet at its centre, while staying true to the philosophy it is built upon - ‘business is a matter of human service’.

Stakeholder feedback is used to gauge the expectations of the stakeholders, and perceived gaps in value delivered to them. Engaging with stakeholders is a responsibility shared across the organisation with multiple channels for obtaining feedback, which is a key input to Dilmah’s strategic planning process. The table below provides a summary of how Dilmah engages with its stakeholders, their concerns and how they have responded to them.





## STAKEHOLDERS ENGAGEMENT CONCERNS

Stakeholders	Engagement	Concerns
<b>Employees</b> Our team comprises 554 motivated individuals and we are committed to inspiring our employees to contribute towards our value creating process.	<ul style="list-style-type: none"> <li>• <b>Open-door policy</b> (<i>ongoing</i>)</li> <li>• <b>Individual performance reviews</b> (<i>biannual</i>)</li> <li>• <b>Meetings and internal mailers</b> (<i>ongoing</i>)</li> <li>• <b>Awareness campaigns</b> (<i>ongoing</i>)</li> <li>• <b>Sports and cultural activities</b> (<i>ongoing</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration</li> <li>• Opportunities for skill and career progression</li> <li>• Job security</li> <li>• Equal opportunities</li> <li>• Conducive work environment</li> </ul>
<b>Customers</b> Our customers include distributors, agents, end-customers and the HORECA channel.	<ul style="list-style-type: none"> <li>• <b>One-to-one interaction</b> (<i>ongoing</i>)</li> <li>• <b>Customer service and relationship management teams</b> (<i>ongoing</i>)</li> <li>• <b>Social media interaction</b> (<i>ongoing</i>)</li> <li>• <b>Mailers and newsletters</b> (<i>ongoing</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Product quality and food safety</li> <li>• Product affordability</li> <li>• Compliance to relevant regulations</li> <li>• Ease of transactions</li> <li>• Ethical production</li> <li>• Environmental sustainability</li> </ul>
<b>Shareholders</b> Our shareholding base consists of 1,028 individual shareholders and 54 institutional shareholders.	<ul style="list-style-type: none"> <li>• <b>Annual General Meeting</b></li> <li>• <b>Publication of quarterly accounts</b></li> <li>• <b>Press releases</b> (<i>ongoing</i>)</li> <li>• <b>Annual Report</b></li> </ul>	<ul style="list-style-type: none"> <li>• Shareholder returns</li> <li>• Strategic aspirations</li> <li>• Prudent risk management</li> <li>• Corporate governance practices</li> </ul>
<b>Suppliers</b> We support the livelihoods of over 15,000 suppliers across our value chain.	<ul style="list-style-type: none"> <li>• <b>Vendor review</b> (<i>ongoing</i>)</li> <li>• <b>Regular dialogue and interactions</b> (<i>ongoing</i>)</li> <li>• <b>Visits to ensure compliance</b> (<i>ongoing</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Price and profitability</li> <li>• Credit period and ease of transactions</li> <li>• Capacity and demand planning</li> <li>• Climate change and sustainability</li> <li>• Production including responsible sourcing and packaging sustainability</li> </ul>
<b>Communities</b> We benefit over 47,000 individuals investing 15% of our pre-tax profit on community and environmental initiatives.	<ul style="list-style-type: none"> <li>• <b>MJFCF community projects</b> (<i>ongoing</i>)</li> <li>• <b>Interactions with local authorities</b> (<i>ongoing</i>)</li> <li>• <b>NGO interactions</b> (<i>ongoing</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Community investments</li> <li>• Employment opportunities</li> <li>• Environmental impact</li> <li>• Community support</li> </ul>
<b>Government and policy makers</b> The government is the regulator of markets and the environment. While also levying taxes on our products sold, and profits.	<ul style="list-style-type: none"> <li>• <b>Statutory audits</b> (<i>ongoing</i>)</li> <li>• <b>Meetings with Treasury, TRCSL and BOI</b></li> <li>• <b>Customs</b> (<i>ongoing</i>)</li> <li>• <b>Dialogue through intermediaries</b> (<i>ongoing</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory and legal compliance</li> <li>• Timely payment of taxes</li> <li>• Product safety and quality</li> <li>• Profitability and growth</li> </ul>

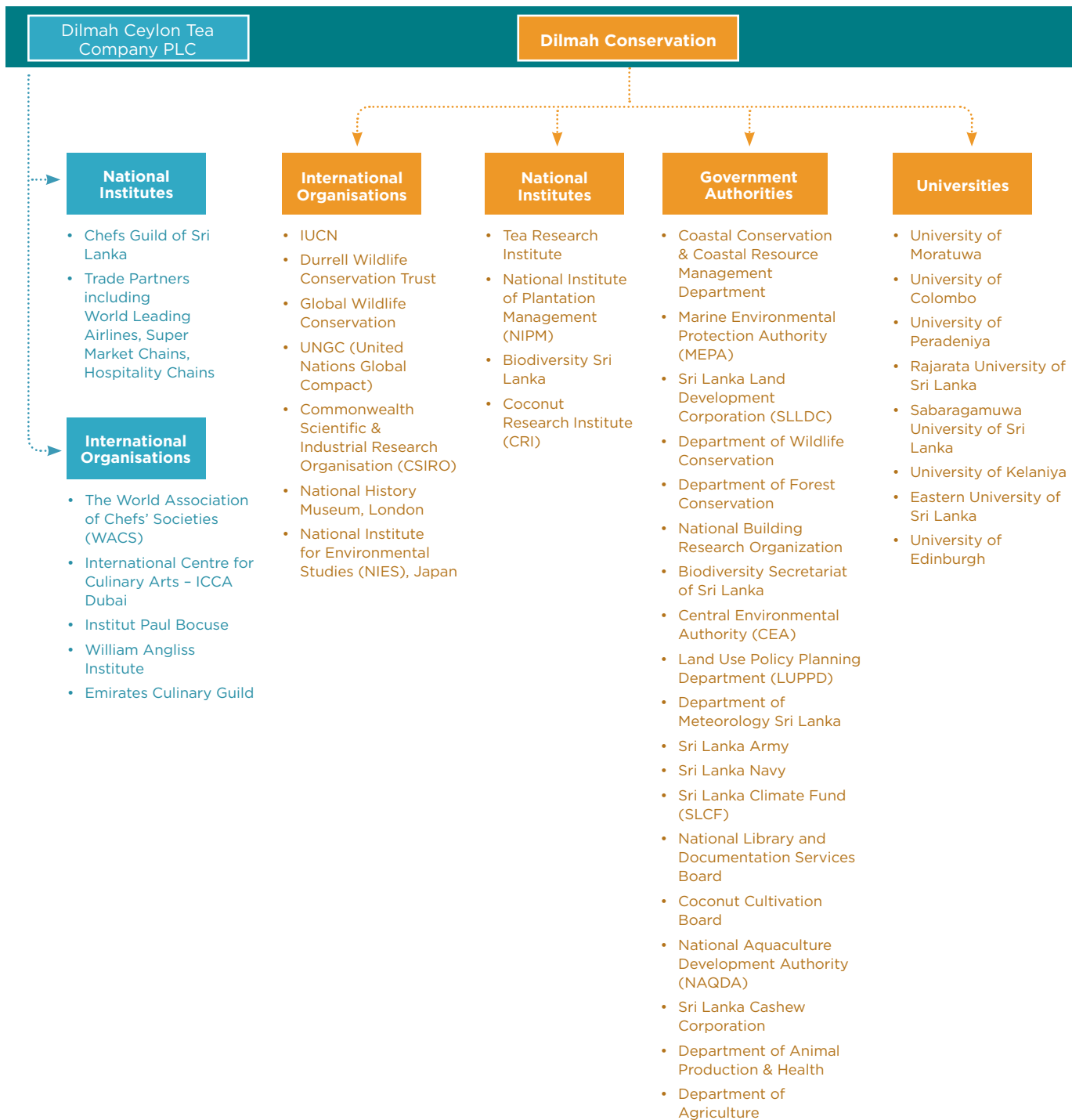
## COLLABORATING FOR SUCCESS

While growth and trade are common indicators of success, since its inception, Dilmah has believed that business is a matter of human service, and success is measured not only by the graphs and numbers, but also by the countless lives touched and the positive impact caused to the environment.

Dilmah has consistently partnered with governmental, national and international organisations for technical

expertise and guidance - these are essential collaborations on Dilmah's journey of sustainability. Partnering with organisations that have shared standards is considered vital to addressing complex sustainability issues. Dilmah engages in consulting and collaborative initiatives while driving cooperation along value chains, financing project level partnerships and forming industry-level business alliances to fulfil common objectives with the organisations that are illustrated below.

## KEY STAKEHOLDERS OF DILMAH DURING 2020/21



## MJF Charitable Foundation



# OPERATING ENVIRONMENT

## GLOBAL ECONOMIC GROWTH

One year into the COVID-19 pandemic, the accumulating human toll continues to raise concerns, even as growing vaccine coverage, high uncertainty surrounds the global economic front, primarily related to the path of the pandemic. The contraction of activity in 2020 was unprecedented in its speed and synchronised nature. But it could have been a lot worse. Much remains to be done to beat back the pandemic and avoid divergence in income per capita across economies and persistent increases in inequality within countries.

As per IMF (International Monetary Fund), Global economy contracted by 3.3% in 2020 and reflected a far better outcome of 6% in 2021, and this is further anticipated to grow by 4.4% in 2022. The recovery of economic activity was far better than the early part of the year 2020 due to most regions being released from lockdowns and discovering new ways of working. Regions were testing and adapting to the “new normal”.

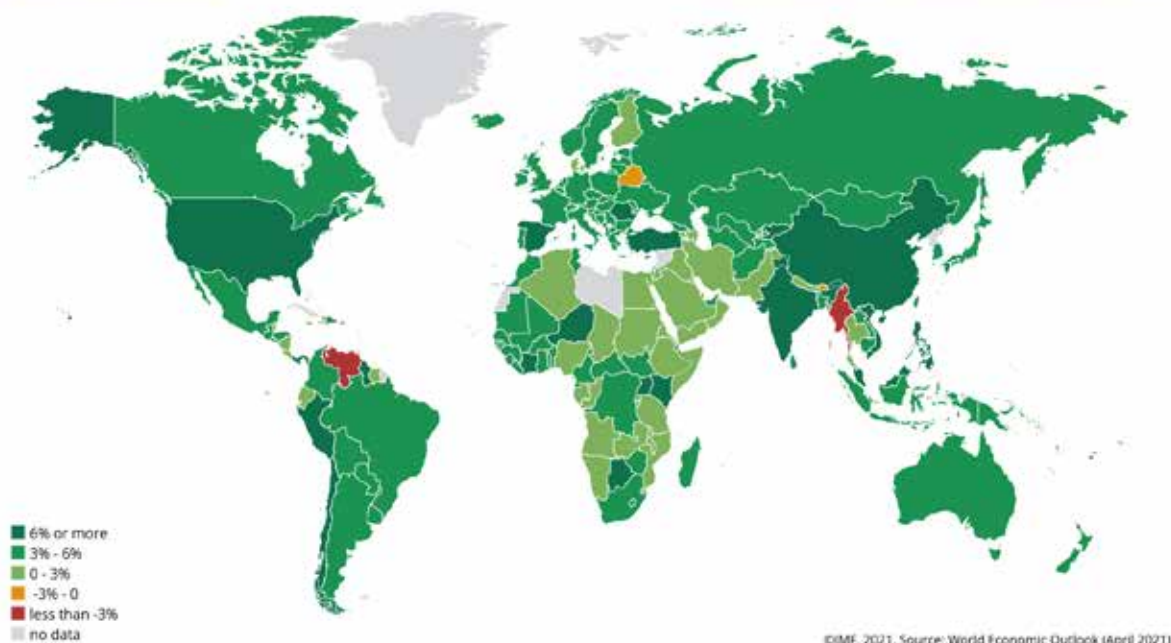
Thanks to unprecedented support from world governing bodies and regulators in setting policies and the policy response, the COVID-19 recession is likely to leave smaller scars than the 2008 global financial crisis. However, emerging market economies and low-income developing countries have been hit harder and are expected to suffer more significant medium-term losses.

Negative growths & losses have been particularly large for countries that are heavily dependent on sectors such as tourism and commodity exports. Many of these

countries entered the outbreak with a precarious fiscal situation and with less capacity to adapt to major healthcare policy responses or support livelihoods. The projected recovery follows a severe contraction that has had particularly adverse employment and earnings impacts on certain groups. Youth, women, workers with relatively lower educational attainment, and the informally employed have generally been hit hardest. Income inequality is likely to increase significantly because of the pandemic. Close to 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020 compared with pre-pandemic projections.

Strong international cooperation is vital for overcoming the aforementioned concerns and ensuring that emerging market economies and low-income developing countries continue to narrow the gap between their living standards and those of high-income countries. On the healthcare front, this means ensuring adequate worldwide vaccine production and universal distribution at affordable prices—including through sufficient funding for the COVAX facility—so that all countries can quickly and decisively beat back the pandemic. The international community also needs to work together to ensure that financially constrained economies have adequate access to international liquidity so that they can continue needed healthcare, other social, and infrastructure spending required for development and convergence to higher levels of income per capita.





## COMMODITY PRICES

In line with the projected global recovery, oil prices are projected to grow 30 percent in 2021 from their low base in 2020, in part reflecting the OPEC supply output. Metal prices are also projected to accelerate strongly in 2021, largely reflecting the rebound in China. Food prices are also expected to pick up this year.

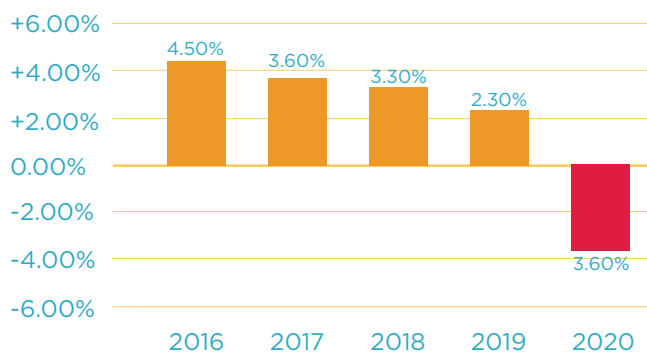
As noted, commodity prices (particularly for oil) are expected to firm up further in the months ahead. Given their record-low levels of a year ago, firmer prices should mechanically lift consumer price indices, and headline inflation. Projections shows the commodity prices would remain on a low key until the demand conditions rise.

## SRI LANKAN ECONOMY

As per the CBSL annual report 2020 published in April 2021, the Sri Lankan economy contracted by 3.6% in 2020, reflecting the effects of the COVID-19 pandemic compared to the 2.3% growth recorded in the preceding year. This overall contraction in 2020 was driven by the year-on-year contraction of 16.4% experienced during the second quarter of the year, due to the nationwide lockdown measures imposed to contain the COVID-19 outbreak. Nevertheless, the economy rebounded during the second half of the year, registering a real growth of 1.3% in spite of the disruptions caused during October

- November with the second wave of the pandemic. All sectors of the economy contracted during 2020 (agriculture, forestry and fishing by 2.4%, industry by 6.9%, and services by 1.5%), compared to the previous year.

### Real Economic Growth Rate %



On the other hand, the subsectors of growing of vegetables, fruits and cereals other than rice, recorded a healthy performance during 2020, supported by the Government's policy initiatives to promote domestic agricultural production.

Within the industrial sector subdued performance in construction, manufacturing of textiles, apparel, leather and leather related products, mining and quarrying subsectors primarily contributed to the contraction of



industrial activities during 2020, although manufacturing of food, beverages and tobacco products recorded a growth during the year. Of the services sector, financial services and auxiliary financial services, telecommunication, and wholesale and retail trade activities grew during 2020, thereby lessening the impact of the contraction of subsectors of transportation of goods and passengers, including warehousing, other personal services, accommodation, and food and beverage service activities, which were affected by mobility restrictions, social distancing measures and border closures during 2020.

This, along with the depreciation of the Sri Lankan rupee, caused the overall size of the economy to contract to US dollars 80.7 billion in 2020 from US dollars 84.0 billion in the previous year, and per capita GDP to decline to US dollars 3,682 in 2020 from US dollars 3,852 in 2019. On the expenditure front, final consumption expenditure recorded a moderate growth of 2.1% in 2020 at current prices, in comparison to a growth of 7.4% in 2019. Particularly, the growth of household consumption expenditure moderated to 1.0% in 2020 from 7.3% growth in the preceding year.

Effects of the pandemic were observed in the unemployment rate accordingly, the unemployment rate increased to 5.5% in 2020 from 4.8% in the previous year. Unemployment rates amongst males and females increased from 3.3% and 7.4% in 2019, respectively, to 4.0% and 8.4%, respectively, in 2020. Prioritised export promotion is essential, alongside taking measures to implement long overdue structural reforms to address legacy issues and revive the export sector. Although Sri Lanka recorded its historically highest export earnings in 2019 pre pandemic hit year, such earnings are meagre when compared to those recorded by similar-sized economies in the region. Steering the export sector through the impact of the pandemic and fostering competitiveness in the new global environment are essential.

## TEA - INDUSTRY ENVIRONMENT

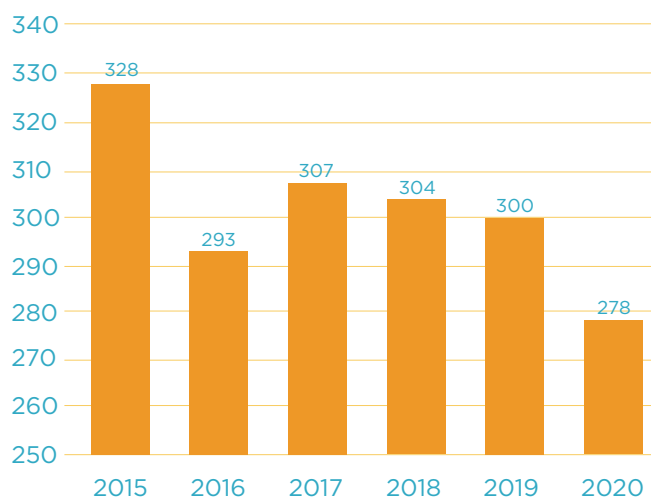
The production of tea registered a notable decline of 7.1% in 2020 due to adverse weather conditions and labour supply disruptions due to COVID-19 and nationwide lockdowns to curtail the spread. Although a significant decline of 18.0% was recorded in the first half of the year, tea production recovered in the second half of the year 2020 with a 4.9% growth. Production of high, medium

and low grown tea, which contributes about 22%, 17% and 61% of the total production, respectively, declined by 1.3%, 0.9% and 10.5%, respectively, in 2020. In the meantime, the average yield in the smallholder sector declined from 1,765 kilogrammes per hectare, compared to 1,938 kilogrammes per hectare reported in 2019, mainly due to the drought conditions that prevailed in tea growing areas.

Tea prices at the Colombo Tea Auction remained elevated throughout the year in comparison to the corresponding prices in 2019. The average price of tea increased by 15.9% to Rs. 633.85 per kilogramme during 2020, from Rs. 546.67 per kilogramme recorded in the previous year.

The average export price (FOB) of tea increased by 1.6% to US dollars 4.67 per kilogramme during 2020, compared to US dollars 4.60 per kilogramme recorded in the preceding year. Although the increase in tea prices can be partly attributed to the decline in the quantity supplied to the CTA due to reduced local production, a significant drop in tea exports from global competitors due to setbacks caused by the COVID-19 pandemic enabled domestic exporters to attract a comparably higher price during 2020.

### National Tea Production Output YOY in Mn Kgs



Data from the Sri Lankan Tea Board (SLTB) reports that domestic tea production reported at the lowest ever for the last 10 years at 278 Mn Kgs. This was partly due to nationwide lockdowns, social distancing, in addition to adverse weather and low industry productivity arising from a lack of investment.

Sri Lankan tea exports fell by 27,000 tons (-10%) y-o-y in 2020, to 238,500 tons. Higher y-o-y exports to Turkey, Iraq, Iran and Libya, were outweighed by lower shipments to Russia and China, amongst others. This trend continued into the new year with Sri Lankan tea exports contracting by 1,200 tons (-6%) y-o-y in January 2021 to 20,820 tons, despite higher y-o-y output.

### TEA MARKET OUTLOOK FOR 2021

As many tea producer countries continue to promote 'tea drinking,' the percentage of tea retained in producer countries have increased quite significantly over the last decade, resulting in a declining availability for exports.

Tea consumption is dominated by Asian countries, particularly India and China & Sri Lanka which together is estimated to be 55% and more of global demand.

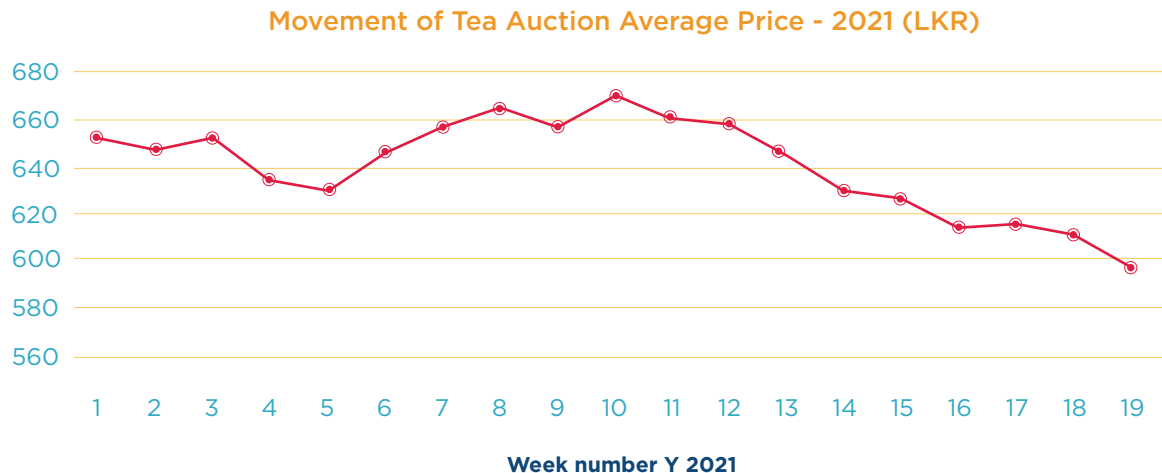
From a Sri Lankan perspective, Sri Lankan Rupee would weaken further once the imports on non-essential items are relaxed and, in such circumstances, would augur well for Rupee tea prices considering that some of the key importer country currencies have depreciated post the Covid-19 pandemic.

Sri Lankan tea output is likely to recover in 2021, as the global consumptions stabilises post COVID. Therefore, the supply situation would continue to remain tight.

From a global perspective, tea production in 2020 is likely to record a deficit reflecting the crop shortfall primarily from India and Sri Lanka. Kenya, on the other hand, has performed well and showed a year on year increase mainly to compensate the volume drop from India and Sri Lanka.

As per F&W market reports, tea auction prices performed reasonably well in recent months. The trend is exceptional to the last few weeks of May due to the depreciation of the rupee and further contributed by surge in the crop subsequent to the Sinhala and Tamil New Year and Easter holidays.

**Data Source: Forbes and Walker Tea Brokers**

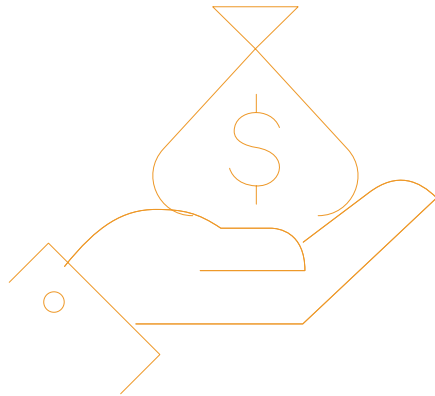






# **CAPITAL MANAGEMENT**

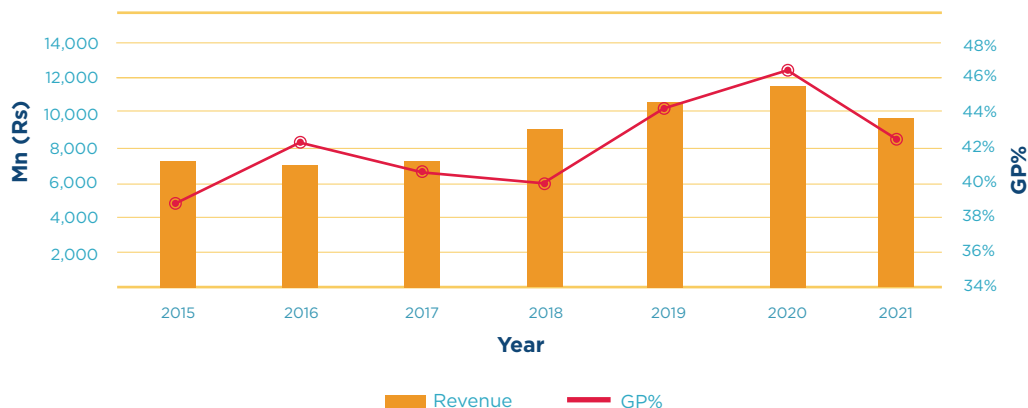
# Financial Capital



Dilmah Ceylon Tea Company (DCTC) delivered a strong Profit After Tax (PAT) figure of LKR 1.75 Bn reporting a 12% increase versus LY results, despite the continuing pandemic. Export revenue declined by 21% to LKR 9.2 Bn for the year in review, compared with the revenue figure of LKR 11.6 Bn achieved last year. Export volume for the year stood at 4.6 Mn Kgs, which dropped by 19% compared to last year (LY 5.6 Mn Kgs).

The PBT for the FY 2020/21 stood at LKR 1.91 Bn, a marginal decline of 4% versus last year, compared to the last financials earnings per share reported an increase of Rs. 9.18 per share to Rs. 84.38 per share. The steady and consistent performance has positively contributed to effectively executing the long-term strategy of the Company.

## REVENUE & GP GROWTH





The Group continued to innovate its product portfolio, launching new recipes and consumer friendly packaging to meet the changing needs of the markets. Despite the price pressures and discounts by large retailers undermining Ceylon Tea, DCTC continued to maintain its strong brand equity with sustainably made, high quality products. New packaging innovations include switching from tin tea caddies to paper canisters in 3 SKUs of Dilmah's Inspiration Selection launched in Australia, and switching from foil to paper envelope tea bags in 8 variants of Dilmah's Café Range, making it fully biodegradable.

DCTC reported a gross profit of LKR 3.7 Bn with an impressive gross margin percentage of 41% compared to LKR 5.3 Bn (GP margin of 46%) versus the last FY. The Company was able to maintain its steady profitability despite the global pandemic. It is important to note that FY 19/20 is an above average year of performance and less than 45 days (part of Feb & March 2020) was impacted due to the virus outbreak, whereas the FY 20/21 was significantly impacted due to the virus outbreak.

The decline in gross profit value in absolute terms is reported at LKR 1.6 Bn – a decrease of 30% compared to the last year.

## OPERATING EXPENSES

Operating expenses overall reduced by 13% resulting in a saving of LKR 525 Mn compared to LY. It was mainly due to the reduction in selling and distribution cost and other cost control measures initiated by the Company.

Administration Expenses showed a 1% marginal reduction vs last year to LKR 1.6 Bn. It should also be noted that cost savings were delivered in the following areas; staff related overheads (staff salaries, overtime, allowances, fuel expenses etc.), utilities, stationary, and communication. Even though COVID related expenses have negated some of these savings.

Marketing & Selling expenses reduced by 24% to LKR 1.67 Bn (LY LKR 2.18 Bn) – mainly due to; reduction in earned A&P provision due to the drop in sales, reduction in overseas travel, tight cost control measures undertaken and lesser merchandising provision in Dilmah worldwide customers. It should be noted that the year in review was a subdued year due to the virus outbreak and most of the brand promo activities took place online. However,

care was given to necessary brand building programmes in order to further strengthen the brand despite cost saving measures. The Company operates in well over 100 countries while its main markets are Australia and New Zealand. The Group has a wider distributor network and a direct customer base to roll out its marketing and advertising activities – this includes the launch of 8 new product ranges which included 48 variants.

The PBT figure reported at LKR 1.91 Bn – a marginal reduction over the last year figure of LKR 1.99 Bn and the PAT figure of LKR 1.75 Bn grew by 12% compared to the previous year due to reasons mentioned above.

Forex gain for the year rose sharply for the year and stood at LKR 1.2 Bn. Mainly due to the favourable exchange conditions of the USD and AUD, DCTC was able to maintain a healthy PAT figure, the same as last year despite the reduction in topline. The Company reported an increased net profit margin (NP margin %) of 19% versus LY of 13%.

Non-operating income improved by 118% due to efficient and innovative methods adopted in treasury management.

## PBT, TAXATION AND PAT

DCTC maintained its PBT % within the range of 17% for the last two years even with increased pay-outs and less forex gains. Decrease in tax figure is due to reversal of deferred tax and exemption of interest income on foreign currency deposits from income tax. The PAT figure for the year is reported at LKR 1.75 Bn and the margin stood at 19% compared to last year's 13%.

## INVESTMENT IN PPE

DCTC regularly upgrades equipment to keep abreast of modern manufacturing technology, improving product quality, flexibility, operational efficiency and the environment. During the year in review, investments were made in state-of-the-art tea bagging machinery. The working capital progress reflects the ongoing construction of the Peliyagoda factory, and supplier advances paid for importing of the state-of-the-art machinery.

As per Listing Rule 7.6 (iii) Group possesses total Land values carrying amount at Rs.936 Mn and at fair value Rs. 1,397 Mn As at 31st March 2021.

## CURRENT ASSETS

Inventories – including tea, packing materials, finished goods and machinery spare parts – showed an increase of 14% to LKR 1.5 Bn. DCTC maintained above average tea stocks to service the potential increase in short to mid-term demand and to take advantage of lower tea prices (where applicable) without having to compromise on the freshness and quality of tea. Packing materials also recorded an increase in anticipation for future orders and to counter potential supply chain disruptions. Stock of Finished Goods also reported an increase mainly due to global logistics issues and shipment delays due to the outbreak of the pandemic.

## TRADE RECEIVABLES

The Company's trade receivable recorded a 6% decline versus last financial year to LKR 4.6 Bn. DCTC deploys and maintains strong control over its debtors while maintaining a positive relationship with the global customers.

## CURRENT LIABILITIES

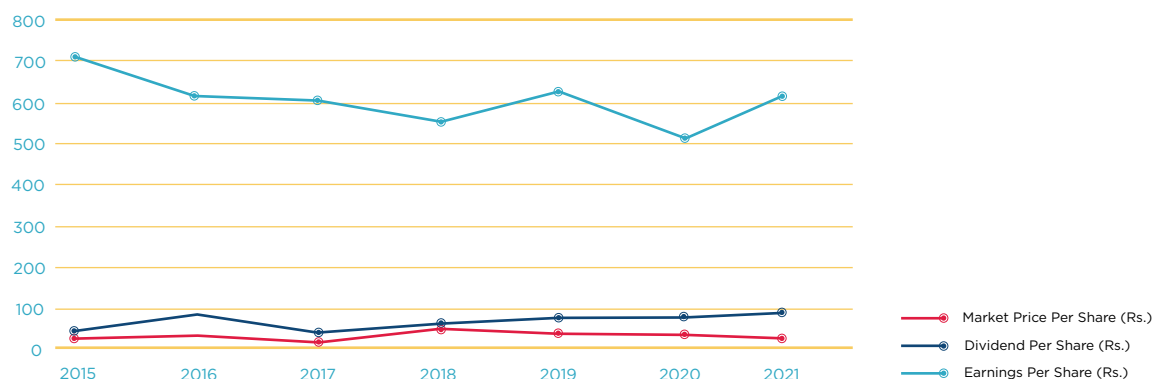
Overall current liabilities dropped by 60% compared to LY to LKR 1.34 Bn. Mainly the reductions are from the repayment of the short-term loan granted. A short term USD loan is obtained to take advantage of current market deposit rates and efficient use of treasury management for the betterment of the entity.

## CAPITAL STRUCTURE

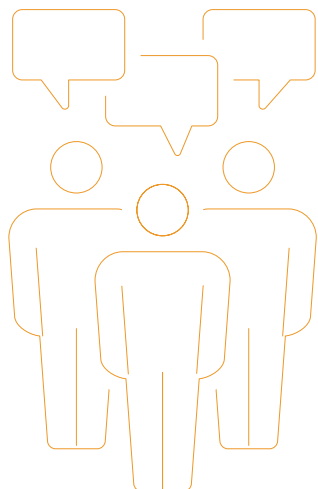
DCTC's consistent strong performance results in a strengthened capital structure. Key internal indicators, as well as market indicators, shown below are evidence of DCTC's strong capital structure. Return on equity (ROE) reported is within the range of 13% - 15% for the last few years.

The company redistributed its earnings in the form of dividends while having sufficient funds for business expansion. Accordingly, the Company proposed a dividend of LKR 18 per share.

Return to Shareholders		2020/21	2019/20	2018/19
ROE	%	13	13	14
Earnings per Share	Rs.	84.38	75.19	76.71
Net Asset per Share	Rs.	669.12	594.88	555.65
Share Price (Closing)	Rs.	636.75	531.00	619.90
P/E Ratio	Times	7.55	7.06	8.08
Dividend Per Share	Rs.	18	25	35
Dividend Yield	%	3	5	6
Dividend Payout	Times	6	47	46
Market Capitalisation	Rs. Mn	13,205	11,012	12,855



## Human Capital



Dilmah, as a Brand that is built upon the philosophy of 'Business is a Matter of Human Service,' is no stranger to the concept of employees being our Company's most valuable asset. The Company holds no bounds in leveraging the talents and commitment of the people that work tirelessly behind the scenes to make Dilmah the brand it is today, while attracting and retaining the best talent in the country. Even in the midst of a pandemic the Company has held together

its business and reputation, because of the untiring effort taken by members of the Dilmah family who strive to uphold the family values that the Brand is built upon. This reporting year we have proven that the true strength of the Company lies in the power of its people. The Company's dynamic team of 554 employees drives its strategic aspirations and facilitates a healthier customer experience that ultimately contributes to business growth.



**554**  
Employees

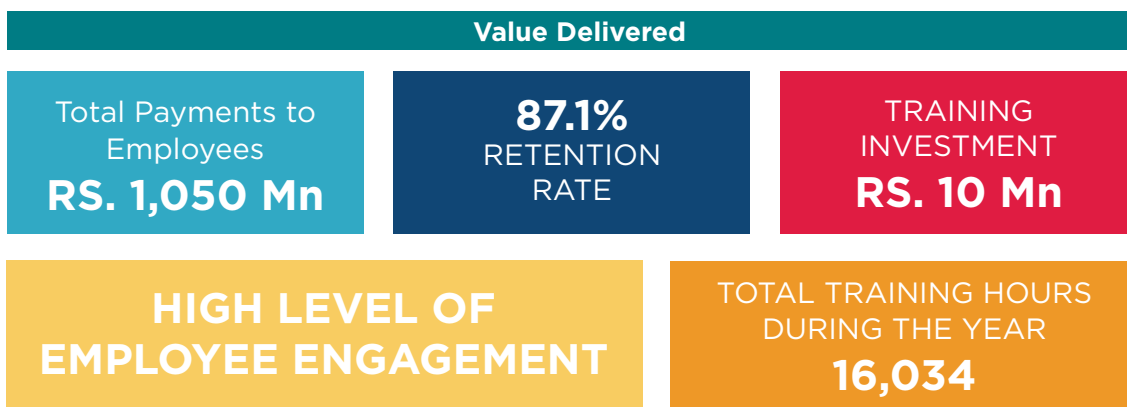


**41%**  
Female  
Representation



**87.1%**  
Retention  
Rate

Employee Performance  
Management System  
with Real-Time Feedback



### Highlights of 2020 / 21

- Complete digitalisation of the HR process from hire to retire.
- Launched the Mobile app of the Human Resource Information System.
- Employee productivity (defined as revenue per employee) decreased by 16%. Despite reduction of the revenue due to the COVID-19 pandemic, Dilmah has kept all employees on payroll through the downturn with no lay off.

the year under review, a relatively low employee turnover was shown of 12.9%, justifying Dilmah's commitment as a preferred employer.

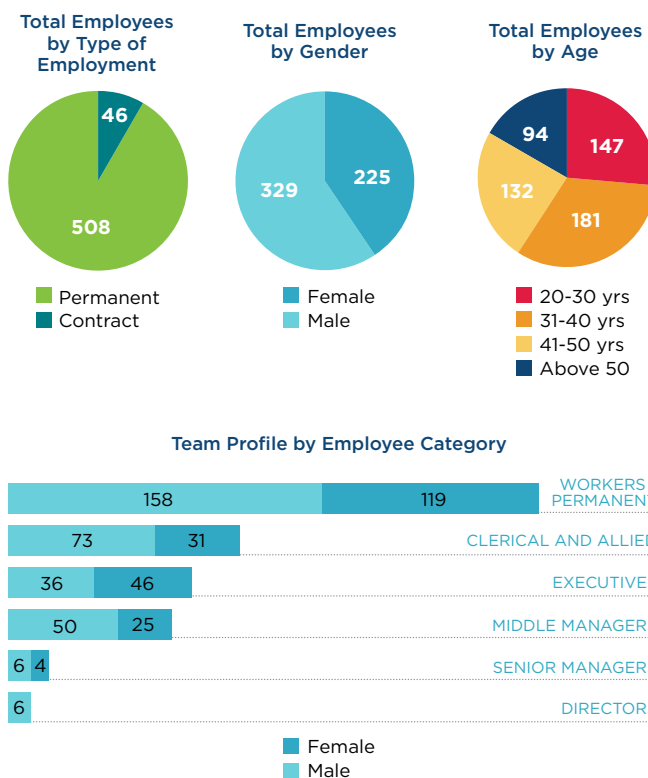
### TEAM PROFILE

Dilmah is home to employees of all ages, the Company is enriched by a young and energetic team with 59% of them being between 20 to 40 years of age. The Dilmah family is an inclusive one and is an equal opportunity employer; Dilmah does not discriminate based on gender, ethnicity, age or any other form of diversity when attracting, remunerating, or promoting employees.

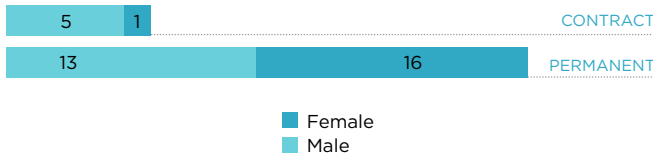
### MANAGEMENT APPROACH

The values of Dilmah tea – dedication, integrity, loyalty, motivation, authenticity, and humaneness are enlivened by the 554-strong human capital of Dilmah. Dilmah is a family business and as in any family, Dilmah puts the health and wellbeing of its members first. Hence, the Group ensures that their personal and career aspirations are met by adopting a holistic employee value proposition. The year in review brought with it a multitude of challenges with an ongoing pandemic; forcing the Company to adapt to a new normal, whilst working remotely for a significant period of time.

The Company has increased the efficiency of the HR process through complete digitisation which helps optimise time and resources, from recruitment up to retirement / resignation. Whilst digitisation and online communication can be alienating at times, the Company took efforts to encourage mindful and sustainable lifestyles to ensure the wellbeing of its employees. During



## New Employee Hires



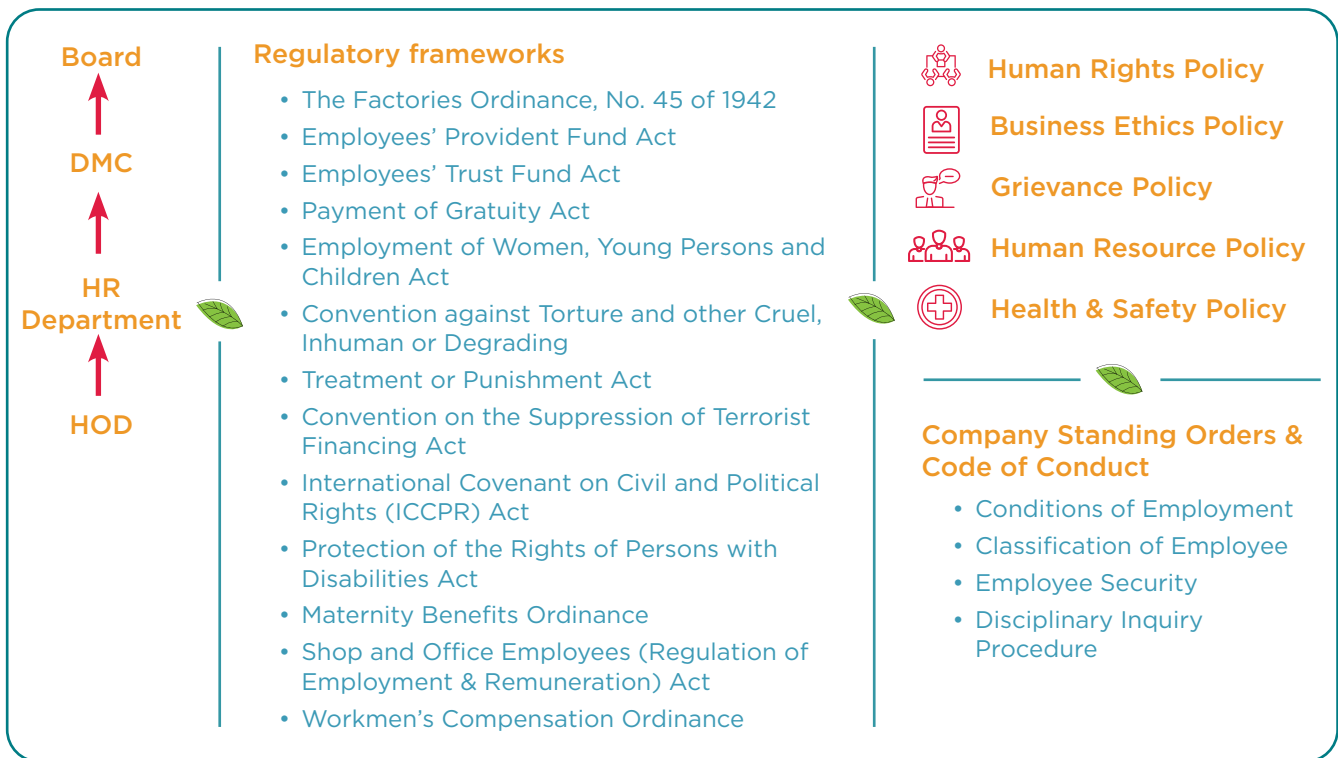
## HR GOVERNANCE AND POLICIES

The Company's essence is its employees. As the tea produced by the Company is carefully handpicked and handcrafted with goodness and purpose, the Company's workforce is also cared for with kindness. The Company boasts an inclusive and well thought-out Human Resource Governance Framework, consisting of a resilient HR, Grievance and Ethics policies that are centred on attracting, stimulating, developing, and retaining our human capital.

As the flavour in Dilmah tea is enhanced with 'no compromise' to taste, this principle extends to the

workforce; whose talents and capabilities are constantly enhanced through various programmes. The governance policies focus on capitalising and augmenting employee interest based on stakeholder and organisational goals. The Board, Remuneration Committee and the Heads of Departments constantly review and update policy framework and the way-forward with said policies. Our comprehensive HR policy framework is designed to comply with local and international regulations, standards and industry best practices.

The company's zero tolerance towards bribery and corruption is communicated through the Anti-Bribery and Corruption Policy, its Workplace Anti-bribery rules and its Code on Business Ethics, are all made available to employees via Dilmah's intranet site. Training on these policies is carried out in the induction programme conducted by the Legal department during the onboarding process of new employees.



## DIGITISED HR PROCESS

The world today is a digital world and in keeping with the times the HR process of the Company, from recruitment up to retirement / resignation, has been completely digitised through a Human Resources Information System (HRIS). Furthermore, to make matters more convenient and efficient, an online career page is in place on Dilmah's

official website for candidates to upload their CV's for vacant positions.

Candidates best suited for the job are recruited based on knowledge, skills, abilities and behaviour providing an equal opportunity in line with organisational goals.



The requirements of the Employment of Women, Young Persons & Children Act is firmly adhered to in our recruitment process.

In order to ensure a smooth transition into the Dilmah culture and familiarisation with the Company, all recruits undergo an induction programme covering all departments. All new recruits are quarterly reviewed during their probation period to make sure that they are familiar with the culture and the job, with right directions given through mentoring and guiding.

The digitalised process in place helps improve the efficiency, accuracy, and employee engagement towards the betterment of the Company. The digitalised HR process proves to be extremely beneficial in times of the pandemic and working remotely.

Listed below are some major areas which have been digitised through the HRIS.



Figure 1: Digitalised HR Process

To make the HRIS more user-friendly a mobile app was launched. This enables employees to conveniently apply for leave when necessary and supervisors to approve of the same. Additionally, employees are able to check one's attendance easily through the app. Furthermore, since the app captures the geographic location of the user, the supervisor is more confident about approving leave. The app is also designed to process the approval of Medical Claims.



Figure 2: Recruitment Process

### Attraction

- By Knowledge
- By Skills & expertise
- Via an online system

### Development

- State-of-the-art evaluation system
- Management & technical
- Competencies
- Tailor-made development plan for each employee

### Retention

- Rewards & recognition
- Prioritising health & safety
- Updated HR Policy

### Employee Engagement

- Sustainable lifestyles
- Fitness & sports
- Employees' children engagement
- Engaging in cultural events

### Occupational Health & Safety

- Immediate corrective actions
- Accident-free working environment

Figure 3: Human Capital Priorities

## EMPLOYEE ENGAGEMENT AND SUSTAINABLE LIFESTYLES

The unprecedented and unexpected COVID-19 pandemic introduced the concept of working from home to many of the Company's employees. While working from home has its many benefits, the loss of structure and the blurring of boundaries between work-life and home life were some of the challenges individuals faced. Understanding this, the Company prioritised employee management and encouraged the 'work-life balance' of all employees.

Various employee engagement activities were conducted whenever possible, while adhering to strict health guidelines; such as development initiatives, sporting and recreational events, cultural events etc. However, due to the restrictions stemming from the pandemic, some of the major events in the Dilmah event calendar, such as the Staff Christmas Party and the Annual Pirith Ceremony were not conducted during the year under review.

### Employee Engagement Activities During the Year



**Special Project: Dilmah staff colour-washed Mother Theresa Children's Home in Moratuwa**



**Donation of the PCR Kits to the Ministry of Health, Nutrition & Indigenous Medicine**



**International Women's Day Celebrations**



**Staff Quiz on Environmental Sustainability**



**Blood Donation Programme**



**Long Service Awards**

## GRIEVANCE HANDLING

As a family business, Dilmah aspires to instil familial values in the management of employees; the people who are the backbone of the Company's success. The Company believes in fairness, diversity and equality; open and honest communication is encouraged at all levels of management. A transparent and streamlined grievance handling procedure has also been put in place to ensure employee feedback is well received.

Open Door Policy	Joint Consultative Committee	Townhall Meetings	Professional Counselling Service	Grievance Records
<ul style="list-style-type: none"> <li><b>Report to HOD:</b> Direct access to their HOD regarding both professional and personal grievances</li> <li><b>Human Resource Manager:</b> Direct access to HRM regarding both professional and personal grievances</li> </ul>	The JCC which has representation from each department will periodically discuss their grievances directly with the Chairman, Deputy Chairman and the CEO	Held once a month, open to any and all staff across all categories to speak out and voice their concerns	A nominated senior counsellor is assigned to attend to any level of grievance related to employee personal or professional health	An opportunity for the staff to express their grievances and workplace inquiries anonymously, where all inquiries are directed to the management for necessary action

Figure 4: Grievance Mechanism

## PERFORMANCE EVALUATION

Dilmah values dedication, integrity, loyalty, motivation, authenticity, and humanness. The Company believes in nurturing a performance-driven & meritocracy culture. The Employee Performance Management System (EPMS) in place, evaluates employees on individual Key Performance Indicators (KPIs), Competencies and Dilmah Values during the assessment period; providing a well defined and transparent performance evaluation system upon which rewards, and remuneration can be decided.

The main purpose of the Dilmah EPMS is to guide all executives to unleash their true potential. By which their contribution with required competencies and adherence to the corporate values will pave the way forward, to achieve the objectives of the Company.

The EPMS is a scientific and transparent system to incentivise executives in duly recognising staff performance and to develop necessary skills to help employees step forward to the next level. With this system the employees are made aware of the tasks they are designated to complete during a given time period. Mid-year reminders and status checks of the agreed tasks further aids in guiding employees. This system evaluates the employees for their performance in Job Tasks, Values and their Managerial Competencies.



Promotions	Total	Male	Female
Executive and above	26	15	11
Non-Executive	10	10	0
Total	36	25	11

## REMUNERATION AND BENEFITS

Prior to commencing the performance review process, the Remuneration Committee is tasked to conduct a detailed salary benchmark across the industry to ensure Dilmah retains and attracts the best talent. The results of this benchmark, along with living cost analysis based on national data and results of the performance appraisals,



form the key components taken into consideration when determining remuneration. Once defined based on the above approach, salary increments & promotions are then submitted by the Committee for the approval of the CEO and the Board.

The COVID-19 pandemic posed many challenges for industries worldwide and Dilmah was no exception. The Company has ensured that no deductions or delays took place in the payments of salaries. Dilmah helps staff with required dry rations and sanitary items and employees of the Company are entitled to a performance bonus twice a year. Despite the pandemic, the Company ensured that these bonuses were granted to their employees without fail.

### A Retirement Plan

#### Small Entrepreneurship Programme (SEP) for Staff

- As a Company that values loyalty and humanity, this programme encourages and provides support to staff at Dilmah in their livelihood after retirement. Making the Company not just a career driver, but also a partner in its employees' journey of life.
- The Company introduced the Small Entrepreneur Programme (SEP) which encourages the employees awaiting retirement to start their own business ventures to ensure a steady income after their retirement. This is a grant that the Company employees receive without a payback bond. Prior to the providing the grant a project assessment is carried out, after-which the relevant sum is paid to the beneficiary. A follow up assessment will also be carried out and guidance will be provided as and when necessary.
- During the financial year, 15 employees benefited from the SEP with grants amounting to over Rs. 1.1 Mn.



## Benefits offered to our permanent cadre

### Fringe Benefits

- Bonus
- Production Incentives
- Attendance Allowance
- Death Donation Scheme
- Thrift Society
- Housing Loans
- Welfare Loan Scheme
- Special Grants from the Empathy Fund
- School Books / Uniforms Distribution
- Scholarship Scheme for Children
- In-house Hostel & Kitchen Facility for Staff
- Evening Snack
- Night Shift Meal
- Free Tea Quota
- Staff Tea Sales
- Staff Transport
- Laundry Service
- Uniforms & Overcoats

### Mindfulness & Wellbeing

- Sports Club
- Box-fit Sessions
- Yoga Sessions

### Healthcare

- Medical Screening
- Medical Clinics
- Medical Leave
- Hospitalisation Insurance
- OPD Reimbursement



### Salary Saving for Hostellers

A special monthly salary saving scheme was introduced to the hostellers in collaboration with Commercial Bank, Peliyagoda. 58 employees were part of this initiative, and they consented to forwarding LKR 1,000 - 5,000 from their salaries each month to their respective savings accounts, as a means of securing an additional saving for their future.

## TRAINING AND DEVELOPMENT

### Cross-Functional Training

- Information Technology
- Finance
- Quality Assurance
- New Product Development
- Food Technology
- Shipping
- Customer Services
- Tea Department
- 140 Employees to share the interdepartmental process & procedures

### 8 TRAINING CLUSTERS

1. Business & Communication
2. Compliance & System Requirements
3. Finance & Accounting
4. Information Technology
5. Leadership & Management
6. Professional Training
7. Food Hygiene & Safety / OHS
8. On-the-job Training / Technical

### Technical Competency Development Programme

A special training programme to develop the skill set of technical staff (Engineering & Production) affiliated with NAITA. At the end of theoretical and practical sessions conducted by the Technical College lecturers, our employee will be certified with the NVQ 4 qualification. The first batch with 16 engineering staff has completed their programmes and the second batch will be start to focus on automation, robotics and mechatronics.

### Awareness Sessions on COVID-19 & Preventive Measure

The staff, hostellers and factory associates were educated on the do's and don't during the pandemic to avoid the spread of the virus.

**16,034**  
TOTAL TRAINING  
HOURS

### Machine Skill Enhancement

#### Training 92 individuals

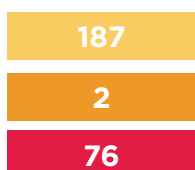
to enhance their skills on production requirement & process awareness.

### Fire Training by the Fire Service Department

66 Employees of the fire crew

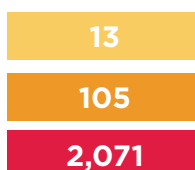
## Better Collaboration | Increased Workforce Sustainability | Increased Motivation & Efficiency

### Number of Trainings Conducted

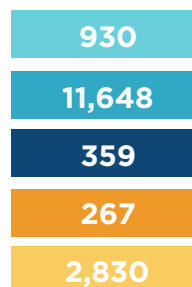


■ Individual Training ■ External Group Training  
■ Internal Group Training

### Total Number of Participants Trained

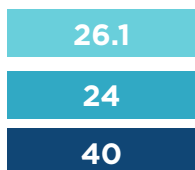


### Training Hours



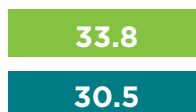
■ General Training  
■ Machine skill enhancement related training  
■ Process related training  
■ Introduction training for new recruits  
■ Periodic awareness on process

### Average Training Hours by Employee Category



■ Executive  
■ Clerical and Allied  
■ Worker

### Average Training Hours by Gender



■ Male  
■ Female





## Dilmah Internship Programme

The Dilmah Internship Programme (DIP) offers students an opportunity to pursue a career based on their current study path, while also providing corporate exposure in an international company engaged in ethical trade. The DIP provides real-time insight into the world of tea, enabling students to build on their college-level learnings, while obtaining practical skills, and enhancing their employability in the industry and to develop future leaders. The Interns at Dilmah are considered as assets to the Company and are an opportunity for innovation, as they contribute fresh perspectives and new ideas. Hence, their contribution is being closely monitored by the CEO himself.

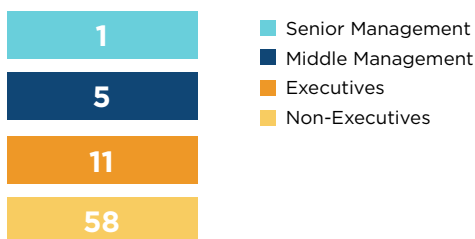


**Interns presenting their learning outcomes and suggestions for process improvements**

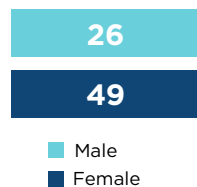
## EMPLOYEE RETENTION

Dilmah's values of dedication and loyalty are extended to all those of the Dilmah family, and that includes the employees as well. Dilmah's unique employee value proposition characterised by above-average remuneration and dynamic work environment has permitted the Company to sustain a retention rate of 87.1% while maintaining the turnover at a rate of 12.9% during the year under review. The executive staff turnover was 10% whilst the non-executive staff turnover was recorded at 15%.

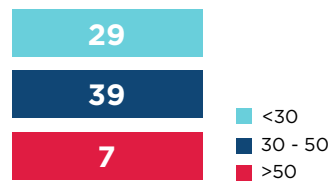
**Turnover by Employment Category**



**Turnover by Gender**



**Turnover by Age**



## HEALTH AND SAFETY

Dilmah as a manufacturing company is committed to providing employees with a safe working environment focused on eliminating and managing health and safety concerns such as the risk of hazards and injuries. Dilmah's dedication to employee health and safety is further strengthened by the Company's proactive commitment to the SDGs 3 and 8, which ensure 'Good Health' and 'Decent Work and Economic Growth', respectively.

Adhering to the requirements of the 4 pillars - labour, health and safety, environment and business ethics of Sedex Members Ethical Trade Audit (SMETA) methodology, Dilmah ensures continuous improvement of Health & Safety in the workplace.

The packing and bagging factory situated in Peliyagoda is equipped with a fully-fledged medical facility with medical check-ups conducted every weekend by specialists in the medical field. The Health and Safety committee conducts monthly reviews on the safety and hazardous situations, and comprises worker representation of 25%. Proving the strength of our Health and Safety policy across the Group, zero injuries and hazards of critical nature were reported during the year under review.

Work-related Injuries		Total	Male	Female
Fatalities as a result of work-related injury	No.	0	0	0
High-consequence work-related injuries (excluding fatalities)	No.	0	0	0
Recordable injuries	No.	4	4	0
Lost days due to occupational injuries	Days	65.5		

- High-consequence injuries - Injuries that require more than 6 months recovery time.
- Recordable injuries - Injuries that require recovery time of greater than 1 day and less than 6 months.
- Zero fatalities of employees or contractors were recorded in 2020/21.

By Type of Incident	No.
• Falling	-
• Bodily reaction-injury by bending, reaching, standing or climbing	-
• Injury by being struck by / against an object	2
• Car accident	-
• Natural disasters	-
• Exposure to toxic / dangerous material	-
• Other	2

### HR follow-up procedure in case of injuries



### Salient Points of Our Health & Safety Policy

Providing a healthy and safe working environment by focusing on good manufacturing practices and establishing a safety culture, systems and procedures.

Providing necessary infrastructure and education, necessary to achieve aforementioned objectives while emphasising the importance of housekeeping, industrial hygiene and ensuring maintenance of established health and safety systems.

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

## NEW NORMAL: COVID-19 RESPONSE

### BEST PRACTICES GUIDE DESIGNED BY DILMAH FOR THE HEALTH AND SAFETY OF ESTATE WORKERS AND THEIR FAMILIES DURING COVID-19

#### Documentation, Education and Policy Changes

Starting with data collection, Dilmah obtained a list of outsiders who returned to the estate with the lockdown and curfew being imposed in Sri Lanka on 20th March 2020. Thereafter, the said details were shared with the Plantation Health Inspector (PHI) of the area. A Worker Welfare Officer was subsequently appointed to facilitate and assist the respective Estate Managers to introduce safety measures regarding the pandemic. The next step was educating workers and non-workers regarding the COVID-19 pandemic and safety standards in place, while adopting a 'no visitors' policy.

#### Worker Welfare, Hygiene and Nutrition

Dilmah has provided adequate food and essentials, including masks, hand sanitising gel, and disinfectant to the estate workers and their families. Daily spraying of disinfectant and sanitisation of all worker housing & factory surroundings is carried out. Dilmah also prepares and offers hot coriander drinks to all field workers on rainy days for their health.

Educating staff and raising awareness is a top priority at Dilmah. Sporadic training sessions are being conducted at Dilmah workspaces to ensure health and safety guidelines are followed.





### New Harvesting and Admin System for Physical Distancing

Handwashing stations with 'alcoholic hand rub' have been set up for use by estate workers prior to plucking. A new plucking system has been introduced to ensure safe personal distance is being adopted during plucking / harvesting by picking from every other row, ensuring a minimum personal distance of 8 ft. between each tea plucker. The same safe distance is maintained during weighing and handing-over of harvested green leaf, entering and recording of attendance for the day, issuing of foodstuff to all residents, payment of monthly advances and wages, etc.

### COVID-19 OPERATIONAL GUIDE

From the tea gardens to the factories and offices, strict protocols are followed in making sure the tea produced remains Ceylon's finest. Dilmah is taking control of the 'new normal', by setting up stringent hygiene and safety protocols, followed by all Dilmah personnel in the Tea Gardens, Offices and Factories.

### Safety Gear, Monitoring, Hygiene

Following the Ministry of Health Guidelines, daily hygiene practices are strictly followed, where Masks, Gloves, and Head Gear have been provided to factory employees to be used at all times. Workers are subjected to a mandatory temperature check at the tea factory entrance, along with washing of hands as per recommended standards via a foot-operated washing station installed at the entrance of the factory. Further, foot dips are being used to disinfect foot gear through 'foot bath facilities' at the entry points.

*During the year under review, the Company had spent over Rs. 3.5 Mn on PCR tests for testing of 545 employees, and Rs. 0.9 Mn on 360 Rapid Antigen Tests. As at August 2021, the total spent on PCR tests were recorded as Rs. 4.4 Mn.*



### Vaccination Programme against COVID-19

The Company has taken measures to make COVID-19 vaccines more accessible to our employees by facilitating a special on-site vaccination programme that ensured 1,023 employees of the Group of Companies have been vaccinated. As a social responsibility, individuals outside the Company were also facilitated through the vaccination programme at the Peliyagoda premises, upholding Dilmah's commitment to safeguard communities.

### A HEALTHY WORKPLACE

Dilmah is committed to maintaining a safe and healthy workplace by implementing workplace safety procedures such as screening employees prior to entering the premises, equipping employees with adequate sanitary facilities and providing transport facilities. In addition, continuous visits and audits are conducted by relevant MOH Doctors, and recommendations provided with regard to the upkeep and up-to-date safety precautions are stringently followed by the Company. The Peliyagoda premise is regularly sanitised with the assistance of the Urban Council of Peliyagoda and the compound is frequently visited by PHI Officers. To ensure the safety and wellbeing of employees and the sustainability of measures taken, awareness sessions were conducted on health guidelines and safety precautions.

In compliance with the COVID Guidelines laid down by the Government and the MOH, the Company adopted working from home and a roster for employees, to minimise the number of staff physically reporting to work. Understanding that a safe and healthy workforce is not solely dependent on physical health, virtual events such as online yoga sessions and home gardening webinars were conducted to improve mindfulness of employees. Furthermore, special attention was given to the staff using the hostel facility through activities such as painting competitions and online yoga sessions while adapting to the COVID-19 guidelines on social distancing within the hostel building.

Additionally, the Company has extended the transportation facilities to the doorstep, for the factory associates as well as the staff, to ensure safety of the employees during transportation. The Company has borne an additional cost of Rs. 1 Mn each month for the transportation extensions.

### **EFFECTIVE COMMUNICATION**

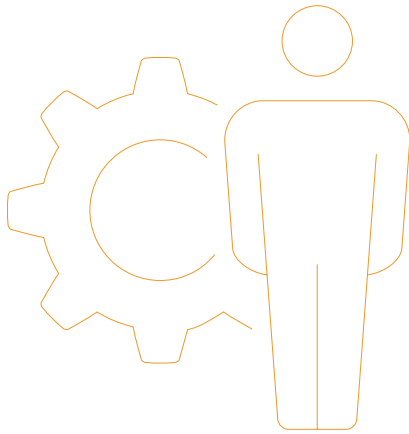
As the Pandemic continues to spread and the virus adopts and adapts to various environments, health and safety regulations are constantly revised and updated. Latest safety related news and employment related communication are shared on the “MJF Team Safety” WhatsApp group and via SMS. A special Page on Facebook - “Team Dilmah” was created for employee

awareness on safety protocols, with the facility to share details of any employee who is in distress due to COVID called “Team MJF Employee in Distress and Requiring Assistance”. Being an inclusive community, posters are displayed in English, Sinhala and Tamil languages, on every notice board, lunchroom, and digital screensavers, to further communicate safety measures.

### **DONATIONS AND SOCIAL RESPONSIBILITY DURING THE PANDEMIC**

The unforeseen pandemic and the many countrywide lockdowns left many employees helpless. Dry rations were distributed among the employees and were delivered to those who were in areas under rigorous lockdown.

# Manufactured Capital



## Highlights of 2020/21

**46**  
ENGINEERING  
IMPROVEMENTS

**2%**  
INCREASE IN  
OVERALL EQUIPMENT  
EFFICIENCY (OEE)

**0.1%**  
REDUCTION IN  
PRODUCTION  
WASTAGE AT THE  
FACTORY

The Group's physical infrastructure; comprising of production facilities, manufacturing equipment and other machinery - are vital components in the value addition process practiced at Dilmah. These work spaces, equipment, and their upkeep, facilitate the manufacturing of high quality products in an uninterrupted, efficient, and sustainable manner.



**79.1%** Overall  
Equipment  
Efficiency

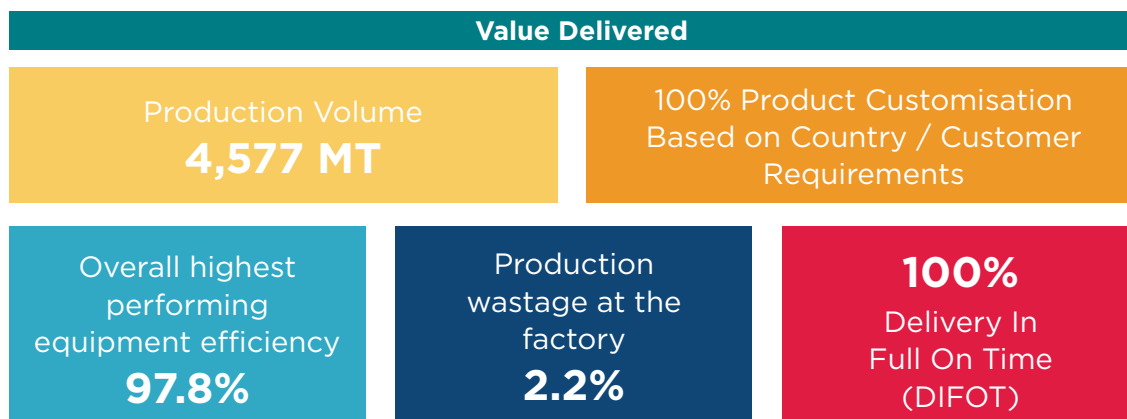


**Rs. 3,328 Mn**  
Property, Plant  
& Equipment



Advanced  
Manufacturing  
Technology





## CAPACITY UTILISATION

Capacity utilisation is one of the most crucial aspects of production planning, considering several parameters such as speed process, design, etc. The company continues to pay great attention to capacity utilisation, and maintenance; as the upkeep and improving of machine utilisation - with regular preventive maintenance - helps to achieve the optimum performance of the machinery on the production floor. However, the capacity utilisation decreased by 38% compared to last year, due to the pandemic lockdown and work shifts that were re-adjusted due to National COVID protocol. During the year under review, the company has made 43 process efficiency related engineering improvements, including 9 defect minimising projects.

Indicator	2020/ 21	2019/ 20	Y-O-Y Change %
Overall highest performing equipment efficiency ratio	97.8%	95.6%	2.2%
Production wastage at the factory	2.2%	2.3%	-0.1%
Capacity utilisation	42%	80%	-38%
Delivery In Full On Time (DIFOT)	100%	100%	0.0%
Overall Equipment Efficiency (OEE)	81.1%	79.1%	2.0%

The efficiency of the manufactured capital has increased as a result of the increase in overall equipment efficiency, which has shown a 2% increase compared to the previous year.

The upkeep of this equipment enables the human capital to function better and more efficiently, by maintaining the absenteeism cover at a low level of 10%.

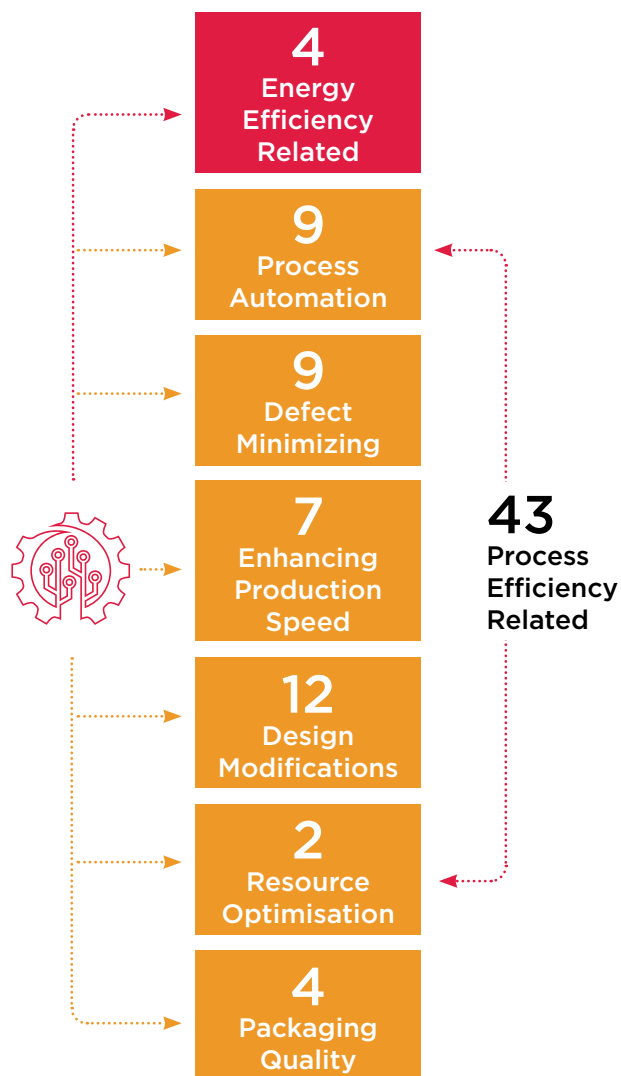
## CAPITAL VALUE ADDITION

The Company invested Rs. 385 million as capex during the year, under new investments and regular maintenance expenditure, to its manufactured capital.

	Rs.000's
Building	20,149
Plant & machinery	300,545
Factory equipment	193
Furniture & fittings	197
Office & store equipment	9,103
Computer hardware	8,854
Computer software	5,914
Motor vehicle	40,212
<b>Total CAPEX</b>	<b>385,167</b>

## ENGINEERING IMPROVEMENTS

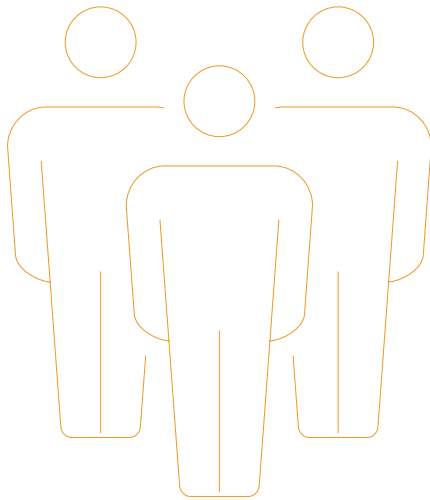
Dilmah understands the need for sustainable production processes, and the positive impact well-maintained equipment has on its human capital. Therefore, the company pursues sustainable production processes relentlessly through upkeep and enhancement of the manufacturing capital, via many engineering improvements. The ensuing section illustrates the 46 engineering improvements made during the year under review, which are mainly categorised into energy efficiency related projects and process efficiency related projects.



## ENGINEERING IMPROVEMENTS OF 2020/21



## Social & Relationship Capital



### Highlights of 2020/21

- Dilmah handed over 10,000 testing kits, virus collection swabs and RNA mini-kits to the Ministry of Health, Nutrition and Indigenous Medicine to strengthen the health sector of Sri Lanka during the COVID-19 pandemic situation.
- Launch of the disABILITY YouTube Channel for parental support and the disABILITY app for tele-therapy and tele-education for children with disability, especially Down Syndrome, Autism and Cerebral Palsy.
- Opening of the t-Lounge in Wellington, New Zealand.

Tea – whether poured from a teapot or brewed in a mug – sipped in the presence of friends and family, or in the solitude of one’s own company, is symbolic of companionship and friendship. Dilmah Tea is a unique brand that thrives on the relationships, partnerships and close-knit networks it nurtures among all its stakeholders.

This financial year as the world adapts to a new normal, Dilmah placed at the forefront of its operations - the people, that are the true essence of the brand, and the relationships and connections with its stakeholders, that make Dilmah the family business that it is.



**2.3 Bn** Tea cups  
served globally



**109**  
Distributors



**848**  
Suppliers



**Over 47,000** benefi-  
ciaries in community  
engagement



### Value Delivered

**Rs.  
8,400  
million**  
payments  
to Suppliers

Advocacy and  
affiliation with United  
Nations Global  
Compact (UNGC) Sri  
Lanka and Biodiversity  
Sri Lanka (BSL)

Investment in  
community  
engagement  
initiatives  
**Rs. 255  
million**

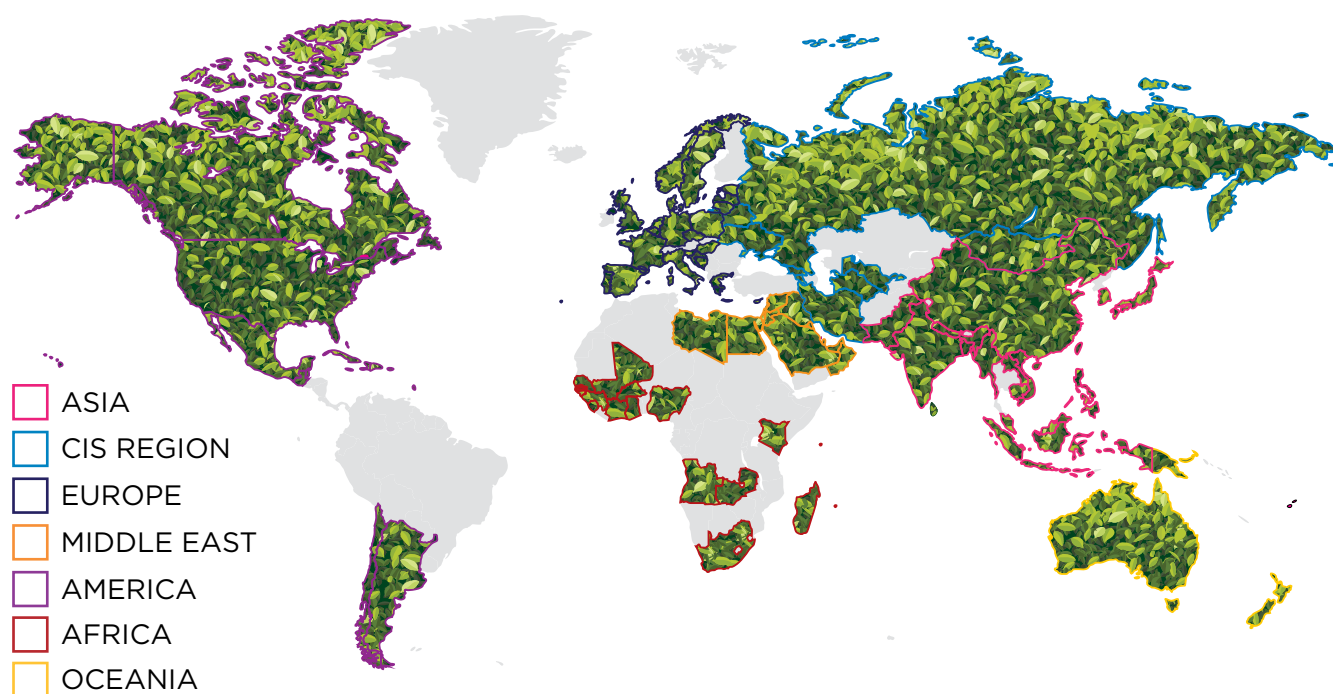
**47,611 CSR  
beneficiaries**  
of whom 6,576 received  
long term and ongoing  
support through island-  
wide programmes

### MANAGEMENT APPROACH

The true essence of the brand lies in its people; with the objective of generating shared corporate and ethical values, Dilmah strives to nurture meaningful and mutually constructive relationships with our diverse stakeholder base of customers, suppliers, business partners and communities. In a world plagued by the pandemic, the

upkeep and maintenance of these relationships and human connection were challenged, but Dilmah strived to take control of the 'new normal' and has succeeded in nurturing and fostering these networks amidst a pandemic.

### Dilmah's Global Presence



## CUSTOMERS

Dilmah builds on a principle of no compromise, which extends to its integrity in relation to product, customer, community and natural environment. The brand prides itself in its production of single-origin, authentic, natural and ethical tea and offers its valued customers spanning across the globe in 108 countries across 8 regions, a wholesome tea experience.

Despite the pandemic, Dilmah has continued to grow from strength to strength because of its unfailing commitment to Taste, Goodness and Purpose. As a global citizen, Dilmah aims to create an impact beyond the realms of business, and has achieved this objective thanks to its loyal customers.

Retail	Innovation	Quality & Product Responsibility	Engagement
<ul style="list-style-type: none"> <li>• Supermarkets</li> <li>• Hypermarkets</li> <li>• Traditional trade</li> <li>• Convenience stores</li> <li>• Online retail</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative and exciting products catering to emerging customer requirements</li> <li>• 48 products introduced in 2020/21</li> <li>• Rs. 10.1 Mn annual investment in R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>• 3 Quality Management, Food Safety &amp; Management Certifications</li> <li>• 1 Environmental Management Certification</li> <li>• First ISO:17025 accredited Chemical &amp; Microbiological laboratories for the tea industry in Sri Lanka</li> <li>• 3 Organic Certifications</li> <li>• 4 Ethical Sourcing &amp; Responsible Operations related certifications</li> </ul>	<ul style="list-style-type: none"> <li>• Numerous customer engagement initiatives, tea promotion events, competitions &amp; publications</li> <li>• Strong social media presence with 2.5 million brand followers</li> <li>• Consumer reached through Tea Radio, specialised apps and e-commerce platforms</li> </ul>
<b>HORECA</b> <ul style="list-style-type: none"> <li>• Hotel groups</li> <li>• Restaurants</li> <li>• Cafés</li> <li>• Airlines</li> </ul>			

## Quality and Product Responsibility

As a brand that builds on value-addition, Dilmah works extensively to improve the quality of all products, whilst continuing to reduce our impact on the planet, and empowering our stakeholders, especially during these trying times.

The end-to-end operations along our value chain ensures adherence to the statutory requirements of the Factories Ordinance, the Tea Control Act and the Group's stringent internal quality standards. During the year under review there were no instances of non-compliance to any product responsibility / customer health and safety related laws or regulations.

## Engagement

Over the years, a cup of tea has helped bring people together and nurtured many companionships. Dilmah is one of the most sought-after Ceylon tea bands, both locally and globally. Proactive and ongoing engagement with customers has enabled to elevate the brand not

only as a beverage but also as a gastronomical delight and experience. Dilmah's efforts to strengthen its brand reputation globally has also directly contributed towards elevating the position and brand of Ceylon Tea in general. Annually the Group invests close to Rs. 2 billion in marketing, promotion and brand building initiatives. A few engagement activities held during the year are listed below:



**Elixir & Gourmet Promotions**

*Thailand - 2020*





### Opening of the t-Lounge in Wellington

New Zealand - 17th November 2020

#### Gastronomical Tea Experiences Through the 8 t-Lounges Spread Across the World

The t-Lounge by Dilmah is an upscale, elegant place designed around the enjoyment and appreciation of fine tea; complemented by light snacks and tea inspired food and beverages.



### MJF Charitable Foundation Presentation to His Excellency the President, Gotabaya Rajapaksa by MJF and Rotary District COVID-19 Task Force

1st July 2020



### Graduation Empower Culinary & Hospitality School (ECHS) MJF Centre East

2020



### Chartered Professional Managers Felicitation

10th August 2020



### Graduation Empower Culinary & Hospitality School MJF Centre West

2020



### Beach Cleanup Initiative

27th January 2020



### Biodiversity Sri Lanka 5th Annual General Meeting and CEO Forum

17th September 2020



### Handing over COVID -19 testing kits to the Ministry of Health

3rd June 2020

The employees of Dilmah Tea and the MJF Foundation initiated the 2nd phase of the company's COVID-19 response with the donation of 10,000 testing kits, virus collection swabs and RNA Mini kits at a cost of Rs. 44 Million to the Ministry of Health, Sri Lanka.



### Awards of Dilmah Waste to Craft

22nd December 2020

Dilmah Tea is making a conscious decision to take responsibility for the disposable waste created from tea production. The Waste to Craft initiative takes factory generated waste, and turns it into something purposeful like pencil holders and bags. This is one of Dilmah's many initiatives to keep material from production in use for as long as possible, instead of using it and throwing it away after its use.





## Launch of Common Forest Trees of Sri Lanka - Sinhala Edition

1st October 2020

'Sri Lankawe Sulabha Wanathuru' is a Sinhala translation of Dilmah Conservation's original book in English 'Common Forest Trees in Sri Lanka'. Dilmah Conservation initiated a translation of the book into Sinhala to educate and inspire a new generation of botanists and conservationists that understand and respect the importance of nature. Forests are a key ecosystem in regulating the climate and are locally significant in supporting the livelihoods of many communities and sustaining biodiversity and different species.



## Endana Estate & Hunuwela Estate - Founder's Visit

11th September 2020



## Long Service Awards

17th December 2020

A heartfelt Long Service Awards Ceremony was held in celebration of 73 people who have spent between 10 and 35 years sharing Dilmah's dream. Being truly humbled by their loyalty and commitment, the ceremony was held to thank them for standing by us through thick and thin. Acknowledging each of our long serving colleagues, Founder, Merrill J. Fernando shared his appreciation and Christmas wishes with those gathered. He was joined by sons, Dilhan and Malik in presenting tokens of appreciation.



## Handing over school stationary & kids Christmas gifts

22nd December 2020



## MJJ Charitable Foundation Small Entrepreneurship Programme Grants - Curtiss Centre Graduation

1st October 2020



## MJF Charitable Foundation Staff Small Entrepreneurship Programme Outcome

2nd October 2020



## Dilmah Conservation Peak Ridge Leopard Conservation

3rd February 2021



## MJF Charitable Foundation - Celebrating Differences Virtual Performance

15th December



## Marine Environment Protection Authority - Sri Lanka (MEPA) Appreciation Award

19th September 2020





### Most Admired Companies 2020 Awards

10th February 2021



### The 3rd Empower Culinary & Hospitality School East Graduation

14th February 2021



### The Next Generation of Chai from Dilmah's t-Lounge & Bar

20th February 2021



### Camellia Epicurean, Tea- Inspired Dinner at Cinnamon Lakeside

8th September 2020



### Best Corporate Citizen Sustainability Awards 2020

29th March 2021



### COVID-19 Best Practices at Dunkeld & Kahawatte Plantations

22nd May 2020



### MJF Charitable Foundation Disability Teletherapy App - World Cerebral Palsy Day

6th October 2020



## TEA EXPERIENCES

### Digital Engagement

#### Online Platform



**16,148**  
Orders  
generated

**\$749,563**  
Revenue generated

#### Tea Inspired Music



**t-Radio**

#### Tea Inspired Through Mobile Apps



**1 Brand app**  
Tea Inspired  
App



**1 B2B app**  
Dilmah  
Partners App



**1 t-Lounge  
app**  
Dilmah  
t-Lounge App



**1 Educational  
app**  
DC Arboretum  
App

#### Social Media Engagement

- Facebook** - 2.3M Followers
- LinkedIn** - 39,837 Followers
- Twitter** - 4,299 Followers
- YouTube** - 6,764 Subscribers
- Pinterest** - 1,827 Followers
- Instagram** - 127,880 Followers

## SUPPLIERS

The essence of every cup of Dilmah tea lies in the carefully selected ingredients hand-picked from its tea gardens. Dilmah promotes and safeguards the integrity of all its suppliers through ethical business practices, which means that Dilmah values the commitment and hard work of the people behind our teas. The majority of the Group's suppliers are tea smallholders and regional plantation companies through whom we procure tea. During the financial year in question, Dilmah continued to support and work closely with these SMEs, despite the numerous challenges of the pandemic. Almost 100% of tea is procured from the Colombo tea auction in line with the Tea Control Act, and a few specialised varieties of tea such as Darjeeling and Assam which are not available in Sri Lanka are imported.

**Local suppliers and service providers 660**

**Foreign suppliers and service providers 188**

**Total value created to suppliers Rs. 8.4 Bn**

**A stringent evaluation process for supplier selection based on**

- Quality
- Business practices
- Ethics
- Social & environmental practices

**Supplier Code of Conduct**

Ensures that all suppliers comply with a fundamental set of guidelines which reflect the Group's approach towards business and sustainability goals.

## BUSINESS PARTNERS

The uniqueness of the Brand lies in the commitment to provide quality and authentic tea that is ethically produced. Dilmah ensures its business partners including distributors, service providers and regulators, emulate the company's non-negotiable standards on transparent and ethical business practices in their dealings with the company. Built on family values, Dilmah holds all partnerships to the highest esteem and has attempted in all endeavours to support and uplift its partners.

### Distributors

A network of 109 distributors spread across 107 countries in 8 regions. Engaged through events, conventions and the Partner App.



### Service Providers

Tea gastronomy and mixology is promoted through collaborations with world renowned Chefs, culinary experts and hotel chains.



### Catering to Leading Airlines



## COMMUNITY

Dilmah's Philosophy "Business is a Matter of Human Service" is reflected in its extensive community engagement initiatives. Goodness in every cup of Dilmah tea is not only derived from garden fresh, unblended tea, but also from the positive extension of the business to over 47,000 beneficiaries across the country. Over the last year, Dilmah has worked closely with the underprivileged and rural communities that were affected by the pandemic. Philanthropic initiatives are driven through the MJF Charitable Fund (MJFCF), which is funded entirely by DCTC.

The Group's CSR projects can be broadly classified into the following long-term purposes;

### Entrepreneurship

- The Local Heroes programme in recognising unique SMEs
- Grants Programmes - providing financial and technical assistance to SMEs
- Community Based Organisations - supporting natural and organic farming
- First training and grants programme for Staff of Dilmah
- Launch of Velendho to support micro enterprises and individuals affected by the pandemic
- Launch of the Night Market, Moratuwa featuring 49 COVID-19 affected vendors from the area.
- Participation of Women's Development Programme Moratuwa in pop-ups hosted by Brew 1867
- Youth and first-time entrepreneurs provided with mentoring, coaching, tools and other resources as well as start-up capital to set up their own enterprise





## MJF Kids and Youth

- MJF Kids programmes - offers educational support
- sessions for Mathematics, Science, English, Commerce, Life Skills, Music, the Arts and Dancing in Peliyagoda, Moratuwa, Palansena, Kalkudah, Siyambalanduwa, Pahalanda, Cape Weligama and Point Pedro.
- Educational trips and sessions on environmental awareness
- Adolescent and Sexual Reproductive Health Training for children and youth, including those with disability.
- Preschools in Koul Ara, Weligama and Moratuwa
- Street Drama on Suicide Prevention
- Launch of Free-Fridays Kids programmes on Facebook, giving children free access to fun activities while at home.
- Vocational training for Youth with Disabilities
- Launch of Tuk-Tuk Books and outdoor learning for children in Moratuwa and Kumburumoolai with over 700 participants
- Art Competition for CP Awareness
- Establishment of Study Centres in Plantations for older children
- Rainbow Centres - free special education, speech and language therapy, occupational therapy and life skills programmes for children with disabilities.
- English, IT, Marketing (with SLIM), Carpentry, Public Speaking for Youth.
- Empower Culinary School for training in the culinary arts
- CLF programme works with 5 schools and 417 students and mentors



## Capacity Building

- Empower Culinary & Hospitality School
- Curtiss Institute of Design - Equipping the youth with IT skills
- Swashakthi Bakery & Tea Room - Initiated for enterprising women providing meals at an affordable price
- Women's Development Programme - guiding women in dire circumstances with skill and grants. Providing a Skills Upgrade course for cloud kitchens in Eastern Sri Lanka.
- Mushroom training for 6 Women's Community Based Organisations in Eastern Sri Lanka



## Changing Lives

- School fees and tuition support to siblings orphaned by the Easter Bombings of 2019
- Outpatient Department and Administrative Block for the Point Pedro Base Hospital
- Construction of 15 classrooms at the Anjali Aham Counselling Centre in Point Pedro
- Refreshed training for 47 Chefs with Chef's Guild and S4IG
- Launch of the disABILITY YouTube channel for parental support
- Launch of the disABILITY app for the tele-therapy and tele-education for children with disability, especially Down Syndrome, Autism and Cerebral Palsy
- 2 Blood donation Camps for Peliyagoda and Siyambalanduwa with approx. 1,545 prospective recipients
- Launch of elder's care and the continued free physiotherapy for people over the age of 65 who cannot afford therapy
- Saddhasarana Pitipana Home for the Elders supporting 16 women
- Partnerships – partnering with like-minded organisations and individuals in our re-budding task
- Sustainability Agriculture – promoting and funding organic based farming in the North and East
- Empowering Sri Lanka's East – Post tsunami reconstruction
- 18 webinars on disability conducted by global and local experts on a range of topics with over 3,000 participants
- Virtual Art Exhibition featuring 90 students and over 750 visitors

## COVID Response & Support

- Dry rations to over 6,000 households including families of staff in Peliyagoda and Plantations
- CEO Special fund for families especially impacted by the pandemic: 15 beneficiaries
- Rs. 40 Million Donation to the Ministry of Health including PCR Testing Kits
- 47 Chefs trained in in-house 2 weeks course for skills upgrade

## Tea Estate Workers

- School bags for children on estates
- Mid-day meal programmes for Child Development Centres
- Childcare Development Healthcare for estate communities
- 5 Field Restrooms + 1 Factory Restroom and Shower for 250 persons
- 90 Toilets serving 360 Households or 1,800 persons
- COVID-19 support to 772 families in Kahawatte plantation estates including 471 worker families, 206 non-worker families, 24 staff families and 35 families with retirees
- Scholarships for Advanced Levels and University Students from 43 estates

## Our CSR in numbers

Investment in CSR (Rs. Mn)	255
Total beneficiaries for F/Y 2020 - 21	47,611
Contribution as a % of profits	15%
MJF Centres	14*
Number of beneficiaries in Centres incl Estates	6,576
Beneficiaries with Disabilities	489
Beneficiaries - Vocational Training	1,274

\*Excluding 3 external programmes and Estate sector centres benefitted

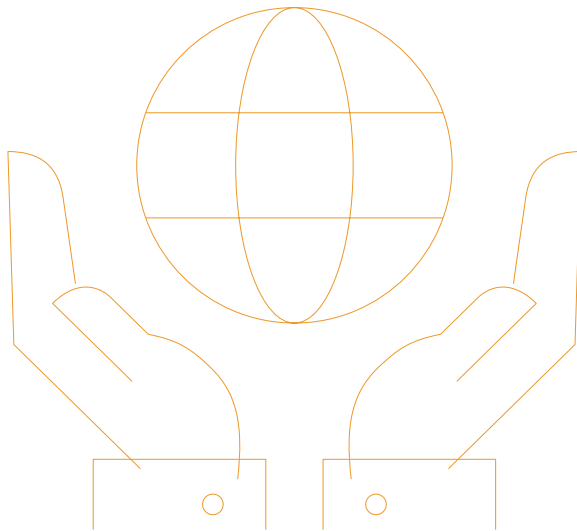
## 3 External programmes

1. King's Revival Children's Support Centre
2. Colombo Friend in Need Society
3. Anjali Aham Centre, Point Pedro

## MJFCF - Centres

1. Moratuwa
2. Peliyagoda
3. Maligawatte
4. Kalkudah
5. Cape Weligama
6. NCCCPDD
7. NCCCPDD Kandy
8. Anjali Aham
9. Pahalalanda
10. Siyambalanduwa
11. Koul Ara
12. Pallansena
13. Pitipana
14. CLF - 5 schools

# Intellectual Capital



## Highlights of 2020/21

- Launch of 70 Years Commemorative teas, in appreciation of Founder, Merrill J. Fernando's 70th year in Tea
- Launch of Ceylon Bold, supporting orphan elephants in Sri Lanka
- Launch of Arana, Ayurveda-inspired wellness, immune-boosting, herbal teas & infusions
- Launch of Tea Beer in Australia, a unique combination of two brews
- Paper Canisters in Dilmah Inspirations range and paper enveloped tea bags in the Café Range

The company delivers a premium quality tea combined with the 21st century culinary innovations to deliver superior customer experiences. As a company that believes in the intangible power of its greatest asset, the people, Dilmah's intellectual capital is fuelled by the unparalleled tea expertise of the founding family and the Dilmah team together with other elements of its intellectual capital, such as its vast library of over 300 unique tea standards, and value of the Dilmah brand represent key sources of competitive edge and is a critical input to its value creation process.

**Over 300 Tea Standards and over 3,000 products**

33 years of brand presence led by the World's Most Experienced Teamaker

Most recognised Sri Lankan **owned global brand**

The only tea company with 100% carbon neutral products

#### Value Delivered

**Rs. 10 million**  
investments in R&D efforts

**80%** of the tea packs are tear-strip

**World's only vertically integrated tea brand** – from tea plant to tea cup

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

Launch of **8 new product ranges of 48 variants**

## Management Approach

Dilmah Tea is a brand that thrives on authenticity and value addition. Founded by the World's Most Experienced Tea Maker, with an overall experience of 71 years, the Brand's existence spans more than 3 decades and boasts a global presence in over 100 countries. The Brand strives on its intellectual wealth. Currently Dilmah holds stellar innovations in Western, South Asian, Ayurvedic and Organic teas. The Founder and his family are involved in the innovation process, in defining new tea recipes every step of the way, because as a company, Dilmah holds the principle of 'no compromise' at high esteem.

The exceptional organoleptic properties preserved in Dilmah tea expressed through unique recipes of flavour, aroma and taste are carefully formulated, tested and ultimately approved by the Group's Chairman or Chief Executive. The company houses a dedicated team for Research & Development, who look into business evolution and improvement on innovations in the entire tea – making process, from the bud to the cup. The brand dwells on the belief that business is a matter of human service, and understands the crucial role played by nature in shaping our existence; over the years Dilmah has extensively developed new products and made improvements in packaging that ensure minimum wastage. This commitment has enabled Dilmah to maintain consistency across its product portfolio, offering the exceptional quality, freshness and authenticity that the brand is renowned for.

## COLLECTION OF TEA STANDARDS

The Group's library exceeds over 300 tea standards with approximately 45 new products generated every year. Our range includes Specialty Gourmet and Premium Tea, Herbal Infusions, Green Teas, Fun Flavoured Teas, Spiced Chais, Organic Teas and Exclusive Teamaker's Private Reserve among others.

## Tea Standardisation Process

Tea standards are created upon evaluation of the standard against the specific market requirements and their organoleptic characteristics will be confirmed by the top management. The tea standards will then go through an approval process and the approved standards will be circulated amongst new product development and engineering departments.

## The Dilmah Brand

Dilmah exists in over 100 countries and is probably the most well-known Sri Lankan brand in the international market. The three core pillars Taste, Goodness and Purpose underpinned with the authenticity and innovations, results in the final quality of the product which is unblended, garden fresh and pure Ceylon tea. In all its endeavours, the Group adheres to the belief that business is a matter of human service and holds its employees and customers in the highest esteem. In addition to ensuring authenticity and uncompromised

taste; Dilmah is committed to driving the evolution of tea, from being a mere commodity to an experience that goes beyond the cup. In that light, the Dilmah School of Tea has brought together a network of chefs, hospitality professionals and customers, to kindle a passion for quality, innovation and creativity, and produce over 5,900 tea-inspired ambassadors. Competitions such as “Tea

Inspiration for the 21<sup>st</sup> Century” have redefined tea as an ingredient in gastronomy and mixology.

The brand equity is promoted and protected through continuous and targeted promotions, customer engagement initiatives, competitions and numerous publications.



### Taste

Unique recipes reflecting the Group's unmatched expertise in tea



### Goodness

Promotes the health benefits of tea



### Purpose

Underpinned by the philosophy that 'Business is a Matter of Human Service

## Brand Recognition

- Dilmah's Natural Infusions won the Australian Consumer Award for Product of the Year 2020

The Product of the Year is the world's largest consumer-voted award for product innovation. The Dilmah Infusions range has been voted number one in the tea category in 2020.

The range is unique for its Ayurveda inspired composition, based on authentic and artisanal ingredients including Ceylon cinnamon, cardamom, clove, nutmeg, moringa, turmeric, black pepper and coconut amongst others.

- Trusted Brand - New Zealand 2020

New Zealanders have voted Dilmah their “Trusted Tea Brand” for the 6th year in a row, in the Reader's Digest survey - an indicator of consumer trust for the past 21 years.

- Trusted Brands Australia 2020

Dilmah was voted a 'Trusted Brand' in Reader's Digest's annual survey.

- Dilmah Elixir ranked in Great Taste Awards, UK

- Dilmah has been listed in Forbes' “Best Under a Billion 2020” in the Asia-Pacific region



## RESEARCH

During the year under review, 40 improvement projects being studied linked up with three key areas as follows:

**MATERIAL SOURCE  
REDUCTION  
25 PROJECTS**

**PRODUCTION EFFICIENCY  
PROCESS IMPROVEMENT  
10 PROJECTS**

**WASTAGE REDUCTION  
5 PROJECTS**

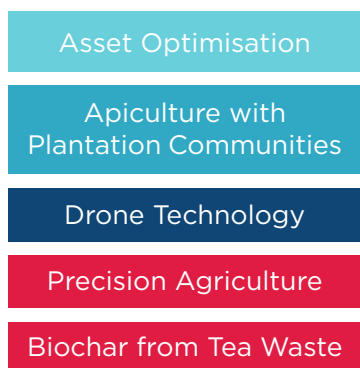


## INNOVATIONS

To innovate is to renew and reimagine. At Dilmah innovations are continuous and play a vital role in ensuring that consumers only receive the best tea the Brand has to offer. Since the inception of the company, Dilmah has invested and believed in innovations that blend the rich traditions, cultural heritage, local knowledge and the age-old-art of tea making, together with state-of-the-art technology to produce the best teas. Having pioneered and actively promoted the concept of single origin tea, the Company has sought to consistently expand its range through exciting and innovative product propositions.

At Dilmah, innovations are supported with a much broader structure. Dilmah is home to skilled innovators and passionate individuals, who help the company grow from strength to strength. The culinary innovations are facilitated by a dedicated Research and Development team and a proactive Marketing team. The supply chain and industry related innovations are realised through a special unit dedicated for Business Evolution and Innovations. Dilmah listens and understands requirements of specific consumers, and the ability to customise and differentiate its offering based on these requirements has enabled the Company to emerge as a leader in the HORECA segment, catering to 6 of the largest international hotel groups.

### Supply Chain and Industry Innovations through Climate Smart Agriculture

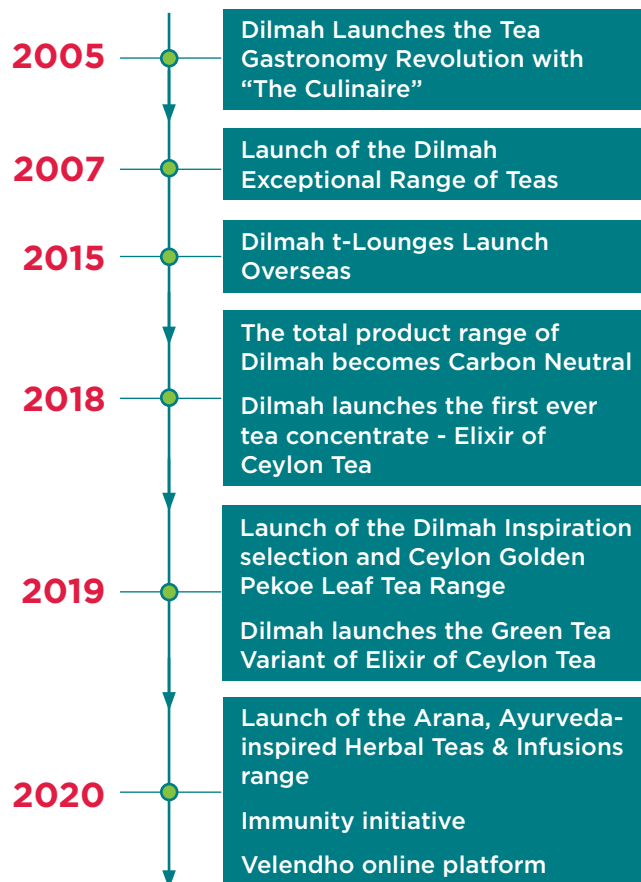


## NEW PRODUCT DEVELOPMENT

New product development has been a key strategic priority over the last few years. In a world that is in constant flux, Dilmah understands the need for change, while prioritising uncompromised flavour and core principles. Within the last 5 years the Group has

introduced 268 new products, enhancing the brand's reputation as an industry leader in innovation. Key product development innovations in recent years are given below;

### Highlights Dilmah's Product Development Timeline



During the year under review, Dilmah designed and launched the following innovative products:

- Arana, Ayurveda-inspired wellness, immune-boosting, herbal teas & infusions
- Repositioned products to adapt to COVID-19 dynamics and ease the burden on consumers
  - Special promotional packages coupling additional content for countries in distress
  - Created smaller packs like Dilmah ten-cup sachets
- Immunity initiative on social media featuring medical professionals and in-house experts on health benefits of tea
- Velendho online platform to market and broadcast products and services by communities and small businesses impacted by the pandemic

Positioning Dilmah as a more responsive and consumer-conscious brand, the Trends Team was launched internally where a team of young professionals researches contemporary consumer trends and product innovations.

## New Product Ranges of Dilmah in 2020/21



**Arana Natural Teas and Infusions**



**Taste Adventure in Tea 10S & 10E**



**Natural Herbal Infusions 1.5g Europe**



**Flavoured Green Teas**



**Mojito Range of Teas 10E, 10ST & 90g**



**Decaffeinated Flavoured Teas Dilmah NZ**



**70 Years - Commemorative Teas**



**Ceylon Bold**

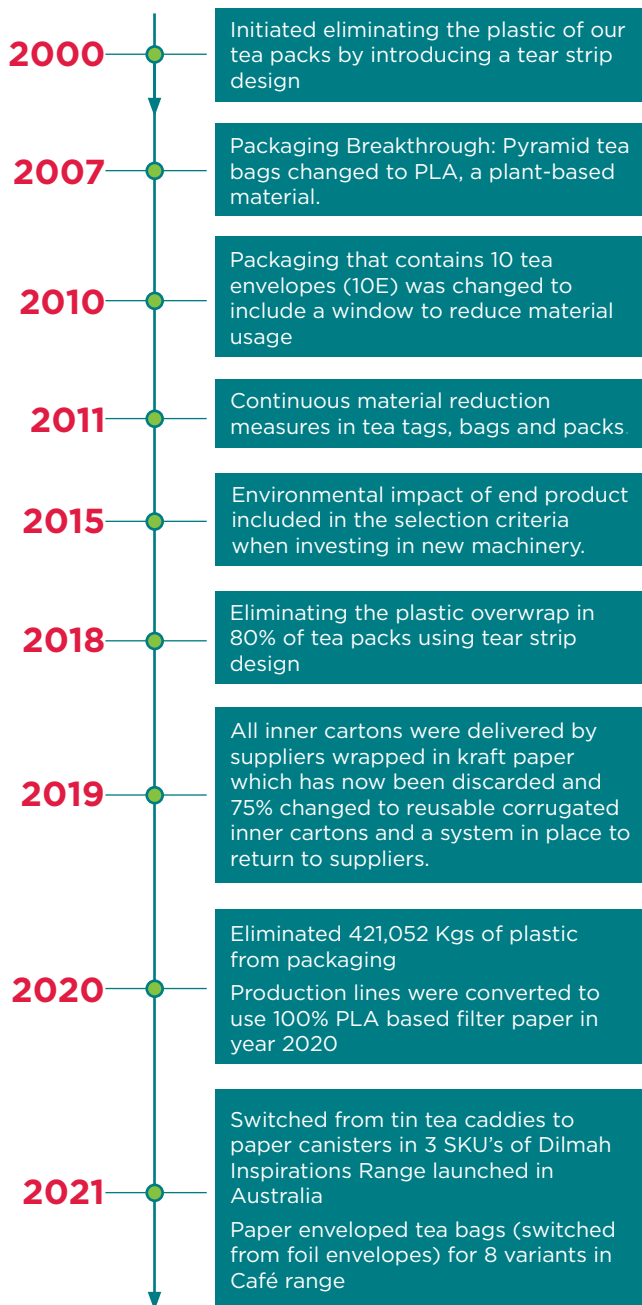
## PACKAGING INNOVATION

Dilmah is currently using minimalist packaging that complies with food safety regulations in its product designs. As the Dilmah Group strongly believes that innovation is the key to growth and managing humanitarian and environmental challenges we face; it is constantly sampling other packaging material with the aim of reducing the non-recyclable content of its packaging. At present, 80% of our tea packs are tear-strip that helps reduce material requirement by weight which is also cost effective while reducing the impact on the environment.

R&D projects conducted by the Company to identify sustainable packaging options are as follows:

<b>FILTER PAPER RELATED</b> <b>5 PROJECTS</b>	<b>FOIL POUCH RELATED</b> <b>2 PROJECTS</b>	<b>ENVELOPE RELATED</b> <b>8 PROJECTS</b>	<b>OTHER MATERIALS</b> <b>8 PROJECTS</b>	<b>OVERWRAPPING RELATED</b> <b>1 PROJECTS</b>
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## Dilmah Packaging Sustainability Journey



## Paper Canisters in Dilmah Inspirations Range



## Paper Enveloped Tea Bags in Café Range



## PACKAGING TARGETS

On Dilmah's journey of sustainability, through world-class research, innovation, resources and technology, Dilmah remains committed to achieving 100% biodegradability in all the elements of the production line. The Company also continues research on tea bags and packaging material composability in home & industrial composting environments every year. In addition, Dilmah plans to implement ECOVATION (Eco-Innovation) Awards in 2021, welcoming innovative ideas on sustainable packaging and waste management.



## INNOVATION IN TEA GASTRONOMY AND MIXOLOGY

Dilmah has focused on the potential in quality tea, to reverse commoditisation in the industry. Dilmah offers its consumers unblended tea that is 'picked, perfected and packed' at source. This practice is furthered with Dilmah's focus on the experience of fine tea maintained through tea Gastronomy, Mixology, and Tea inspiration for the 21st Century (Ti21).

In September 2020, Pirate Life Brewing partnered with Dilmah Tea launching Tea Beer in Australia, a unique combination of two brews.

In October 2020, Camellia Epicurean celebrated taste, goodness, and purpose in tea. Continuing a tradition of *Camellia sinensis* – tea-inspired gastronomy that began a decade ago, Dilmah strengthened the brand's collaboration with Sri Lankan chefs, gastronomy and tea at a uniquely tea inspired event.

Tea Inspiration for the 21st Century (Ti21) designed by Dilmah, expresses the natural sophistication and taste in fine tea through gastronomy and mixology. The ensuing section illustrates the culinary innovations that were born during the year 2020/21.

### Tea Inspired Culinary Innovations in 2020/21



**"Break Me"** - Flavours of cocoa paired with Dilmah Moroccan Mint Green Tea.

New dimensions of cocoa can be experienced when paired with tea: from myriad flavours and textures of the handmade chocolate, a sip of hot Moroccan Mint Ceylon Green Tea hastens the melting of chocolate, and this experience is completed with a spirited digestif of a tea cocktail, Dilmah Moroccan Mint Green Tea infused with Ceylon Arrack.



**Elixir Apple Pie**



**Tea inspired seafood served with a Rose with French Vanilla Tea Gazpacho** - A culinary innovation with our Rose with French Vanilla Tea, combined with prawns and arugula salad.



**A decadent 21st Century Sachertorte Serving:** A classic Austrian dessert with the delicate aroma of Cinnamon with our Ceylon Cinnamon Spice Tea.



**Dilmah Uda Watte Tea Sangria**



**Vegan Salted Caramel Chai**



**Exceptional Lively Lime and Orange Fusion - Tea Pairing:** A high grown Ceylon Pekoe grade, offering a bright and golden liquor in exotic embrace with Orange, Lemon and Lime paired with different types of cheese such as Brie, semi mature goat gouda or Shropshire blue, English orange coloured blue cheese.



**Teamaker's Gelato:** featuring Dilmah Earl Grey Tea, drizzled with a special Ginger and Orange infused Brown Sugar Caramel. This legendary, tea inspired gelato is made with love in collaboration with Isle of Gelato to commemorate Dilmah Founder, Merrill J. Fernando's 90th Birthday and 70th year in tea.



**Dilmah Lively Lime and Orange Tea paired with a Tea Infused Spiced Chai Crème Brûlée**

## CERTIFICATIONS AND STANDARDS

Our continued commitment towards quality and product responsibility, tied with our strong belief that business is a matter of human service, has enabled us to maintain compliance with a range of international certifications as listed below.

### Quality Management and Food Safety Management Certifications



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



**FSSC 22000 - Food Safety System Certification**



**BRC Global Standard for Food Safety**



## Laboratory Accreditation Certification



**ISO:17025** Chemical and Microbiology Laboratory Certificate of Accreditation

## Environmental Management Certification



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

## Organic Certifications



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



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



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

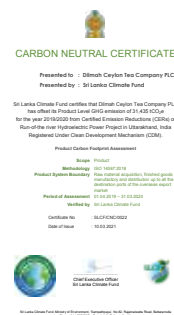
## Ethical Sourcing and Responsible Operations Related Certifications



**SMETA - SEDEX Members Ethical Trade Audit**



**Rainforest Alliance Chain of Custody Certification**

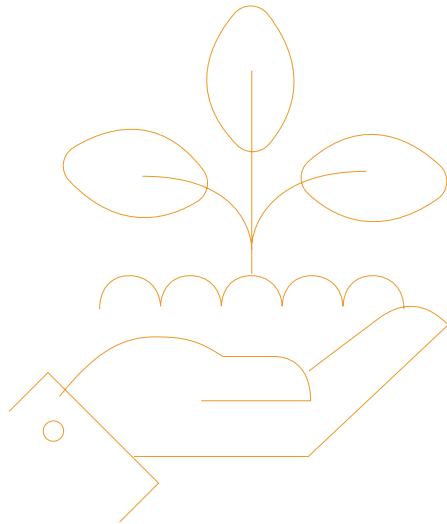


**Carbon Neutral Product Certification**



**Carbon Neutral Facility Certification**

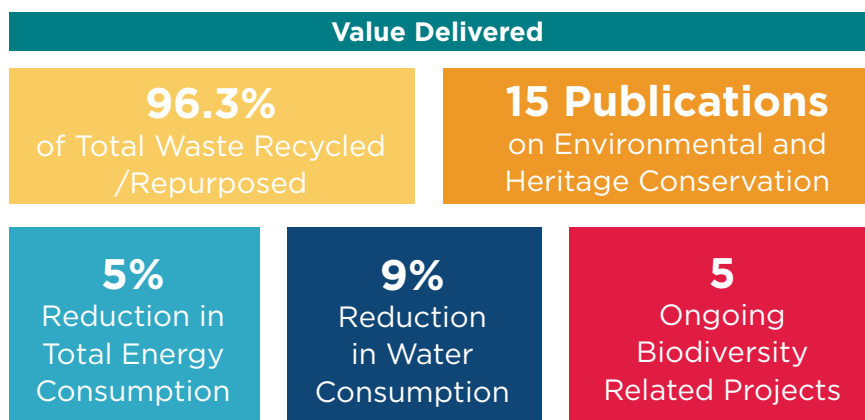
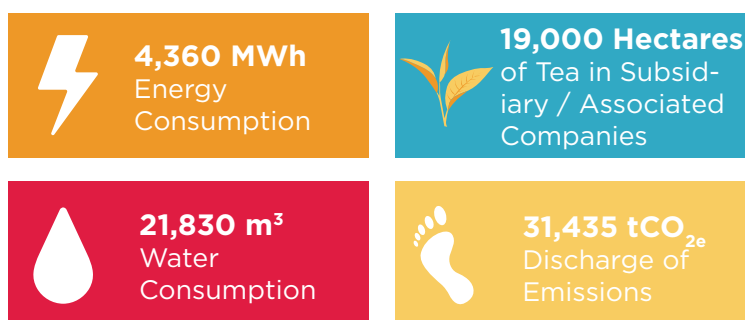
# Natural Capital



## Highlights of 2020/21

- Category Award for Environment Beyond the Business in the Best Corporate Citizen Sustainability Awards 2020
- Marine Environmental Protection Authority (MEPA) of Sri Lanka recognised Dilmah's dedication to Marine Conservation and Coastal Area protection with an award to the Dilmah Founder, Merrill J. Fernando.
- Achieved 100% Carbon Neutral status up to the destination ports of all overseas markets
- Rs. 26 million investments in environmental conservation
- Increased reliance on renewable energy.

Two leaves and a bud mark the beginning of Dilmah Tea and its enduring connection with nature and mutual respect for the environment that guides the everyday business decision making process. Tea is a product of nature and cannot be made by man without the influence of nature; it is the terroir in which each tea bush is grown that determines the strength, texture, fragrance and flavour of the tea.



Since its inception Dilmah has valued each component of nature and treated the environment as an integral part of its business ecosystem. Dilmah has a well-developed environmental management system adopted within the company, aligned with the ISO 14001 certification. Dilmah has taken safeguarding natural capital to the next level by being a corporate leader in environmental conservation and climate change adaptation advocacy.

Dilmah Conservation, the dedicated arm of the company for environmental restoration and protection, addresses all opportunities and issues in the thematic area within the mosaic of Dilmah's value chain, and is further committed to facilitating national and global conservation commitments. Dilmah Conservation is committed to environmental education and propagating best practices in biodiversity conservation, emission management and addressing consequences of climate change.

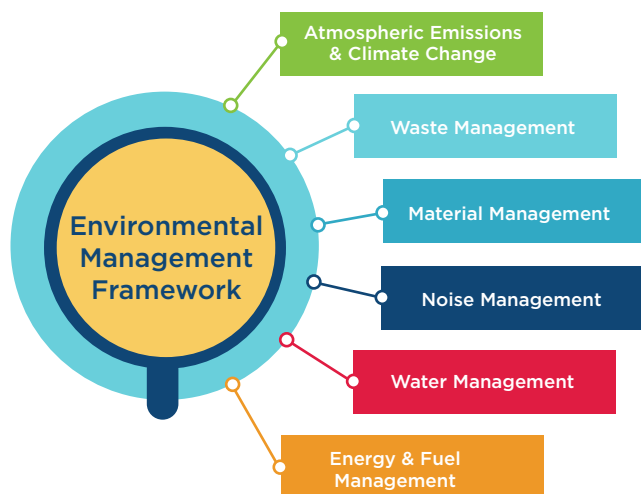
## ENVIRONMENTAL MANAGEMENT APPROACH

From the inception of the Company, people and the planet have been at the heart of Dilmah's operations. Being a mere tool in the entire production process of Ceylon's finest tea, Dilmah takes extra measures to

safeguard and protect the environment that blesses tea drinkers around the world with fresh tea that is rich in flavour, aroma and the subtle characteristics that form the terroir of fine tea.

The Company has understood the importance of integrating sustainability agendas to the business plan, long before the commercialisation of ethical and sustainable practices. Governed by a comprehensive environmental management policy, Dilmah makes every effort to ensure its environmental commitment will continue to be fully compliant with the requirements of ISO 14001:2015 Environmental Management Systems. Below is an illustration addressing different areas of priority of Dilmah's Environmental Management System.

The Company is committed to upholding its environmental management system in a cohesive manner, with every department playing a role towards its environmental agenda. This is done through packaging developments, sustainable energy and waste management through target-setting for waste reduction, monitoring environmental parameters and making improvements where possible.



Ethical behaviour is a key principle upon which the company is built, and creating an impact beyond the realms of profit maximisation is an integral part of that value. Testimonies to the Founder's pledge in making his business a matter of human service can be seen in the work done by the Company, in the name of humanity and conservation. Besides the adopted system, Dilmah's environmental agenda goes far beyond its operations; as realised by Dilmah Conservation through biodiversity conservation, climate research / education and safeguarding the natural capital of the supply chain. It was concluded that there were no instances of non-compliance to any environmental laws / regulations during the year under review.

## EMISSIONS AND CLIMATE CHANGE

The goodness in a cup of fine tea is highly dependent on one plant, *Camellia sinensis*, with its varying characters that changes in aroma, taste and appearance, depending on changes in the environment. Climate change and carbon emissions have direct and lasting impacts on the tea industry and being a Company that aims to do what is best for people and the planet, Dilmah takes measures to safeguard the natural environment in all its endeavours.

The Group marked a significant milestone in 2018, achieving 100% carbon neutrality for its entire product range, being the first Sri Lankan Tea Company to achieve this status. This was achieved following a concentrated organisation-wide effort towards reducing the Group's emissions. The Group engages an independent third-party in measuring the carbon footprint, which is computed based on the GHG Protocol published by the World Resource Institute & World Business Council for Sustainable Development. In addition to reducing

dependence on fossil fuel, the Group purchased carbon credits through UN approved Cleaner Development Mechanisms (CDM), thereby offsetting its carbon footprint.

The environment is central to Dilmah's business, and the Company has pioneered a comprehensive commitment to minimising the impact on the planet. Thus far, Dilmah has actively offset its carbon emission through multiple Dilmah Conservation projects such as; solar energy implementation, hydroelectricity plants, rewilding tea gardens, restoring wetlands and many more. Dilmah's continuous commitment to research and development enabled it to venture beyond the traditional means of offsetting, to more innovative approaches such as the application of Biochar in tea gardens.

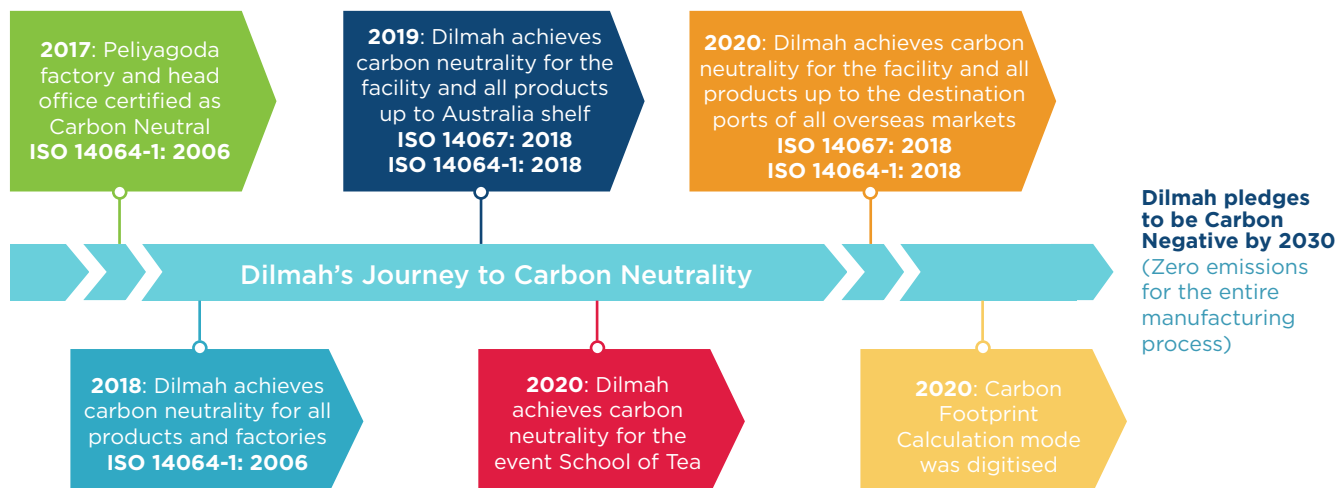
Our pledge of sustainability and fostering the endearing connection with nature, have ensured that Dilmah's production facility and its entire range of products are Carbon Neutral since 2018. During the year under review, the scope of carbon neutrality status for Dilmah products has been extended up to the destination ports of all overseas markets, demonstrating a significant commitment towards the pledge of being Carbon Negative by 2030.

### Our Commitment

Dilmah is an active member of the Climate Emergency Taskforce of the UNGC Sri Lanka. In 2021, Dilmah will commit to UNGC Science Based Targets initiative (SBTi) further committing to align the Company's voluntary greenhouse gas reduction targets with climate science.



## Journey to Carbon Neutrality



### Key Initiatives Adopted

- Energy efficiency in plant operations
- Energy efficiency in transportation
- Substitution of fossil energy with renewable energy
- Recycling of waste

The health of the environment lies at the core of the Brand's business strategy, and the Company works tirelessly on four key areas, energy, transport, water and waste, with comprehensive plans detailing goals, milestones and mitigation strategies in order to reduce emissions.

During the year under review, the Group's total carbon footprint of 31,435 tCO<sub>2</sub>e has shown a 11% increase compared to the previous year which was 28,393 tCO<sub>2</sub>e, due to the expansion of the scope of Carbon Neutral status up to the destination ports of all overseas markets.

The computation at the initial stages of the Carbon Neutral journey had been limited to the institutional carbon footprint. In 2018, the company sought to expand the scope of the computation by including the product carbon footprint on a cradle-to-gate basis. In 2019, the scope of product carbon footprint has been expanded from raw material acquisition to finished good manufacturing and distribution up to the local port, and storage and distribution in Australia up to retail stores. During the year under review, the scope has been expanded to capture emissions related to all countries

that Dilmah exports up to their destination ports. In addition, Dilmah's carbon footprint calculation mode was digitised in 2020.

Product Carbon Footprint	2020/21
Material acquisitions & pre-processing (tCO <sub>2</sub> e)	27,395
Production (tCO <sub>2</sub> e)	3,199
Total GHG Emissions (without final product distribution emissions) (tCO <sub>2</sub> e)	30,594
Distribution & storage link to Australia (tCO <sub>2</sub> e)	841
Total GHG Emissions (with final product distribution emissions) (tCO <sub>2</sub> e)	31,435

Organisational Carbon Footprint	2020/21	2019/20	Y-O-Y %
Direct Emissions (tCO <sub>2</sub> e)	807	705	14%
Indirect Emissions (tCO <sub>2</sub> e)	2,392	2,183	10%
Total Institutional GHG Emissions (tCO <sub>2</sub> e)	3,199	2,888	11%

## Carbon Negative Dilmah 2030

Being a completely Carbon Neutral product, Dilmah is committed to further reducing carbon emissions, and has pledged to become Carbon Negative in all main operations of Dilmah by 2030 (Zero emissions for the entire manufacturing process). During the year under



review, Dilmah has developed its Carbon Negative Action Plan 2030 covering the main operations and identified opportunities to develop GHG emission mitigation strategies in key focus areas such as renewable energy, water, transport and infrastructure.

## ENERGY AND FUEL MANAGEMENT

The renewable energy practices in-place at the Dilmah Premises in Peliyagoda were successfully expanded across the Group. The entire renewable energy initiative, tailored and led by Dilmah, is followed by the group of companies.

The Group will continue to drive its efforts on increasing the reliance on renewable energy while reducing the dependence on fossil fuel. The Group operates 4 hydropower plants with a combined capacity of 260 KW. The Group also functions as a solar plant with a combined capacity of 826KW. During the year under review, total renewable energy has shown a share of 17% in the total energy consumption. The 52% increase in total renewable energy consumption along with a 3% reduction in grid electricity and a 58% reduction in diesel consumption has led to a 5% reduction in the total energy consumption in 2020/21 compared to the previous year (2019/20)

### Energy Consumption by Source

	2020/ 21	2019/ 20	Y-O-Y Change (%)
<b>Non-renewable Energy</b>			
Grid Electricity GJ	12,138	12,475	-3%
Diesel GJ	948	2,284	-58%
<b>Renewable Energy</b>			
Solar GJ	1,610	1,431	12%
Hydro GJ	1,001	283	253%
<b>Total Energy GJ</b>	<b>15,697</b>	<b>16,473</b>	<b>-5%</b>
Total Renewable Energy GJ	2,611	1,715	52%
% Reliance on Renewable Energy	17%	10%	60%

During the year under review, Dilmah has developed the Solar Power model with a detailed solar expansion plan. As a step of the solar expansion plan, Renewable Energy Targets have been developed that are expected to meet 49% reliance on renewable energy by 2022, 78% by 2025 and 134% by 2030. This project is affiliated with the Carbon Negative Action Plan 2030 to negate the GreenHouse Gas emissions of the production facility.

### Renewable Energy Targets

	By 2022	By 2025	By 2030
Capacity of Solar panels to be installed (KW)	1022	1102	2092
Cumulative Capacity (KW)	1848	2950	5042
Reliance on Renewable Energy	49%	78%	134%

## SAFEGUARDING THE NATURAL CAPITAL OF THE SUPPLY CHAIN

The Company is truly committed to the values of Taste, Goodness and Purpose, with no compromise. Through Dilmah Conservation's initiatives, the Company has been keenly engaged in safeguarding 19,000 hectares of tea in subsidiary/associated companies.

By adhering to the Chain of Custody standard of the Rainforest Alliance, Dilmah maintains traceability of its products throughout the supply chain, to support the mission of improving natural ecosystems of the tea estates. (Please refer pages 79 and 80, for International Standards & Certifications)

### Hydropower

Dilmah began its hydropower journey by setting up of two hydroelectricity plants at the Dilmah Queensberry and Craighead estates in 2016, and hydroelectric power generation at the two plants commenced in 2018.

Furthermore, steps have been taken to establish more hydropower stations within our estates with a combined capacity of 260 KW. So far, total generation of 814.8 MWh of Hydropower was generated collectively from four power stations given in the table below:

Power House	Capacity (KW)	Generation (MWh)
Craighead	70	137.7
Queensberry	50	59.9
Kataboola	70	444.4
Wellandura	70	172.8

### Biochar Application

Dilmah Tea started applying biochar - a nutrient rich soil enhancer which can also offset greenhouse emissions - to its plantations in 2010.

Dilmah has also started making its own biochar from waste tea generated during production processes.

Large scale applications were completed in several Dilmah Plantations, i.e. Rilhena Estate and Kahawatte Plantations, which have yielded extremely positive results for productivity.

At present, research is being conducted by Dilmah Conservation at the Endana Estate on the potential usage of biochar as a multi-beneficial soil amendment in tea fields to increase yield and quality of tea.

Biochar has a technical potential to reduce the average greenhouse gas emission by 1.0 - 1.8 pg CO<sub>2</sub> (eq) per year, per hectare (picograms of carbon dioxide equivalent per year, per hectare).



### Green Recovery Project at Hunuwela Estate

Understanding that the restoration of healthy ecosystems is vital, this project is focused on the concepts of afforestation and facilitative reforestation. The project is aimed at making use of underutilised tea lands and other abandoned lands for active agro-forestation and other afforestation activities leading to large carbon sinks in the long run.

The project was initiated in January 2021 with the completion of a Biodiversity survey.

### Rainwater Harvesting at Kahawatta Plantations

Kahawatta Plantations - a subsidiary of the MJF Group, fulfilled part of its water requirement through rainwater harvesting with a collective capacity of 129,799 m<sup>3</sup>. Gravitational dam, earthen dam and rooftop collection methods were used in different estates according to the geographical feasibility of the area.

Estate	Capacity (m <sup>3</sup> )
Barcaple	15,038
Craighead	12,613
Imboolpitiya	14,331
Kataboola	2,325
Westhall	85,330
Queensberry	161
Galamuduna	1,222
<b>Total</b>	<b>129,799</b>



### Endana Nature Corridor

Dilmah has pioneered ecosystem restoration through the biological corridor that was established to preserve natural habitats and enhance the biodiversity of tea estates.

Acknowledging that the success of the nature corridor is dependent on the engagement of local communities, tea planting programmes were conducted in parallel to a socio-economic survey on community involvement. During the year under review, the project has shown progress by spanning to conduct a community Beekeeping project, establish a model organic garden, conduct 4 research studies and establish a plant nursery with over 1500 plants.

### Climate Smart Agricultural Techniques

#### *Remote sensing for precision agriculture*

Dilmah has taken steps to introduce advanced remote sensing technologies for sustainable and efficient crop management in the plantations by creating a farm / estate management system (FMS).

This includes integration of data received from satellite, drone and GPS technologies and incorporating them into a single platform through which the farmers / estate owners can have a field-by-field database containing various information, including aerial image orthomosaics, satellite imagery, field health statistics, soil nutrient statistics, prescription maps, real time weather data etc. under a single application.

## CLIMATE RESEARCH AND ADAPTATION

### Dilmah Conservation Centre for Climate Change Research and Adaptation (CCCRA)

Research is a vital part of any conservation initiative. Hence, in October 2017 as a part of its commitment to contribute to global and national climate change adaptation strategies, Dilmah Conservation inaugurated this research and adaptation centre. As the first private sector initiative of its kind, this centre will be used to better grasp the depth of the problems in climate change, and provide feasible and effective solutions. The centre is proactively working towards increasing climate awareness and resilience in communities through education and capacity building, driving novel research and facilitating timely climate interventions.

### 13 Research Projects conducted on Climate Change

### Partnered in 2 Global Studies

### A Self-Sustained Centre Fuelled by Green Energy

### Research Hub for the Apiculture project

'Bee a Keeper' is a cross-cutting initiative to promote the sustainable use of bees in agriculture and related ecosystems. Its main goals are monitoring the decline of bees, addressing the lack of taxonomic information on bees, assessing the economic value and the economic impact of apiculture and conserving bees in Sri Lanka.

To encourage beekeeping in different communities and to spread awareness on the importance of these pollinators, during the year under review, the project marked its next milestone of extending to the community by conducting community beekeeping training to provide them with a livelihood opportunity.

## WATER MANAGEMENT

The Group's water consumption is limited to cleaning of manufacturing and operational units, drinking and sanitation requirements of employees - as the Group's core operations of blending and packing is not largely water-intensive. Thus, water is sourced primarily through the National Water Supply and Drainage Board and ground water to a lesser degree. Further details of this distribution are given in the following table. SDG 6, 'Clean Water and Sanitation' calls for improving water quality by reducing pollution, and substantially increasing water use efficiency. During the year under review, the water consumption has shown a 9% reduction compared to the last financial year 2019/20.

### Water Withdrawal by Source

Source	2020/21	2019/20	Y-O-Y Change (%)
Municipal Water (m <sup>3</sup> )	16,647	18,453	-10%
Ground Water (Well) (m <sup>3</sup> )	5,183	5,475	-5%
Total Water Withdrawal (m <sup>3</sup> )	21,830	23,928	-9%

## Water Discharge by Quality

The Dilmah facility includes a wastewater treatment plant ensuring that discharged effluents meet the required standards as recommended by the Environmental Protection License (EPL). Quarterly external testing is also carried out to assure safe discharge of effluents.

## WASTE MANAGEMENT

The Group's waste is mainly generated in production and packaging operations other than the general activities. The Company is committed to growing as a business, but not at the cost of the people and the planet; over the past two decades the Company was involved in intrinsic R&D measures to minimise the use of plastic in production and packaging, that has resulted in a product that is more than 98% compostable. To ensure a responsible disposal of waste, Dilmah has adopted the 3R approach of Reduce, Reuse & Recycle along with other methods such as energy recovery, treatment & disposal.

## Waste by Method of Disposal

Waste Material	Method of Disposal	Volume (MT)	%
Cardboard and Paper	Recycle	99.24	36.80%
Packaging Waste	Upcycled / reprocessed	46.14	17.10%
Wood Waste / Pallets	Reuse	9.69	3.60%
Plastic / Polythene	Recycle	45.43	16.90%
Composite Material	Energy recovery	4.08	1.50%
E-waste	Recycle	0.56	0.20%
Tea waste	Reprocessed / Refused	61.6	22.90%
Food Waste	Animal feed	2.5	0.90%
Sanitary Waste	Incineration	0.32	0.10%
<b>Total Waste</b>		<b>269.56</b>	
<b>Total Re-used</b>		<b>9.69</b>	3.60%
<b>Total Recycled/ Reprocessed</b>		<b>259.55</b>	96.30%

## Coffee Ground Mushroom Experiments

Dilmah Conservation conducted a laboratory investigation from IDB to identify whether the coffee grounds from Brew 1867 were suitable to be used as a substrate for growing mushrooms. In order to conduct the feasibility study, 50kg of coffee ground was transported to Badulla. A pilot test was conducted which was successful, and the pink oyster mushroom species was cultivated in the coffee grounds.



## Pallet Wood Structures in One Earth Centre - Moratuwa

The waste wood pallets are sent to One Earth Centre Moratuwa to build gardening structures that serve as educational materials for the workshops conducted at organic farm and the Sustainable Agricultural Research Centre at One Earth Centre Moratuwa.





### Dilmah Waste to Craft

'Waste to Craft' is the company's creative implementation under the circular economy concept taking place right at the centre of Dilmah's operations at the head office in Peliyagoda. A dedicated focus has been given to the Dilmah factory where the factory generated waste is converted into craft objects such as pencil holders and bags.

As part of the initial phase of the Waste to Craft project, Dilmah Conservation held a 'Waste to Craft' Exhibition in September 2020 to showcase the craft items Dilmah's production, engineering and housekeeping departments worked hard to create.



Material	Quantity (MT)
Cardboard	1,668.63
Paper	573.06
Composites	211.85
Herbs	65.36
Polythene	57.88
Wood	18.84
Tin Caddy	44.56
Porcelain	14.93
Thread	10.93
Flavours	31.08
Plastic	4.55
Glue	9.26
Glass	2.93
Metal	3.33
Aluminium Wire	2.41
Cloth	0.59
Ink	0.41
Rubber	0.03

## MATERIAL MANAGEMENT

The primary raw material is tea, a product of Nature and a gift to mankind. Dilmah is committed to producing fresh, authentic and ethical tea. The raw material, tea, is procured via tea auctions and sourced directly from the tea estates affiliated to the Group. Packaging material that consists of a range of constituents which include filter paper, inner cartons, envelopes, tags and corrugated outer cartons are procured through different large and SME suppliers. Dilmah strives in all its processes to drive towards a circular economy. Safety and sustainability of our products are maintained through sourcing the best available packaging materials for our teas while pursuing methods to use recyclable and biodegradable packaging materials. Dilmah's Luxury Leaf Tea bags are made from corn starch based Polylactic Acid (PLA) material, which is independently tested for safety to meet European Commission regulation EU 10 / 2011.

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

## BIODIVERSITY

The Taste, Goodness and Purpose, of a cup of Dilmah tea is derived from the healthy ecosystems from which the two leaves and a bud are picked, and these ecosystems thrive because of the presence of rich biodiversity. Hence, safeguarding Sri Lanka's biodiversity and natural habitats is integral and therefore a key focus area of Dilmah Conservation.

Just as an ecosystem is interdependent on all its components, the health of our planet is dependent on partnerships and collaborations that enable knowledge sharing and support for conservation. The Group has played an essential role in creating a national-level dialogue on biodiversity by being the corporate leader in environmental conservation advocacy, through the initiation of Biodiversity Sri Lanka, a platform which encourages information and knowledge sharing on environmental conservation among the corporate sector. The platform currently has a membership of 40 patron members, 37 general members, 7 SMEs and 3 associate members.





## Joint Activities with Biodiversity Sri Lanka 2020/21

- Celebration of International Day of Biodiversity 2020
- Kanneliya Restoration Life Project - Partnership in the restoration of the degraded fern land in Halgahawala, Opatha and the associated development of a biodiversity credit accrual system for Sri Lanka: Third year's scope of work for 1 Ha
- Celebration of World Environment Day 2020
- Biodiversity Sri Lanka AGM Technical session - BSL's 5th Annual CEO Forum on "A call to Action to Reverse Nature Loss" held in September 2020
- "Life: A compendium of Biodiversity Stories in Hospitality"



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

## Dilmah Conservation Projects and Key Events in 2020/21



### Endana Nature Corridor

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

- Community Beekeeping project initiated to provide them with a livelihood opportunity
- Model organic garden established and shared knowledge to influence communities to grow sustainable vegetable plots during pandemic
- Four research studies conducted focusing on land use patterns, ecosystem services, and beekeeping
- A plant nursery established with over 1500 plant representing 30 regional plant species



### Elephant Conservation

Elephant Conservation Encouraging conservation of elephants through education and awareness programmes conducted through Dilmah Conservation's Elephant Information Centre

Sponsoring two baby elephants and the Elephant Transit Home at the Udawalwe National Park

- In May 2020, Ted, at the age of eight, was released back into the wild from the Elephant Transit Home
- Baby Dilmah Art competition conducted for kids to create awareness towards elephant conservation



### Bee a Keeper Project

Establishing projects and research for bee conservation and education

- Launched Bee a Keeper project on World Bee Day
- Established 10 bee colonies at One Earth Climate Change Centre
- Conducted two research focusing on beekeeping
- Conducted training programmes for corporate and students
- Collaborated with Greenrange Young Environmental Group to conduct a national-level solitary bee conservation competition
- Conducted community beekeeping training at Endana



### Mangrove Restoration

To support blue economy and marine conservation related projects and research

Mangrove project – “Defending Mangroves” launched on International Mangrove Day



### Dilmah Waste to Craft

Create internal awareness related to resource recovery and circular economy concepts

- Staff produced over 100 products using existing factory waste within the premises
- 1 craft item was produced in large scale to be used in the staff Christmas gift



### Marine Conservation

Marine conservation through coastal cleaning by establishing a Beach Caretaker Programme

- Launched Beach Caretaker Programme by expanding it to 50km and 50 beach caretakers
- Removed 2743kg waste since January 2021



### Publications Distribution

Supporting school library programmes in Sri Lanka

- Sharing 3 different publications with National Library Board Sri Lanka to be donated to their school library programmes



### Home Gardening Webinar Series

Creating online platforms to disseminate knowledge related to home gardening

- 10 sessions conducted focusing on different home gardening concepts and issues face by gardeners



### Climate Smart Agriculture

A pilot model to educate and create sector and community awareness on hydroponics and vertical farming models

- Established Hydroponic Greenhouse unit at One Earth Centre in Moratuwa
- Over 46kg of lettuce, tomatoes, and salad cucumber was harvested from the hydroponic system
- Two research studies were carried out at Dilmah Conservation's Eastern Centre focusing on hydroponics and the use of treated domestic wastewater for Okra cultivation



### Green Recovery Project - Hunuwela

Objective: To regenerate soil quality and fertility in degraded tea lands using traditional gardening and agroforestry concepts

- Initiated in January 2021 with the planting of a sapling by Dilmah's Founder, Merrill J. Fernando.



### Seaweed Cultivation Project - “Afforest Underwater”

Objective: Creating Blue Carbon Sinks for Community Upliftment

- Identified suitable locations and species to establish seaweed farms in northern part of Sri Lanka



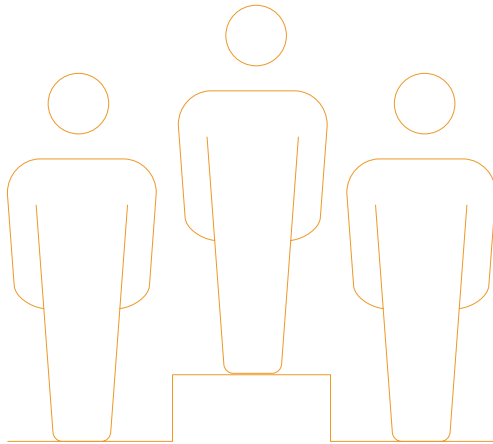






# **CORPORATE GOVERNANCE**

# Corporate Governance



## OUR APPROACH TO CORPORATE GOVERNANCE

Dilmah Ceylon Tea Company PLC (DCTC) is listed on the Dirige Savi Board of the Colombo Stock Exchange (CSE) with a public holding of 12.32% as the Company remains largely a family owned business, with highly specialised inputs from the family who are passionate about the art of tea making. In the belief that high standards of corporate governance are fundamental to the sustainability

of the business, the Board has set in place a governance framework and structure that balances the interests of the Company and its stakeholders and ensures effective and ethical decision-making within a culture of professionalism, integrity and fair play. This approach to corporate governance has underpinned the Company's success and recognition both locally and internationally.





## FRAMEWORK AND STRUCTURE

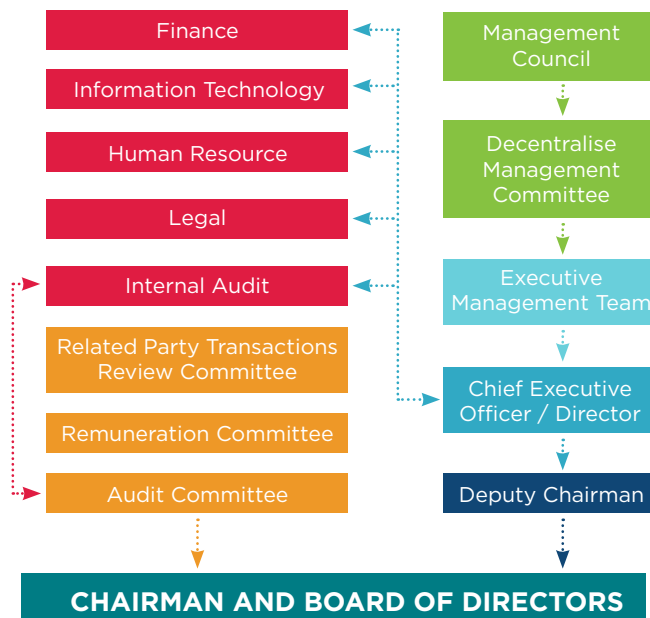
Our Governance framework is bound by external regulations and internally formulated policies that define how we do business.

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

DCTC's compliance with provisions of the Listing Rules of the Colombo Stock Exchange (CSE) is disclosed on pages 101 to 103.

The Board led by the Chairman, bears ultimate responsibility for the performance of the Company and is accountable to the shareholders who appoint the Directors. As the highest decision-making authority, the Board determines the strategic direction of the Group integrating financial, economic, social and environmental sustainability. It provides leadership, manages risk without stifling innovation and entrepreneurship, and sets in place a sound governance framework that defines the scope.

To assist in the discharge of responsibilities, the Board has established three (3) Board Sub-Committees and two (2) Executive Committees, delegating certain matters with oversight responsibility, driving accountability through reporting obligations. Terms of Reference for each of the Committees outlines their respective roles and responsibilities.



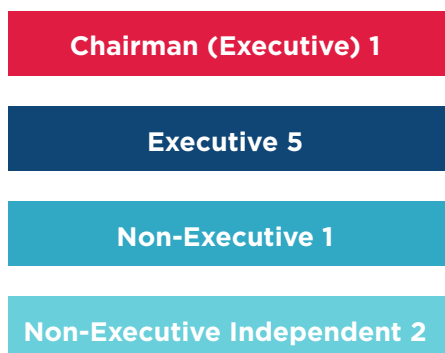
The Executive Management Team led by the Chairman and comprising of the Deputy Chairman, CEO and all other Executive Directors formulates and oversees the execution of strategies within the policy framework set out by the Board. The Executive Management Team is supported by the Executive Committees and Sub-Committees responsible for the operational management of the Group. The Finance Director and Company Secretary attend team meetings by invitation.

The Management Council, chaired by the General Manager / Chief Operations Officer gathers the senior management staff to discuss common Group matters; including policy direction, areas of concern in business line performance, strategic planning and pursuit of Group objectives and standards. Concerns raised are escalated to the Decentralised Management Committee for deliberation and resolution. This Council meets monthly.

The Board delegates functions warranting greater attention to the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee with oversight responsibility for the same, enabling the Board to allocate sufficient time to matters within its scope.

## THE BOARD

### Board Composition



## COMPOSITION

The Board comprises of nine (9) members as at 31st March 2020 with the appointment of Mr. Darshana N. Gunasekera as the Group Finance Director on 1st October 2020. A brief profile of each of the Directors are given on pages 12 to 15.

The Board comprises of eminent professionals in their respective fields. Three of the Directors are Non-Executive, of whom two are deemed Independent. Sufficient balance of power minimises the tendency for one or few members of the Board to dominate the Board processes or decision-making. Although three of the Executive Directors namely Mr. Merrill J. Fernando (Chairman) Mr. Dilhan C. Fernando and Mr. Malik J. Fernando are related to each other, they act in the best interest of the Group in intention, purpose and attitude.

The Board is diverse in its experience, age and expertise - contributing varied perspectives to boardroom deliberations and exercising independent judgment to bear on matters set before them.

All Directors possess financial acumen and business knowledge gained through experience from leading large enterprises.

Three of the Directors including the Chairman of the Audit Committee, are finance professionals.

### Directors Independence

Directors exercise their independent judgement, promoting constructive Board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board, based on annual declarations submitted by Directors

and having considered the possibility of any impairment in independence due to extended Board tenures, where applicable.

Directors' independence is discussed and evaluated by the Board prior to nomination of Board members for re-election.

**Mr. Rajan Asirwatham** - The Board is of the view that the period of service of Mr. Asirwatham as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Asirwatham is 'Independent' as per the Listing Rules.

**Mr. Gritakumar E. Chitty** - The Board is of the view that the period of service of Mr. Chitty as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Chitty is 'Independent' as per the Listing Rules.

## Appointment, Re-Election and Resignation

Directors are re-appointed by the shareholders at the Annual General Meeting (AGM), following a formal process and based on recommendations made by the Board.

Recommendations are made on consideration of the combined skills, knowledge, experience and diversity of the Board and any gaps thereof.

In compliance with Article 24 of the Articles of Association, a single Director will retire from office at each Annual General Meeting and on recommendation by the Board, be eligible to stand for re-election by the shareholders at the AGM. Accordingly, Mr. Malik J. Fernando will retire by rotation in terms of the Articles of Association of the Group and being eligible, offers himself for re-election at the AGM.

A Director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for election at the next AGM in terms of Article 23 (2) of the Articles of Association. There were no new appointments to the Board during the year under review.

Appointments are communicated to the shareholders through due notice to Colombo Stock Exchange. These communications include a brief résumé of the Director

disclosing relevant expertise, key appointments, shareholding and whether he is Executive, Independent or Non-Independent.

Resignations or removal, if any, of Directors and the reasons thereof are informed promptly to the Colombo Stock Exchange together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.

## Board Responsibilities

The Board determines the overall strategy to enhance long term value of the Group and oversees implementation.

Providing independent, informed and effective judgment and leadership to decision-making, they ensure strategy, risk, internal controls, performance and sustainable development considerations are effectively integrated and appropriately balanced. The Board also ensures all stakeholder rights and obligations are safeguarded whilst complying with laws, regulations and ethical standards.

All Directors contribute meaningfully to leading the Group and commit sufficient time to fulfil their duties. Regular presentations by the Executive Management on matters including; progress in implementation of the strategic goals, financial, social and environmental performance, changes and challenges presented by the operating environment - ensure that the Board is apprised of developments impacting the Group. The Board seeks independent professional advice from external parties when necessary, in the discharge of their duties.

## Board Committees

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

Board Committee	Areas of Oversight	Composition	Report Reference
Audit Committee (AC)	<ul style="list-style-type: none"> <li>Financial Reporting</li> <li>Internal Controls</li> <li>Internal Audit</li> <li>External Audit</li> </ul>	<ul style="list-style-type: none"> <li>2 Non-Executive Independent Directors</li> <li>1 Non-Executive Director</li> </ul>	Page 111
Remuneration Committee (RC)	<ul style="list-style-type: none"> <li>Formulating Remuneration policy for Directors and Key Management Personnel (KMP)</li> <li>Formulating HR Policy</li> </ul>	<ul style="list-style-type: none"> <li>2 Non-Executive Independent Directors</li> </ul>	Page 112
Related Party Transactions Review Committee (RPTRC)	<ul style="list-style-type: none"> <li>Review of Related Party Transactions</li> </ul>	<ul style="list-style-type: none"> <li>2 Non-Executive Independent Directors</li> <li>1 Non-Executive Director</li> </ul>	Page 113

## Meetings & Minutes

ATTENDANCE AT MEETINGS					
Directors	Status	Board	AC	RPTRC	RC
Mr. Merrill J. Fernando - <i>Chairman</i>	E	03	-	-	-
Mr. Himendra S. Ranaweera - <i>Deputy Chairman</i>	E	03	-	-	-
Mr. Dilhan C. Fernando	E	04	-	-	-
Mr. Malik J. Fernando	E	04	-	-	-
Mr. Roshan C. Tissaaratchy	E	03	-	-	-
Mr. Darshana N. Gunasekera	E	04	04	04	01
Ms. Minette D. A. Perera	N	04	04	04	02
Mr. Rajanayagam Asirwatham	I	04	04	04	02
Mr. Gritakumar E. Chitty	I	03	03	03	02
<b>Total number of meetings</b>		<b>04</b>	<b>04</b>	<b>04</b>	<b>02</b>

### I- Independent Director / N - Non-Executive Director / E - Executive Director

The Agenda and Board papers are sent seven days before the meeting, allowing members sufficient time to review the same. The CEO / Director sets the Board Agenda, assisted by the Director of Finance and the Company Secretary. Board meetings are held on a quarterly basis with the flexibility to arrange additional meetings when required.

All Board minutes are circulated to members within two weeks of the meeting being held, and formally approved at the subsequent Board meeting. Resolutions concerning business matters are passed by circulation, within regulations. However, if a Director deems it necessary that such resolution must be decided at a Board meeting and not by circulation, the Director shall put the resolution to be decided at a meeting.

### Other Business Commitments / Directors Interests

All Directors allocate sufficient time to enable them to discharge their duties and responsibilities. Directors declare their outside business interests at appointment and annually thereafter. The Company Secretary maintains a Register of Directors' Interests, which is tabled to the Board annually. The Register is available for inspection in terms of the Companies Act. Related Party Transactions are given in Note 30 to the Financial Statements on pages 166. The Related Party Transactions Review Committee considers all transactions that

require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations and keep the Board apprised of their observations.

### COMPANY SECRETARY

The Company Secretary is Ms. Jayanga Wegodapola, Attorney-at-law. She guides the Board on discharging its duties and responsibilities and keeps members abreast of relevant changes in legislative enactments that affect business operation. All Directors have access to the services of the Company Secretary.

The Company Secretary maintains the minutes of Board meetings, which are open for inspection by any Director at any time.

Appointment and removal of the Company Secretary is a matter for the Board as a whole.

### ROLES OF CHAIRMAN AND CEO / DIRECTOR

The role of Chairman is separate from that of the CEO / Director ensuring no one Director has unfettered power and authority. The Chairman leads the Board, preserving good corporate governance and setting the ethical tone for the Board and Group. The CEO / Director leads the executive management and is accountable to the Board for the performance of the Group.



## BOARD ACCESS TO INFORMATION AND RESOURCES

Directors have unrestricted access to management and organisation information, as well as to resources required to carry out their duties and responsibilities, independently and effectively. The Executive Management makes regular presentations with regards to the business environment and in relation to Group operations. Access to independent professional advice, coordinated through the Company Secretary, is available to Directors at the Group's expense.

## INDUCTION AND ON-GOING TRAINING FOR DIRECTORS

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the factory.

The Directors are kept abreast of local and global developments affecting business, including regulatory changes, economic movements and industry trends.

They undertake training and professional development by attending seminars / workshops / conferences, participating as speakers at events, using web based learning resources and reading business updates etc.

## CODE OF CONDUCT

DCTC's culture is shaped by the Group's Code of Ethics / Business Ethics Policy which articulates the standards of conduct expected of all Directors and employees. It enshrines principles of honesty, integrity, equality and humanity by creating a responsible workplace founded on ethical, professional and legal standards of conduct.

A whistle blowing policy provides a direct communication line to the Chairman, where employees have the opportunity to report in good faith any genuine suspicions of fraud, bribery or malpractice. The policy provides for anonymity and protection of the reporting employee.

### Group's Code of Ethics

- Commitment
- Regulatory Compliance
- Impartiality and Fairness
- Accuracy and Confidentiality
- Company Resources
- Professional Standard and Etiquette

- Non-Discrimination
- Anti-Bribery and Corruption
- Fair Competition
- Good Governance and Financial Reporting
- Intellectual Property
- Corporate Responsibility and Sustainability
- Whistle Blowing
- Corrective Action
- Personal Responsibility

The Group has implemented a comprehensive Anti-Bribery and Corruption (ABC) Policy to uphold its approach of "zero tolerance" of bribery and corruption and commitment to integrity in all its business dealings. The ABC policy scope applies to employees and third parties dealing with the Company and is accessible to employees via the intranet and to all third parties dealing with the Company <https://www.dilmahtea.com/dilmah-anti-bribery-and-corruption.html>

The Groups Human Rights Policy promote mutual respect, upholding rights and dignity of all employees and stakeholders. (<https://www.dilmahtea.com/dilmah-human-rights-policy.html>)

Code of Conduct and Policy Framework implemented by the Group ensure ethical and responsible decision making and endeavour to guide the directors, employees and other stakeholders to maintain high standards of values and ethical business culture practices by Dilmah Tea from its inception.

## REMUNERATION

The Group Remuneration Policy seeks to motivate and reward performance while meeting regulatory requirements, market expectations and corporate values. No Director is involved in determining his / her own remuneration. The Remuneration Committee in consultation with the CEO / Director makes recommendations to the Board regarding the remuneration of the Key Management Personnel.

The Board as a whole, agrees on the fees of Non-Executive Directors. Executive Directors Remuneration comprises of two components; fixed remuneration and variable remuneration, encompassing an annual performance bonus aligned to corporate and individual performance.

Directors' remuneration in respect of the Group for the Financial Year ended 31st March 2021 are disclosed on page 168 of the Financial Statements.

## RISK MANAGEMENT & INTERNAL CONTROL

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Group. These systems cover all controls, including financial, operational and compliance. They are monitored and regularly reviewed for effectiveness by the Board.

Group Internal Audit supports the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Audit Committee on a regular basis. Further, as required by the certification/ accreditation process of the Group, trained internal auditors conduct regular system audits and verifications based on the requirements of certification standards and audit criteria including ISO 9001:2015, ISO 14001:2015, FSSC 22000, BRC Global Standard for Food Safety and SEDEX Members Ethical Trade Audit (SMETA). The findings are reported to the management and any noncompliance is attended to immediately.

## ACCOUNTABILITY

The Board strives to provide stakeholders with a balanced and comprehensive account of the financial position, performance and prospects of the Group. This is the Group's third Integrated Annual Report, and it complies with the requirements of widely accepted standards, codes and frameworks which have been voluntarily adopted to ensure corporate reporting is in-line with international best practice.

## MAJOR OR MATERIAL TRANSACTIONS

During the year, there were no major or material transactions as defined by Section 185 of the Companies Act No. 07 of 2007, which materially affected the net asset base of the Group.

## COMPLIANCE

Directors are conscious of their duty to comply with the laws, regulations, codes, internal controls and approved policies. DCTC is compliant with all relevant legal and statutory requirements.

## SHAREHOLDER RELATIONS

At the close of the financial year 2020/21, DCTC had 1,082 shareholders. The Directors directly and indirectly held 88% of shares whilst the Employees Provident Fund, the next largest shareholder held 8%. The Group encourages effective communication with shareholders who are engaged through multiple channels of communication, including the Annual General Meeting (AGM), Annual Report, Interim Financial Statements and announcements to the Colombo Stock Exchange. These are provided to the Colombo Stock Exchange for publication on their site. The Board recognises its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the Company has complied with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

The AGM is the main mechanism for the Board to interact with, and account to shareholders. It also affords an opportunity for shareholders' views to be heard. It is the key forum for shareholders to engage in decision-making matters reserved for the shareholders which include approval of the Annual Report and Financial Statements and appointment of Directors and External Auditors. Board members, Sub-Committee Chairpersons, Key Management Personnel and External Auditors on the request of the Board Chairman, are present and available to answer questions.

All Shareholders are encouraged to participate at the AGM and exercise their voting rights. Notice of the AGM, the Annual Report and Financial Statements and any other resolution together with the corresponding information, are circulated to shareholders not less than 15 working days prior to the Annual General Meeting. A separate resolution for each item of business is proposed, giving shareholders the opportunity to vote on each of such issues, separately.

## EXTERNAL AUDITOR

The External Auditor is appointed subject to the provision of the Companies Act. The Audit Committee makes recommendations to the Board for the appointment,



re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements.

On the recommendation of the Board, the shareholders approved the re-appointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2020/21 at the last AGM. In compliance with the Companies Act, the External Auditors submitted an

annual statement confirming their independence in relation to the external audit.

Appendix - Compliance with the Listing Requirements Sections 7.6 and 7.10 on Corporate Governance Rules for Listed Companies issued by the Colombo Stock Exchange.

Rule No.	Requirement	Disclosure	Compliant
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Annual Report of the Board of Directors	✓
7.10.1 (a)	<b>Non-Executive Directors (NED) Composition</b> • At least two or one third of total Directors, whichever is higher	Composition	✓
7.10.2 (a)	<b>Independent Directors Composition</b> • Two or one-third of Non-Executive Directors, whichever is higher	Composition	✓
7.10.2 (b)	<b>Independence of Directors</b> • Each Non-Executive Director should submit a declaration of Independence / Non-Independence	Directors' Independence	✓
7.10.3 (a)	<b>Disclosure Relating to Directors</b> • The names of Independent Directors should be disclosed in the Annual Report	Directorate	✓
7.10.3 (a) / (b)	<b>Independence of Directors</b> • The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Directors' Independence	✓
7.10.3 (c)	<b>Disclosure Relating to Directors</b> • A brief résumé of each Director including the Director's areas of expertise.	Board Profiles	✓
7.10.3 (d)	<b>Appointment of New Directors</b> • Provide a brief résumé of any new Director appointed to the Board	Appointment, Re-Election and Resignation	✓
7.10.5	<b>Remuneration Committee</b> • A listed company shall have a Remuneration Committee	Remuneration Committee Report	✓
7.10.5 (a)	<b>Composition of Remuneration Committee</b> • Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	✓
7.10.5 (b)	<b>Functions of Remuneration Committee</b> • The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors of the Board, for approval	Remuneration Committee Report	✓

Rule No.	Requirement	Disclosure	Compliant
7.10.5 (c)	<b>Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out;</b> <ul style="list-style-type: none"> <li>Names of the Directors comprising the Remuneration Committee</li> <li>Statement of Remuneration policy</li> <li>Aggregate remuneration paid to Executive and Non-Executive Directors</li> </ul>	Remuneration Committee Report	✓
7.10.6	<b>Audit Committee</b> <ul style="list-style-type: none"> <li>A listed company shall have an Audit Committee</li> </ul>	Audit Committee Report	✓
7.10.6 (a)	<b>Composition of Audit Committee</b> <ul style="list-style-type: none"> <li>Shall comprise of Non-Executive Directors, a majority of whom are Independent</li> <li>Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings</li> <li>The Chairman of the Audit Committee or one member should be a member of a professional accounting body</li> </ul>	Audit Committee Report	✓
7.10.6 (b)	Audit Committee Functions Should be as outlined in the Section 7.10.6 (b)	Audit Committee Report	✓
7.10.6 (c)	<b>Disclosure in the Annual Report relating to Audit Committee</b> <ul style="list-style-type: none"> <li>Names of the Directors comprising the Audit Committee</li> <li>Basis for determining the independence of the Auditors</li> <li>Report of the Audit Committee in the prescribed manner</li> </ul>	Audit Committee Report	✓
9.3.2	<b>Related Party Transactions Review Committee</b> <ul style="list-style-type: none"> <li>Details pertaining to Non-Recurrent Related Party Transactions</li> <li>Details pertaining to Recurrent Related Party Transactions</li> <li>Report of the Related Party Transactions Review Committee</li> <li>Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise</li> </ul>	Related Party Transactions Review Committee Report	✓
7.6	Contents of the Annual Report		✓
i)	Names of Directors of the entity	Board Profile	✓
ii)	Principal activities of the entity and its subsidiaries during the year under review	About Us	✓
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Investor Information	✓
iv)	The Public Holding percentage etc.	Investor Information	✓
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Directors Interest in Shares and Shareholding	✓
vi)	Information pertaining to material foreseeable risk factors	Risk Management	✓
vii)	Details of material issues pertaining to employees and industrial relations	Human Capital	✓

Rule No.	Requirement	Disclosure	Compliant
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Note 4 and 5 to the Financial Statements - Property, Plant and Equipment and Investment Properties, respectively	✓
xiv)	Number of shares representing the stated capital	Investor Information	✓
xv)	Distribution schedule of the number of shareholders and the percentage of their total holding	Investor Information	✓
xvi)	Ratios and market price information	Investor Information	✓
xvii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Note 4 to the Financial Statements - Property, Plant and Equipment	✓
xviii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	N/A	N/A
xiv)	Employee share option / purchase schemes	N/A	N/A
xv)	Corporate Governance Disclosures	Disclosures relating to Directors, Audit Committee and Remuneration Committee	✓
xvi)	Related Party Transactions	Note 30 to the Financial Statements - Related Party Transactions	✓



# Report of the Board of Directors

## GENERAL

The Board of Directors of Dilmah Ceylon Tea Company PLC (DCTC) are pleased to present its Annual Report for the financial year ended 31st March 2021, together with the audited Financial Statements of the Company, Consolidated Financial Statements of the Group and the Auditor's Report on those Financial Statements, in conformity with the requirements of the Companies Act No. 07 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE).

DCTC was incorporated as a Public Limited Liability Company in Sri Lanka on 29th May 1981 under the Companies Ordinance No. 51 of 1938. The Company was re-registered as required under the provisions of the

Companies Act No. 07 of 2007 on 13th October 2008. The re-registration number of the Company is PQ 209.

The ordinary shares of the Group were listed on the main board of the Colombo Stock Exchange on 01st January 1982, and subsequently transferred to the Diri Savi Board on 16th August 2017.

The registered office is located at No. 111, Negombo Road, Peliyagoda, Sri Lanka.

The Annual Financial Statements were reviewed and approved by the Board of Directors on 23<sup>rd</sup> August 2021.

In compliance with Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in the Annual Report published for the year ended 31st March 2021.

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
The nature of the business of the Company	Section 168 (1) (a)	Note 1.2 to the Financial Statements - Principal Activities and Nature of Business	126
Financial statements for the accounting period completed and signed in accordance with Section 152	Section 168 (1) (b)	The Financial Statements of the Company and Group for the year ended 31 <sup>st</sup> March 2021	119 to 174
Auditor's report on the Financial Statements of the Company	Section 168 (1) (c)	Independent Auditors' Report.	116 to 118
Any change in accounting policies made during the accounting period	Section 168 (1) (d)	Note 2.6 to the Financial Statements - Changes in Accounting Policies	127
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Directors' Interest in Contracts with the Company Details of the Directors' shareholdings - Investor Information There were no changes to the Directors' shareholding during the financial year	108 109
Remuneration and other benefits of directors during the accounting period	Section 168 (1) (f)	Note 30.2 to the Financial Statements - Profit / (Loss) Before Tax	168
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Note 22 to the Financial Statements - Profit / (Loss) Before Tax	159



Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period	Section 168 (1) (h)	Board Profiles In terms of Article 24 of the Articles of Association of DCTC, Mr. Malik J. Fernando retires by rotation and being eligible offers himself for re-election	12 - 15
Amounts payable by the company to the person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided by that person or firm	Section 168 (1) (i)	Note 22 to the Financial Statements - Profit / (Loss) Before Tax	159
Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company or any of its subsidiaries	Section 168 (1) (j)	External Auditors	109
Signed on behalf of the board by two Directors and the Company Secretary	Section 168 (1) (k)		110

## PRINCIPAL ACTIVITIES OF THE GROUP

The principal activity of the Group is to manufacture, export and market tea bags and packets under the brand name “Dilmah”. The principal activity of the Subsidiary Company is to manufacture, export and market tea in the form of liquid tea concentrate and ready-to-drink tea.

## REVIEW OF OPERATIONS

A review of the operations of the Group and results of its performance during the financial year are contained in the Chairman’s Message (pages 16 to 17) and Financial Capital Report (pages 44 to 46).

## FUTURE DEVELOPMENTS

An overview of the future developments of the Group is given in the Chairman’s Message and CEO’s Report (pages 16 to 19).

## FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of the Companies Act No.

07 of 2007. The Financial Statements of the Company and the Group for the year ended 31st March 2021 duly signed by the General Manager of Finance and two Directors of the Company are given from pages 119 to 177.

## DIRECTORS’ RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Group and to present a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, (SLFRSs and LKASs), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Listing Rules of the CSE.

The Statement of Directors’ Responsibility for Financial Reporting is given on page 114.

## GOING CONCERN

The Board has made an assessment of the Group’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

## GROUP RESULTS AND APPROPRIATIONS

For the year ended 31 <sup>st</sup> March	2021	2020
	Rs. '000	Rs. '000
Revenue	9,211,987	11,610,062
Profit for the Year	1,749,715	1,559,247
Other Comprehensive Income Net of Tax	(106,540)	(19,861)
Total Comprehensive Income Net of Tax	1,643,175	1,539,386
Interim Dividend for the current year	-	414,750
Proposed final Dividend	373,275	103,688

## DIVIDENDS

There was no interim dividend paid during the year ended. The Directors recommend paying a final dividend of Rs. 18/- per share for the year ended 31st March 2021.

The Board of Directors provided the Statements of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of each dividend payment in terms of Section 56 (2) of the Companies Act No. 07 of 2007. The Board also fulfilled the requirement of the Solvency Test in terms of Section 56 (3) of the Companies Act No. 07 of 2007 immediately after the payment of interim dividends, and will ensure the compliance of the Solvency Test after the payment of the aforesaid final dividend proposed.

## CORPORATE DONATIONS

We continue with the Company philosophy that business is a matter of human service. For the current year, the Company made a donation of Rs. 210 million (2019/2020 Rs. 260 million) to the MJF Charitable Foundation. The activities of the Foundation are given on the pages 69 to 70. The Donations made by the Company of Rs.40,342,400/- to MOH/Government are given on the pages 65. Other Donations Rs.5,457,102/- (2019/20 - Rs. 352,645/-).

## TAXATION

According to the First Schedule of the Inland Revenue Act No. 24 of 2017, with effect from the Year of

Assessment 2020/21 concessionary rate of 14% is applicable for the Taxable Income of the Company predominantly (80%) engaged in the business of exports. Gains from realisation of investment assets shall be taxed at the rate of 10%.

## HUMAN RESOURCES

The Group continues to invest in human capital development and implement effective human resource practices and policies to improve workforce efficiency, effectiveness and productivity, offering equal career opportunities regardless of gender, race or religion.

There were no material issues pertaining to employees and industrial relations of the Company that occurred during the year under review which requires disclosure.

As at 31st March 2021, 554 persons were employed by the Company (31<sup>st</sup> March 2020 - 587)

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge and belief, all statutory payments in relation to taxes and duties, and in relation to employees have been made promptly on the due dates.

## COMPLIANCE WITH LAWS & REGULATIONS

To the best of the knowledge and belief of the Directors, the Group has not engaged in any activities contravening the laws & regulations of the country. The Group has also formulated and implemented Policy Framework relating to Business Ethics, Human Rights and Anti-Bribery & Corruption to emphasise its commitment towards responsible decision making and corruption free business conduct.

## CAPITAL EXPENDITURE

Capital expenditure incurred on acquisition of Property, Plant & Equipment during the year of the Company and Group amounted to Rs. 385 million and Rs. 385 million respectively (2019 / 20 Company: Rs. 801 million and Group: Rs. 811 million). Details are given in Note 4 of the Notes to the Financial Statements on pages 141 to 146.

Capital expenditure approved and contracted for and not contracted for, as at Balance Sheet date are given in Note 27 to the Financial Statements on page 164.

## PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of property, plant and equipment are given in Note 4 to the Financial Statements on page 141 to 146. The net book values of freehold properties owned by the Company and the Group as at 31st March 2021 are included in the accounts at Rs. 2,448.5 million and Rs. 2,501.6 million respectively (2019 / 20 Company: Rs. 2,687.4 million and Group: Rs. 2,743.2 million).

The market value of Property, Plant & Equipment is considered not materially different to the values stated.

## INVESTMENTS

Investments made by the Company are detailed in Note 8 of the Notes to the Accounts.

## STATED CAPITAL

The Stated Capital of the Company is Rs. 642,500,000/- divided into 20,737,500 Ordinary Shares.

## SHAREHOLDING

As at 31st March 2021, there were 1,082 (976 as at 31st March 2020) registered shareholders and their distribution is given on page 176. The twenty major shareholders as at 31st March 2021 and the number of shares held and their percentage shareholding are disclosed on page 177.

## RESERVES

The total reserves as at 31st March 2021 stand at Rs. 13,233 million (2019/20 - Rs. 11,694 million) including the FVOCI Reserve of Rs. 145 million (2019/20 - Rs. 230 million).

## EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No significant events have occurred after the Balance Sheet date, which require adjustments to or disclosure in the Financial Statements.

## RISK MANAGEMENT AND SYSTEM OF INTERNAL CONTROLS

The Group has an ongoing process in place to identify, evaluate, and manage the risks that are faced by the Group, as detailed in the Risk Report on pages 24 & 25. An effective and comprehensive system of internal controls is in place comprising of internal checks, internal

audit, and financial and other controls required to carry out Group business and safeguard assets. The Audit Committee Report, Risk Management Report and the Independent Auditor's Report thereon are given on pages 116 & 118.

## SUSTAINABILITY

The Group is an early champion of adopting sustainability practices and sustainability reporting. Economic, environment and social sustainability is ingrained into business strategies as detailed in the Sustainability at Dilmah on pages 26 to 33.

## DIRECTORATE

The following Directors held office as at the Statement of Financial Position date and their brief profiles appear on pages 12 to 15 of the Annual Report.

Mr. Malik J. Fernando, Mr. Gritakumar E. Chitty, Mr. Rajanayagam Asirwatham and Mr. Himendra S. Ranaweera retire in terms of Section 210 of the Companies Act No. 07 of 2007. Separate resolutions are proposed respectively, to re-appoint the Director in terms of Section 211 (1) of the said Companies Act No. 07 of 2007.

Mr. Malik Fernando retires by rotation in terms of Section 24 of the Articles of Association of the Company, and being eligible offers himself for re-election at the Annual General Meeting.

Name of the Director	Status
Mr. Merrill J. Fernando - <i>Chairman</i>	ED
Mr. Himendra S. Ranaweera - <i>Deputy Chairman</i>	ED
Mr. Dilhan C. Fernando - <i>Chief Executive Officer</i>	ED
Mr. Malik J. Fernando	ED
Ms. Minette D. A. Perera	NED
Mr. Roshan C. Tissaarachthy	ED
Mr. Darshana Gunasekera	ED
Mr. Rajanayagam Asirwatham	IND
Mr. Gritakumar E. Chitty	IND

\*IND - Independent Director / NED - Non-Executive Director / ED - Executive Director

## DIRECTORS OF THE SUBSIDIARY - MJF BEVERAGES (PVT) LTD.

Name of the Director	Status
Mr. Merrill J. Fernando - <i>Chairman</i>	ED
Mr. Himendra S. Ranaweera - <i>Deputy Chairman</i>	ED
Mr. Dilhan C. Fernando- <i>Chief Executive Officer</i>	ED
Mr. Malik J. Fernando	ED
Mr. Roshan C. Tissaaratchy	ED
Mr. Daya P. Wickramatunga	IND

## INTERESTS REGISTER

The Company maintains an Interests Register as required by the Companies Act No. 07 of 2007. All Directors have made general disclosures relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 07 of 2007. The related entries were made in the Interests Register during the year under review, and are available at the registered head office of the Company, in keeping with the requirements of the Section 119 (1) (d) of the Companies Act No. 07 of 2007.

## BOARD SUB-COMMITTEES

The Board delegates functions warranting greater attention to three (3) Board Sub-Committees with oversight responsibility for the same. Accordingly, the following mandatory Sub-Committees have been constituted by the Board in compliance with the Listing Rules of the CSE.

Board Committee	Members	
Audit Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty Ms. Minette D. A. Perera	Report of the Audit Committee is given on page 111
Remuneration Committee	Mr. Gritakumar E. Chitty - Chairman Mr. Rajanayagam Asirwatham	Report of the Remuneration Committee is given on page 112
Related Party Transactions Review Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty Ms. Minette D. A. Perera	Report of the Related Party Transaction Review Committee is given on page 113

## RELATED PARTY TRANSACTIONS

Relevant disclosures made by the Directors on contracts and proposed contracts with the Company or any of the subsidiaries within the Group appear under Note 30 in Related Party Disclosure to the Financial Statements on pages 166 to 167 of the Report. These interests have been declared at Directors meetings in compliance with set out in section 9 requirements on Related Party Transactions of the Listing Rules of the CSE and Section 192 (1) of the Companies Act No. 07 of 2007.

The Related Party Transaction Review Committee is responsible for reviewing the Related Party Transactions of the Company. The Committee Report is given on page 113.

## DIRECTORS EMOLUMENTS

During the year under review, total remuneration of the Executive Directors amounted to Rs. 148,295,259/- and Non-Executive Directors amounted to Rs. 1,950,000/- (2019 / 20 - Executive Directors Rs. 118,091,561/- and Non-Executive Directors Rs. 1,950,000/-)

## DIRECTORS INTERESTS IN SHARES AND SHAREHOLDING

Directors of the Company and its subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholding and any acquisitions / disposals to their respective Boards in compliance with Section 200 of the Companies Act No. 7 of 2007. The direct shareholdings of Directors together with that of their spouses & dependent children are as follows:



Name of the Director	2021	2020
Mr. Merrill J. Fernando	8,200	8,200
Mr. Malik J. Fernando	24,200	24,200
Mr. Dilhan C. Fernando	24,200	24,200
Mr. Himendra S. Ranaweera	22,984	22,984
Ms. Minette D. A. Perera	200	200
Mr. Roshan C. Tissaarachy	4,000	4,000
Mr. Rajanayagam Asirwatham	4,800	4,800
Mr. Gritakumar E. Chitty	-	-

The indirect shareholdings of Directors, Mr. Merrill J. Fernando, Mr. Malik J. Fernando & Mr. Dilhan C. Fernando, together with that of their spouses & dependent children are as follows:

As at 31 <sup>st</sup> March	2021	2020
MJF Teas (Private) Limited	13,812,882	13,812,882
MJF Exports (Private) Limited	4,256,712	4,256,712
Merrill J. Fernando and Sons (Private) Limited	25,300	25,300

## CORPORATE GOVERNANCE

The Directors are responsible for the formulation and implementation of overall business strategies, policies and setting standards in the short, medium and long-term basis, adopting good governance in the management of the affairs of the Company.

Accordingly, systems and structures have been introduced and improved from time-to-time to enhance risk management measures and to improve accountability and transparency. A separate report on Corporate Governance Practices adopted by the Company is given on pages 94 to 103 of this Annual Report. The Company has complied with Section 7.10 of the Continued Listing Rules of Colombo Stock Exchange (CSE) on Corporate Governance.

## GROUP AUDITORS

Ernst & Young, Chartered Accountants, served as the Group Auditors during the year under review and the Auditors' Report is given on pages 110 to 118 of the

report. The Auditors have confirmed that they have no interest in, or relationship with the Company or its Subsidiary other than that of Auditors. They also confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Fees payable and fees for other services rendered are noted hereunder: Fees payable to Auditors for the current financial year Rs. 1,076,247/- (2019 / 20 - Rs. 1,044,900/-). Fees payable for other services rendered Rs. 1,014,281/- (2019 / 20 - Rs. 985,881/-). Auditors Ernst & Young have expressed their willingness to continue in office.

A resolution to reappoint them as Auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

## TRANSFER PRICING REGULATIONS

It is certified that the Group has complied with the transfer pricing regulations issued under Section 104 of the Inland Revenue Act No. 10 of 2006. The information pursuant to these regulations are given under certificate produced under Section 107 (2) (a) of the said Act.

We believe that the transactions entered into with related parties during the period 01.04.2020 to 31.03.2021 are at arm's length and not prejudicial to the interests of the Group. The transactions are entered into on the basis of transfer pricing policy adopted by the Group. All transactions have been submitted to the independent auditor for audit and no adverse remarks have been made in their report on the audit of such transactions.

## OUTSTANDING LITIGATION

There is no litigation against the Group that will have a material impact on the reported financial results or future operations.

## NOTICE OF ANNUAL GENERAL MEETING

The 40th Annual General Meeting of Dilmah Ceylon Tea Company PLC is to be convened on 30<sup>th</sup> September 2021 at 11.00 a.m. at 111, Negombo Road, Peliyagoda via a virtual platform. Notice of the Annual General Meeting appears on page 182.

## ACKNOWLEDGMENT OF THE CONTENTS OF THE REPORT

As required by Section 168 (1) (k) of the Companies Act No. 07 of 2007, the Board of Directors hereby acknowledges the contents of this Annual Report. For and on behalf of the Board of Directors.



**Mr. Dilhan C. Fernando**  
Director



**Ms. Minette D. A. Perera**  
Director



**Ms. Jayanga Wegodapola**  
Company Secretary

23<sup>rd</sup> August 2021



# Report of the Audit Committee

## COMMITTEE COMPOSITION

The Audit Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of two Non-Executive Directors - both of whom are 'Independent' as per the Listing Rules of the Colombo Stock Exchange, and one Non-Executive Director. The members of the Committee during the year under review were Mr. Rajan Asirwatham (Chairman), Mr. Gritakumar E. Chitty and Ms. Minette D. A. Perera. The Chairman of the Audit Committee is a qualified Chartered Accountant.

## COMMITTEE MEETINGS

The Committee held four meetings during the financial year under review. All four members attended all four meetings. The Director of Finance and the Company Secretary attended the meetings of the Committee by invitation.

## ROLE OF THE COMMITTEE

The primary function of the Committee is to assist the Board in fulfilling its responsibilities, overseeing the management's conduct of the Company's financial reporting process and systems of internal accounting and financial controls, monitoring the independence and performance of the Company's external auditors and providing a channel of communication between the external auditors, the management and the Board.

## INTERNAL AUDIT

The Committee regularly reviews the scope of the internal audit function and reviews audit programmes proposed. The internal audit findings are discussed and follow-up reviews of audit findings are undertaken to ensure that audit recommendations are being implemented. The Committee also assesses the effectiveness of the internal audit function. The Committee is of the view that the internal controls prevalent within the Group are satisfactory, and provides reasonable assurance that the financial position of the Company is well monitored and the assets are safeguarded.

## EXTERNAL AUDIT

The Committee is empowered to recommend the appointment of the external auditor in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the Auditor. The Committee is satisfied that there is no conflict of interest between the Company and the Auditor, other than for the payment of audit fees. The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor.

The Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as the Auditors for the year ending 31st March 2022, subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendations to the Board of Directors on the fees payable to the Auditors for approval by the Board.

## FINANCIAL REPORTING

The Committee reviewed and recommended the Group's interim and annual financial statements for approval of the Board prior to submission to the Colombo Stock Exchange and shareholders.

The Committee reviewed and certified the profit reconciliation based on SLFRS / LKAS rules and directions and impact to the prudential ratios with regard to dividend declarations in compliance with relevant regulations. The Committee reviewed the internal controls on the financial reporting system to ensure the reliability and integrity of information provided, the review included the extent of compliance with SLFRS / LKAS and applicable laws and regulations, review of critical accounting policies and practices - and any changes thereto, alternative accounting treatments, going concern assumptions, major judgmental areas and material audit judgments.



**Mr. Rajan Asirwatham**

Chairman – Audit Committee

23<sup>rd</sup> August 2021

# Report of the Remuneration Committee

The Committee is responsible for setting the Company's policy on compensation and benefits, overseeing its implementation. It is also mandated to review significant Human Resource policies that influence the Company's performance. The Committee specifically reviews remuneration of the Chief Executive Officer, Executive Directors and senior members of the management, as it is designated to consider.

## COMMITTEE COMPOSITION

The Committee, appointed by and responsible to the Board, comprises of two Independent Non-Executive Directors. The members of the Committee during the year under review were Mr. Gritakumar E. Chitty (Chairman) and Mr. Rajan Asirwatham.

## COMMITTEE MEETINGS

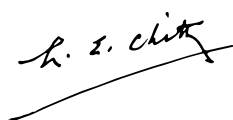
The Committee held one meeting during the year under review and both committee members attended the meeting. The Director of Finance and Ms. Minette D. A. Perera - a Non-Executive Director, attended the meeting of the Committee by invitation.

## POLICY

The remuneration policy of the Company is formulated to attract and retain high calibre personnel and motivate them to develop and implement the business strategy in order to optimise long-term shareholder value creation.

The Committee is responsible for determining the compensation of the senior management, and to lay down guidelines and parameters for the compensation structure of all management staff of the Company. In its decision making process necessary information and recommendations are obtained from the Deputy Chairman.

The remuneration packages of the Company are aligned to individual performance and strategic priorities.



**Mr. Gritakumar E. Chitty**

Chairman – Remuneration Committee

23<sup>rd</sup> August 2021



# Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee is a Board Sub Committee. The Committee has been established in compliance with the “Code of Best Practices on Related Party Transactions”, issued by the Securities and Exchange Commission of Sri Lanka.

The objective of the Committee is to review all Related Party Transactions other than those transactions explicitly exempted by the Code.

## COMMITTEE COMPOSITION

The Related Party Transaction Review Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of three Non-Executive Directors; two of them are ‘Independent’ as per the requirements of the Code.

The members of the Committee during the year under review were Mr. Rajan Asirwatham (Chairman), Mr. Gritakumar E. Chitty and Ms. Minette D. A. Perera. The Chairman of the Committee is a qualified Chartered Accountant.

## PURPOSE OF THE COMMITTEE

The purpose of the Committee as set out in its Terms of Reference (TOR), is to review in advance all proposed Related Party Transactions, other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules.

The Committee adopts policies and procedures to review Related Party Transactions of the Company, and determines whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.

## COMMITTEE MEETINGS

The Committee held quarterly meetings during the year under review. All members attended all four meetings. The Director of Finance attended the meetings by invitation.

- The Committee reviews in advance all Related Party Transactions of the Company except those explicitly exempted in the Code.
- The Committee ensures that written policies and procedures of the Company are in conformity with rules and regulations governing Related Party Transactions.

- The Committee communicates their observations on the Related Party Transactions, if any, to the Board of Directors.
- The Committee also ensures that immediate market disclosure of any Related Party Transaction is made in accordance with the Code, to the Colombo Stock Exchange.
- The Committee identifies persons who shall be considered as “Key Management Personnel” of the Company, and self-declarations are obtained from each such person for the purpose of identifying related parties to them. Based on the information furnished on these declarations, the Company has developed a system that enables the Company to retrieve data on Related Party Transactions.

## RELATED PARTY TRANSACTIONS DURING THE YEAR 2020 / 21

The Committee has reviewed the Related Party Transactions during the financial year 2020 / 21 and has communicated their comments / observations to the Board. It was also observed that there were no non-recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. The Company is therefore compliant with the said Rules on Related Party Transactions. Details of other Related Party Transactions entered into by the Company during the period under review is disclosed in Note 30 of the Financial Statements.

## DECLARATIONS

The Committee quarterly reviewed the disclosures made by each of the members of the Board on transactions in which they are interested or which are proposed to be entered into, with a related party. The declarations made by them on compliance with regulatory requirements as set out in the Listing Rules pertaining to Related Party Transactions are recorded in an Interest Register maintained by the Company.



**Mr. Rajan Asirwatham**

Chairman – Related Party Transactions Review Committee

23<sup>rd</sup> August 2021



# Statement of Directors' Responsibilities in Relation to the Preparation of Financial Statements

The following statement sets out the responsibilities of Directors, in relation to the Financial Statements. This should be read in conjunction with the Auditor's responsibility in relation to the Financial Statements, set out in the Report of the Auditors on pages 116 to 118 of this Annual Report.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each year, giving a true and fair view of the state of the affairs of the Company as at the end of the financial year and the financial performance for the year.

The Directors are also responsible to ensure that proper accounting books and records are maintained to prepare the Financial Statements with reasonable accuracy.

The Financial Statements consist of the statement of financial position as at 31st March 2021, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended, together with the notes thereto.

The Directors confirm that the consolidated Financial Statements of the Company give a true and fair view of;

- The state of affairs of the Company as at 31st March 2021
- The profit or loss of the Company and its subsidiary for the financial year then ended

The Board accepts the responsibility for the integrity and objectivity of the Financial Statements, and the Directors are responsible to ensure that in preparing the Financial Statements, appropriate accounting policies have been selected and applied in a consistent manner, and that material departures, if any, have been disclosed and explained.

It is the responsibility of the Directors to ensure that the Financial Statements have been prepared in conformity with Sri Lanka Accounting Standards (LKAS / SLFRS), Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange, and be certified by the General Manager Finance of the Company, and signed by the two Directors as required by the Companies Act No. 07 of 2007.

The Directors consider that in preparing the Financial Statements exhibited from pages 119 to 177 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgment, assumptions and estimates.

The Directors are required to prepare these Financial Statements on a going concern basis, unless it is

inappropriate to presume that the Company will continue as a going concern. The Directors are required to take reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls; comprising of internal checks, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets, and ensure as far as practicable, the accuracy and reliability of records.

The Directors confirm that the Auditors of the Company, Messrs Ernst & Young were provided every opportunity to undertake whatever inspections they considered necessary to enable them to form their opinion on the Financial Statements. Messrs Ernst & Young have examined the Financial Statements made available, together with all other financial records, minutes of Shareholders' and Directors' meetings and related information, and have expressed their opinion which appears on pages 116 to 118 of this Annual Report.

The Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid, or where relevant provided for.

The Board of Directors confirm that they have authorised distribution of dividends upon being satisfied that the Company fulfils the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007, and as required by Section 56 (2) of the said Companies Act, have obtained solvency certificates from the Auditor, prior to authorising interim dividends for this year.

The Directors are of the opinion that the Financial Statements presented in the report from pages 119 to 177 have been prepared in accordance with the above, and that they discharged their duties as set out in this statement.

By order of the Board,



**Ms. Jayanga Wegodapola**

Company Secretary

23<sup>rd</sup> August 2021





# FINANCIAL REPORTS

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

WRHDS/NM/EDA

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF DILMAH CEYLON TEA COMPANY PLC

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of Dilmah Ceylon Tea Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's

responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

EY202108298625

Partners: H M A Jayasinghe FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA W R H De Silva ACA 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  
D K Hulangamuwa FCA FCMA LLB (Lond) Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA  
N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA Ms. P S Paranavitane ACMA LLB (Colombo) T P M Ruberu FCMA FCCA CA Yalagala ACMA

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
<b>Revenue from Contracts with Customers</b>	
<p>The principal activities of the Group as described in Note 1.2 is the manufacture and export of tea. Revenue was identified as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>⊙ The materiality of the account balance, and</li> <li>⊙ The need to consider contractual terms of sales arrangements entered with customers in determining the timing of revenue recognition, particularly terms of delivery.</li> </ul>	<p>Our audit approach included the following;</p> <ul style="list-style-type: none"> <li>⊙ We gained an understanding and assessed the appropriateness of the Group's revenue recognition accounting policy.</li> <li>⊙ We tested the operating effectiveness of key controls particularly on the consideration of contractual terms and timely recording of sales transactions during the year.</li> <li>⊙ Due to the high reliance on information technology in revenue recognition, we tested the integrity of the general IT control environment relating to the IT system relevant to revenue recognition and tested IT application controls</li> <li>⊙ We obtained an understanding of how revenue has trended over the year through performing analytical procedures and checked supporting documents over revenue transactions recorded during the year.</li> <li>⊙ We selected invoices raised within proximity of the financial year end and agreed to underlying evidence to support revenue being recognized in the correct reporting period.</li> </ul> <p>We also assessed the adequacy of disclosures made in relation to the recognition of revenue in Note 2.18 to the financial statements.</p>

#### Other information included in the 2021 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and

for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement



when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- ⊙ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ⊙ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- ⊙ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ⊙ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ⊙ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ⊙ Obtain sufficient appropriate audit evidence

regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

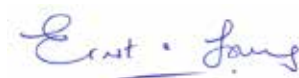
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

#### **Report on other legal and regulatory requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4107.



30 August 2021.  
Colombo





# STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31 March 2021	Note	2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	3,328,489	3,245,976	3,273,610	3,188,118
Investment Property	5	647,946	658,528	647,946	658,528
Intangible Assets	6	176,085	195,979	176,085	195,979
Right of Use Asset	7	1,114,524	1,156,133	1,103,467	1,144,619
Other Non-Current Financial Assets	8	379,214	469,709	379,214	469,709
Total Non-Current Assets		5,646,258	5,726,325	5,580,322	5,656,953
<b>Current Assets</b>					
Inventories	9	1,546,975	1,351,607	1,530,360	1,335,427
Trade and Other Receivables	10	4,639,012	4,930,503	4,616,911	4,904,140
Advances and Prepayments		242,079	451,144	239,998	447,643
Amounts Due from Related Party	11	-	-	85,102	88,987
Other Current Financial Assets	12	1,543,601	-	1,543,601	-
Cash and Cash Equivalents	13	3,170,827	4,845,500	3,162,180	4,837,295
Total Current Assets		11,142,494	11,578,754	11,178,152	11,613,492
Total Assets		16,788,752	17,305,079	16,758,474	17,270,445
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	14	642,500	642,500	642,500	642,500
Other Components of Equity		145,179	229,999	145,179	229,999
Retained Earnings		13,087,861	11,463,554	13,081,997	11,456,887
Total Equity		13,875,540	12,336,053	13,869,676	12,329,386
<b>Non-Current Liabilities</b>					
Lease Liability	7	1,093,012	1,082,572	1,082,311	1,071,934
Deferred Tax Liabilities	23	187,426	254,531	182,823	250,257
Retirement Benefit Obligations	15	286,037	234,340	279,614	229,392
		1,566,475	1,571,443	1,544,748	1,551,583
<b>Current Liabilities</b>					
Trade and Other Payables	16	489,579	516,414	489,601	514,642
Provisions and Accrued Expenses		566,396	619,048	564,426	613,592
Lease Liability	7	99,012	111,569	97,904	110,321
Short Term Loans	17	-	1,895,000	-	1,895,000
Income Tax Payable	23	191,750	255,552	192,119	255,921
		1,346,737	3,397,583	1,344,050	3,389,476
Total Liabilities		2,913,212	4,969,026	2,888,798	4,941,059
Total Equity and Liabilities		16,788,752	17,305,079	16,758,474	17,270,445

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



**Chamil Hathurusinghe**

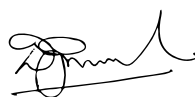
Sector Finance Controller

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the board by;



**Dilhan C Fernando**

Director/Chief Executive Officer



**Darshana Gunasekera**

Group Finance Director

The accounting policies and notes on pages 126 through 174 form an integral part of these financial statements.

23<sup>rd</sup> August 2021

# STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021	Note	GROUP		COMPANY	
		2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue from Contracts with Customers	18	9,211,987	11,610,062	9,175,653	11,555,335
Cost of Sales		(5,463,590)	(6,222,332)	(5,419,116)	(6,166,152)
Gross Profit		3,748,397	5,387,730	3,756,537	5,389,183
Other Income	19	41,334	14,879	41,318	14,133
Administrative Expenses		(1,630,867)	(1,640,332)	(1,635,167)	(1,641,557)
Selling and Distribution Costs		(1,665,462)	(2,181,006)	(1,665,372)	(2,180,510)
Foreign Exchange Gain		1,220,788	408,812	1,215,450	407,407
Finance Costs	20	(197,378)	(183,357)	(195,954)	(181,925)
Finance Income	21	397,793	182,161	397,793	182,156
Profit Before Tax	22	1,914,605	1,988,887	1,914,605	1,988,887
Income Tax Expense	23	(164,890)	(429,640)	(164,494)	(429,143)
Profit for the year		1,749,715	1,559,247	1,750,111	1,559,744
Earnings per Share (Rs.)	24	84.38	75.19	84.39	75.21
Dividend per Share (Rs.)	25	5.00	35.00		

The accounting policies and notes on pages 126 through 174 form an integral part of these financial statements.



# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021	Note	GROUP		COMPANY	
		2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		1,749,715	1,559,247	1,750,111	1,559,744
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;					
Change in Fair Value of FVOCI Investments	8.3	(84,820)	(42,585)	(84,820)	(42,585)
Net Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;		(84,820)	(42,585)	(84,820)	(42,585)
Other Comprehensive Income not to be classified to profit or loss in subsequent periods:					
Re-measurement Gain / (Loss) on Employee Retirement Benefit Obligation	15	(25,256)	26,423	(24,783)	26,293
Deferred Tax attributable to re-measurement Gain / (Loss) on Employee Retirement Benefit Obligation	23	3,536	(3,699)	3,470	(3,681)
Net Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent periods;		(21,720)	22,724	(21,313)	22,612
Other Comprehensive Income for the year, Net of Tax		(106,540)	(19,861)	(106,133)	(19,973)
Total Comprehensive Income for the year, Net of Tax		1,643,175	1,539,386	1,643,978	1,539,771

The accounting policies and notes on pages 126 through 174 form an integral part of these financial statements.



# STATEMENT OF CHANGES IN EQUITY - GROUP

Year ended 31 March 2021	Note	Other Components of Equity			
		Stated Capital	FVOCI Reserve	Retained Earnings	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2019		642,500	272,584	10,607,395	11,522,479
Profit for the Year		-	-	1,559,247	1,559,247
Other Comprehensive Income		-	(42,585)	22,724	(19,861)
Total Comprehensive Income for the year		-	(42,585)	1,581,971	1,539,386
Interim Dividend - 2019/20	25	-	-	(414,750)	(414,750)
Final Dividend - 2018/19	25	-	-	(311,062)	(311,062)
As at 31 March 2020		642,500	229,999	11,463,554	12,336,053
Profit for the Year		-	-	1,749,715	1,749,715
Other Comprehensive Income		-	(84,820)	(21,720)	(106,540)
Total Comprehensive Income for the year		-	(84,820)	1,727,995	1,643,175
Final Dividend - 2019/20	23	-	-	(103,688)	(103,688)
As at 31 March 2021		642,500	145,179	13,087,861	13,875,540

# STATEMENT OF CHANGES IN EQUITY - COMPANY

Year ended 31 March 2021	Note	Other Components of Equity			
		Stated Capital	FVOCI Reserve	Retained Earnings	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31 March 2019		642,500	272,584	10,600,343	11,515,427
Profit for the Year		-	-	1,559,744	1,559,744
Other Comprehensive Income, Net of Tax		-	(42,585)	22,612	(19,973)
Total Comprehensive Income for the year			(42,585)	1,582,356	1,539,771
Interim Dividend - 2019/20	25	-	-	(414,750)	(414,750)
Final Dividend - 2018/19	23	-	-	(311,062)	(311,062)
As at 31 March 2020		642,500	229,999	11,456,887	12,329,386
Profit for the Year		-	-	1,750,111	1,750,111
Other Comprehensive Income, Net of Tax		-	(84,820)	(21,313)	(106,133)
Total Comprehensive Income for the year		-	(84,820)	1,728,798	1,643,978
Interim Dividend - 2019/20	25	-	-	(103,688)	(103,688)
As at 31 March 2021		642,500	145,179	13,081,997	13,869,676

The accounting policies and notes on pages 126 through 174 form an integral part of these financial statements



# STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
Year ended 31 March 2021	Note	2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense		1,914,605	1,988,887	1,914,605	1,988,887
Adjustments for					
Depreciation	22	307,274	285,545	303,936	282,886
Amortisation of Intangible Assets	22	25,808	109,532	25,808	109,533
Depreciation on Right of Use Asset	7	29,806	29,805	29,349	29,349
Interest Expense on Lease Liability	20	142,413	142,719	140,991	141,287
Unrealised Foreign Exchange (Gain) / Loss		(457,255)	(176,307)	(454,703)	(175,726)
Interest Expenses	20	54,965	183,357	54,963	181,925
Dividend Income	19	(5)	(75)	(5)	(75)
Interest Income	21	(397,793)	(182,161)	(397,793)	(182,156)
Loss/(Profit) on Disposal of Property, Plant and Equipment		(29,267)	2,758	(29,267)	2,758
Profit on disposal of Investment		(1)	-	(1)	-
Provision for Impairment of Receivables		61,965	72,500	57,798	72,500
Provision for Defined Benefit Plans	15	45,589	45,866	44,587	44,861
Impairment on Unquoted Equity Securities		5,675	-	5,675	-
Impairment Loss on Amounts due from Related Party		-	-	13,918	3,178
Operating Profit before Working Capital Changes		1,703,779	2,502,426	1,709,861	2,499,207
Working Capital Changes:					
Increase/(Decrease) Inventories		(195,368)	(277,480)	(194,933)	(270,800)
Increase/(Decrease) Trade and Other Receivables		513,432	(833,776)	511,113	(852,768)
Increase/(Decrease) Advances and Prepayments		209,063	(74,807)	207,645	(81,786)
(Increase)/Decrease Amounts Due from Related Party		-	-	(10,033)	5,203
Increase/(Decrease) Trade and Other Payables		(26,109)	174,925	(24,534)	176,511
(Increase)/Decrease Provisions and Accrued Expenses		(52,652)	136,802	(49,166)	135,257
Cash Flows from Operations		2,152,145	1,628,090	2,149,953	1,610,824
Retirement Benefit Obligation Paid	15	(19,148)	(27,145)	(19,148)	(26,252)
Interest Paid		(54,965)	(183,357)	(54,963)	(181,925)
Income Tax Paid		(292,262)	(143,021)	(292,262)	(142,711)
Net Cash Flows from Operating Activities		1,785,770	1,274,567	1,783,580	1,259,936

# STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
Year ended 31 March 2021	Note	2021	2020	2021	2020
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investing Activities					
Acquisition of Property, Plant and Equipment		(379,178)	(545,051)	(378,819)	(535,630)
Acquisition of Investment Properties		(75)	(19,459)	(75)	(19,459)
Acquisition of Intangible Assets		(5,914)	(5,336)	(5,914)	(5,336)
Acquisition of Bond Investments		(1,511,601)	-	(1,511,601)	-
Proceeds from disposal of Property, Plant and Equipment		29,314	15,120	29,314	15,120
Dividend Received		5	75	5	75
Interest Received		397,793	182,161	397,793	182,156
Net Cash Flows used in Investing Activities		(1,469,656)	(372,490)	(1,469,297)	(363,074)
Financing Activities					
Repayment of Lease Liability		(132,727)	(134,517)	(131,228)	(133,001)
Dividend Paid		(103,688)	(725,812)	(103,688)	(725,812)
Proceeds from Interest Bearing Loans and Borrowings		-	1,895,000	-	1,895,000
Repayments of Interest Bearing Loans and Borrowings		(1,895,000)	-	(1,895,000)	-
Net Cash Flows used in from Financing Activities		(2,131,415)	1,034,671	(2,129,916)	1,036,187
Effect of Exchange Rate Changes on Cash and Cash Equivalents		140,628	101,575	140,518	101,319
Net Increase / (Decrease) in Cash and Cash Equivalents		(1,674,673)	2,038,323	(1,675,115)	2,034,368
Cash and Cash Equivalents at the beginning of the year		4,845,500	2,807,177	4,837,295	2,802,927
Cash and Cash Equivalents at the end of the year	13	3,170,827	4,845,500	3,162,180	4,837,295

The accounting policies and notes on pages 126 through 174 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Dilmah Ceylon Tea Company PLC (“the Company”) is a public limited liability Company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company and the principal place of business is situated at No. 111, Negombo Road, Peliyagoda.

### 1.2 Principal Activities and Nature of Operations

The principal activities of the Company are to manufacture, export and market tea bags and packets under the brand name “Dilmah”.

MJF Beverages (Private) Limited is a private limited liability company incorporated and domiciled in Sri Lanka and is engaged in manufacture, export, and market tea in the form of liquid tea concentrate and ready to drink tea.

### 1.3 Parent Entity and Ultimate Parent Entity

The Company’s parent undertaking is MJF Teas (Private) Limited. In the opinion of the Directors, the Company’s ultimate parent undertaking and controlling party is MJF Holdings Limited, which is incorporated in Sri Lanka.

### 1.4 Date of Authorization for Issue

The Financial Statements of the Group as at and for the year ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 23<sup>rd</sup> August 2021.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of Compliance

The consolidated Financial Statements of the Group and the separate Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at [www.casrilanka.com](http://www.casrilanka.com)

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements

The preparation and presentation of these financial statements is in compliance with the requirements of the Companies Act No.07 of 2007.

### 2.2 Basis of Preparation

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

- ⊗ Fair Value through other comprehensive income investment are measured at fair value.
- ⊗ Retirement Benefit Obligation at present value of the obligation.

Where appropriate, the specific policies are explained in the succeeding notes.

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is also the Group’s functional currency.

### 2.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiary as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

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

The country of incorporation, effective shareholding and principal activities of the subsidiary incorporated in the Financial Statements are as follows:

Name of the subsidiary	Country of incorporation	Effective shareholding	
		2021	2020
MJF Beverages (Private) Limited	Sri Lanka	100%	100%

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

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated full on consolidation.

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities and other components of equity while any resultant gain or loss is recognised in the Consolidated Statement of Profit or Loss.

The Financial Statements of the subsidiary is prepared for the same reporting period as the holding company. The accounting policies set out below have been applied consistently by the Group entities to all periods presented in the Financial Statements.

## 2.5 Common Control Business Combinations

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly,

- ⊙ The assets and liabilities of the combining entities are reflected at their carrying amounts.
- ⊙ No new goodwill is recognised as a result of the combination. Net outcome of the net assets acquired and the shares issued is reflected within equity.

## 2.6 Changes in Significant Accounting Policies

### *New and amended standards and interpretations*

The Group applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### *Amendments to SLFRS 3: Reference to the conceptual framework*

The amendment to SLFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future periods should the Group enter into any business combinations.

### *Amendments to LKAS 1 and LKAS 8 Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The

# NOTES TO THE FINANCIAL STATEMENTS

amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Group.

## ***Amendments to references to the conceptual framework in SLFRS standards***

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

These amendments had no impact on the financial statements of the Group.

## **2.7 Comparative Information**

The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous period figures and notes have been reclassified wherever necessary to conform to the current year's presentation. Such reclassifications were made to improve the quality of presentation and do not affect previously reported profit or equity.

## **2.8 Foreign Currency Translation**

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

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

## **2.9 Property, Plant and Equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment loss. Such cost includes the cost of replacing part of the property, plant and equipment. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment and the cost can be reliably measured. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. All other expenditure is recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets except land, as follows:

Buildings on Leasehold Land	Over the lease period
Plant and Machinery	Over 10 years
Factory Equipment	Over 5 years
Furniture and Fittings	Over 7 years
Office and Stores Equipment	Over 5 years
Computer Hardware	Over 3 years
Motor Vehicles	Over 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable



amount being the higher of their fair value less costs to sell and their value in use.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at end of each reporting period. An estimation change in the useful life of fixed asset during the period has occurred and the underlying assumptions considered are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised prospectively.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### **2.9.1 Capital Work-in-Progress**

Capital work-in-progress is stated at cost which include all costs incurred from the date of acquisition to the date on which it is commissioned. When commissioned, capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

#### **2.10 Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### **2.11 Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is

# NOTES TO THE FINANCIAL STATEMENTS

recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

## Research and Development Costs

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

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

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recorded in the Statement of Profit or Loss. During the period of development, the asset is tested for impairment annually.

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

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

## 2.12 Leases

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

- ⊙ The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- ⊙ The Group has right to obtain substantially all of the economic benefits of asset throughout the period of use; and
- ⊙ The Group has right to direct the use of the asset. The Group has this right when it has decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
  - ⊙ The Group has right to operate the asset; or
  - ⊙ The Group designated the asset in a way that predetermines how and for what purpose it will be used.

### Group as the Lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset is classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease added to the carrying amount of the leased asset and recognised over the lease term on the same basis rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### Group as the Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to

make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **(i) Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and are in the range of 3 to 36 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.516- Impairment of non-financial assets.

#### **(ii) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are

incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. (refer Note 8).

#### **(iii) Short-term leases and leases of low-value assets**

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

The accounting policies applicable to the Group as a lessor in the comparative period were not difference from SLFRS 16.

#### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of one



# NOTES TO THE FINANCIAL STATEMENTS

year. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

## 2.13 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined as follows:

- ⊙ Raw Material are valued on a first in first out (FIFO) basis
- ⊙ Finished Goods are valued at weighted average costs, which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity
- ⊙ Packing materials are valued at weighted average costs
- ⊙ Consumables and spares are valued at weighted average costs
- ⊙ Goods-in-transits are valued at actual costs

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

## 2.14 Impairment of Non-Financial Assets

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

of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

## 2.15 Financial Instruments

### Initial recognition of Financial Assets and Financial Liabilities

The Group shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

### Measurement of Financial Assets

A financial asset be measured at amortised cost if both of the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value unless it is measured at amortised cost in accordance with above criteria. The Group measures Trade and Other Receivables at amortised cost and fair value through other comprehensive income at Fair value and fair value changes recognized to other comprehensive income.

Fair value through other comprehensive income

If both of the following conditions are met,

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial essential assets
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding

### **Derecognition of financial assets**

The Group derecognise a financial asset when and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset as and the transfer qualifies for derecognition.

A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial asset is derecognised, impaired or reclassified in accordance and through the amortisation process.

### **Financial Liabilities Recognition**

The Group measured the financial liability at fair value, including the costs of the transaction which can be directly assigned financial liability, when these are designated at their fair value in the profit and loss account.

The Group assessed that the fair value of loans and borrowings, bank overdrafts, and trade and other payables.

The Group has the following non-derivative financial liabilities loans and borrowings, bank overdrafts, and trade and other payables.

### **Financial Liabilities Subsequent measurement**

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss.

### **Derecognition of financial liabilities**

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when its contractual obligations are discharged or cancelled or expire.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a

hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

### **Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **Cash and Cash Equivalents**

Cash and Cash Equivalents in the Statement of Financial Position comprise cash on hand and at banks and short-term deposits which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand and at banks and short-term deposits with a maturity of three months or less.

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

### **Impairment**

#### **Financial Assets**

#### **Impairment- Recognition of expected credit losses**

The Group recognise a loss allowance for expected credit losses on a Trade Receivables to which the impairment requirements apply.

At each reporting date, the Group measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial



# NOTES TO THE FINANCIAL STATEMENTS

recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

## **Simplified approach for trade receivables**

The Group always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of SLFRS 15, and that:

- i. do not contain a significant financing component (or when the entity applies the practical expedient for contracts that are one year or less) in accordance with SLFRS 15; or
- ii. contain a significant financing component in accordance with SLFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

## **2.16 Retirement Benefit Obligations**

### **Defined Benefit Plans - Retirement Gratuity**

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to all eligible employees.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in the Statement of Comprehensive Income. The Group is liable to pay gratuity in terms of the relevant statute. The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messrs. Smiles Global (Private) Limited as at 31 March 2021. The liability is not externally funded.

### **Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund ("EPF and ETF")**

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively, which are externally funded.

## **2.17 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

## **2.18 Revenue from Contracts with Customers**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue:

### **a. Goods transferred at a point in time**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises

in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

#### **b. Services transferred over time**

The Group determines, at contract inception, whether it satisfies the performance obligation over time or at appoint in time. For each performance obligation satisfied over time, the Group recognises revenue over time, by using an output method to measure progress towards complete satisfaction of that performance obligation.

In determining the transaction price for the sale of goods and the services the Group considers the effects of variable consideration the existence of significant financing, non-cash considerations and consideration payable to customer (if any). However,

- ⊙ The Group does not offer discounts, warranties or incentives to its customers.
- ⊙ The Group does not receive long-term advances from its customers for the services which entails a financing element.
- ⊙ The period between the transfer of the promised service to the customer and when the customer pays for that good will be one year or less

#### **c. Presentation and disclosure requirements**

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 18 for the disclosure on disaggregated revenue.

#### **Gains and Losses**

Net gains and losses of a revenue nature arising from the disposal of other non-current assets, are accounted in the Statement of Profit or Loss, after deducting the carrying amount from proceeds

on disposal of such assets and the related selling expenses.

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

#### **Interest Income**

Interest Income is recognised as the interest accrues unless collectability is in doubt.

#### **Dividend Income**

Dividend income is recognised when the Group's right to receive the payments is established.

#### **Others**

Other income is recognised on an accrual basis.

### **2.19 Expenditure Recognition**

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

#### **Finance Costs**

Finance costs comprise interest expense on bank overdrafts. Interest expense is recorded as it accrues using the effective interest method.

#### **Operating Leases**

Operating lease payments are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease.

#### **Others**

Other expenses are recognised on an accrual basis.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.20 Taxation

### Current Income Tax

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Taxable income is determined according to the provisions of the Inland Revenue Act No.24 of 2017 (as amended)

### Deferred Taxation

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all temporary differences, except:

- ⊙ Where the deferred tax liability arises from an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

Deferred tax assets are recognized for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- ⊙ Where the deferred tax assets relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that

sufficient taxable profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in the Statement of Profit or Loss or Statement of Comprehensive Income.

### Turnover Based Taxes

Turnover based tax include Value Added Tax. The Group pay such tax in accordance with the respective statutes.

## 2.21 Current versus Non-Current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

- ⊙ it is expected to be settled in normal operating cycle



- ⊙ It is held primarily for the purpose of trading
- ⊙ It is due to be settled within twelve months after the reporting period, or
- ⊙ There is no right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

## 2.22 Segment Reporting

A business segment is distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting Consolidated Financial Statements of the Group.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Senior Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairman/Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 2.23 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares

outstanding for the effects of all dilutive potential ordinary shares.

## 2.24 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future.

### Useful life-time of the Property, Plant, and equipment

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

### Impairment of Fair Value of Other Comprehensive Income Investments

The Group treats equity securities designated at fair value through other comprehensive income/available for sale as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

# NOTES TO THE FINANCIAL STATEMENTS

## Impairment of Trade Receivables

From 01 April 2018, the Group assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk for trade receivables the Group applies the simplified approach permitted by SLFRS 9 which requires expected lifetime losses to be recognize from initial recognition of the receivables.

At the reporting date, gross trade receivables of the Group were Rs. 4,407 million (2020 - Rs. 4,690 million) with allowance for impairment of trade receivables amounting to Rs. 164 million (2020 - 102 million) and gross trade receivables of the Company were Rs. 4,388 million (2020 - Rs. 4,668 million) with allowance for impairment of trade receivables amounting to Rs. 160 million (2020 - 102 million).

## Employee Defined Benefit Plan - Gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. Management reviews all assumptions at each reporting date and revised assumptions where appropriate.

## Deferred Taxes

Deferred tax asset of Rs. 3 million (2020 - Rs. 6.4 million) as at 31 March 2021 has not been recognized on the carried forward tax losses of the Subsidiary of the Company as it is unable to assess with reasonable certainty that taxable profits would be available to recover the deferred tax asset in the foreseeable future. If the Group recognize deferred tax asset, profit and equity would have increased by Rs. 3 million (2020 - Rs. 6.4 million) for the year ended 31 March 2021.

## Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis. In March 2021, each Group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook to the Board, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

In determining the above significant management judgements, estimates and assumptions the impact of the COVID 19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

## 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below. None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the Group in the foreseeable future. The Group intends to adopt these amended standards, if applicable, when they become effective.



**Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)**

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

**Amendments to SLFRS 16 – COVID – 19 Related Rent Concessions**

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 01 June 2020.

**Amendments to SLFRS 3: reference to the conceptual framework.**

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. IASB also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a

present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37**

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

# NOTES TO THE FINANCIAL STATEMENTS

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments

## **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16**

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment —

Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

## 4. PROPERTY, PLANT AND EQUIPMENT

### 4.1 Group

	Balance As at 01.04.2020 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2021 Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Land	702,444	-	-	702,444
Buildings on Leasehold Land	67,474	-	-	67,474
Plant and Machinery	3,284,812	2,538	-	3,287,350
Factory Equipment	11,389	193	-	11,582
Furniture and Fittings	59,050	197	(76)	59,171
Office and Store Equipment	118,579	9,103	(1,760)	125,922
Computer Hardware	115,230	8,854	(5,882)	118,202
Motor Vehicle	232,633	40,212	(41,919)	230,926
<b>Total Value of Depreciable Assets</b>	<b>4,591,611</b>	<b>61,097</b>	<b>(49,637)</b>	<b>4,603,071</b>
<b>In the Course of Construction</b>				
Capital Work In Progress	978,703	318,081	-	1,296,784
	978,703	318,081	-	1,296,784
<b>Total Gross Carrying Amount</b>	<b>5,570,314</b>	<b>379,178</b>	<b>(49,637)</b>	<b>5,899,855</b>
	Balance As at 01.04.2020 Rs. '000	Charge for the year Rs. '000	Disposals Rs. '000	Balance As at 31.03.2021 Rs. '000
<b>Accumulated Depreciation</b>				
<b>At Cost</b>				
Buildings on Leasehold Land	20,507	1,823	-	22,330
Plant and Machinery	1,949,455	231,792	-	2,181,247
Factory Equipment	6,758	431	-	7,189
Furniture and Fittings	13,537	7,636	(76)	21,097
Office and Store Equipment	70,439	17,048	(1,713)	85,774
Computer Hardware	83,339	15,242	(5,881)	92,700
Motor Vehicle	180,303	22,645	(41,919)	161,029
<b>Total Depreciation</b>	<b>2,324,338</b>	<b>296,617</b>	<b>(49,589)</b>	<b>2,571,366</b>

# NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	Rs.'000	Rs.'000
<b>Net Carrying Amounts</b>		
Land	702,444	702,444
Buildings on Leasehold Land	45,144	46,967
Plant and Machinery	1,106,103	1,335,357
Factory Equipment	4,393	4,631
Furniture and Fittings	38,074	45,513
Office and Store Equipment	40,148	48,140
Computer Hardware	25,502	31,891
Motor Vehicle	69,897	52,330
	2,031,705	2,267,273
<b>Capital Work In Progress</b>	1,296,784	978,703
	1,296,784	978,703
<b>Total Net Carrying Amount</b>	3,328,489	3,245,976

**4.1.1** During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 379,178,312/- (2020 - Rs.553,046,237/-). Cash payments amounting to Rs 379,176,312/- (2020 - Rs.543,281,500/-) were made during the year for purchase of Property, Plant and Equipment.

**4.1.2** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 593,243,434/- (2020 - Rs. 607,011,646/-) and continue to be in used by the Group.

**4.1.3** The Subsidiary of the Group has entered in to a long-term operating lease agreement with Kahawatte Plantations PLC from 01 January 2006 to 14 June 2045 for the use of land situated at Rilhena Estate. Buildings on leasehold land as reflected above represent buildings constructed by the Subsidiary of the Group on the said leased land.

**4.1.4** Details of Group's land and buildings stated at cost are indicated below;

## Land

Location	Extent
111, 167, 179, Negombo Road, Peliyagoda	279 P

## Buildings

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

## 4.2 Company

	Balance As at 01.04.2020 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2021 Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Land	702,444	-	-	702,444
Plant and Machinery	3,106,348	2,537	-	3,108,885
Furniture and Fittings	58,604	195	(76)	58,723
Office and Stores Equipment	120,673	9,082	(1,760)	127,995
Computer Hardware	114,783	8,712	(5,882)	117,613
Motor Vehicles	232,637	40,212	(41,919)	230,930
<b>Total Value of Depreciable Assets</b>	<b>4,335,489</b>	<b>60,738</b>	<b>(49,637)</b>	<b>4,346,590</b>
<b>In the Course of Construction</b>				
Capital Work In Progress	978,703	318,081	-	1,296,784
	978,703	318,081	-	1,296,784
<b>Total Gross Carrying Amount</b>	<b>5,314,192</b>	<b>378,819</b>	<b>(49,637)</b>	<b>5,643,374</b>
	Balance As at 01.04.2020 Rs. '000	Charge for the year Rs. '000	Disposals Rs. '000	Balance As at 31.03.2021 Rs. '000
<b>Accumulated Depreciation</b>				
<b>At Cost</b>				
Plant and Machinery	1,779,905	230,788	-	2,010,693
Furniture and Fittings	13,122	7,629	(76)	20,675
Office and Stores Equipment	69,843	16,992	(1,713)	85,122
Computer Hardware	82,897	15,225	(5,881)	92,241
Motor Vehicles	180,307	22,645	(41,919)	161,033
<b>Total Depreciation</b>	<b>2,126,074</b>	<b>293,279</b>	<b>(49,589)</b>	<b>2,369,764</b>



# NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	Rs.'000	Rs.'000
<b>Net Carrying Amounts</b>		
Land	702,444	702,444
Plant and Machinery	1,098,192	1,326,443
Furniture and Fittings	38,048	45,482
Office and Stores Equipment	42,873	50,830
Computer Hardware	25,372	31,886
Motor Vehicles	69,897	52,330
	<b>1,976,826</b>	<b>2,209,415</b>
Capital Work In Progress	1,296,784	978,703
	<b>1,296,784</b>	<b>978,703</b>
<b>Total Net Carrying Amount</b>	<b>3,273,610</b>	<b>3,188,118</b>

**4.2.1** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 378,819,094/- (2020 - Rs. 543,626,319/-). Cash payments amounting to Rs. 378,820,094 (2020 - Rs. 535,630,816 /-) were made during the year for purchase of Property, Plant and Equipment.

**4.2.2** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 416,875,487/- (2020 - Rs. 431,765,632/-) which are still in use.

**4.2.3** Details of Company's land and buildings stated at cost are indicated below;

## Land

Location	Extent
111, 167, 179, Negombo Road, Peliyagoda	279 P

## Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01

## 5. INVESTMENT PROPERTY

### Group/Company

	Balance As at 01.04.2020 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2021 Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Land	234,064	-	-	234,064
Building	426,233	75	-	426,308
<b>Total Value of Investment Property</b>	<b>660,297</b>	<b>75</b>	<b>-</b>	<b>660,372</b>
<b>Total Gross Carrying Amount</b>	<b>660,297</b>	<b>75</b>	<b>-</b>	<b>660,372</b>

	Balance As at 01.04.2020 Rs.'000	Charge for the year Rs.'000	Disposals Rs.'000	Balance As at 31.03.2021 Rs.'000
<b>Accumulated Depreciation</b>				
<b>At Cost</b>				
Building	1,769	10,657	-	12,426
<b>Total Depreciation</b>	<b>1,769</b>	<b>10,657</b>	<b>-</b>	<b>12,426</b>

	GROUP/COMPANY	
	2021 Rs.'000	2020 Rs.'000
Land	234,064	234,064
Building	413,882	424,464
	647,946	658,528
<b>Total Net Carrying Amount</b>	<b>647,946</b>	<b>658,528</b>

- 5.1** Investment Property of the Group/Company relates to land acquired by the Company in February 2012. The land with an extent of 2 Acres, 3 Roods and 23 Perches together with a building is situated at No 480, Handala, Wattala.
- 5.2** Level 3 fair value of the Investment Property as at 31 March 2021 is estimated to be Rs. 560,230,000/- (2020 - Rs. 509,300,000/-), and have been derived by considering the prevailing prices of similar lands in the same locality. Accordingly, price per perch of Rs. 1,210,000/- (2020 - Rs. 1,100,000/-) has been taken to arrive at the said fair value.

# NOTES TO THE FINANCIAL STATEMENTS

- 5.3** The Group/Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties or for repairs, maintenance and enhancements.
- 5.4** The Company has not generated any income during the year (2020-Nil). The operational expenses of the property had been limited to Security charges and General maintenance expenses amounting to Rs. 288,641/- for the year (2020 - Rs. 1,709,616/-).

## 6. INTANGIBLE ASSETS

	GROUP/COMPANY	
	2021	2020
	Rs.'000	Rs.'000
<b>At Cost</b>		
As at 1 April	680,953	463,162
Acquired during the year	5,914	4,460
Transferred From CWIP	-	213,331
As at 31 March	686,867	680,953
<b>In the Course of Construction</b>		
As at 1 April	-	220,882
Acquired during the year	-	876
Transferred to Cost	-	(213,331)
Transferred to Property, Plant and Equipment	-	(7,997)
Reversal of Over provision	-	(430)
As at 31 March	-	-
	686,867	680,953
<b>Amortization</b>		
As at 1 April	484,974	375,443
Amortization for the year	25,808	109,531
As at 31 March	510,782	484,974
<b>Net Book Value</b>	176,085	195,979

- 6.1** During the financial year, the Group/Company acquired Intangible Assets to the aggregate value of Rs.5,913,304/- (2020- Rs. 217,791,566/-). Cash payments amounting to Rs. 5,913,304/- (2020- Rs 5,336,179/-) were made by the Group/Company during the year for purchase of Intangible Assets.

## 7. SLFRS 16 - LEASES

### 7.1 Right of Use Asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the Company's incremental borrowing rate) adjusted for any lease payments made at or before the initial application date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of Use Lease assets of the Company is as follows;

The weighted average incremental borrowing rate applied to the lease liability is 12% (p.a.).

#### Group

	Balance As at 01.04.2020 Rs.'000	Additions Rs.'000	Advance Payment for Leases Rs.'000	Balance As at 31.03.2021 Rs.'000
<b>At Gross Value</b>				
Land	797,358	(8,017)	-	789,341
Buildings and installations	388,581	(3,786)	-	384,795
	1,185,939	(11,803)	-	1,174,136
	Balance As at 01.04.2020 Rs.'000	Charge for the year Rs.'000	De- Recognition Rs.'000	Balance As at 31.03.2021 Rs.'000
<b>Depreciation</b>				
Land	19,934	19,934	-	39,868
Buildings and installations	9,872	9,872	-	19,744
	29,806	29,806	-	59,612

# NOTES TO THE FINANCIAL STATEMENTS

	2021	2020
	Rs.'000	Rs.'000
Net book values		
Land	749,473	777,424
Building	365,051	378,709
	1,114,524	1,156,133

## 7.1.2 Company

	Balance As at 01.04.2020 Rs.'000	Additions Rs.'000	Advance Payment for Leases Rs.'000	Balance As at 31.03.2021 Rs.'000
At Gross Value				
Land	797,358	(8,017)	-	789,341
Buildings and installations	376,610	(3,786)	-	372,824
	1,173,968	(11,803)	-	1,162,165

	Balance As at 01.04.2020 Rs.'000	Charge for the year Rs.'000	De- Recognition Rs.'000	Balance As at 31.03.2021 Rs.'000
Depreciation				
Land	19,934	19,934	-	39,868
Buildings and installations	9,415	9,415	-	18,830
	29,349	29,349	-	58,698

	2021	2020
	Rs.'000	Rs.'000
Net book values		
Land	749,473	777,424
Building	353,994	367,195
	1,103,467	1,144,619



## 7.2 Lease Liability/Lease Creditor

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

### 7.2.1 Group

	Balance As at 01.04.2020	Additions	Accretion of Interest	Repayment During the Year	Balance As at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	802,979	(8,017)	95,760	(89,129)	801,593
Buildings and installations	391,162	(3,786)	46,653	(43,598)	390,431
	1,194,141	(11,803)	142,413	(132,727)	1,192,024
			Amount repayable within 1 year Rs.'000	Amount repayable after 1 year Rs.'000	Total Rs.'000
Lease Liability/Lease Creditor			99,012	1,093,012	1,192,024
			99,012	1,093,012	1,192,024

### 7.2.2 Company

	Balance As at 01.04.2020	Additions	Accretion of Interest	Repayment During the Year	Balance As at 31.03.2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	802,979	(8,017)	95,760	(89,129)	801,593
Buildings and installations	379,276	(3,786)	45,231	(42,099)	378,622
	1,182,255	(11,803)	140,991	(131,228)	1,180,215
			Amount repayable within 1 year Rs.'000	Amount repayable after 1 year Rs.'000	Total Rs.'000
Lease Liability/Lease Creditor			97,904	1,082,311	1,180,215
			97,904	1,082,311	1,180,215

# NOTES TO THE FINANCIAL STATEMENTS

## 7.2.3 Maturity analysis of lease liability as follows,

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Payable within one year</b>				
Gross liability	134,040	134,040	132,540	132,540
Finance cost allocated to future periods	(35,028)	(22,471)	(34,636)	(22,219)
Net liability transferred to current liabilities	99,012	111,569	97,904	110,321
<b>Payable within two to five years</b>				
Gross liability	410,125	549,546	405,625	543,546
Finance cost allocated to future periods	(170,584)	(207,645)	(168,714)	(205,384)
Net liability	239,541	341,901	236,911	338,162
<b>Payable after five years</b>				
Gross liability	5,582,775	5,638,299	5,552,398	5,607,925
Finance cost allocated to future periods	(4,729,304)	(4,897,628)	(4,706,998)	(4,874,153)
Net liability	853,471	740,671	845,400	733,772
Net liability payable after one year	1,093,012	1,082,572	1,082,311	1,071,934

## 7.2.4 The lease liability as at 31 March 2021 has been reassessed under the provisions of SLFRS 16 and both "Right-of-Use Asset" and "Lease Liability" has been enhanced. The Net liability as at 31 March 2021 as follows:

	Group	Company
	2021	2021
	Rs.'000	Rs.'000
<b>Payable within one year</b>		
Gross liability	6,126,940	6,090,563
Finance cost allocated to future periods	(4,934,916)	(4,910,348)
Net liability transferred to current liabilities	1,192,024	1,180,215

## 8. OTHER NON-CURRENT FINANCIAL ASSETS

	GROUP/COMPANY	
	2021	2020
Investment in Subsidiary	-	-
Equity Securities designated as FVOCI - Quoted Investments	367,512	452,332
- Unquoted Investments	11,702	17,377
	379,214	469,709

### 8.1 Investment in Subsidiary

	Holding %		COMPANY	
	2021	2020	Value 2021	Value 2020
			Rs. '000	Rs. '000
Non-quoted				
MJF Beverages (Private) Limited	100%	100%	300,750	300,750
Provision for Impairment of Investment in Subsidiary			(300,750)	(300,750)
			-	-

**8.2** An impairment assessment on investment in MJF Beverages (Private) Limited were carried out by the Board of Directors as the carrying value of the investment exceeds the net assets attributable of the Subsidiary as at 31 March 2021. Based on that assessment, the investment has been fully provided for as at 31 March 2021.

### 8.3

	Quoted Investments		Unquoted Investments		Total	
	Value 2021	Value 2020	Value 2021	Value 2020	Value 2021	Value 2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group/Company						
Equity Securities designated as FVOCI						
At the beginning of the year	452,332	494,917	17,377	17,377	469,709	512,294
Gain/(Loss) on Change in Fair Value	(84,820)	(42,585)	(5,675)	-	(90,495)	(42,585)
At the end of the year	367,512	452,332	11,702	17,377	379,214	469,709

# NOTES TO THE FINANCIAL STATEMENTS

## 8.4 Quoted Investments

	2021	2020	2021	2020
	No. of Shares		Rs. '000	
Kahawatte Plantation PLC	12,571,800	12,571,800	363,325	448,813
Renuka City Hotels PLC	17,500	17,500	3,959	3,343
John Keells Holdings PLC	1,476	1,476	219	170
Maskeliya Plantation PLC	800	800	9	5
Hapugastenna Plantation PLC	-	100	-	1
			367,512	452,332

The Group/Company mainly holds a non-controlling interests of 12.65% (2020 - 15.74%) in Kahawatte Plantations PLC. The fair value of quoted equity shares is determined by reference to published prices in the Colombo Stock Exchange.

## 8.5 Unquoted Investments

	2021	2020	2021	2020
	No. of Shares		Rs. '000	
Rainforest Ecolodge (Private) Limited	2,500,000	2,500,000	17,377	17,377
(-) Impairment on Unquoted Equity Securities			(5,675)	-
			11,702	17,377

The Group/Company holds a non-controlling interest of 5.25% (2020 - 5.25%) in Rainforest Ecolodge (Private) Limited - a Resort Company incorporated in Sri Lanka.

The fair value of unquoted investment in Rainforest Ecolodge (Private) Limited has been estimated considering the fair value of net assets held by Rainforest Ecolodge (Private) Limited as at 31 March 2021 and potential returns expected through its future operations.

## 9. INVENTORIES

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000		Rs. '000	
Raw Materials	659,167	484,043	651,110	482,454
Packing Materials	427,454	464,949	425,585	455,679
Finished Goods	227,378	98,401	225,448	96,892
Goods in Transit	-	67,111	-	67,111
Consumables and Spares	232,976	237,103	228,217	233,291
	1,546,975	1,351,607	1,530,360	1,335,427

## 10. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
		2021	2020	2021	2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Debtors	Related Party (Note 10.1)	2,134,996	2,420,165	2,120,708	2,407,332
	Others	2,436,254	2,372,016	2,428,193	2,362,435
		4,571,250	4,792,181	4,548,901	4,769,767
Less: Provision for Doubtful Debts (10.2)		(164,129)	(102,164)	(159,962)	(102,164)
		4,407,121	4,690,017	4,388,939	4,667,603
Other Receivables	Related Party (Note 10.3)	33,428	29,833	33,428	29,833
	Others	198,463	210,653	194,544	206,704
		4,639,012	4,930,503	4,616,911	4,904,140
<b>10.1 Trade Receivables - Related Party</b>					
	Relationship				
Dilmah Australia (Pty) Limited	Fellow Subsidiary	2,122,401	2,317,812	2,109,368	2,305,721
MJF Group Europe Holding B.V	Fellow Subsidiary	12,595	102,353	11,340	101,611
		2,134,996	2,420,165	2,120,708	2,407,332
<b>10.2 Movement of Provisions for Doubtful Debts</b>					
		GROUP		COMPANY	
		2021	2020	2021	2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 01 April		102,164	29,664	102,164	29,664
Charge for The Year		61,965	72,500	57,798	72,500
		164,129	102,164	159,962	102,164
<b>10.3 Other Receivables - Related Party</b>					
	Relationship				
MJF Exports Ltd - India	Fellow Subsidiary	33,428	29,833	33,428	29,833
		33,428	29,833	33,428	29,833



# NOTES TO THE FINANCIAL STATEMENTS

## 10.4 Trade Receivable - Age Analysis

	Total	Neither Past due nor Impaired	Past due but not impaired				
			0 -60	61-90	91-120	121-360	>360
			days	days	days	days	days
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>							
At 31 March 21	4,407,121	3,446,191	388,923	139,214	165,186	267,607	-
At 31 March 20	4,690,017	2,532,154	1,449,101	574,769	82,354	42,421	9,218
<b>Company</b>							
At 31 March 21	4,388,939	3,436,149	386,802	136,479	161,583	267,926	-
At 31 March 20	4,667,603	2,521,886	1,441,397	572,992	81,961	40,148	9,219

## 11. AMOUNTS DUE FROM RELATED PARTY

		2021	2020
	Relationship	Rs. '000	Rs. '000
Company			
MJF Beverages (Private) Limited	Subsidiary	165,848	155,815
Provision for Impairment of Amounts due from Related Party		(80,746)	(66,828)
		85,102	88,987

## 12. OTHER CURRENT FINANCIAL ASSETS

	2021	2020
	Rs. '000	Rs. '000
<b>Group/Company</b>		
<b>Debt Instruments designated as Amortized Cost</b>		
Sri Lanka Development Bonds	498,998	-
Sri Lanka Sovereign Bonds	1,044,603	-
	1,543,601	-

### 13. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Favorable Cash and Cash Equivalents Balances</b>				
Cash on Hand	684	866	642	709
Bank Balances	430,942	1,260,241	422,337	1,252,193
Short-term Deposits	2,739,201	3,584,393	2,739,201	3,584,393
	3,170,827	4,845,500	3,162,180	4,837,295

### 14. STATED CAPITAL

	GROUP/COMPANY			
	2021		2020	
	Number	Rs. '000	Number	Rs. '000
Fully Paid Ordinary Shares	20,737,500	642,500	20,737,500	642,500
	20,737,500	642,500	20,737,500	642,500

# NOTES TO THE FINANCIAL STATEMENTS

## 15. RETIREMENT BENEFIT OBLIGATION

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	234,340	242,043	229,392	237,076
Current Service Cost	23,327	19,329	22,795	18,783
Interest Cost	22,262	26,536	21,792	26,078
Actuarial (Gain)/Loss	25,256	(26,423)	24,783	(26,293)
Benefits Paid	(19,148)	(27,145)	(19,148)	(26,252)
As at 31 March	286,037	234,340	279,614	229,392

The employee retirement benefit liability of the Group/Company is based on the actuarial valuation carried out by Smiles Global (Private) Limited (2020 - Smiles Global (Private) Limited), Independent actuarial specialists as at 31 March 2021. The principal assumptions used are as follows:

	GROUP/COMPANY	
	2021	2020
Discount Rate	7%	9.5%
Future Salary Increment rate	10%	10%
Expected future working life time	4 - 7 Years	4 - 7 Years

### Sensitivity of Principal Assumptions used

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

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Discount Rate</b>				
1% increase	(9,512)	(6,438)	(9,232)	(6,242)
1% decrease	10,395	6,932	10,083	6,715
<b>Salary Increment Rate</b>				
1% increase	11,231	5,656	10,909	5,473
1% decrease	(10,495)	(5,334)	(10,200)	(5,168)

## 16. TRADE AND OTHER PAYABLES

		GROUP		COMPANY	
		2021	2020	2021	2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables	Related Party (Note 16.1)	62,398	88,483	62,621	88,483
	Other	305,796	369,161	305,600	367,639
		368,194	457,644	368,221	456,122
Other Payable		121,385	58,770	121,380	58,520
		489,579	516,414	489,601	514,642

### 16.1 Trade Payables - Related Party

	Relationship				
		2021	2020	2021	2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Printcare Universal (Private) Limited	Affiliate Company	31,031	20,581	31,031	20,581
Packages Lanka (Private) Limited	Affiliate Company	3,551	24,949	3,551	24,949
Timber Concepts (Private) Limited	Fellow Subsidiary	5,025	20,176	5,025	20,176
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	-	5,270	-	5,270
Print Care PLC	Affiliate Company	16,438	8,318	16,438	8,318
PCL Solutions (Private) Limited	Fellow Subsidiary	3,869	5,990	3,869	5,990
Dilmah Australia (Pty) Limited	Fellow Subsidiary	-	2,449	-	2,449
MJF Holdings Limited	Ultimate Parent	-	1	-	1
Forbes and Walkers Warehouse (Private) Limited	Fellow Subsidiary	-	348	-	348
Dilmah (SEA) PTE Ltd	Fellow Subsidiary	1,277	278	1,277	278
Cape Weligama (Private) Limited	Fellow Subsidiary	-	123	-	123
Dilmah Rus LLC	Fellow Subsidiary	1,200	-	1,200	-
MJF Beverages (Pvt) Ltd	Subsidiary			223	
MJF Group Europe Holding B.V.	Fellow Subsidiary	7	-	7	-
		62,398	88,483	62,621	88,483

## 17. SHORT TERM LOAN

		GROUP		COMPANY	
		2021	2020	2021	2020
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short Term Loan - Citibank		-	1,895,000	-	1,895,000
		-	1,895,000	-	1,895,000

In 2020, the Group has obtained a three month revolving facility of USD 10 Million from Citibank at an annual interest rate of 2.8%

# NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>18. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>				
Export Sales - Related Party (Note 18.1)	2,050,181	3,576,999	2,034,094	3,560,497
- Others	7,161,058	8,030,900	7,141,559	7,994,838
	9,211,239	11,607,899	9,175,653	11,555,335
Local Sales	748	2,163	-	-
	9,211,987	11,610,062	9,175,653	11,555,335
<b>18.1 EXPORT SALES - RELATED PARTY</b>				
Dilmah Australia (Pty) Limited	2,026,904	3,481,973	2,014,268	3,466,209
MJF Group Europe Holding B.V.	23,277	95,026	19,826	94,288
	2,050,181	3,576,999	2,034,094	3,560,497
All sales related to export sales are Tea and Value Added Tea sold across the Globe under the brand name Dilmah.				
Contract Assets arising from Revenue from Contracts from Customers only include Trade and Other Receivables. Refer Note No.10.				
<b>19. OTHER INCOME</b>				
Profit on Disposal of Property, Plant and Equipment	29,267	-	29,267	-
Income on Hire of Vehicles	3,336	3,588	3,336	3,588
Dividend from Equity Securities	5	75	5	75
Sundry Income	7,177	9,140	7,161	8,394
Service Fees	1,549	2,076	1,549	2,076
	41,334	14,879	41,318	14,133
<b>20. FINANCE COSTS</b>				
Interest Expense on Short Term Loans	54,847	40,428	54,847	40,428
Interest Expense on Early Settlements	118	210	116	210
Interest Expense on Lease Liability	142,413	142,719	140,991	141,287
	197,378	183,357	195,954	181,925
<b>21. FINANCE INCOME</b>				
Interest on Deposits and Saving Accounts	280,193	181,841	280,193	181,836
Interest on Bonds	117,457	-	117,457	-
Other Interest	143	320	143	320
	397,793	182,161	397,793	182,156



## 22. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b><i>Included in Cost of Sales:</i></b>				
Consumption of Tea and Packing Material	4,501,355	5,149,808	4,491,246	5,133,965
Employee Benefits including the following;	501,221	559,802	480,967	538,018
- Defined Benefit Plan Costs - Gratuity	14,201	14,677	13,199	13,672
- Defined Contribution Plan Costs - EPF and ETF	38,880	42,630	36,878	40,533
Depreciation	256,140	242,378	252,882	239,783
<b><i>Included in Administrative Expenses:</i></b>				
Employee Benefits including the following;	549,274	638,942	549,274	638,942
- Defined Benefit Plan Costs - Gratuity	31,388	31,128	31,388	31,128
- Defined Contribution Plan Costs - EPF and ETF	39,200	39,966	39,200	39,966
Directors' Fee and Emoluments	150,245	120,042	150,245	120,042
Donations	255,457	260,353	255,457	260,353
Amortisation of Intangible Assets	25,808	109,532	25,808	109,532
Depreciation	51,134	43,167	51,055	43,102
Impairment Loss on Trade Receivables	197,913	72,212	197,913	72,212
Statutory Audit fee	1,045	1,127	965	1,037
Other Audit Fees	5,071	-	5,071	-
Impairment Loss on Amounts due from Related Party	-	-	13,918	3,178
<b><i>Included in Selling and Distribution Costs:</i></b>				
Export Promotion	1,446,649	1,843,131	1,446,649	1,843,131

# NOTES TO THE FINANCIAL STATEMENTS

## 23. INCOME TAX EXPENSE

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

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Statement of Profit or Loss</b>				
<b>Current Income Tax</b>				
Current Income Tax Expense	230,443	341,893	230,443	341,893
Over Provision of Current Income Tax in respect of prior years	(1,983)	(1,220)	(1,983)	(1,220)
	228,460	340,673	228,460	340,673
<b>Deferred Income Tax</b>				
Deferred Taxation Charge (Reversed)	(63,570)	88,967	(63,966)	88,470
<b>Income Tax Expense recognised in Statement of Profit or Loss</b>	<b>164,890</b>	<b>429,640</b>	<b>164,494</b>	<b>429,143</b>
<b>Statement of Comprehensive Income</b>				
Deferred Tax attributable to re-measurement Gain on Employee Defined Benefit Liabilities	(3,536)	3,699	(3,470)	3,681
<b>Deferred Tax Charge recognised in Statement of Comprehensive Income</b>	<b>(3,536)</b>	<b>3,699</b>	<b>(3,470)</b>	<b>3,681</b>

### 23.1 Reconciliation between Current Tax Expense and Accounting Profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 March are as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before Tax	1,914,605	1,988,887	1,914,605	1,988,887
Intra-group Eliminations	(2,806)	(1,806)	-	-
	1,911,799	1,987,081	1,914,605	1,988,887
Disallowable Expenses	912,163	928,630	914,390	924,966
Allowable Expenses	(273,130)	(261,095)	(263,779)	(253,403)
Allowable Income	(885,104)	(358,544)	(885,104)	(357,957)
<b>Taxable Profit</b>	<b>1,665,728</b>	<b>2,296,072</b>	<b>1,680,112</b>	<b>2,302,493</b>



	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Taxable Income at 14%</b>				
Business profit	1,665,728	2,302,493	1,680,112	2,302,493
Investment Income	401,134	182,161	401,134	182,156
Allowable Income	(394,885)	(43,801)	(394,885)	(43,797)
Taxable Other Income at 24%	-	(1,743)	-	(1,742)
Qualifying Payments	(40,342)	-	(40,342)	-
Tax Losses Brought Forward and Utilised	14,384	-	-	-
	1,646,019	2,439,110	1,646,019	2,439,110
<b>Taxable Other Income at 24%</b>	-	1,743	-	1,742
Investment income (Excluding FCBU interest)	-	1,743	-	1,742
Income Tax at 14% on Taxable income	230,443	341,475	230,443	341,475
Income Tax at 24% on Taxable Other income	-	418	-	418
Current Income Tax Expense	230,443	341,893	230,443	341,893
	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>23.2 Income Tax (Receivable) / Payable</b>				
At the beginning of the year	255,552	57,900	255,921	57,959
Current Income Tax Expense	230,443	341,893	230,443	341,893
Over Provision of Current Income Tax in respect of prior years	(1,983)	(1,220)	(1,983)	(1,220)
Income tax paid / Set off	(292,262)	(143,021)	(292,262)	(142,711)
At the end of the year	191,750	255,552	192,119	255,921
Income tax Payable	191,750	255,552	192,119	255,921
	191,750	255,552	192,119	255,921
<b>23.3 Tax Losses</b>				
At the beginning of the year	46,816	35,497	-	-
Adjustment for tax losses brought forward	(39,399)	3,898	-	-
Loss incurred during the year	14,384	7,421	-	-
Loss set-off for the current year	-	-	-	-
At the end of the year	21,801	46,816	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 23.4 Deferred Tax Liabilities

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF COMPREHENSIVE INCOME	
	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>						
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes	261,470	292,660	(31,190)	96,816	-	-
<b>Deferred Tax Assets</b>						
Unclaimed Right of Use Asset Rentals	(10,942)	(5,321)	(5,621)	(5,321)	-	-
Defined Benefit Plans	(40,046)	(32,808)	(3,703)	(2,528)	(3,536)	3,699
Provision for Doubtful Debt	(22,395)	-	(22,395)	-	-	-
Provision for Slow Moving Inventory	(661)	-	(661)	-	-	-
Tax Losses	-	-	-	-	-	-
Deferred Income Tax Charge			(63,570)	88,967	(3,536)	3,699
<b>Net Deferred Tax Liability</b>	<b>187,426</b>	<b>254,531</b>				
<b>Company</b>						
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes	255,967	287,641	(31,674)	96,252	-	-
<b>Deferred Tax Assets</b>						
Unclaimed Right of Use Asset Rentals	(10,942)	(5,269)	(5,673)	(5,269)	-	-
Defined Benefit Plans	(39,146)	(32,115)	(3,563)	(2,513)	(3,470)	3,681
Provision for Doubtful Debt	(22,395)	-	(22,395)	-	-	-
Provision for Slow Moving Inventory	(661)	-	(661)	-	-	-
Tax Losses	-	-	-	-	-	-
Deferred Income Tax Charge			(63,966)	88,470	(3,470)	3,681
<b>Net Deferred Tax Liability</b>	<b>182,823</b>	<b>250,257</b>				



## 24. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit after taxation over the weighted average number of ordinary shares in issue during the year.

Given below is the computation of earning per share:

### Group

	2021	2020
	Rs. '000	Rs. '000
<b>Amount Used as the Numerator:</b>		
Profit for the year	1,749,715	1,559,247
	Number	Number
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares *	20,738	20,738

### Company

	2021	2020
	Rs. '000	Rs. '000
<b>Amount Used as the Numerator:</b>		
Profit for the year	1,750,111	1,559,744
	Number	Number
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares *	20,738	20,738

## 25. DIVIDEND PER SHARE

	GROUP/COMPANY	
	2021	2020
	Rs. '000	Rs. '000
<b>Dividend paid on Ordinary Shares during the year</b>		
Final Dividend for 2020 - Rs.5.00 (2019 - Rs. 15.00) per share	103,688	311,062
Interim Dividend for 2021 - Nil (2020 - Rs. 20.00) per share	-	414,750
	103,688	725,812
<b>Dividend per Share (Rs.)*</b>	<b>5.00</b>	<b>35.00</b>

\*Dividend per share is calculated by considering the dividend paid for the year divided by the number of shares in issue which ranked for those dividend.



# NOTES TO THE FINANCIAL STATEMENTS

## 26. SEGMENTAL INFORMATION

The Group does not have separately distinguishable components within the enterprise that is engaged in providing individual products or services or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

For management purposes, the Group monitors the sales and the costs associated with the different product types offered in evaluating the profitability of the same as follows;

### 26.1 Business Segment - Group

	Tea Bags		Tea Packets		Other*		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue from Contracts with Customers	7,352,160	9,652,276	1,742,974	1,782,363	116,853	175,423	9,211,987	11,610,062
Cost of Sales	(4,360,293)	(5,141,473)	(1,033,769)	(959,699)	(69,528)	(121,160)	(5,463,590)	(6,222,332)
Segment Gross Profit	2,991,867	4,510,803	709,205	822,664	47,325	54,263	3,748,397	5,387,730

### 26.2 Business Segment - Company

	Tea Bags		Tea Packets		Other*		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue from Contracts with Customers	7,352,160	9,652,276	1,742,974	1,782,363	80,519	120,696	9,175,653	11,555,335
Cost of Sales	(4,360,293)	(5,141,471)	(1,033,769)	(959,699)	(25,054)	(64,982)	(5,419,116)	(6,166,152)
Segment Gross Profit	2,991,867	4,510,805	709,205	822,664	55,465	55,714	3,756,537	5,389,183

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

Management considers that there is no suitable basis for allocating assets, related liabilities and operating expenses to business segments. Accordingly, segment assets, segment liabilities, segment operating expenses and other segment information by business segment is not disclosed.

## 27. CONTINGENCIES AND COMMITMENTS

As at reporting date, the Group and Company has following commitments and contingencies arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

	GROUP/COMPANY	
	2021	2020
	Rs. '000	Rs. '000
<b>27.1 Capital Expenditure Commitments</b>		
Estimated capital expenditure contracted but not provided for;		
Tea Bagging Machines	278,778	224,040
Factory Automation Project	81,900	334,670
Finance Automation Project - Bank Reconciliation	4,000	
	364,678	558,710

**27.2.2 The Company has given a corporate guarantee to the following Affiliated Comapny**

Company in favour	Relationship	Bank	2021	2020
			Rs. '000	Rs. '000
Cape Weligama (Pvt) Ltd	Fellow Subsidiaries	The Hongkong & Shanghai Banking Corporation Limited	1,815,420	1,815,420

## 28. ASSETS PLEDGED

There are no material assets pledged as at the reporting date.

## 29. EVENTS OCCURRING AFTER THE REPORTING DATE

After satisfying the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors recommended the payment of a final dividend of Rs. 18/- per ordinary share for the year ended 31 March 2021. However, in accordance with LKAS 10 - Events After the end of the Reporting Period of the Sri Lanka Accounting Standards, the proposed final dividend has not been recognized as a liability as at 31 March 2021. This would result in a total outflow of Rs. 373,275,000/- subject to approval at the forthcoming Annual General Meeting.

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

### 30. RELATED PARTY DISCLOSURES

Related parties represent the shareholders, key management personnel of the Company, close family members of key management personnel's and entities controlled or jointly controlled by such parties Pricing policies and terms of transactions with these related parties are approved by the Group/Company's management.

#### 30.1 Related Party Transactions

Transactions with related parties are as follows:

Group	Transaction Value				
	2021		2020		
	Rs. '000	Rs. '000			
Recurrent Transactions exceeds 10% of Revenue					
Name of the Company	Relationship	Nature of Transaction	Terms		
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	2,026,905	3,481,973
As a % of revenue				22%	30%
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on Relevant Commercial terms.					
Recurrent Transactions not exceeds 10% of Revenue					
Name of the Company	Relationship	Nature of Transaction			
MJF Teas (Private) Limited	Parent Company	Rent Expenses		(40,563)	(41,103)
MJF Exports (Private) Limited	Fellow Subsidiary	Local Sales		542	2,163
		Transfer of Tea and Packing Materials		224,880	364,979
		Vehicles Hire Income		1,193	1,358
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials		(279,359)	(341,514)
Printcare PLC	Affiliate Company	Purchase of Packing Materials		(158,946)	(207,214)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(50,371)	(103,700)
		Vehicles Hire Income		15	82
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(18,514)	(34,786)
		Vehicles Hire Income		395	128
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials		(172,899)	(352,306)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses		(90,665)	(91,898)
Kahawatte Plantations PLC	Fellow Subsidiary	Rent Expenses		(1,500)	(1,515)
		Vehicles Hire Income		360	-
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		960	960
MJF Tea Gardens (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		-	306
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income		45	209
		Donations		(209,658)	(260,000)

Company	Transaction Value			
	2021		2020	
	Rs. '000		Rs. '000	
Recurrent Transactions exceeds 10% of Revenue				
Name of the Company	Relationship	Nature of Transaction	Terms	
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	3,466,209
As a % of revenue			22%	30%
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on Relevant Commercial terms.				
Recurrent Transactions not exceeds 10% of Revenue				
Name of the Company	Relationship	Nature of Transaction		
MJF Teas (Private) Limited	Parent Company	Rent Expenses	(40,563)	(41,103)
MJF Exports (Private) Limited	Fellow Subsidiary	Transfer of Tea and Packing Materials	224,880	364,979
		Vehicles Hire Income	1,193	1,358
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials	(279,359)	(341,514)
Print care PLC	Affiliate Company	Purchase of Packing Materials	(158,946)	(207,214)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(50,371)	(103,700)
		Vehicles Hire Income	15	82
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(18,514)	(34,786)
		Vehicles Hire Income	395	128
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials	(172,899)	(352,306)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses	(90,665)	(91,898)
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	960	960
MJF Tea Gardens (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	-	306
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income	45	209
		Donations	(209,658)	(260,000)

### 30.2 Transactions with Key Management Personnel of the entity or parent

Key Management Personnel include the Board of Directors of the Company and its Subsidiary.

	GROUP/COMPANY	
	2021	2020
	Rs. '000	Rs. '000
Key Management Personnel Compensation		
Short-term Employee Benefits	150,245	120,042
Post Employment Benefits	12,695	8,932
	162,940	128,974

No material transactions have taken place during the year with the parties/entities in which key management personnel or their close family members have control or jointly control, which require disclosure in these Financial Statements other than those disclosed under 30.1.



# NOTES TO THE FINANCIAL STATEMENTS

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade payables, amounts due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include bank balances and cash, short-term deposits, trade receivables, amounts due from related parties and other receivables that derive directly from its operations. The Group also holds equity securities.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk of the Group comprises interest rate risk, foreign currency risk and equity price risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates.

The following table demonstrates the sensitivity of the Statement of Profit or Loss to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities. As at the reporting date there were no interest bearing loans and borrowings and there are the Group is not exposed to interest rate risk.

### Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Trade receivables of the Group include an amount of Rs. 2,272 Mn (2020 - Rs. 2,270 Mn) and the Company include an amount of Rs. 2,268 Mn (2020 - Rs. 2,260 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Bank balances of the Group include an amount of Rs. 431 Mn (2020 - Rs. 1,260 Mn) and the Company include an amount of Rs. 422 Mn (2020 - Rs. 1,252 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Short-term deposits of the Group include an amount of Rs. 2,739 million (2020 - Rs. 3,584 Mn) and the Company include an amount of Rs. 2,739 Mn (2020 - Rs. 3,584 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Amounts due from related parties of the Group include an Amount of Rs. 2,168 Mn (2020 - Rs.2,449 Mn ) and the Company include an amount of Rs. 2,154 Mn (2020 - 2,437 Mn) due in foreign currencies mainly in United States Dollars, Australian Dollars and EURO.

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollars exchange rates by 5%, with all other variables held constant, of the Group's/Company's profit due to changes in the fair value of monetary assets and liabilities held as at reporting date. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.



# NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY	
	Effect on Profit for the year		Effect on Profit for the year	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollars	250,270	316,702	249,633	315,948
Australian Dollars	119,015	142,491	118,363	141,886
Other	10,143	16,394	10,069	16,304
	379,428	475,587	378,065	474,138

## Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the equity price and key assumptions used to fair value listed and unlisted equity securities.

At the reporting date, the unlisted equity security is fair valued at Rs. 12 Mn (2020 - Rs. 17 Mn). The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2021 and potential returns expected through its future operations.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	GROUP/COMPANY			
	Change in Equity Price	Effect on Equity	Change in Equity Price	Effect on Equity
	2021	2021	2020	2020
	Rs. '000		Rs. '000	
Fair Value Through Other Comprehensive Income Investments				
Quoted Investments	+10%	36,751	+10%	45,233

## Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily trade receivables and amounts due from related parties and from its financing activities, including deposits with banks and other financial instruments.

The Group trades only with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures as and a majority of these trade receivables are not secured. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.



As at 31 March 2021, short term deposits and bank balances comprise 100% (2020 - 100%) for the Group and Company were rated "A" or better

With respect to credit risk arising from the deposits with banks, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the Statement of Financial Position. Exposures are considered of good credit standing and management believes there is a minimal risk of default thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

The credit risk arising from the financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Receivables	2,272,125	2,269,852	2,268,231	2,260,271
Other Receivables	198,463	210,653	194,544	206,704
Amounts due from Related Parties	2,168,424	2,449,998	2,154,136	2,437,165
Short-term Deposits	2,739,201	3,584,393	2,739,201	3,584,393
Bank Balances	430,942	1,260,241	422,337	1,252,193
	7,809,155	9,775,137	7,778,449	9,740,726

Management has assessed the existing and anticipated effect of COVID -19 on recoverability of trade and other receivable and concluded that Company and its subsidiaries don't have significant doubt on recoverability of trade and other receivable. Therefore, no incremental impairment allowance has been recognised.

#### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or destructing the Group's operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of the Group's own reserves, funds from the shareholders and bank facilities.

The table below summarises the maturity profile of the Group's financial liabilities as at reporting date, based on contractual undiscounted payments.

# NOTES TO THE FINANCIAL STATEMENTS

	On Demand	Less than 3 Months	3 to 12 Months	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>As at 31st March 2021</b>				
<b>Group</b>				
Trade Payables	5,437	67,795	232,564	305,796
Amounts due to Related Parties	-	62,398	-	62,398
Other Payables	59,364	10,728	51,293	121,385
	64,801	140,921	283,857	489,579
<b>Company</b>				
Trade Payables	5,241	67,795	232,564	305,600
Amounts due to Related Parties	-	62,621	-	62,621
Other Payables	59,359	10,728	51,293	121,380
	64,600	141,144	283,857	489,601
<b>As at 31st March 2020</b>				
<b>Group</b>				
Trade Payables	1,522	207,428	160,212	369,162
Amounts due to Related Parties	2,365	86,117	-	88,482
Interest Bearing Loans and Borrowings	-	1,895,000	-	1,895,000
Other Payables	9,112	14,871	34,787	58,770
	12,999	2,203,416	194,999	2,411,414
<b>Company</b>				
Trade Payables	-	207,428	160,212	367,640
Amounts due to Related Parties	2,365	86,117	-	88,482
Interest Bearing Loans and Borrowings	-	1,895,000	-	1,895,000
Other Payables	8,862	14,871	34,787	58,520
	11,227	2,203,416	194,999	2,409,642

Management has assessed the existing and anticipated effect of COVID -19 on liquidity of the Company and its subsidiaries to settle liabilities when it is due and management are satisfied that the Company and its subsidiaries don't have significant concerns relating to the Group's liquidity.

### Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Company may issue new shares or adjust dividend payments to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 March 2021 and 2020.

Capital, which includes stated capital, fair value through other comprehensive income reserve and retained earnings of the Group is measured at Rs. 13,876 million as at 31 March 2021 (2020 - Rs. 12,336 million) and the Company is measured at Rs. 13,670 million as at 31 March 2021 (2020 - Rs. 12,329 million).

## 32. FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, short-term deposits, trade receivables, amounts due from related parties, other receivables and Financial asset at fair value through other comprehensive income investments.

Financial liabilities consist of trade payables, amounts due to related parties, interest bearing loans and borrowings and other payables.

The following table provides the fair value measurement hierarchy of the Group's assets which are stated at Fair value.



		GROUP/COMPANY FAIR VALUE MEASUREMENT USING			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Assets measured at fair value:</b>					
<b>As at 31 March 2021</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2021	367,512	367,512	-	-
Unquoted Investments	31 March 2021	11,702	-	-	11,702
Fair Value Through Other Comprehensive Income Investments as at 31 March 2021		379,214	367,512	-	11,702
<b>As at 31 March 2020</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2020	452,332	452,332	-	-
Unquoted Investments	31 March 2020	17,377	-	-	17,377
Fair Value Through Other Comprehensive Income Investments as at 31 March 2020		469,709	452,332	-	17,377

The fair value of unquoted investment has been estimated considering the fair value of adjusted net assets held by investee as at 31 March 2021 and potential returns expected through its future operations.

During the reporting period ending 31 March 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of other financial instruments are not materially different from their carrying values.



# FIVE YEAR SUMMARY - COMPANY

	2021	2020	2019	2018	2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>TRADING RESULTS</b>					
Turnover	9,175,653	11,555,335	10,676,761	9,177,758	7,288,357
Operating Expenses	8,719,655	9,988,218	9,843,218	8,427,774	6,924,578
Other Income	1,654,561	603,696	875,360	554,531	619,712
Interest Expense	195,954	181,925	14,451	34,417	19,325
Profit before Income Tax	1,914,605	1,988,887	1,694,452	1,270,098	964,166
Income Tax on Profits	164,494	429,143	110,638	77,219	136,664
Profit for the Year	1,750,111	1,559,744	1,583,814	1,192,879	827,502
<b>SHAREHOLDERS' FUNDS</b>					
Stated Capital	642,500	642,500	642,500	642,500	200,000
Reserves	13,227,176	11,686,886	10,872,927	9,683,293	9,881,216
<b>NET ASSETS</b>	<b>13,869,676</b>	<b>12,329,386</b>	<b>11,515,427</b>	<b>10,325,793</b>	<b>10,081,216</b>
<b>ASSETS</b>					
Property , Plant & Equipment	3,273,610	3,188,118	2,943,485	3,032,933	2,326,180
Investment Property	647,946	658,528	640,838	516,074	234,064
Intangible Assets	176,085	195,978	308,601	442,928	444,684
Right of Use Assets	1,103,467	1,144,619	-	-	-
Other Financial Assets / Investments	379,214	469,709	512,294	503,846	523,444
<b>Current Assets</b>	<b>11,178,152</b>	<b>11,613,492</b>	<b>8,377,277</b>	<b>7,107,235</b>	<b>9,125,302</b>
<b>LIABILITIES</b>					
Non-current Liabilities	1,544,748	1,551,583	395,182	426,887	316,206
Current Liabilities	1,344,050	3,389,476	871,886	850,336	2,256,252
<b>NET ASSETS</b>	<b>13,869,676</b>	<b>12,329,386</b>	<b>11,515,427</b>	<b>10,325,793</b>	<b>10,081,216</b>
Market Price Per Share (Rs.)	636.75	531.00	619.90	554.90	599.90
Dividend Per Share (Rs.)	18.00	25.00	20.00	45.00	15.00
Total Dividend Rs. 000s (Gross)	373,275	518,438	414,750	933,188	300,000
No of Shares	20,737,500	20,737,500	20,737,500	20,737,500	20,000,000
<b>RATIOS</b>					
Return on Average Shareholders Funds (%)	13.36	13.08	14.50	11.55	8.37
Earnings Per Share (Rs)	84.39	75.21	76.37	58.74	41.37
Dividend Cover (times)	4.69	3.01	2.18	1.28	2.76
Liquidity (times)	8.32	3.43	9.61	8.36	4.04



# INFORMATION TO INVESTORS

31st March 2021

## 1. STOCK EXCHANGE LISTING

The issued ordinary shares of Dilmah Ceylon Tea Company PLC are listed on the Colombo Stock Exchange.

## 2. ORDINARY SHAREHOLDERS

Number of Shares	Number of Shareholders	Total Holding	% Holding
1 - 1,000	980	65,927	0.32%
1,001 - 5,000	56	147,753	0.71%
5,001 - 10,000	14	103,862	0.50%
10,001 - 50,000	26	569,110	2.74%
50,001 - 100,000	3	203,485	0.98%
100,001 - 500,000	-	-	0.00%
500,001 - 1,000,000	-	-	0.00%
1,000,001 - Over	3	19,647,363	94.75%
<b>Total</b>	<b>1,082</b>	<b>20,737,500</b>	<b>100.00%</b>

## 3. ORDINARY SHAREHOLDERS

Number of Shares	Number of Shareholders	Total Holding	% Holding
Individuals	1,028	894,113	4.31%
Institutions	54	19,843,387	95.69%
<b>Total</b>	<b>1,082</b>	<b>20,737,500</b>	<b>100.00%</b>

Number of Public Shareholders as at 31st March 2021 was 1071

2,554,022 (12.32%) shares were held by the public as at 31st March 2021

The float adjusted market capitalization is Rs. 1,626,807,105/-

The Company is listed on the Dirisavi Board having complied with a minimum public holding 10% of the total listed shares in the hands of a minimum of 200 public shareholders.

## 4. SHARE TRADING

Number of Shares	2021	2020	2019	2018	2017
No of Transactions	1,376	532	319	780	277
No of Shares Traded	36,813	16,553	18,317	43,847	40,955
Value of Shares Traded	25,066,297	9,258,053	11,001,198	24,890,630	29,939,882

## 5. DIVIDENDS

Number of Shares	2021	2020	2019	2018	2017
Interim	-	20/-	20/-	Rs. 15/-	-
Final	18/-	5/-	15/-	Rs. 30/-	Rs. 15/-
Amount (Rs.000's) Gross	373,275	518,437	725,813	933,187	300,000



## 6. EARNINGS

Number of Shares	2021	2020	2019	2018	2017
Earnings/share Rs.	84.38	75.19	76.71	57.48	41.37
P/E Ratio	7.55	7.06	8.08	9.65	14.15

## 7. MARKET VALUES (RS.)

Number of Shares	2021	2020	2019	2018	2017
Highest	799.00	605.00	630.00	600.00	850.00
Lowest	500.50	480.00	530.00	520.00	565.00
Year End	636.75	531.00	619.90	554.90	599.90

The weighted average trading price for the year was Rs. 680.91

## 8. MARKET CAPITALISATION (RS.MILLION)

Number of Shares	2021	2020	2019	2018	2017
Capital & Reserves	13,870	12,329	11,312	10,326	10,112
Market Capitalization	13,205	11,012	12,855	11,507	11,998

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

SHAREHOLDER NAME	31.03.2021		31.03.2020	
	TOTAL SHARES	%	TOTAL SHARES	%
MJF Teas (Pvt) Ltd	13,812,882	66.61%	13,812,882	66.61%
MJF Exports (Pvt) Ltd	4,256,712	20.53%	4,256,712	20.53%
Employees Provident Fund	1,577,769	7.61%	1,577,769	7.61%
Mrs. S.T.Fernando	79,501	0.38%	156,019	0.75%
GF Capital Global Limited	69,700	0.34%	69,700	0.34%
Mrs. A.S.Fernando	54,284	0.26%	24,284	0.12%
Mr. W.H.M.Fernando	46,662	0.23%	-	0.00%
Mrs. S.T.F.Ortiz	42,854	0.21%	42,854	0.21%
Mr. A.W.Athukorala	36,750	0.18%	36,750	0.18%
Mr. M.W.De Silva	34,830	0.17%	34,830	0.17%
Mr. H.A. Van Starrex	32,850	0.16%	32,850	0.16%
Mr. J.W.Burton	32,270	0.16%	32,270	0.16%
Merrill J Fernando & Sons (Pvt) Ltd	25,300	0.12%	25,300	0.12%
Mr. M.J.Fernando	24,200	0.12%	24,200	0.12%
Mr. D.C.Fernando	24,200	0.12%	24,200	0.12%
Dr. K.Poologasundram	23,808	0.11%	23,808	0.11%
Mr. H.S.Ranaweera	22,984	0.11%	22,984	0.11%
Ms. N.Harnam	22,265	0.11%	22,265	0.11%
Mr. H.R.Peries	21,200	0.10%	21,200	0.10%
Mr.H.D.A.D.Perera	20,467	0.10%	20,467	0.10%
	20,261,488	97.73%	20,261,344	97.73%

# GRI Content Index

GRI Standard	Disclosure	Page number	Omission
"GRI 101: Foundation 2016 (does not include any disclosures)"			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	4	
	102-2 Activities, brands, products and services	8	
	102-3 Location of headquarters	126	
	102-4 Location of operations	126	
	102-5 Ownership and legal form	26	
	102-6 Markets served	63, 64, 69	
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	102-8 Information on employees and other workers	47, 48	
	102-9 Supply chain	68	
	102-10 Significant changes to the organisation and supply chain	68	
	102-11 Precautionary principle	24	
	102-12 External initiatives	26	
	102-13 Membership of associations	31, 36, 37	
	102-14 Statement from senior decision-maker	16	
	102-16 Values, principles, norms and standards of behaviour	1, 20, 21, 99	
	102-18 Governance Structure	95	
	102-40 List of stakeholder groups	36, 37	
	102-41 Collective bargaining agreements	7	
	102-42 Identifying and selecting stakeholders	34, 35	
	102-43 Approach to stakeholder engagement	29, 30	
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	102-45 Entities included in the consolidated financial statements	126	
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GRI Standard	Disclosure	Page number	Omission
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	102-52 Reporting cycle	4	
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Procurement practices			
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	103-2 The Management Approach and its components	62 - 71	
	103-3 Evaluation of the Management Approach	62 - 71	
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	7, 68	
Materials			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	83, 89	
	103-2 The Management Approach and its components	89	
	103-3 Evaluation of the Management Approach	89	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	89	
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	83, 85	
	103-2 The Management Approach and its components	85	
	103-3 Evaluation of the Management Approach	85	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	7, 85	
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	83	
	103-2 The Management Approach and its components	83	
	103-3 Evaluation of the Management Approach	83	
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	305-2 Energy indirect greenhouse gas (GHG) emissions	7, 84	
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	305-4 Greenhouse gas (GHG) emission intensity	84	

GRI Standard	Disclosure	Page number	Omission
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GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	83, 88	
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GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	81, 83	
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GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	80, 82, 83	
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GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	47, 48	
	103-2 The Management Approach and its components	48, 49	
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GRI 401: Employment 2016	401-1 Employee hires and turnover	49, 55	
	401-2 Benefits provided to full time employees that are not provided to temporary or part-time employees	53	
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GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	54	
	103-2 The Management Approach and its components	54	
	103-3 Evaluation of the Management Approach	54	
GRI 404: Training and education 2016	404-2 Programmes for upgrading skills and transition assistance programmes	54, 55	
	404-3 Percentage of employees receiving regular performance and career development reviews	52	
Local Communities			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	69	
	103-2 The Management Approach and its components	69, 71	
	103-3 Evaluation of the Management Approach	69, 71	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	69, 71	







# Notice of Meeting

Notice is hereby given that the 40th Annual General Meeting of Dilmah Ceylon Tea Company PLC to be convened on 30th September 2021 at 11.00 am at 111, Negombo Road, Peliyagoda through the Microsoft Teams virtual platform to take the matters under the agenda of the meeting as follows;

1. Read the notice convening the meeting
2. To re-appoint as a Director, Mr. Merrill Joseph Fernando who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution:  
"IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Merrill J. Fernando and Mr. Merrill J. Fernando be and is hereby re-appointed a Director of the Company as provided for in Section 211 (1) of the Companies Act No. 07 of 2007."
3. To re-appoint as a Director, Mr. Himendra S. Ranaweera who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution  
"IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Himendra S. Ranaweera and Mr. Himendra S. Ranaweera be and is hereby re-appointed a Director of the Company as provided for in Section 211 (1) of the Companies Act No. 07 of 2007."
4. To re-appoint as a Director, Mr. Gritakumar E. Chitty who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution  
"IT IS HEREBY RESOLVED THAT that the age limit of 70 years referred to in Section 210 of the Companies Act shall not apply to Mr. Gritakumar E. Chitty and Mr. Gritakumar E. Chitty be and is hereby re-appointed a Director of the Company as provided for in Section 211 (1) of the Companies Act No. 07 of 2007."
5. To re-appoint as a Director, Mr. Rajanayagam Asirwatham who retires in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following resolution  
"IT IS HEREBY RESOLVED THAT that the age limit of

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

6. To re-elect as a Director, Mr. Malik Fernando who retires by rotation under Article 24 of the Articles of Association.
7. To receive and adopt the Annual Report of the Board of Directors on the affairs of the Company and Financial Statements for the year ended 31st March 2021 along with the Report of the Auditors thereon.
8. To declare a final dividend of Rs. 18/- per share as recommended by the Board of Directors.
9. To re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.
10. To authorise the Directors to determined and make donations and contributions to charities.

By order of the Board,  
**DILMAH CEYLON TEA COMPANY PLC**



**Ms. Jayanga Wegodapola**  
Company Secretary

At Colombo  
23rd August 2021

## Notes:

- A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
- A Proxy need not be a shareholder of the Company.
- A Form of Proxy accompanies this Notice.
- The completed Proxy should be delivered to Registered Office of the Company, Dilmah Ceylon Tea Company PLC, No.111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to [info@dilmahtea.com](mailto:info@dilmahtea.com) by or before 11.00 a.m. on 28<sup>th</sup> September 2021.

# Form of Proxy

I / We .....

NIC No ..... of .....

..... being shareholders of Dilmah Ceylon Tea Company PLC hereby appoint: .....

..... NIC No ..... of .....

..... or failing him/her

Mr. Merrill Joseph Fernando of Colombo or failing him

Mr. Malik Joseph Fernando of Colombo or failing him

Mr. Dilhan Chrishantha Fernando of Colombo or failing him

Mr. Himendra Somasiri Ranaweera of Colombo or failing him

Ms. Minette Delicia Anne Perera of Colombo or failing her

Mr. Roshan Conrad Tissaarachy of Colombo or failing him

Mr. Rajanayagam Nalliah Asirwatham of Colombo or failing him

Mr. Gritakumar Edmund Chitty of Colombo or failing him

Mr. Darshana Gunasekera of Colombo

As my / our Proxy to attend and vote for me / us on my / our behalf at the Fortieth Annual General Meeting of the Company to be held on the 30th September 2021 at 11.00 a.m. and any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

- |  | For                      | Against                  |
|--|--------------------------|--------------------------|
| 1. To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr. Merrill Joseph Fernando, as a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment Mr. Himendra S. Ranaweera as a Director of the Company.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting to re-appoint Mr. Gritakumar E. Chitty, as a Director of the Company.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To pass the ordinary resolution set out under item 5 of the Notice of Meeting to re-appoint Mr. Rajanayagam Asirwatham, as a Director of the Company  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To pass the ordinary resolution set out under item 6 of the Notice of Meeting to re-elect as a Director, Mr. Malik J Fernando who retires by rotation under section 24 of the Articles of Association   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To pass the ordinary resolution set out under item 7 of the Notice of Meeting to receive and adopt the Annual Report of the Board of Directors on the affairs of the Company and Financial Statements for the year ended 31st March 2021 along with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To pass the ordinary resolution set out under item 8 of the Notice of Meeting to declare a final dividend of Rs. 18/- per share as recommended by the Board of Directors.   | <input type="checkbox"/> | <input type="checkbox"/> |



# Form of Proxy

8. To pass the ordinary resolution set out under item 9 of the Notice of Meeting to re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.

For	Against
<input type="checkbox"/>	<input type="checkbox"/>

9. To pass the ordinary resolution set out under item 10 of the Notice of Meeting to authorise the Directors to determine and make donations and contributions to charities.

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

As Witness my hand / our hands this ..... day ..... of 2021

Signature: .....

- N.B.**
1. Please delete the inappropriate words
  2. Instructions as to completion are given below
  3. A Proxy need not be a member of the Company

## Instructions as to Completion

1. Kindly perfect the Proxy by filling legibly your full name and address and by signing in the space provided and filling in the date of signature.
2. In the case of corporate members, the proxy form must be under the seal or hand of an authorised officer or attorney.
3. If the proxy form is signed by an attorney, the relevant Power of Attorney should accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
4. The completed proxy form should be deposited at the registered office of the Company at the address given below not less than 48 hours before the time appointed for the Meeting.

Dilmah Ceylon Tea Company PLC  
111, Negombo Road  
Peliyagoda



# Corporate Information

## Legal Form

Quoted Public Company with Limited Liability Incorporated in Sri Lanka in 1981

## Company Registration Number

PQ 209

## Registered Office

111, Negombo Road, Peliyagoda, Sri Lanka.

**Telephone:** (94 11) 4 822000

**Facsimile:** (94 11) 4 822001

**E-mail :** info@dilmahtea.com

**Website :** www.dilmahtea.com

## Stock Exchange Listing

The Ordinary Shares are listed on the Colombo Stock Exchange

## Subsidiary

MJF Beverages (Private) Limited

## Board of Directors

**Chairman -** Merrill J. Fernando

**Deputy Chairman -** Himendra S. Ranaweera

**Chief Executive Officer/Director -** Dilhan C. Fernando - B.Sc.

### Directors

Malik J. Fernando - *B.Sc.*

Roshan Tissaarachy - *B.A, MBA, DipM, FCIM*

Minette Perera - *FCA, FCMA, FCCA*

Rajan Asirwatham - *FCA*

Gritakumar E. Chitty - *Attorney at Law*

Darshana Gunasekera - *FCMA, FCCA, B.Sc.*

**Secretary -** Jayanga Wegodapola - *Attorney at Law*

## Bankers

Bank of Ceylon

Cargills Bank Limited

Citibank N. A.

Commercial Bank of Ceylon PLC

DFCC Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Standard Chartered Bank Limited

The Hongkong & Shanghai Banking Corporation Limited

## Auditors

Ernst & Young

201, De Saram Place,

Colombo 10.



Dilmah Ceylon Tea Company PLC. 111 Negombo Road, Peliyagoda, Sri Lanka

☎ 011 4822000 [info@dilmahtea.com](mailto:info@dilmahtea.com) [www.dilmahtea.com](http://www.dilmahtea.com)



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