

# Integrity



DILMAH CEYLON TEA COMPANY PLC  
ANNUAL REPORT 2023/24





# Integrity

Crafted with a passion for Ceylon Tea,  
and a heart of kindness to people and nature,  
Dilmah has long been synonymous with a pledge of  
great taste, natural goodness, and ethical purpose.

Our genuine love for tea and the values that surround it have been translated across every facet of Dilmah's operations; whether it's the fresh, handpicked leaves and the precision with which we maintain the quality of our tea, or the care with which we nurture the surrounding communities and the environment that sustains us.

Our uncompromising commitment towards creating a truly local product enables us to constantly push the boundaries of innovation and connect Sri Lanka to the world, while building a unique brand crafted on a legacy of integrity.



# A Legacy Continues





# Family Business

When Dilmah was established in 1985, it represented a promise of genuinely ethical tea, founded on goodness. That pledge is what Dilmah offers today, over three decades later.

We have remained steadfast and unrelenting in our commitment to maintain Dilmah as a truly local, single-origin product, even amid changing circumstances – and through it all, our dedication towards social development and environmental responsibility has remained at the core of our operations.

Family business serving humanity through kindness to people and nature.





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### ABOUT DILMAH

Dilmah, a Sri Lankan family-owned tea company, has achieved international acclaim for its unwavering commitment to delivering premium-quality, authentic, and ethically sourced tea.

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## MANAGEMENT DISCUSSION AND ANALYSIS



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## NATURAL CAPITAL

Dilmah maintains a deep connection with nature, with each cup of tea shaped by its growing environment. We recognise the critical value of natural resources and the pressing challenges of the climate crisis.

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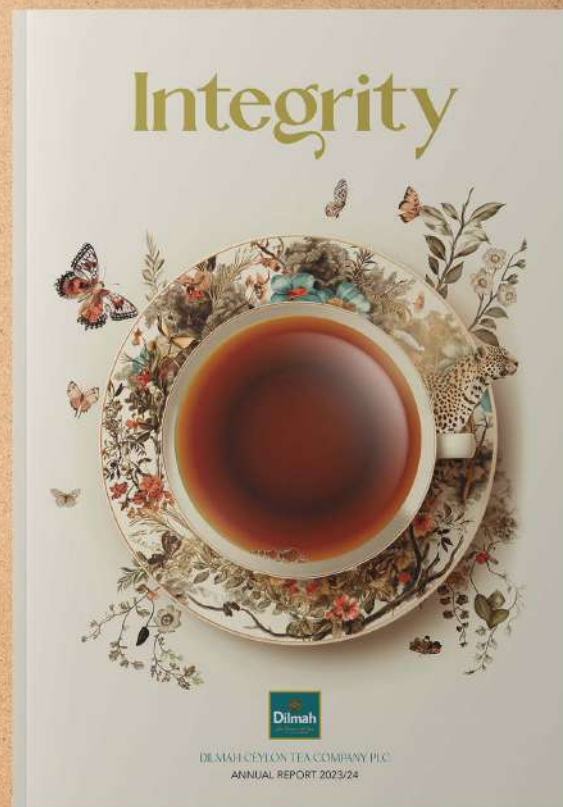




# DILMAH CEYLON TEA COMPANY PLC

ANNUAL REPORT 2023/24

 GRI 2-1,2,3,4,5



## OVERVIEW

Welcome to the 6th integrated annual report published by Dilmah Ceylon Tea Company PLC (Dilmah). The report documents the initiatives taken by the Company to achieve its strategic purpose and the resultant financial and non-financial outcomes derived for and on behalf of stakeholders.

In line with Dilmah's commitment to continuous improvement in the presentation of its annual report, significant emphasis has been given to strengthen both quantitative and qualitative disclosures in the current report.

All previous integrated reports including the most recent report for the FY 2023/24 is available for viewing and download on the corporate website - [www.dilmahtea.com/sustainability/online-publications](http://www.dilmahtea.com/sustainability/online-publications)

## SCOPE AND BOUNDARY

The FY 2023/24 integrated report covers the activities of Dilmah Ceylon Tea Company PLC and its subsidiary period from 01st April 2023 to 31st March 2024 which coincides with the Company's annual financial reporting period.

## TARGET AUDIENCE



This report aims to provide information deemed pertinent to Dilmah Ceylon Tea Company PLC's various stakeholders including customers, suppliers, business partners, investors, shareholders, employees, regulators and the wider community.

## Key Improvements captured in the FY 2023/24

- Compliance with TCFD Recommendations
- Compliance with SASB (Non-Alcoholic Beverages) Standards
- Strengthened Reporting on GRI Guidelines

## REPORTING FRAMEWORKS

### Integrated Reporting (V)

- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)

### Sustainability Reporting (V)

- Global Reporting Initiative (GRI) standards - "In Reference", issued by the Global Sustainability Standards Board
- Sustainability Accounting Standard for the Non-Alcoholic Beverages sector standard of the Sustainability Accounting Standards Board (SASB)
- Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)

### Financial Reporting (M)

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007
- Listing Rules of the Colombo Stock Exchange

### Governance, Compliance and Risk Reporting

- Code of Best Practice for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (V)
- Corporate Governance Requirements stipulated under the Listing Rules of the Colombo Stock Exchange (CSE) - (M)

**M** - Mandatory Requirements

**V** - Voluntary Adoption

## DILMAH'S INTEGRATED REPORTING PROCESS

Dilmah's integrated reporting process which is based on the <IR> Framework aims to exemplify the fundamental commitment to sustainable value creation and responsible business practices. Central to this process is the comprehensive approach to data collection across all functions, encompassing financial performance, environmental impact, social initiatives, as well as governance and risk management practices. The next steps involve analysis and validation of both quantitative and qualitative data, followed by compilation of information to depict how the synergy between various business dimensions contributes towards sustainable value creation over time.

- Organisational Overview And External Environment
- Strategy
- Governance
- Future Outlook
- Performance
- Opportunities And Risks



## EMPHASIS ON THE PRECAUTIONARY APPROACH

The report details Dilmah's Integrated Reporting Process commitment to the precautionary approach in managing sustainability issues, notably by integrating Environmental, Social, and Governance (ESG) considerations into decision-making processes at every level. This approach is reinforced by proactive, Company-wide monitoring of ESG risks and the implementation of appropriate mitigation actions throughout the Company's products, processes and operations.

### ASSURANCE

Assurance regarding this report is provided by a combination of internal and external sources. Accordingly, the content included in this Integrated Report has been first approved by the respective business heads and then reviewed by the Board Audit Committee prior to submission to the Board of Directors for approval.

The Company's external auditors; EY have provided an independent assurance report regarding the financial statements for the year ending 31st March 2024. Their report is shown on Page 135.

### FORWARD-LOOKING STATEMENTS

Certain statements in this integrated report may be construed as "forward-looking". While such information is believed to be pertinent at the date of publishing, it is likely that actual

results and performance in the future, may differ from what is implied by such statements due to various reasons. Readers are therefore cautioned not to place undue reliance on such forward looking statements. Furthermore the Board of Directors of Dilmah Ceylon Tea Company PLC undertakes no obligation to update any revisions to these statements publicly after the date of this report.

There are no restatements pertaining to previous annual reports published by Dilmah Ceylon Tea company PLC.

### BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Dilmah Ceylon Tea Company PLC accepts the responsibility for the authenticity and integrity of this Integrated Report. The Board, having collectively reviewed the output of the reporting process and the content of the Integrated Report, remains

satisfied that the Integrated Annual Report for FY 2023/24 complies with all applicable regulatory requirements and adheres to global reporting best practices.

The Annual Report of the Board of Directors on page 122 includes an acknowledgement of the Directors' responsibilities with regard to the Annual Report.

### FEEDBACK

In its endeavour to continuously improve the quality of its reports, the Company welcomes feedback on the effectiveness of this report.

Any feedback and queries should be directed to:

**Email: [sustainability@dilmahtea.com](mailto:sustainability@dilmahtea.com)**  
**Dilmah Ceylon Tea Company PLC**  
111, Negombo Road, Peliyagoda  
Tel: +114 822 000



# PHILOSOPHY

## vision

To present the taste, natural goodness and inspiring variety in the finest tea with the sincerity & passion of an artisan, while aligning our love for tea with our ethical purpose, in this way honouring our Founder's pledge to make our business a matter of human service.

BUSINESS  
IS A MATTER OF  
HUMAN SERVICE

## mission

A family business, with family values at our heart, to offer the finest tea and herbs, honouring tradition and quality while fulfilling our Founder's pledge to sincerely and impactfully serve humanity with kindness to people and nature.



# ABOUT DILMAH

GRI 2-1, 2-22, 201-1



With a rich heritage rooted in Sri Lanka, Dilmah is a family-owned tea company renowned worldwide for its high-quality, authentic, and ethically sourced tea. Since 1985, Dilmah has pioneered Single Origin Tea, ensuring that their tea is picked, processed, and packed in the same location where it is grown. This approach has empowered Sri Lankan tea growers and met the preferences of consumers globally. As the first producer-owned tea brand, Dilmah's legacy includes controlling the entire value chain, from tea gardens and factories to packaging facilities in Sri Lanka. Today, Dilmah's products are available in over 100 countries through an extensive global distribution network, solidifying its enduring impact on the tea industry.

Founded by Merrill J. Fernando, Dilmah's legacy is deeply intertwined with the land and communities it serves. His lifelong commitment to serving humanity through his business emphasises kindness to nature and people, creating a lasting impact on the tea industry and beyond. The company's core values—Taste, Goodness, and Purpose—embody its dedication to sustainability, balancing economic success, environmental preservation, and social responsibility. A significant portion of Dilmah's profits supports humanitarian and environmental initiatives through the MJF Charitable Foundation and Dilmah Conservation, further cementing its legacy of giving back to society. The MJF Group of companies, which includes Dilmah Ceylon Tea Company PLC (DCTC), MJF Teas (Pvt) Ltd., and MJF Exports (Pvt) Ltd., owns 87% of DCTC, ensuring a unified vision and continued commitment to their foundational principles.

### BRAND REACH

With a strong international presence in over 100 countries, Dilmah's legacy is also reflected in its global reach. The company's success is driven by proactive engagement from sales agents and distributors who stay attuned to consumer preferences and seek new opportunities. This shared commitment to elevating tea beyond a beverage to offer a holistic and enriching experience reinforces Dilmah's position as a global leader.

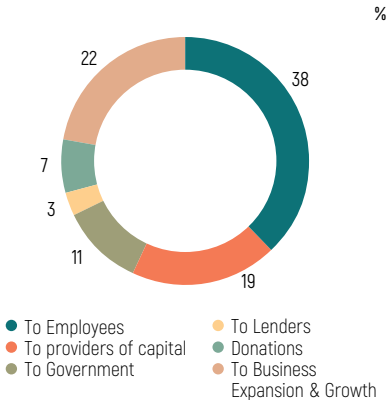
### OUR IMPACT

Dilmah is committed to transforming tea from a mere beverage into a culinary experience, a key aspect of its enduring legacy. Signature events like Dilmah Thé Culinaire, Dilmah Tea Sommelier, Chefs & the Teamaker, and the Dilmah School of Tea engage industry stakeholders in creating innovative tea experiences, showcasing the brand's dedication to excellence. The company also works tirelessly to develop the tea industry and preserve its historical knowledge. Initiatives like #teainspired publications raise awareness of industry innovations, the health benefits of tea, and tea gastronomy and mixology, further solidifying Dilmah's role as a leader in the tea world. The History of Ceylon Tea website documents the evolution of the industry and preserves its heritage, ensuring that the rich legacy of Ceylon tea is passed down to future generations.

Despite global and local economic, social, and political challenges since 2019, Dilmah's legacy of resilience and innovation has enabled it to thrive. The company's substantial

investments in global marketing, research and development, and industry leadership highlight its ongoing commitment to excellence. Proactive measures, such as ex-gratia bonuses and enhanced transportation facilities, have supported employees and surrounding communities during uncertain times, further demonstrating Dilmah's enduring dedication to its people and principles. This legacy of adaptability and commitment ensures that Dilmah remains a competitive force in the tea industry.

### ECONOMIC IMPACT



### ECONOMIC IMPACT

Foreign Exchange generated:

**USD 60 Mn**

Tax Contributions:

**Rs. 604 Mn**

Employment Generated:

**717 numbers**

Payments to Employees:

**Rs. 2,002 Mn**

Payments to Suppliers:

**Rs. 19,617 Mn**

Market Capitalisation:

**Rs. 20,639 Mn**

# HISTORICAL MILESTONE



Dilmah Launches the Tea Gastronomy Revolution with "Thè Culinaire"

2005



Dilmah tea Lounges overseas

2015

2007

Launch of the Dilmah Exceptional Range of Teas



The total product range of Dilmah becomes Carbon Neutral



Dilmah Launches the first ever tea concentrate- Elixir of Ceylon Tea.



2018



Dilmah is voted by New Zealand as their most trusted tea brand for the 5th year in a row

2019

2019

Dilmah's Natural Infusions wins the Australian consumer award for Product of the Year 2020





Dilmah awarded Most Globally Outreached Brand, Market Diversified Exporter & Contributor to Sustainable Development at the Presidential Export Awards



Dilmah Launched Iced Tea in Singapore & Malaysia



6th-8th May 2023: The 10th Dilmah Global Family Conference was held in Colombo, Sri Lanka with the attendance of Dilmah Partners from across the globe to learn about our latest innovations



7th May 2023: Launch of the Dilmah 85 Reserve; a collection of small batch luxury artisan teas & infusions

2020

2022

2023

2021

2022

2023

Dilmah lauded Best Corporate Citizen Award by the Ceylon Chamber of Commerce

- Voted one of 'Ten Best Corporate Citizens'
- Best Performance in Environmental Integration
- Best Performance in Customer Relations
- Best Performance in Demonstrated Resilient Practices for COVID-19
- One of the Winners for Best Projects Sustainability – disABILITY App



Dilmah launches the Genesis Project as an initiative to promote the importance of Nature-based Solutions (Nbs) with agricultural solutions



In celebration of a 30 year strong partnership with Emirates, Dilmah launched the Elysium Experience which will go forward as an exclusive tea-inspired luxury serenity & mindfulness experience for Emirates First Class passengers





# PERFORMANCE HIGHLIGHTS

GRI 3-3, 204-1, 302-1, 302-3, 303-1, 303-5, 306-3

Metric		2023/24	2022/23	Y-O-Y
<b>Financial Performance</b>				
Revenue	Rs. Mn	18,497	22,313	-17%
Operating profit	Rs. Mn	673	4,928	-86%
Profit before tax	Rs. Mn	1,367	5,831	-77%
Profit after tax	Rs. Mn	762	5,034	-85%
Return on equity	%	3.39	24.32	-86%
Return on capital employed	%	3.39	24.32	-86%
<b>Working Capital Ratios</b>				
Inventory days	Days	72	70	2%
Debtor days	Days	125	99	26%
Payable days	Days	38	28	36%
Current ratio	Times	6.36	5.43	17%
Quick asset ratio	Times	5.48	4.72	16%
<b>Financial Position</b>				
Total assets	Rs. Mn	27,025	28,021	-4%
Total liabilities	Rs. Mn	4,714	5,337	-12%
Shareholders' funds	Rs. Mn	22,311	22,684	-2%
Non-controlling interest	Rs. Mn	-	-	-
Total debt	Rs. Mn	-	-	-
<b>Shareholder Information</b>				
No. of shares in Issue	Number	20,737,500	20,737,500	0%
Earnings per share	Rs.	36.76	242.77	-85%
Dividends per share	Rs.	18.00	50.00	-64%
Net asset value per share	Rs.	1,075.91	1,093.89	-2%
Closing price	Rs.	995.25	1,020.00	-2%
Market capitalisation	Rs. Mn	20,639	21,152	-2%
P/E ratio	No. of times	27.07	4.20	545%
Dividend payout	%	48.96	20.63	137%
Dividend cover	No. of times	2.02	4.85	-58%
Dividend yield	%	1.81	4.90	-63%

Metric		2023/24	2022/23	Y-O-Y
<b>Human Capital</b>				
Total employees	No.	717	643	12%
Payments to employees	Rs. Mn	2,002	1,638	22%
New recruits – permanent	No.	78	67	16%
Employee retention rate	%	87	85	2%
No. of promotions	No.	71	28	154%
Female representation	%	49	44	11%
Investment in training	Rs. Mn	120	29	314%
Total training hours	Hours	66,084	174,672	-62%
Average training hours/employee	Hours	20	272	-93%
Workplace injuries	No.	27	8	238%
Union representation	%	N/A	N/A	-
Instances of disruption to work	No.	Nil	Nil	-
<b>Manufactured Capital</b>				
Investment in CAPEX	Rs. Mn	5,948	5,451	9%
Property, plant and equipment	Rs. Mn	5,201	4,690	11%
Highest performing equipment efficiency	%	94.0	96.9	-3%
Capacity utilisation	%	51	52	-2%
<b>Intellectual Capital</b>				
R&D investment	Rs. Mn	53.2	58.3	-9%
New products launched	No.	41	35	17%
Tea standards	No.	450	355	27%
<b>Social and Relationship Capital</b>				
No. of distributors	No.	105	90	17%
Payments to suppliers	Rs. Mn	19,617	20,823	-6%
Proportional spending to local suppliers	Rs. Mn	12,652	16,110	-21%
Investment in CSR	Rs. Mn	200	484	-59%
<b>Natural Capital</b>				
Material - tea, flavours & herbs	MT	4,564	5,243	-13%
Energy consumption	GJ	23,799	24,802	-4%
Energy intensity	GJ per unit	4.63	4.73	-2%
Water consumption	m3	35,251	28,239	25%
Water consumption per unit	m3 per unit	6.85	5.39	27%
Solid waste generation	MT	305.41	362.83	-16%
Carbon footprint	tCO2e	75,022	76,821	-2%
Spending on environmental initiatives	Rs. Mn	151	52	190%

## AWARDS AND ACCOLADES



### BCCS Awards 2023

**Winner** - Top Ten Best Corporate Citizen

**First Runner Up** - Award for Planning and Adaptation of Resilient Practices

**Winner** - Best Project Sustainability Award - Endane Biodiversity Corridor

**Winner** - Best Project Sustainability Award - Rainbow Horizons

**Certificate** - Consistent Commitment and Continuous Improvement - Customer Relations

**Certificate** - Consistent Commitment and Continuous Improvement -  
Environment Beyond Business

### 25th Presidential Export Awards - 2023

**Overall Award** - Best Value-Added Exporter of the year 2021/22

### Accolades

Dilmah was voted New Zealand's Most Trusted Tea Brand for the 5th Consecutive year (Reader's Digest)





# Responsibility

We firmly believe in the importance of safeguarding and protecting our resources and partnerships for the benefit of future generations.

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## THOUGHTS FROM OUR LEADERS



Black teas are fully fermented, and hold the status of being the most common type of tea originating from Sri Lanka, India, Kenya and other former British colonies. Once picked, the tea is withered to reduce moisture and make the leaf pliable, then rolled, fermented and baked (or dried) before sifting.





# REFLECTIONS BY CHAIRMAN & CHIEF EXECUTIVE

GRI 2-11, 205-2



It is an honor to present the Annual Report and the Audited Financial Statements of Dilmah Ceylon Tea Company PLC (DCTC) and its subsidiary MJF Beverages Pvt Ltd (MJFB) for the financial year 2023/24.

## OVERVIEW

DCTC is driven by a sustainable economic model crystallised by our Founder, Merrill J. Fernando, with integrity and kindness to people and nature, at its core. This alignment of our passion for tea, and our parallel desire to positively impact our community and environment are our *raison d'être* and define our mission to make the world a better tea. In an environment where quality and integrity are more threatened than ever by a corrosive discount culture, our mission and values are more important than ever, at a time that compounding crises demand elevated quality, ethical standards and sustainability in business.

As a 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.

The financial year 2023/24 was a challenging and difficult period for DCTC with unprecedented headwinds on multiple fronts, including a global economic downturn, geopolitical instability, currency volatility, and rising costs. These factors adversely affected our revenue and product margins.

In spite of the challenges, the company strengthened its resilience, maintaining its commitment to quality, integrity, and responsibility towards our people, wider community and the environment. We continued to invest in our brand, through product innovation and consumer engagement, and upheld our commitment to strengthening our supply chain while sourcing ethically and sustainably. We delivered significant social and environmental impact through the work of the MJF Charitable Foundation and Dilmah Conservation.

## BUSINESS ENVIRONMENT

The business manoeuvred through lingering pandemic impacts, magnified by local social, economic and political instability. The repercussions were felt across all facets of our business, intensifying energy challenges, supply chain disruptions, and transportation hurdles stemming from the Russia-Ukraine conflict and Red Sea turmoil, alongside a global economic downturn. These conditions placed severe strain on the company's revenue generation and profitability.

Alongside the disproportionate and unfairly opportunistic freight rate increases we suffered was accelerating commoditisation of tea, undermining the consumers, producers and the future of a category with potential while demanding more effort on our part as we work towards growth on a foundation of quality. Of serious concern was the exodus of Sri Lankan tea exporters who moved overseas due to economic crisis and political instability in Sri Lanka and equally the lack of adequate strategic direction and support for the industry from the government. We believe that Ceylon Tea need sincere guardians who have the courage to stand for quality, ethics and sustainability – ingredients that are critical to the future of our tea industry – while investing in genuine value addition and entrepreneurial solutions. We welcomed the progress in securing Geographic Indication for Ceylon Tea, and urged the stakeholders to appreciate and protect its quality, heritage and diversity.

The tea plantation sector in Sri Lanka – a key component in the economic recovery of our nation – faced several challenges, including weak productivity, high production costs including an unsustainable wage model, persisting elements of a colonial economy, labour shortages, climate change, and pest and disease outbreaks. These factors not only threaten the quality and quantity of tea production, but also the long-term viability of the entire tea industry.

## FINANCIAL PERFORMANCE

The consolidated revenue of the Group expressed in LKR for the fiscal year 2023/24

saw a decrease of 17%, falling to LKR 18.5 billion from LKR 22.3 billion recorded in the previous year. Nonetheless, in USD terms, the revenue experienced a lesser contraction of 7%, which points out the impact of exchange rate fluctuations on the Company and Group's financial results. The volume of tea exports fell to 4.5 million kilograms compared to 5.2 million kilograms in the preceding year. The primary causes of the downturn in export volumes, revenue and margins broadly were:

- Strengthening of the Sri Lankan rupee (LKR) against the US dollar (USD) and the Australian dollar (AUD), which eroded the competitiveness and profitability in international markets.
- Adverse global economic conditions, which reduced the demand and the purchasing power of our customers and consumers in key markets such as the US, Europe, CIS Region, and Asia.
- Disruptions in global shipping and logistics due to ongoing Red Sea issues, conflict between Russia and Ukraine, and similar events, leading to delays and shortages in supply, which in turn have caused elevated delivery expenses for our products to customers.
- Rising input costs, such as raw materials, packaging, energy, and wages, which squeezed our margins and reduced our profitability.
- Exchange rate volatility had a material adverse effect on DCTC's profitability during the fiscal year 2023/24, compressing margins and underscoring the challenges faced by the company amid macroeconomic and microeconomic turbulence. The appreciation of the LKR against the USD and AUD resulted in an exchange loss of LKR 490 million for the year, compared to an exchange gain of LKR 2.3 billion in the previous year. This exchange loss predominantly contributed to the 77% decrease in Profit Before Tax (PBT), with the PBT for the year standing at LKR 1.3 billion.

## REFLECTIONS BY CHAIRMAN & CHIEF EXECUTIVE

### STRATEGIC INITIATIVES

Despite the challenging and volatile economic conditions, the company remained committed to its vision of producing and marketing the finest Ceylon tea in the world, while adhering to the principles of quality, integrity, and sustainability. The company also continued to invest in its brands, products, and markets, as well as in its people, processes, and technology, to enhance its competitive edge and create value for its stakeholders. This emphasis on doing what is right forms the core of our plans to emerge stronger and better.

Some of the key strategic initiatives that the company undertook during the year and the ones that will be undertaken next year are as follows:

- The company launched new products and variants under its flagship brand, Dilmah, to cater to the changing preferences and needs of the consumers. These included 85 Reserve, functional Herb Infusions, consumer launch of Elixir of Ceylon Tea – a tea extract for convenient preparation of real iced tea, Dilmah Finest and range extensions in our gift line.
- Research, development and introduction of compostable packaging, and product formats and designs to enhance the sustainability, appeal and convenience of its products.
- The company initiated strategic action to expand its presence and penetration in its existing and new markets, both in the traditional and emerging segments.
- The company strengthened its distribution network and increased its marketing and promotional activities to increase its brand awareness and loyalty.
- The company will leverage its online and digital platforms to reach out to a wider and younger audience and to offer a more personalised and interactive experience to its customers.
- The company has initiated action to enhance its operational efficiency and

productivity by adopting best practices and standards in its tea production, processing, and quality control. The company invested and will continue to invest in new machinery and equipment to upgrade its manufacturing facilities and to improve its capacity and flexibility.

- The company will also be implementing various initiatives to reduce its energy consumption and carbon footprint, as well as to ensure the health and safety of its employees and the communities in which it operates.
- The company continued to uphold its social and environmental responsibility by supporting various causes and projects that align with its core values and ethos. Your company, through its MJF Charitable Foundation, contributed to the empowerment and well-being of the underprivileged and marginalised sections of the society, especially the tea plantation workers and their families. The company also supported the conservation and restoration of the natural resources and biodiversity of Sri Lanka, especially the forests and wetlands that are vital for the tea industry.

### FUTURE OUTLOOK

The company remains optimistic about the future prospects for the business, focusing on the potential for tea amongst consumers, as a means of overcoming the political, trade and other challenges. We believe that the brand equity your company commands, linked to the sincerity of our commitment to the company's founding values, and parallel emphasis on quality and sustainable product innovation, strengthening customer engagement, and our social and environmental credentials will deliver the anticipated recovery and growth in the post-pandemic world.

We are confident that our strategy of offering premium quality, ethically produced, and sustainably sourced tea products will continue to differentiate us from our competitors, resonate with consumers and create value for our shareholders, customers, consumers, and our community.

We are also committed to further enhancing our operational efficiency, cost management, and risk mitigation, to improve our profitability and resilience. We will leverage our digital capabilities, market intelligence, and customer insights, to optimise our marketing and distribution channels, and to respond to the changing needs and preferences of our customers and consumers.

We aim to extend our engagement with a new generation of tea drinkers who value quality and authenticity, and to enhance our pure origin tea extract proposition through our MJF Beverages subsidiary. We also believe that Ceylon Tea has a unique appeal to the new tea drinker who seeks natural, plant-based wellness with variety, heritage and authenticity. We will continue to lead in quality, and hope for a vibrant, producer led, global speciality tea segment.

We will continue to invest in our human capital, research and development, while supporting social and environmental sustainability to promote a culture characterised by kindness, product excellence, innovation, and service.

### APPRECIATION

I want to express my appreciation to our shareholders, customers, consumers, suppliers, media and partners who form our global Dilmah Family, and whose trust and confidence gave us the encouragement and strength in challenging times. I also extend my sincere appreciation to my fellow Directors and the senior managers for their dedication, leadership and significant contribution to the Company's progress. Importantly, I acknowledge the foundation that my father built over a lifetime of devotion to tea, and his philosophy, defined by faith and values, that is the source of our strength today.

I look forward to continuing working together with all our stakeholders in our mission to 'Make the World a Better Tea' and achieve our goal of making Dilmah the world's finest tea.



**Dilhan C. Fernando**  
CEO / Executive Chairman



# BOARD OF DIRECTORS



**MR. DILHAN C. FERNANDO**  
Executive Director/  
Chief Executive Officer/Chairman



**MR. HIMENDRA S. RANAWEERA**  
Executive Director/Deputy Chairman



**MR. MALIK J. FERNANDO**  
Executive Director



**MR. ROSHAN C. TISSAARATCHY**  
Executive Director



**MR. DARSHANA GUNASEKERA**  
Executive Director



**MS. MINETTE D. A. PERERA**  
Non-Executive Director



**MR. JOHN M. LO**  
Non Executive, Independent Director



**MR. RAJAN ASIRWATHAM**  
Non-Executive, Independent Director



**DR RAVINDRA A. FERNANDO**  
Non-Executive, Independent Director

## BOARD OF DIRECTORS

### MR. DILHAN C. FERNANDO

#### Executive Director/Chief Executive Officer/ Chairman

Mr. Dilhan C. Fernando is Chairman to the Board of Dilmah Ceylon Tea Company PLC being so elected on 31.07.2023 according to the wishes of his father Late Merrill J. Fernando to carry forward his legacy. 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 graduated from the London School of Economics with a BSc (Hons) in Economics. He joined the MJF Group as a Management Trainee nearly 30 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. Fernando is also the Chairman of Kahawatte Plantations PLC, and holds directorship in The Fortress Resorts PLC, Elpitiya Plantations PLC, Talawakelle Tea Estates PLC and several other Private Limited Companies.

### MR. HIMENDRA S. RANAWEERA

#### Executive Director/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. Ranaweera also holds directorships in Kahawatte Plantations PLC and several other Private Limited Companies.

### MR. MALIK J. FERNANDO

#### Executive Director

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

He is the Founder of Resplendent Ceylon, home to a collection of luxury Sri Lankan boutique resorts, also known as the hospitality arm of Dilmah Tea. He is additionally the second-generation owner, together with his brother Dilhan, of MJF Holdings & Dilmah Tea, founded by his father, Merrill J. Fernando in 1985. Having grown up and studied overseas, Mr. Fernando decided to return home to pursue a career with Dilmah upon his graduation from Babson College, Boston, in 1989. Armed with his passion for the evergreen, lush nature in Sri Lanka, he strongly believed in the potential for Sri Lanka to become a luxury tourist holiday destination. Coupled with his desire to tell stories through tea, his first venture was the boutique resort, Ceylon Tea Trails, the world's first tea bungalow resort built on working tea estates, which also echoed his devotion to tea. Reflecting his goal to make Sri Lanka a luxury destination, Ceylon Tea Trails is also the first Relais & Chateaux resort in Sri Lanka, and the first on the coveted Conde Nast Gold List. In a bid to complete what he dubbed the "best of Sri Lanka circuit", comprising the three most distinctive offerings in the country – tea, sea, and safari, he went on to spearhead Cape Weligama which features breathtaking ocean views and Wild Coast Tented Lodge which gives a taste of the jungle.

Guided by the Dilmah philosophy that business must also be a matter of human service, he has led various positive impact initiatives within Resplendent Ceylon. Mr. Fernando spearheaded the Peak Ridge Forest Corridor in 2021 to conserve an 18 km mountain ridge to protect leopards in the Sri Lankan tea highlands. He founded the Sri Lanka Tourism Alliance which works to promote sustainable tourism practices and support the tourism industry. It was established in response to the

challenges faced by the tourism sector in Sri Lanka, particularly after the Easter Sunday attacks in 2019. Signature achievements of the Alliance include the first global consumer communications campaign for Sri Lanka after the economic crisis in 2022, the only dedicated tourism jobs portal to address staff shortages and an initiative to increase female participation in the tourism workforce.

Mr. Fernando also holds several other directorships in Public Listed and Private Companies.

### MR. ROSHAN C. TISSAARATCHY

#### Executive Director

Mr. Roshan C. Tissaaratchy is an Executive Director of the company 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 of the Chartered Institute of Marketing, UK. He also has an MBA from the University of Sri Jayewardenepura.

He has now completed over 25 years of International Marketing with Dilmah Tea and also currently heads the management of several key departments in the Company.

### MR. DARSHANA GUNASEKERA

#### Executive Director

Mr. Darshana Gunasekera is the Group Finance Director 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 and a member of the American Institute of Certified Public Accountants. He also holds a B.Sc. degree from 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.

Mr. Gunasekera also holds directorship in Kahawatte Plantations PLC and several other Private Limited Companies.

#### **MS. MINETTE D. A. PERERA**

##### **Non-Executive Director**

Ms. Minette D. A. Perera was appointed to the Board of Dilmah Ceylon Tea Company 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.

During the period of her employment with the MJF Group, she was appointed a Director of the MJF Group of Companies, including MJF Holdings Limited. She continues to hold Board positions in some Companies of the MJF Group.

Ms. Perera has over 40 years of working experience in Financial Management having worked in leading local and international companies as the CFO and Finance Director. She is currently an Independent Non Executive Director of several listed and unlisted Companies.

#### **MR. JOHN M. LO**

##### **Non Executive, Independent Director**

Mr. Lo was appointed to the Board of Dilmah Ceylon Tea Company PLC on 21st November 2023 as a Non Executive Independent Director.

Mr. John Lo is an Investment Professional Consultant whose experience spans over 30 years. Mr. John Lo started his career at Fidelity

International Limited (FIL) where he worked in London, Hong Kong and Singapore offices. He was a Portfolio Manager for global institutional clients who comprised sovereign wealth funds, national post offices, corporate pension funds and wealth managers. These clients entrusted him to construct portfolios with the mandate to invest in the Asia Pacific region. Mr. Lo has invested across a broad spectrum of sectors, including consumer, franchises and brands space due to his grounding as the Country Head for Malaysia and the consumer and gaming analyst in his early career. At the peak, accounts under his direct management amounted to US\$7 billion. In addition to his role as Portfolio Manager, Mr. John Lo was also Head of Equity in Singapore, and responsible for establishing FIL's investment office in Singapore in 2005. He grew and nurtured the team to become the global hub that it is for the firm today.

Mr. John Lo was educated in England at Stonyhurst College going on to pursue a BSc (Hons) degree in Accountancy. He also holds an MBA with distinction from the Manchester Business School.

Post his pivot from FIL in 2019, he continues to invest his resources in design, branding, film production and property development, housed under his umbrella concept, Elysium. Mr. John Lo is also advisor to a number of companies including Patience Capital Group, a private equity company specialising in Japanese real estate.

#### **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.

#### **DR RAVINDRA A. FERNANDO**

##### **Non-Executive, Independent Director**

Mr. Fernando was appointed to the Board of Dilmah Ceylon Tea Company PLC on 11th February 2022 as a Non Executive Independent Director.

Mr. Fernando is an Alumni of the University of Cambridge having completed both a Post Graduate Certificate in Sustainable business in 2008 and Master of Studies in Sustainability Leadership in 2014. He has an MBA from the University of Colombo. He holds a Doctor of Business Administration Degree from the European Business School in 2016. He completed the Advanced Management Program at the INSEAD Business School (France) and is an INSEAD Executive in Residence since 2010. He is a Member of the Board of Study at the Post Graduate Institute of Management (PIM) since March 2023 and is a Visiting Faculty member.

In April 2020, he created the '21st Century Board Leadership Model-MasterClass'© for the Institute of Directors of Luxembourg. In February 2023 he published '21st Century Leadership to Fight the Code Red for Business' (Archway Publishing USA).

His career with Multinationals spanned 1981-2007 with Unilever, Reckitt Benckiser, Smithkline Beecham International covering Africa, Middle East and Asia. He was the first CEO of the Sri Lanka Institute of Nanotechnology 2008-2011 and Operations Director of the Malaysia Blue Ocean Strategy Institute 2011-2016. He was the first UN Global Compact Focal point 2007 and set up the UNGC Sri Lanka Network. He serves on the Boards of Global Strategic Corporate Sustainability Pvt.Ltd, LOLC Holdings PLC, Melstacorp, Aitken Spence Plantation Managements PLC, Aitken Spence Hotel Holdings PLC, UN Global Compact, Ceylon Graphene Technologies Ltd and Ceylon Asset Management Ltd. In 2007 "Global Strategy Leadership award" was presented to him by Professor Renee Mauborgne of INSEAD at the World Strategy summit.



# CORPORATE MANAGEMENT



## First Row (L to R):

Ms. V. Karunathilake (Quality Assurance), Dr. A. C. Liyanage (Food Technology), Mr. U. W. R. Sampath (Dilmah Conservation and Sustainability), Ms. A. C. Jayawardena (Internal Audit), Ms. O. C. N. Perera (Dilmah F&B Concepts), Mr. S. Kamalanathan (MJF Charitable Foundation), Ms. J. N. Amaratunga (Retail Sales), Mr. S. M. D. A. T. Samaratunga (Security), Ms. V. Paiva (Logistics and Customer Services), Mr. A. P. Perera (Information Technology), Ms. D. J. C. D. Jayasinghe (Operations and Product Development)

## Second Row (L to R):


Mr. G. Thilakarathne (Human Resources), Mr. R. Mohinudeen (Information Technology), Mr. K. H. M. V. N. Sugathapala (Local Marketing), Mr. S. D. Jayasundara (International Marketing), Ms. M. C. Rajananyake (Finance), Mr. R. M. M. Rathnayake (Tea Buying), Ms. S. L. Chang (Brand Marketing)

## Third Row (L to R):

Mr. B. D. J. Mendis (Digital Marketing), Mr. M. Verage (Brand Marketing), Mr. R. N. Malinga (Finance), Ms. J. K. K. Wegodapola (Legal), Mr. L. S. Manuelpillai (Brand Marketing), Mr. J. Auvity (Brand Experience), Mr. D. Alahakoon (Engineering), Mr. D. Jayawardena (Operations)



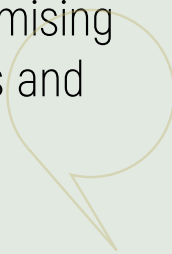




Dilmah, our family tea company, was founded by my father, Merrill J. Fernando, with the assurance of Quality & Integrity.

My family's love for tea and our father's mission of kindness is now honoured by my brother Malik and I as we follow in our father's footsteps.

We are the 2nd generation of our 'Dilmah Family', imbued with the same love for tea as our father, and embracing the same uncompromising commitment to Taste, Goodness and Purpose.



**Dilhan C. Fernando**

2nd Generation Tea Grower



# Distinctivity

Our unique skills and values have positioned us as an iconic entity that represents the true heart and strength of the Sri Lankan spirit.

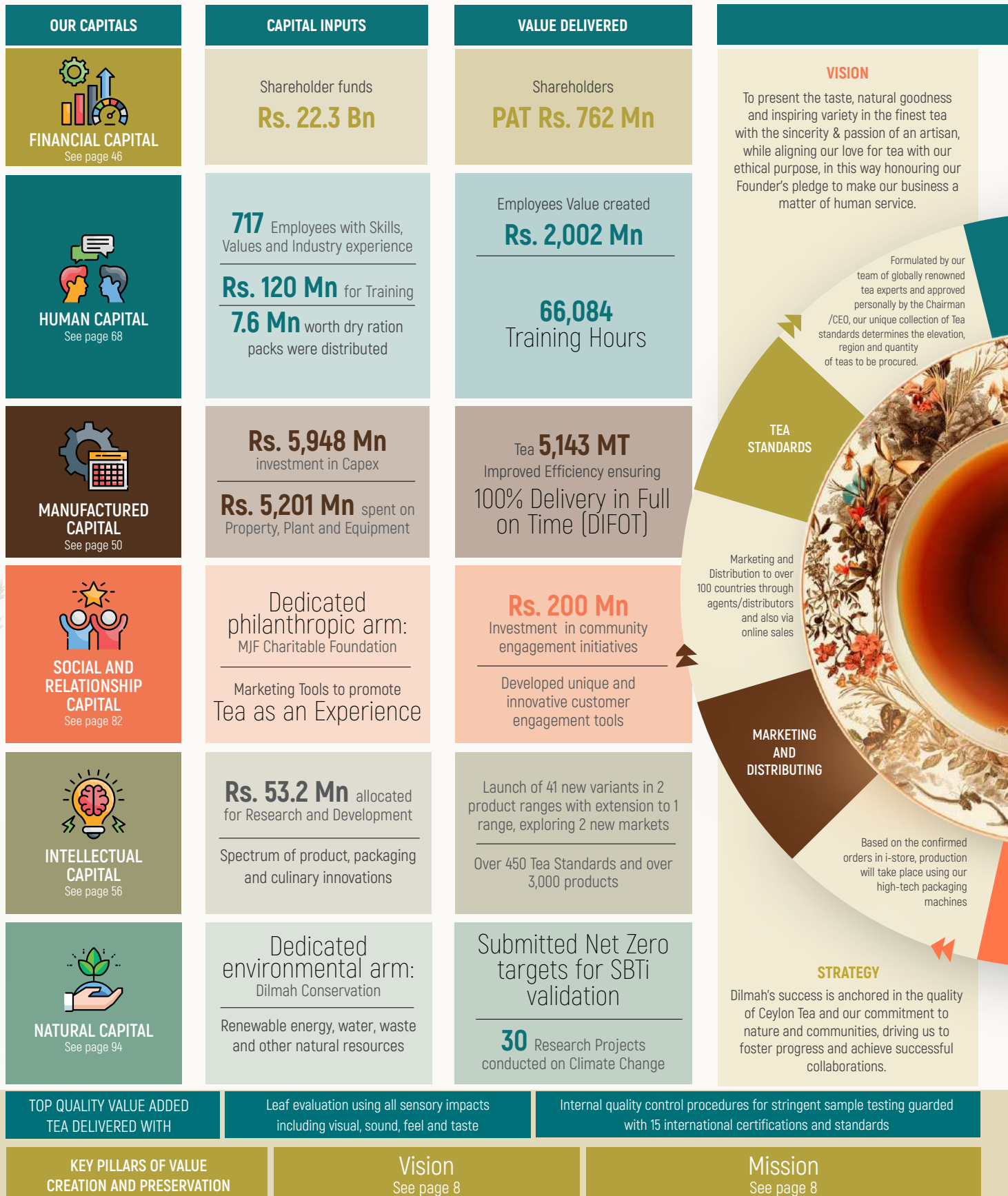
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## STRATEGIC BLUEPRINT



White tea, known in Sri Lanka as Silver Tips, is amongst the most rare and refined teas, ideal for the discerning tea drinker. Whilst most of the tea labelled "white tea" around the world is in fact a mix of a nominal amount of white tea and green or black teas, real white tea maintains a specific appearance, with a silvery leaf and a velvety texture, and produces a bright, golden liquor when brewed.

# VALUE CREATION AND PRESERVATION MODEL





## VALUE CREATION PROCESS

### MISSION

A family business, with family values at our heart, to offer the finest tea and herbs, honouring tradition and quality while fulfilling our Founder's pledge to sincerely and impactfully serve humanity with kindness to people and nature.

### GRADING AND TASTING

Selection based on samples obtained from plantations/brokers to meet company standards  
Evaluate 10,000- 12,000 samples weekly

### SOURCING

Procuring tea, herbs, spices, flavours and packing materials

### COLLECTION, STORAGE, CLEANING AND BULKING

Stocks Cleaning and Bulking of the fresh stock in hand to expected consumption levels of the relevant blends state-of-the-art cleaning and bulking system

### GOVERNANCE

At Dilmah Ceylon Tea Company PLC, good governance is the cornerstone of our operations. It has been crucial in establishing Dilmah as the first ethically produced tea brand and in embodying our philosophy that business should serve a higher purpose beyond commerce.

## OUTCOMES

### Financial stability and growth

Talented, committed and empowered human capital

**77%** of the total workforce with more than 5 years of service

State-of the art manufacturing facilities

Technological enhancements with advanced manufacturing technology

Empowered community

Strengthened supply chain

A product that is ethically, responsibly and safely manufactured

A vertically integrated tea brand (from tea plant to tea cup)

**548,104 kWh** of Solar energy production

**99.96%** of the Total Waste is Recycled/ Repurposed

## IMPACT

Robust NAV per share

**Rs. 1,075**

### 87% Retention Rate

Loyal workforce  
Joint Consultative Committee in all employee level in-place

Customer Satisfaction and Improved process efficiency, minimising the defects rate

**293,359 beneficiaries** on community engagement

The World's 1st Consumer and Hospitality Tea School – Dilmah School of Tea with over 5000 ambassadors globally

Most globally outreach  
**Sri Lankan Brand**

One of the most Environmentally integrated tea brands of the World

**Over 2,000**

beneficiaries influenced on Environmental conservation including other businesses

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

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

After sales customer engagement and feedback mechanisms, Continuous virtual and physical awareness raising sessions to improve the tea mixology and gastronomy that covers the customer and market

Dilmah Values  
See page 58

Strategy  
See page 33

Governance  
See page 112

Risk Management  
See page 41

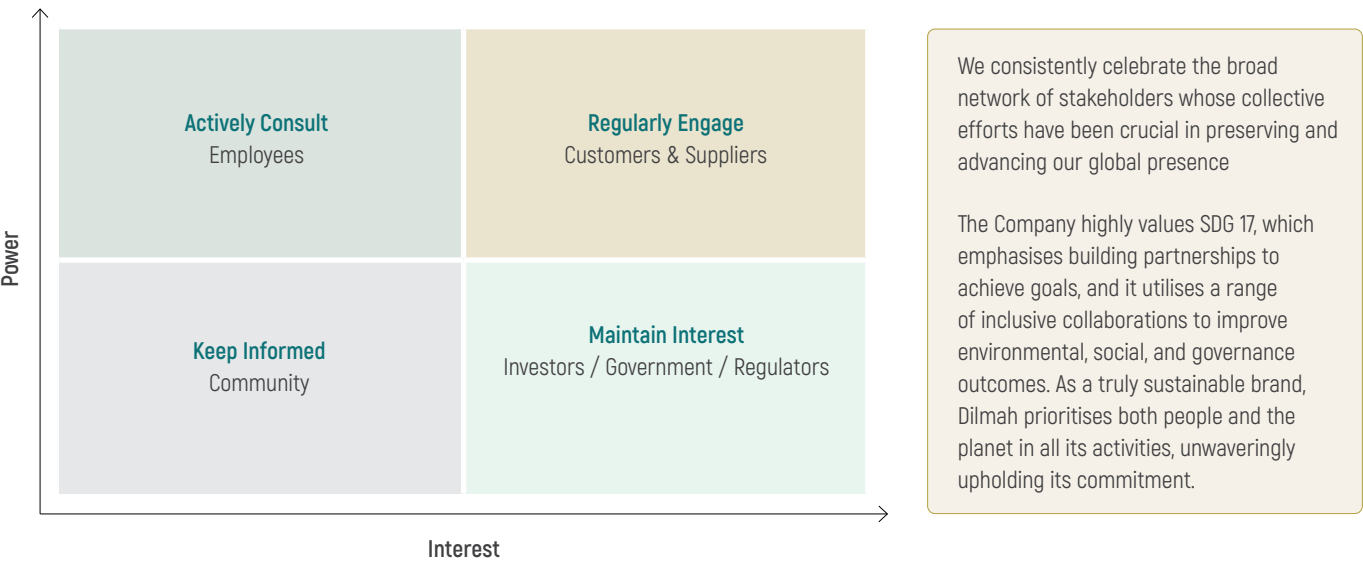
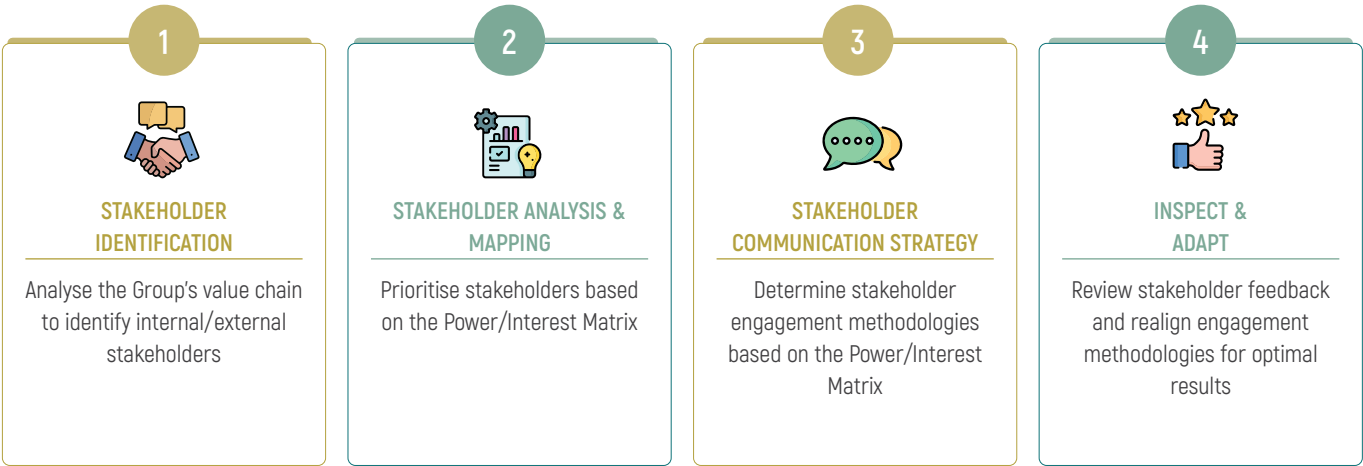


# STAKEHOLDER ENGAGEMENT

Understanding that stakeholder involvement is vital to its growth and success, Dilmah seeks to forge deep and meaningful connections through regular intersections. The feedback and insights derived through these conversations have a profound influence on informing the Company's strategy development and execution process, including risk management, materiality, and new business opportunities.

As such, Dilmah assigns significant priority to stakeholder engagement and adopts a structured 4-step mechanism to facilitate consistent and timely two-way communication for each stakeholder group.

## Stakeholder Engagement Process



Stakeholder	Engagement Mechanisms and Frequency of Engagement	Key Concerns Raised	Dilmah's Strategic Response	Strength of Relationship
<b>EMPLOYEES</b> Dilmah's team of 717 employees responsible for driving the Company's strategy and operations	<ul style="list-style-type: none"> <li>- Open-door policy (ongoing)</li> <li>- Individual performance reviews (Biannual)</li> <li>- Meetings and internal mailers (ongoing)</li> <li>- Awareness campaigns (ongoing)</li> <li>- Sports and cultural activities (ongoing)</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> </ul>	Refer Human Capital Report on page 69	Strong
<b>CUSTOMERS</b> Comprising global distributors, agents, end-customers and the HORECA channel	<ul style="list-style-type: none"> <li>- One-to-one interactions (ongoing)</li> <li>- Customer service and relationship management teams (ongoing)</li> <li>- Social media interaction (ongoing)</li> <li>- Mailers &amp; newsletters (ongoing)</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>	Refer Social and Relationship Capital Report (Customer) on page 84	Healthy
<b>SHAREHOLDERS / INVESTORS</b> Consists of 1,037 individual shareholders and 59 institutional shareholders	<ul style="list-style-type: none"> <li>- Annual General Meeting publication of quarterly accounts</li> <li>- Press releases (ongoing)</li> <li>- Annual Report</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>	Refer Financial Capital Report on page 48 & 185 Refer Risk Management Report on page 41 Refer Corporate Governance Report on page 112	Good
<b>SUPPLIERS</b> Thousands of tea smallholders	<ul style="list-style-type: none"> <li>- Vendor review (ongoing)</li> <li>- Regular dialogue and interactions (ongoing)</li> <li>- Visits to ensure compliance (ongoing)</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>	Refer Social and Relationship Capital Report (Supplier) on page 87	Good
<b>COMMUNITIES</b> We invest 15% of our pre-tax profit in community and environmental initiatives, benefiting over 293,359 individuals	<ul style="list-style-type: none"> <li>- Engagements through MJFCF community projects (ongoing)</li> <li>- Interactions with local authorities (ongoing)</li> <li>- Through NGOs (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>- Community Investments</li> <li>- Employment Opportunities</li> <li>- Environmental Impact</li> <li>- Livelihood development</li> <li>- Community Support</li> </ul>	Refer Social and Relationship Capital Report (Supplier) on page 91	Healthy
<b>GOVERNMENT/ REGULATORS</b> Regulatory bodies overseeing operational areas. The Government also levies taxes on profits	<ul style="list-style-type: none"> <li>- Statutory audits (ongoing)</li> <li>- Meetings with Treasury, TRCSL, BOI and customs (ongoing)</li> <li>- Dialogue through intermediaries (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>- Regulatory &amp; legal compliance</li> <li>- Timely payment of taxes</li> <li>- Product safety &amp; quality</li> <li>- Profitability and growth</li> </ul>	Ref Financial Capital Report on page 48 Ref Natural Capital on page 94 Ref Corporate Governance Report on page 112	Good

# STAKEHOLDER ENGAGEMENT

## COLLABORATING FOR SUCCESS

While expansion and trade are traditional indicators of success, Dilmah measures achievement by the positive impact on individuals, communities, and the environment through its compassionate initiatives.

Throughout its sustainability journey, Dilmah has formed continuous collaborations with governmental, national, and global entities. These partnerships provide technical knowledge, guidance, and essential alliances that enhance Dilmah's sustainability efforts. Partnering with organisations that share our values is crucial for addressing complex sustainability challenges. Dilmah actively engages in consultative and cooperative ventures, promoting collaboration across value chains, funding project-level partnerships, and establishing industry-wide coalitions to achieve shared goals, as demonstrated by the organisations listed below.

### DILMAH CEYLON TEA COMPANY PLC

#### Partnerships that strengthen our key business

- 5 International organisations
- 3 National institutes

#### Partnerships that strengthen our humanitarian activities

- 36 International organisations and/or private sector
- 20 Government & local authorities
- 21 Non-governmental organisations & others
- 12 Universities and academic institutions

#### Partnerships that strengthen our activities to safeguard the biosphere

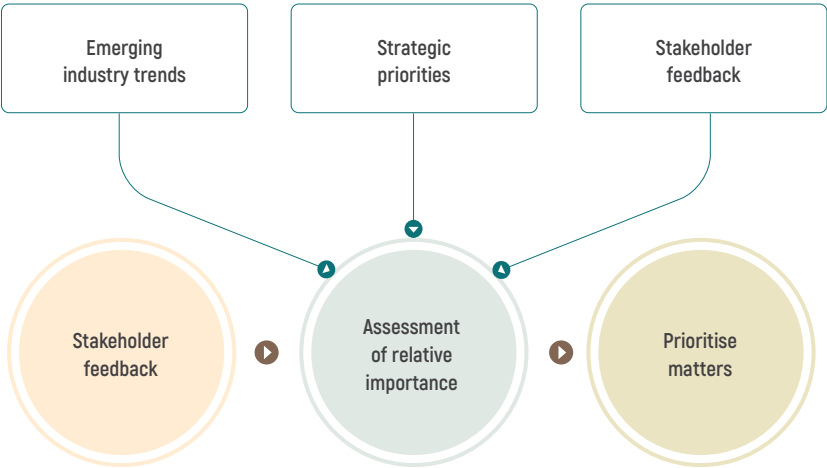
- 12 International organisations
- 21 Governmental authorities
- 04 Non-governmental and private organisations





# DETERMINING MATERIAL ISSUES

The concept of materiality has been embraced to decide which significant subjects should be incorporated in this edition of the Annual Report. Through yearly assessments of materiality, the Company has been able to recognise and give importance to the most relevant matters for both the business and stakeholders, within a dynamic and ever-changing business landscape. The outcomes of these assessments are merged with the Risk Management procedure, in order to encompass broader sustainability concerns into the evaluation of risks and opportunities throughout the company. The noteworthy subjects outlined below depict emerging concerns in the sector, factors pertinent to the Group's strategic priorities, and its model for generating value.



The listed significant subjects are viewed as the utmost essential to the Group's operations, while also showcasing the alignment between the Group's chosen substantial themes and those recommended by the GRI standards for their sustainability reporting. The procedure used to identify these important themes also adheres to the guidelines set forth by the IR Framework.



## DETERMINING MATERIAL ISSUES

Material Topic	Materiality Impact	Risk and Opportunity	Corresponding SDG	Corresponding GRI
Sustainable growth in Earnings	High	R-6		GRI 201: Economic Performance
Managing our People	High	R-7	   	GRI 401: Employment GRI 404: Training & Education GRI 405: Diversity and Equal Opportunity GRI 408: Child Labour GRI 409: Forced or Compulsory Labour
Occupational Health & Safety	High	R-3		GRI 403: Occupational Health & safety
Innovation	High	R-8	 	
Customer Satisfaction	High	R-2		
Managing our Distribution Network	High	R-2		
Manufacturing Capabilities	Medium			
Implications of Climate Change	Medium	R-8		
Geopolitical Conditions in Buying Markets	High	R-1		
Product Responsibility	High	R-5		GRI 416: Customer Health & Safety GRI 417: Marketing & Labelling
Brand	Medium			
Managing our Supply Chain	High	R-4		GRI 204: Procurement Practices
Exchange Rate Fluctuations	High	R-6		
Preserving the Environment	Medium	R-8	     	GRI 301: Materials GRI 302: Energy GRI 303: Water GRI 305: Emissions GRI 306: Effluents and Waste GRI 307: Environmental Compliance
Community Engagement	Medium		   	GRI 413: Local Communities
Information System & Cybersecurity	Medium	R-9		
Environmental & Socio-economic Compliance	High	R-5		GRI 2-27: Compliance with Laws and Regulations
Power and Energy	Medium	R-5		GRI 302: Energy
Cost of Production and Logistics	Medium	R-4		

# ESG FOCUS

## SUSTAINABILITY AT DILMAH

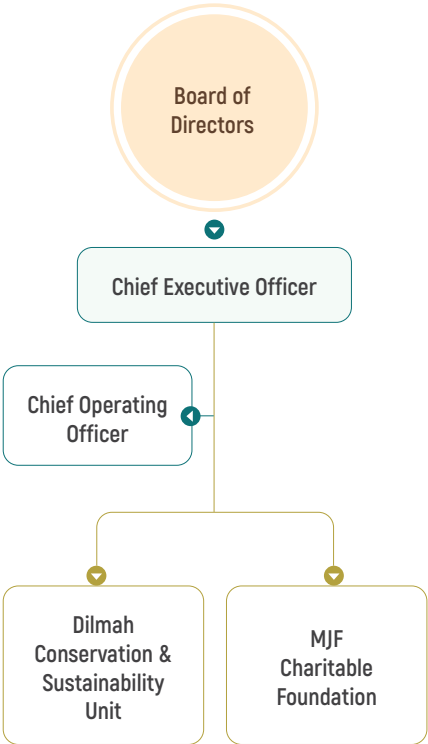
GRI 2-14, 2-22, 2-28, 3-2, 205-2, 405-1



### OUR COMMITMENT AND APPROACH

Dilmah's legacy and commitment to sustainability have created a long-term positive impact on people, the planet, and profit. Despite severe economic conditions in its home country, Dilmah has sustained its operations, profitability, and positive influence on the environment and society through sustainable practices. These practices include minimising environmental harm, promoting social responsibility, and maintaining ethical business standards.

The Group focused on enhancing worker health and wellbeing, fostering mindfulness, and building a sense of community to navigate economic and political challenges. In 2023/24, employee salaries have been raised by 24%, providing significant support to help them cope with the current inflation in the country.



Dilmah's Sustainability Strategy consists of 7 pillars and 27 elements that guide the company's overall approach to ESG and sustainability.

<b>Corporate Governance</b> <b>G1</b> Board Oversight <b>G2</b> Management Accountability <b>G3</b> Corporate Policies and Management Systems <b>G4</b> Materiality Assessment <b>G5</b> Public Policy	<b>Stakeholder Engagement</b> <b>S1</b> Consumer Engagement <b>S2</b> Strategic Collaboration <b>S3</b> Engagement of Merchants & Ambassadors <b>S4</b> Platforms for Stakeholder Dialogue <b>S5</b> Sustainability Advocacy Beyond Business Boundaries	<b>Product and Services</b> <b>P1</b> Product Design and Packaging Innovations <b>P2</b> Business Model Innovation, R&D and Capital
<b>Employee Empowerment</b> <b>E1</b> Training and Development <b>E2</b> Diversity <b>E3</b> Sustainable Lifestyles	<b>Supply Chain Sustainability</b> <b>SC1</b> Policies and Codes <b>SC2</b> Procurement Practices <b>SC3</b> Supplier Engagement <b>SC4</b> Verification and Disclosure	<b>Responsible Operations</b> <b>R1</b> Climate Adaptation <b>R2</b> Facilities and Buildings <b>R3</b> Sustainable Transportation & Logistics <b>R4</b> Safeguarding Natural and Cultural Ecosystems <b>R5</b> Water Management <b>R6</b> Waste Reduction <b>R7</b> Human Rights <b>R8</b> Development Interventions for a Better Society
<b>Disclosure and Verification</b> The company will regularly report on its sustainability strategy and performance against standards and accepted matrices that is further verified, reviewed and acknowledged by an independent party.		



# ESG FOCUS

## GOOD GOVERNANCE, TRANSPARENCY AND BUSINESS ETHICS

Dilmah is a family business built on a legacy of good governance, transparency, and business ethics. The Founder established a dynamic value system that is enshrined in the company's policies, standards, and operational manuals, ensuring the sustainability of the business for future generations.

Dilmah has implemented a robust Anti-bribery and Corruption (ABC) Policy, Human Rights Policy, and Code of Ethics, fostering a strong sense of responsibility to be transparent and ethical in all aspects of the business.

All of Dilmah's stakeholders, including the management team, employees, suppliers, and customers, are dedicated to upholding high standards of integrity, business ethics, transparency, and honesty in business operations.

Performance monitoring measures and reporting systems are in place to ensure compliance with relevant policies, procedures, and controls. Continuous review of these policies for suitability, adequacy, and effectiveness ensures their comprehensiveness.

Dilmah also provides a safe environment for reporting unethical behaviour and violations through whistle-blowing mechanisms.

Dilmah was among the top five companies tied for first place in the Transparency in Corporate Reporting (TRAC) assessment by Transparency International Sri Lanka (TISL).

## SUSTAINABILITY AT THE HEART OF OUR OPERATIONS

Dilmah's legacy stems from the lasting impact, reputation, and influence the brand has cultivated over time. The company is committed to creating enduring value by embedding sustainability at the core of

its operations. The Founder's vision of establishing a truly sustainable tea industry that benefits both people and the planet is deeply ingrained in Dilmah's ethos and organisational culture. The MJF Charitable Foundation (MJFCF) and Dilmah Conservation serve as the company's dedicated philanthropic and environmental branches. Primarily funded by the company, MJFCF and Dilmah Conservation undertake humanitarian and environmental sustainability initiatives across the island.



### KEY SUSTAINABILITY INITIATIVES 2023\_2024

#### People: Rainbow Horizon Project – MJFCF

MJF Charitable Foundation's Rainbow Centre initiative provides holistic development for children with special needs. The centre offers education and therapy for those with Cerebral Palsy, Down Syndrome and Autism. The Centre was established with the vision of providing educational facilities that are disability and gender sensitive whilst providing a safe, nonviolent, inclusive and effective learning environment for less privileged children. The Rainbow Centre at the MJF Centre - West is one of the few places in Sri Lanka which provides resources for the families of individuals with disabilities. The play area at the Rainbow Centre - East is the only inclusive play area for children with disabilities in the entire Eastern Province. Rainbow project has been recognised as the Winner Best Project Sustainability Awards 2023.

#### Planet: Launch of Uda Walawe Information Centre: "Elephant Knowledge Walk"

The Elephant Information Centre at Uda Walawe that has been transformed into the Elephant Knowledge Walk providing visitors with a more visually engaging and comprehensive experience was relaunched by the Department of Wildlife Conservation, Dilmah Tea and Dilmah Conservation. Here, visitors can go on an informative journey, exploring elephant evolution, anatomy, ecology and cultural significance supported by statistics, images and infographics. A section also addresses the human-elephant conflict (HEC), aiming to change public perceptions and promote conservation. The centre also features an anatomy laboratory for close-up specimen viewing and a children's activity area for age-appropriate education and engagement. The Elephant Information Centre is allied to the Elephant Transit Home (ETH) in Uda Walawe that has successfully rehabilitated 172 elephant calves since 1995, making it the world's most successful rehabilitation centre for these calves. Dilmah Conservation is actively involved in elephant conservation initiatives at the Elephant Transit Home and is currently sponsoring the care of an elephant calf named Dilly.

#### Launch of "Sustainable Supply Chain Roadmap" to ensure supply chain sustainability

As part of this initiative, Dilmah Tea has held two supplier conferences at its Peliyagoda Head Office to discuss sustainability practices with its supply chain partners, specifically targeting packaging and tea sector suppliers. During these conferences, the MJF Supplier Partner Code of Conduct was introduced, along with the "Stronger Together" platform and a supplier self-assessment tool. The goal of these meetings was to update suppliers on Dilmah's sustainability journey, demonstrate how they can align with these goals, and outline how Dilmah will support them in achieving their sustainability targets collaboratively.

## BRAND ECOSYSTEM



## SUSTAINABILITY

### Corporate Advocacy

Dilmah, a family business dedicated to serving humanity and the planet with kindness, prioritises sustainability advocacy. The company is committed to advancing the United Nations 2030 Agenda for Sustainable Development and recognises the importance of strong partnerships and stakeholder engagement in shaping its Sustainability Strategy.

### Biodiversity Sri Lanka (BSL)

In 2012, Dilmah, in collaboration with the IUCN and the Ceylon Chamber of Commerce,

established Biodiversity Sri Lanka (BSL) to foster environmental conservation within the corporate sector. BSL is a private sector-driven knowledge-sharing platform aimed at strengthening the connection between businesses, biodiversity, and environmental conservation in Sri Lanka. Through BSL, businesses can collaborate to discuss best practices, voice their needs and concerns, and develop innovative solutions that contribute to national conservation efforts. Membership has grown significantly over the years and currently includes 37 Patron Members, 38 General Members, and 5 SME Members.

### United Nations Global Compact (UNGC)

Dilmah is a strong advocate for corporate sustainability within the United Nations Global Compact. Through Dilmah Conservation, they serve as a climate leader for the UNGC Network Sri Lanka, collaborating on initiatives to raise climate awareness. Dilmah participates in the UNGC's Sustainable Supply Chain and Climate Action Working Groups, aiming to achieve zero emissions in manufacturing through the Science Based Target initiative.

ESG FOCUS

BCCS Awards 2023



At the Best Corporate Citizen Sustainability (BCCS) Awards 2023, Dilmah won the laurel of being among the Top 10 Corporate Citizens while MJF Foundation and Dilmah Conservation were recognised for our commitment to quality, Sustainability, Ethics and Biodiversity.

- Winner, Top 10 Corporate Citizen 2023
- First Runner Up Award for Planning & Adoption of Resilient Practices 2023
- Winner Best Project Sustainability Awards

2023- MJF Charitable Foundation for Rainbow Horizon Project

- Winner Best Project for Endane Biodiversity Corridor (EBC)
- Certificate for Consistent Commitment & Continuous Improvement- Under Environment Beyond the Business category
- Certificate for Consistent Commitment & Continuous Improvement- Under Customer Relations category

ENVIRONMENT

13 Climate Action

SBTi Net Zero targets submitted for validation

**2.3%** GHG Emission Reduction From tea gardens to all the destination ports of our overseas markets

7 Affordable and Clean Energy

9 Industry, Innovation and Infrastructure

**548,104 kWh** of Solar Energy produced equivalent to planting 6413 trees

4 Quality Education

**Over 2,700** beneficiaries on Environmental Education

**15 publications** on biodiversity and heritage conservation to encourage improve education and awareness are made available at affordable prices

12 Responsible Consumption and Production

**ZERO** landfill

14 Life Below Water

Supporting blue economy and marine conservation through seaweed cultivation and mangrove restoration

15 Life on Land

Endane Biodiversity Corridor, Wetland Conservation, Bee A Keeper and Elephant Conservation at ETH Uda Walawe

SOCIAL

1 No Poverty

4 Quality Education

6 Clean Water and Sanitation

8 Decent Work and Economic Growth

10 Reduced Inequalities

11 Sustainable Cities and Communities

**293,359** Beneficiaries on Community engagement

3 Good Health and Well-being

5 Gender Equality

10 Reduced Inequalities

**Rs. 262 Mn** investment on enhancement of free, national healthcare facilities in Sri Lanka

Equal Opportunity Employer with **49%** female representation

8 Decent Work and Economic Growth

**66,084 Hrs** training hours

GOVERNANCE

16 Peace, Justice and Strong Institutions

Dilmah was among the five companies which ranked first in the Transparency in Corporate Reporting (TRAC) assessment conducted by Transparency International Sri Lanka (TISL)

17 Partnerships for the Goals

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



# Productivity

Our tireless pursuit of excellence is reinforced by the power of collaborative partnerships - enabling us to achieve an optimised performance and drive positive transformation across the board.

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## MANAGEMENT COMMENTARY



Oolong teas varying from light "Springtime Oolong Teas" which have a gentle, floral and mild sweetness to the heavier and darker Oolongs which are woody, sometimes earthy with heavy fruit, and occasionally caramelised notes. Oolong teas are partly oxidised or fermented. The teas are picked, often three leaves and a bud, withered, fermented, then heated, rolled and dried.

# OPERATING ENVIRONMENT

## GLOBAL ECONOMIC OVERVIEW

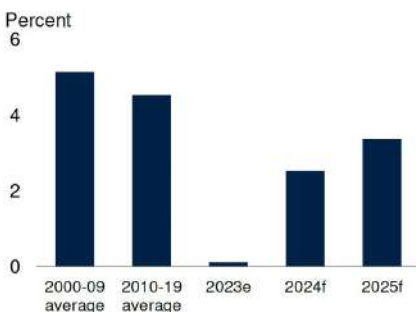
Global economic activity weakened considerably in 2023, influenced by tight monetary policies, restrictive financial conditions, and sluggish global trade growth. Globally, most economies recorded muted growth with the notable exception of the US, where bolstered by expansionary fiscal policies, consumer spending remained strong.

In contrast, the Euro area experienced a significant deceleration, as rising energy prices, further exacerbated by Russia's invasion of Ukraine, severely impacted household spending and business activity across the wider European region. On the whole, global economic conditions deteriorated further following the eruption of the Israel/Palestine conflict and the Red Sea crisis in the latter part of the year.

A culmination of these factors led to a sharp slowdown in global industrial production, which saw global trade growth in 2023 plummeting to an all-time low outside of global recessions in the past five decades.

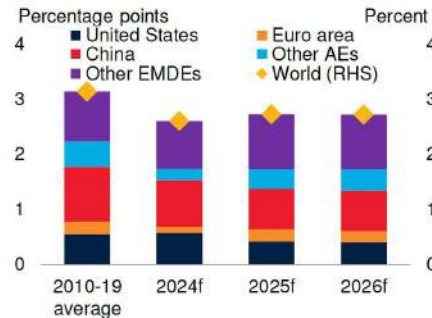
However, 2024 appeared to bring fresh hope, as the global economy showed signs of stabilising. Despite elevated financing costs and heightened geopolitical tensions, global economic activity firmed in early 2024. Trade growth, which ground to a halt in 2023, also showed signs of recovery amidst a notable uptick in goods trade.

## C. Global trade growth



Global Economic Prospects - January 2024

## A. Contributions to global growth



Global Economic Prospects - June 2024

## OUTLOOK AND PROSPECTS FOR THE GLOBAL ECONOMY

Further stability in the global economy is envisaged towards mid-end 2024, with growth set to surpass previous expectations. Nonetheless both advanced and emerging economies are projected to grow at a slower pace over 2024-26 than in the pre-pandemic decade. Similarly global trade is also projected to expand in the coming years, albeit well below the average rates of the two decades preceding the pandemic.

## GLOBAL TEA MARKET

The global tea market has experienced robust growth in recent years with the market driven by multiple factors, including the cultural and traditional significance of tea, the rising influence of health and wellness trends, and the effects of globalisation, which have increased access to diverse tea varieties. Additionally, rising disposable incomes and effective marketing and branding strategies have significantly contributed to the industry's growth in recent years.

The global tea market is mainly classified under three broad segments - Black Tea, Green Tea and Oolong Tea. Traditional black tea continues to dominate the global tea market and remains the most preferred choice among consumers worldwide. The steady demand for Black Tea is further bolstered by the growing awareness

of its potential health benefits, such as its high antioxidant content and its positive effects on heart health. Moreover, the versatility of black tea as a base for various flavoured and specialty teas further enhances its appeal to a broad spectrum of consumer preferences.

Meanwhile, the green tea segment thrives on the rising emphasis on health and wellness, as consumers seek natural, antioxidant-rich beverages. Renowned for its potential health benefits, including weight management and improved metabolism, green tea has become a preferred choice among health-conscious individuals. The growing popularity of green tea in culinary applications, such as desserts and savoury dishes, also contributes to its segment growth in recent times.

Oolong tea with its distinct flavour profile which falls between black and green teas in terms of oxidation, appeals to the discerning consumer. Often considered a connoisseur's choice, Oolong tea attracts those interested in exploring the intricate nuances of tea flavours.

Global Tea Trends	Opportunities for Dilmah
<b>Growing Consumer Awareness on the Health Benefits of Tea</b>	
As health-conscious choices gain prominence, consumers are increasingly drawn to tea for its perceived natural and wellness-promoting attributes. The abundance of antioxidants found in tea varieties, such as green tea and herbal infusions, enhances its appeal to those seeking health benefits in their beverages.	<p>Diversifying product portfolios through the launch of innovative new products and flavour variants.</p> <p>Realign marketing and promotional activities to amplify the health benefits of tea.</p>
<b>Evolving lifestyles leading to the demand for Convenience</b>	
Consumers are increasingly seeking hassle-free and rapid beverage solutions, which has led to a surge in demand for ready-to-drink (RTD) tea products that align with their busy schedules.	Diversify into RTD tea to cater to the demand for quick, accessible, and convenient tea options.
<b>Increased Awareness on Sustainability and Ethical Sourcing</b>	
Growing preference for teas that are cultivated sustainably, without causing harm to the environment or exploiting labour.	Prioritise sustainability and ethical sourcing to gain a competitive advantage in the market, as consumers are willing to pay a premium for products that align with their values.
<b>Growing Demand for Premium and Specialty Teas</b>	
Influenced by higher disposable incomes, consumers are becoming more discerning and willing to spend on higher-quality and specialty teas. This shift is further fuelled by the demand for unique and elevated tea experiences, transcending the conventional tea bags commonly found on store shelves.	Focus on developing premium tea offerings, complemented by captivating storytelling and branding, to elevate the overall tea-drinking experience.

## OUTLOOK AND PROSPECTS FOR THE TEA MARKET

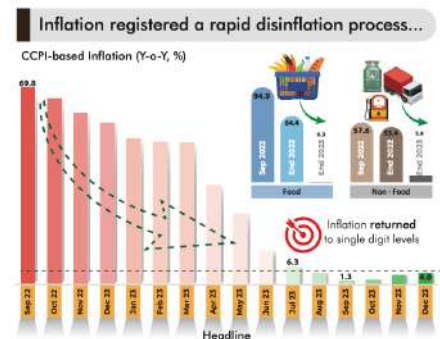
The global tea market is poised for robust growth in the coming years and is projected to expand at a compound annual growth rate (CAGR) of 5%+, underpinned by the growing consumer preference for high-quality, unique tea blends including premium and specialty teas. The demand for functional and health-boosting varieties that offer benefits such as enhanced immunity and stress relief are also expected to grow, while new innovative tea formats such as ready-to-drink options and convenient single-serve pods will likely attract a new breed of consumers seeking convenience. Other factors expected to fuel the demand for tea in the future, include the exploration of tea as an ingredient in culinary creations, improvements in packaging and presentation, and a growing interest in exploring the diverse cultural and regional tea experiences.

## SRI LANKAN ECONOMIC UPDATE - 2023

After enduring its most severe economic crisis, characterised by six consecutive quarters of contraction, Sri Lanka embarked on a path to recovery in mid-2023, underpinned by rapid disinflation and a more conducive environment for economic resurgence.

Inflation, which had peaked at an all-time high in September 2022, returned to single-digit levels by 2Q 2023 and remained near target by the end of 2023. The Central Bank's adoption of an accommodative monetary policy stance from mid-2023, combined with reduced risk premiums following the completion of the Domestic Debt Optimisation (DDO) process, led to a significant decline in market interest rates, which created the space for the revival of economic activity.

Furthermore, swift policy measures by the government and the Central Bank, along with the structural reform agenda linked to the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement, further bolstered macroeconomic stability, and guided the Sri Lankan economy towards a moderate contraction of 2.3% in 2023, a considerable improvement from the 7.3% de-growth in 2022.

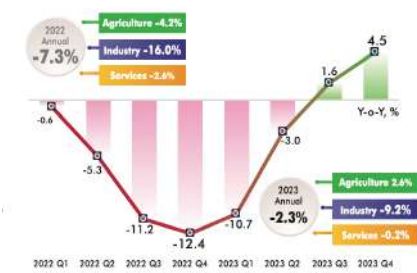


Tea Global Market Report 2024



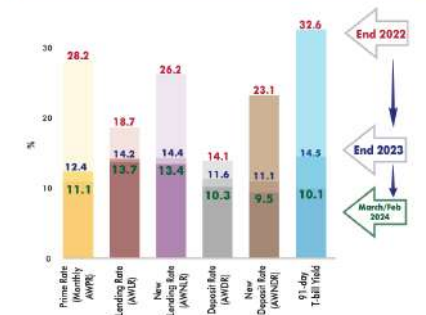
# OPERATING ENVIRONMENT

## Steady rebound in real GDP growth...



Tea Market Report by Product Type, Packaging, Distribution Channel, Application, and Region 2024-2032

## Notable decline in market interest rates...



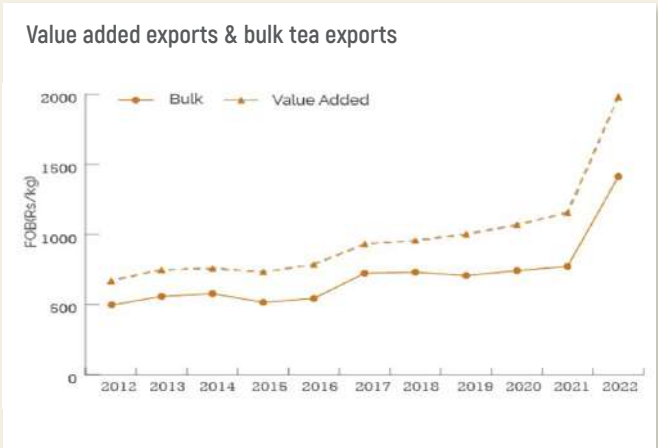
Tea Global Market Report 2024

Encouraging signs were seen across all key economic sectors. The agricultural sector demonstrated the strongest recovery, recording a 2.6% expansion in 2023, a notable turnaround from the 4.2% contraction in 2022. The country's external sector also indicated a robust revival, where a substantial increase in worker remittances and significant improvements in tourism-related earnings led to a surplus in the external current account in 2023. The merchandise trade deficit for the year was the lowest since 2010, as the significant growth in service-related export earnings helped offset the expenditures on merchandise imports.

## CONTRIBUTION TO THE SRI LANKAN ECONOMY BY VALUE ADDED TEA EXPORTS

Value added exports & bulk tea exports				
Export type	Categories	Quantity (kg)	Value (Rs)	FOB (Rs/kg)
Export	Black	89,740,810	166,667,063,490	1,857.20
	Green	1,503,887	6,572,329,778	4,370.23
	Instant	3,023,838	8,037,448,524	2,658.03
Sub Total		94,268,535	181,276,841,792	1,922.98
Re Export	Black	4,908,821	10,543,280,306	2,147.82
	Green	2,017,042	8,747,228,084	4,336.66
	Instant	52,810	89,041,929	1,686.09
Sub Total		6,978,673	19,379,550,319	2,776.97
Total		101,247,208	200,656,392,111	1,981.85

Sri Lanka Tea Board Report 2022



Sri Lanka Customs Data

## OUTLOOK AND PROSPECTS FOR THE SRI LANKAN ECONOMY

The Sri Lankan economy is set to continue its current growth trajectory for the foreseeable future, bolstered by ongoing reforms and economic adjustments and contingent on continuing support from the International Monetary Fund's (IMF) Extended Fund Facility (EFF) programme. Inflation is also expected to stabilise around the desired 4 - 6% target over the medium term, supported by effective policy interventions. The external sector is anticipated to build on the positive trends observed in 2023, notwithstanding the likely increase in the trade deficit owing to a higher imports associated with heightened economic activity.

# RISK MANAGEMENT REPORT

### DILMAH'S APPROACH TO MANAGING RISKS

As a leading global Tea brand, Dilmah faces numerous risks stemming from changes in both internal and external environments. To effectively navigate these complexities, the Company has adopted the Enterprise Risk Management (ERM) approach which establishes the structural framework to integrate risk management considerations into decision-making at every level of the business, including strategy formulation, business development, business planning, innovation, capital allocation, investment decisions, internal control, and day-to-day operations. In this way, the ERM approach serves as a comprehensive and fully integrated mechanism that enables Dilmah to not only identify, assess and mitigate risk exposure but also ascertain potential opportunities for sustainable value creation for stakeholders.

### RISK GOVERNANCE

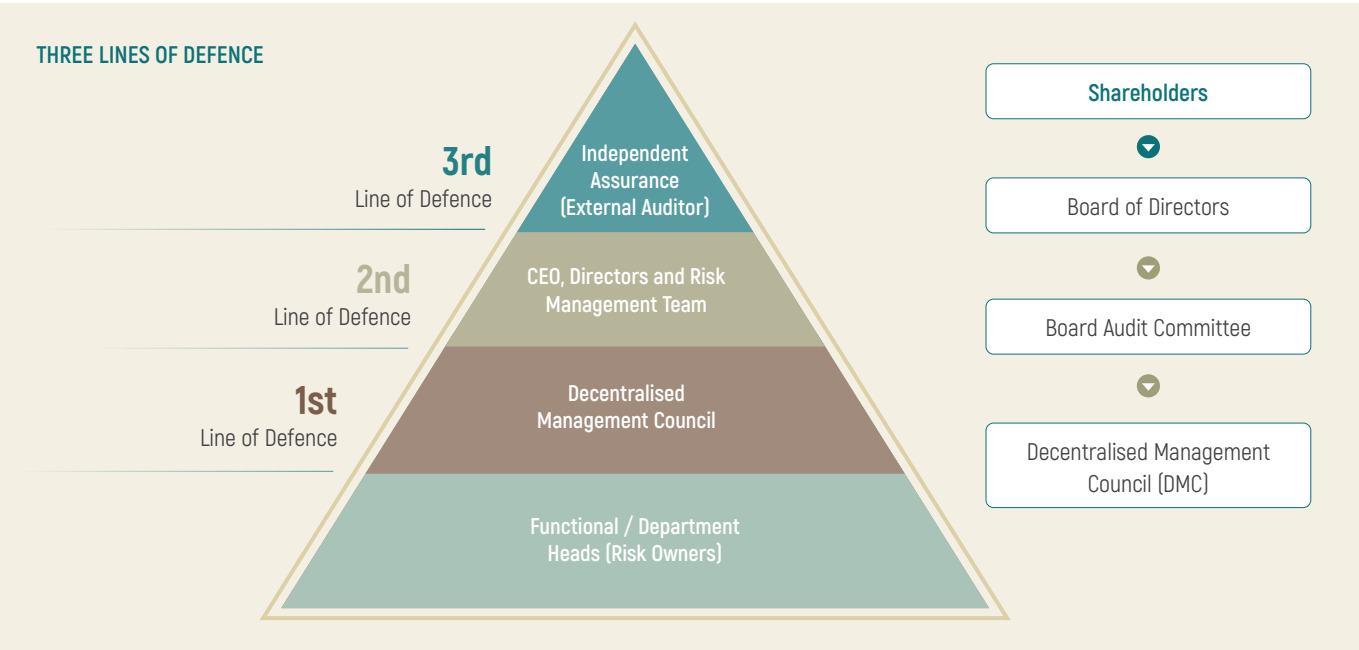
The success of the ERM approach is underscored by strong governance with the Board setting a strong foundation for risk

control from the top by establishing clear risk management objectives aligned with the Company's strategy and business plans. Additionally, the Board delegates its risk management duties via the three-lines-of-defence that delineates specific responsibilities and oversight at multiple organisational levels, ensuring a comprehensive and systematic approach to identifying, managing, and mitigating risks.

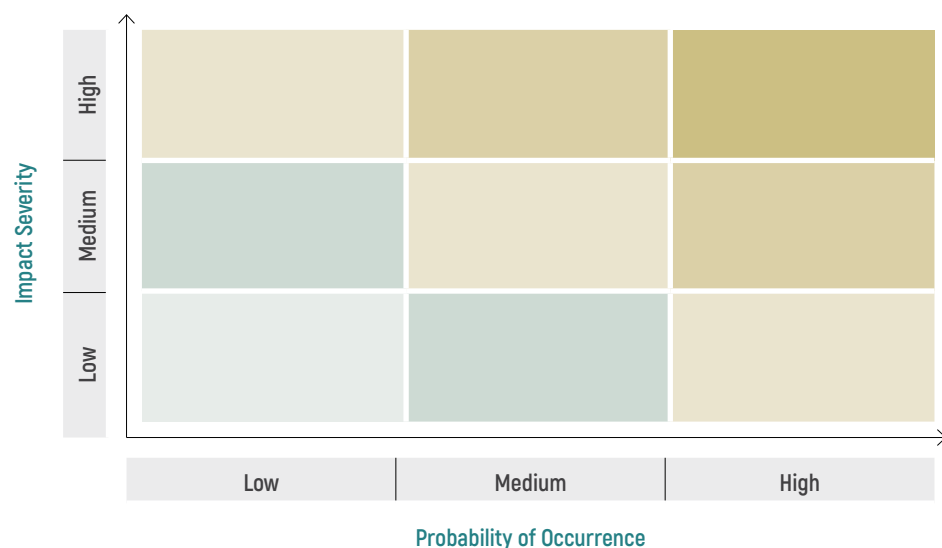
Accordingly, Functional/Department Heads or risk owners are the first line of defence charged with the responsibility of adhering to the risk control frameworks pre-approved by Dilmah's Audit Committee and the Board. As part of their risk management duties, the first line of defence is also expected to remain vigilant and utilise their knowledge and technical expertise to identify any potential or emerging risk events. As the main body overseeing the first line of defence, the Decentralised Management Council (DMC) conducts ongoing risk assessments to evaluate the adequacy of existing risk controls and determine the need for further improvements.

The second line of defence is represented by Dilmah's Corporate Risk Management Team. The team plays a vital role in proactively reviewing existing risk profiles and assessing emerging risks arising from the external and internal environments, and ensuring these changes are reflected in the updated risk grids presented to the Board Audit Committee and the Board for regular review. The Corporate Risk Management Team is also tasked with carrying out necessary due diligence activities to verify the adequacy and efficacy of the existing risk control mechanisms in the context of the changing strategic and business environment and report on findings to the Board Audit Committee for corrective action, if needed. As part of their duties, the Corporate Risk Management Team also undertakes various training initiatives aimed at promoting the risk awareness culture among employees at all levels of operation.

The third line of defence in Dilmah's Risk Governance Structure are the External Auditors, who provide independent assurance to the shareholders through the Board.



# RISK MANAGEMENT REPORT



Risk	Risk Context for FY 2023/24	Risk Impact for FY 2023/24		Managing Risks and Opportunities	
		Likelihood	Severity	Risk Mitigation Approaches	Identified Opportunities
Macroeconomic and geopolitical conditions in buying markets leading to lower demand for Dilmah products <b>HH</b>	Political instability attributed to the ongoing Russia / Ukraine war continued to adversely affect consumption patterns, resulting in lower demand for Ceylon tea. Demand for tea further weakened due to the erosion in disposable incomes across the wider European region owing to rising energy costs attributed from the Russia / Ukraine conflict.	H	H	<ul style="list-style-type: none"> <li>- Strengthening competitive positioning and reinforcing brand loyalty through targeted marketing campaigns.</li> <li>- Stringent margin management through operational efficiency, and optimal resource allocation.</li> </ul>	<ul style="list-style-type: none"> <li>- Explore and expand into new and emerging markets to minimise overdependence on a specific country / region / sector.</li> <li>- Pursue strategic partnerships with local distributors, retailers, and online platforms to effectively navigate new regions and establish a stronger presence in non-traditional markets.</li> </ul>
Inflation in foreign markets directly impact the demand for Dilmah's niche range <b>MM</b>	As global inflation rates surged, consumers in key international markets faced higher living costs, leading to reduced disposable incomes. This economic strain had an adverse impact on the demand for premium and luxury items, including Dilmah's high-end tea products.	M	M	<ul style="list-style-type: none"> <li>- Driving brand loyalty, built on Dilmah's long standing commitment to exceptional quality, ethical sourcing, and sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>- Introduce exclusive loyalty programmes to retain existing customers and encourage repeat purchases.</li> <li>- Expanding cost effective distribution solutions, through e-commerce partnerships.</li> </ul>



Risk	Risk Context for FY 2023/24	Risk Impact for FY 2023/24		Managing Risks and Opportunities	
		Likelihood	Severity	Risk Mitigation Approaches	Identified Opportunities
Rising freight rates due to the Red Sea crisis that erupted in September 2023 <b>HH</b>	The Red Sea crisis caused a significant escalation in freight rates due reduced vessel availability and longer transit times saw shipping companies facing higher insurance premiums and additional security measures, which were passed on to exporters and importers.	H	H	- Focus on revising its production planning to enable pre-booking of shipping capacity to secure favourable rates and minimise delays.	
Changing customer preferences may challenge the relevance of Dilmah's core products leading to loss of global market share <b>HM</b>	A growing number of health-conscious consumers are driving demand for teas with functional benefits, such as those promoting wellness and containing natural ingredients. Additionally, competition from alternative beverages like kombucha, specialty coffees, and plant-based drinks has intensified, challenging traditional tea markets. Consumers are also becoming more sophisticated, seeking unique flavours, premium quality, and ethical sourcing.	H	M	<ul style="list-style-type: none"> <li>- Continuous monitoring of emerging industry trends and preferences via various platforms and market research such as Euromonitor.</li> <li>- Proactive and ongoing engagement with customers to obtain feedback and insights.</li> <li>- Alignment with global standards, certifications and accreditations to demonstrate Dilmah's commitment to sustainability and ethics.</li> </ul>	<ul style="list-style-type: none"> <li>- Investing in R &amp; D to drive product innovation to gain first mover advantage in emerging markets.</li> <li>- Focus on developing new distribution channels such as e-commerce and launching more sustainable products.</li> <li>- Emphasis on developing value added products for a broader range of price points.</li> </ul>
Supply chain disruptions attributed to climate change <b>MM</b>	As a company which is dependent on the agriculture sector, the increasingly pronounced effects of climate change have a direct impact on Dilmah's operations as increasingly erratic weather patterns in key tea-growing regions leading to irregular tea yields, causing delays in sourcing and resulting in higher costs.	M	M	<ul style="list-style-type: none"> <li>- Robust supply chain management approach to ensure supplier alignment with Dilmah's strategy and business plans.</li> <li>- Strategic sourcing to build inventory in order to secure timely deliver to customers whilst monitoring emerging trends in the shipping industry.</li> </ul>	<ul style="list-style-type: none"> <li>- Conducting research to strengthen supply chain resilience by educating farmers on climate adaptation methodologies and sustainable practices.</li> </ul>
Fluctuations in the cost of production <b>HM</b>	Volatile tea prices at local auctions are driven by a combination of inconsistent tea yields as well as political and economic factors.	H	M		<ul style="list-style-type: none"> <li>- Comprehensive tea buying strategy incorporating price fluctuations and seasonal trends.</li> </ul>

# RISK MANAGEMENT REPORT

Risk	Risk Context for FY 2023/24	Risk Impact for FY 2023/24		Managing Risks and Opportunities	
		Likelihood	Severity	Risk Mitigation Approaches	Identified Opportunities
Issues relating to product responsibility and/or quality and safety will directly impact the Group's brand and reputation, thereby affecting its competitive edge <b>LL</b>	Issues relating to product responsibility and/or quality will directly impact Dilmah's brand and reputation, thereby affecting its competitive edge.	L	L	<ul style="list-style-type: none"> <li>- Compliance with a range of globally recognised product quality and safety certifications.</li> <li>- Stringent quality assurance across the sourcing, manufacturing and distribution process.</li> <li>- Training and awareness of quality aspects across the Company.</li> <li>- Trained staff to conduct inspection and testing and well-equipped testing facilities.</li> </ul>	- Strategic focus on product innovation and developing environmentally sustainable packaging.
Exchange Rate Risk: as an export oriented Company Dilmah is exposed to exchange rate fluctuations which can affect the revenue generated from international sales as well as cost of importing raw materials <b>HH</b>	Dilmah was exposed to exchange rate risk in the current financial year and recorded a sizable exchange loss due to the appreciation of LKR, USD and the AUD. As the LKR strengthened relative to these major currencies, the value of revenues generated from international sales, declined significantly when converted back into LKR.	H	H	<ul style="list-style-type: none"> <li>- Ongoing monitoring of exchange rate movements and assessment of the impact on our operations.</li> <li>- Follow efficient treasury management procedures to take advantage of the positive movements in exchange rates.</li> </ul>	
Interest Rate Risk Variations in interest rates impact Dilmah's cost of borrowing and financing <b>LL</b>	Dilmah is mostly equity financed and strives to maintain zero exposure to long term debt servicing and as such is not subject to interest rate risk.	L	L		

Risk	Risk Context for FY 2023/24	Risk Impact for FY 2023/24		Managing Risks and Opportunities	
		Likelihood	Severity	Risk Mitigation Approaches	Identified Opportunities
<p>Credit Risk: Manifests as the potential for non-payment by customers or delays in receivables, which can affect cash flow and liquidity</p> <p><b>HH</b></p>	<p>The global economic downturn, characterised by reduced consumer spending, high inflation rates, and financial instability, impacted the creditworthiness of both customers and suppliers. As many businesses and consumers faced financial strain, the likelihood of delayed payments or defaults increased, posing a risk to Dilmah's receivables.</p>	H	H	<ul style="list-style-type: none"> <li>- Careful evaluation of customers' profiles prior to extending credit terms.</li> <li>- Adopt secure payment terms such as LCs, bank guarantees, performance bonds etc where required and obtain SLECIC cover when there is a possible default risk.</li> <li>- Regular follow up action &amp; continuous and frequent communication with customers.</li> </ul>	
<p>Employee attraction and retention</p> <p><b>LL</b></p>	<p>Despite the country experiencing high levels of labour; out-migration due to severe economic pressures, Dilmah successfully avoided high levels of employee attrition.</p>	L	L	<ul style="list-style-type: none"> <li>- Focus on offering a robust employee value proposition to position Dilmah as an employer of choice among industry peers.</li> <li>- Commitment to create a conducive workplace to ensure employees are inspired to align personal career ambitions with corporate aspirations.</li> <li>- Invest in creating a safe and healthy working environment that ensures the physical and psychological wellbeing of employees.</li> </ul>	<ul style="list-style-type: none"> <li>- Implement a dedicated leadership training programme to nurture future leaders within the organisation.</li> <li>- Establish innovation hubs or labs within the organisation to encourage creative problem-solving, develop new ideas and promote online learning opportunities for knowledge enhancement.</li> </ul>
<p>Information systems and cybersecurity risk as a result of sharing information particularly with overseas stakeholders</p> <p><b>HM</b></p>	<p>The threat of external cybersecurity breaches further intensified with global attacks becoming increasingly more frequent.</p>	H	M	<ul style="list-style-type: none"> <li>- Investment in world-class cybersecurity and information security systems supported by regular updates.</li> <li>- Comprehensive disaster recovery architecture with cloud-to-cloud DR ensuring continuity in the event of a site or service failure at the production site.</li> <li>- Established Disaster Recovery plan together with necessary hardware infrastructure to facilitate data backups and recovery.</li> </ul>	



## FINANCIAL CAPITAL

The group's robust performance despite economic fluctuations, was well-represented this year in our financials. Export revenue for the year under review was LKR 18.5 billion – a strong indication of the company's determination to thrive in uncertain times. The group's profit after tax was LKR 762 million, and 4.5 million kgs of product were exported during the year. Our position as one of the world's leading tea brands is protected with integrity and accuracy in accounting and reporting.

### Overview

Financial Capital is crucial for Dilmah's ongoing success and sustainability as it supports the Company's ability to achieve its strategic objectives and deliver value to all its stakeholders.



### MANAGEMENT APPROACH

Dilmah maintains a holistic approach to managing Financial Capital which is aimed at safeguarding the Company's long-term success and resilience. This approach involves a culmination of disciplined financial planning, rigorous risk management, diversifying revenue streams and effective cost management to mitigate financial risks and enable Dilmah to weather economic downturns and emerge stronger from periods of market instability.

Employing advanced financial modelling and forecasting techniques to anticipate market trends and identify potential risks, help to develop robust financial plans and set clear financial KPIs ensuring that all departments align with the Company's strategic objectives. These efforts are accompanied with rigorous risk management practices designed to safeguard against financial volatility.

Diversifying revenue streams to reduce dependency on any single market or currency is another key priority in the overall approach to managing Financial Capital. By expanding the product portfolio and entering new geographic markets, the Company spreads its financial risk and creates multiple income sources, which not only provides a safety net against market-specific downturns but also paves the way to tap into new growth opportunities to facilitate revenue stability over time.

Strategic cost management is another critical aspect of Dilmah's efforts to maximise its profit margins and ensure sustainable growth.



#### MATERIAL MATTERS



- Sustainable growth in earnings
- Managing our people
- Geopolitical conditions in buying markets
- Exchange rate fluctuations
- Cost of production and logistics

#### INPUTS



- Equity capital - Rs. 22.31 Billion

#### VALUE DRIVERS



- |                 |                |          |               |
|-----------------|----------------|----------|---------------|
| • Revenue       | • Gross Profit | • PAT    | • Liabilities |
| • Cost of Sales | • PBT          | • Assets |               |



# FINANCIAL CAPITAL

## VALUE TRANSFORMATION SCORECARD - FY 2023/24



### KEY INITIATIVES

- LKR 1 Bn invested in PPE
- Focus on optimal cash flow management
- Effective management of current liabilities

Stakeholder Outcomes		Impact on Other Capitals	
Customers	Enhanced customer satisfaction due to continuous investment in upgrading production and packaging systems	Social & Relationship Capital	+
Employees	Competitive salary increments and improved benefits that keep employees motivated and satisfied	Human Capital	
Shareholders	Stable dividends and returns on investment leading to improved confidence in Dilmah's long-term financial health and growth prospects	Intellectual Capital	+
Suppliers	Stable and reliable demand for their products and services	Social and Relationship Capital	+
Community and Environment	Increased community investment and support for local initiatives	Social and Relationship Capital	+
	Financial resources allocated towards sustainable practices and environmental initiatives	Natural Capital	+

### OUTPUTS FOR DILMAH

- 10% : 5-year CAGR in Revenue
- 3% : ROE
- 7% : Gearing ratio
- 6 times : Current Ratio
- 5 times : Liquidity Ratio

### SDGs



### PROPOSED FUTURE ACTION



Focus on entering new international markets and broadening its product portfolio to support continued growth and build resilience. Additionally, more emphasis will be given to advanced financial analytics to better anticipate and respond to market fluctuations and economic challenges.



## REVENUE

Dilmah recorded Revenue of LKR 18.5 Bn for FY 2023/24, down 17% from LKR 22.3 Bn reported in the previous financial year. The decline was attributed to a combination of factors, among them, muted demand from major export markets alongside the impact of the LKR appreciation against all major global currencies.

The depreciation of the AUD against LKR in particular had a significant impact on the Company's total Revenue, especially with Australia accounting for a substantial share of the topline. The LKR appreciation against the USD also had a similar impact on Revenue for the current financial year.

Meanwhile, export volumes reported a 13% decline compared to the previous year as a direct consequence of subdued demand owing to inflationary pressures and weak economic conditions in major global markets. Geopolitical tensions stemming from the ongoing Russia/Ukraine conflict and the Red Sea crisis also had a negative impact on export volumes. Dilmah continued to effectively navigate these complex global dynamics by entering two new markets in the current financial year, marking its brand presence in 110 countries worldwide. Moreover ongoing efforts to grow captive market share in Australia-Dilmah's main market also proved successful demonstrating the resilience of the brand in this core market.

## COST OF SALES

In line with the decline in sales exports volumes, cost of sales decreased in FY 2023/24 to LKR 11.2 Bn, down by 8% compared to the previous year and managed certain direct cost elements through prudent procurement practices.

However, machinery maintenance expenses grew by 30%, while depreciation costs surged by 40% owing to substantial investments in new machinery in the recent years. Production-related salaries and wages also increased

by 24% on the back of increments and salary revisions across all cadres. There were however some notable positives compared to the previous year, including the lower average tea auction prices as well the favourable price reduction in imported packaging material owing to the appreciation of the LKR against the USD.

## GROSS PROFIT

The cascading effect of declining revenue, combined with higher costs of sales, was reflected in the decrease in this year's gross profit. Consequently, the GP margin also showed a downward trend, dropping from 45% in the previous financial year to 39% in the year under review.

## PROFIT BEFORE TAX (PBT)

PBT for FY 2023/24 was LKR 1.3 Bn, down 77% from LKR 5.8 Bn registered in the previous financial year, underscoring the impact of the lower Gross Profit in the current year. However the most significant impact on PBT was the LKR 490 Mn exchange loss on the conversion of forex denominated deposits based on the spot rate as at 31st March 2024. This is in sharp contrast to the exchange gain of LKR 2.3 Bn recorded as at 31st March 2023.

Interestingly, if the exchange loss/gain both realised and unrealised is not considered, the real PBT performance shows a decline of only 10% approx. year on year.

## PROFIT AFTER TAX (PAT)

PAT for FY 2023/24 was LKR 762 Mn, representing a decline of 85% from LKR 5 Bn recorded in the previous financial year. Influenced by lower PBT, Tax expenses for the current year were also lower in comparison to the previous year.

## ASSETS

Total Non-Current Assets of the Group increased by 5.8% from LKR 6.8 Bn in the previous year to LKR 7.2 Bn as at 31st March 2024, on the back of substantial investments in PPE (Property Plant and Equipment). Of

the total of LKR 841 Mn invested in PPE, 90% was on account of machinery and equipment, buildings, office and stores equipment and production-related vehicles, all aimed at enhancing efficiencies across the production and packaging processes. Meanwhile the remaining 10% of the PPE investment was for the purpose of improving the scalability of the Company's hardware systems and other vehicles.

Meanwhile current assets reflected a decline of 6% owing to LKR 19.8 Bn.

## LIABILITIES

Current liabilities declined from LKR 3.9 Bn in the previous year to LKR 3.1 Bn as at 31st March 2024, amidst lower Trade and Other Receivables in direct correlation with the lower export volume recorded in the current year.

## MANUFACTURED CAPITAL

The integrity of our manufacturing processes is never in doubt thanks to our state-of-the-art equipment, production facilities and machinery. Our high standards in delivering only the best tea are upheld by the elaborate value addition processes that ensure an efficient, effective and sustainable manufacturing process. Our physical infrastructure is pivotal to our consistent success, as we continue to refine and reinvent the taste of real Ceylon tea. With our Manufactured Capital, we maintain our integrity.

### Overview

Dilmah's Manufactured Capital provides the foundational support for the Company's core business of producing and marketing value added teas. These include the Property, Plant and Equipment (PPE), encompassing physical infrastructure such as the freehold premises in Peliyagoda that houses the main processing plant, the leasehold warehouse and storage complex in Wattala, the vehicle fleet as well as the Company's IT infrastructure, which together enable Dilmah to deliver premium tea products while maintaining stringent quality and sustainability standards.



### MANAGEMENT APPROACH

Dilmah adopts a well-coordinated approach to enhancing its Manufactured Capital, centred on achieving manufacturing excellence where significant resources are allocated each year towards modernisation of physical infrastructure and promote continuous improvement with a view to enhancing production efficiency and product quality. This overall approach also includes integration of advanced IT infrastructure and ERP systems to streamline operations and improve logistics management, thereby enhancing overall cost efficiencies.

### MATERIAL MATTERS

- Sustainable growth in earnings
- Innovation
- Environmental & socio-economic compliance
- Manufacturing capabilities
- Cost of production and logistics

### INPUTS

(Rs.000's)	Value as at 31st March 2024
Land and Building	74,411
Plant and Machinery	345,000
Factory/ Office Equipment	242,619
Motor Vehicles	143,228
IT Infrastructure	59,654
Others	168,350

### VALUE DRIVERS

- Annual CAPEX Plan and Budget
- Procurement Guidelines
- Manufacturing Best Practices
- Maintenance and Upkeep
- Continuous Improvement
- IT Infrastructure

### VALUE TRANSFORMATION SCORECARD - FY 2023/24

#### KEY INITIATIVES

- **Rs. 1,033 Mn** incurred on new CAPEX
- **Rs. 171 Mn** spent on maintenance and upkeep of machinery
- **399** engineering improvement projects
- ERP version upgrade



# MANUFACTURED CAPITAL

▼

VALUE TRANSFORMATION SCORECARD - FY 2023/24

Stakeholder Outcomes		Impact on Other Capitals	
Customers	Consistent high-quality products	Social & Relationship Capital	+
	Improved product safety and reliability		
	Access to sustainably produced goods		
Employees	Safer and more efficient work environments	Human Capital	+
	Opportunities for professional development and training		
Shareholders	Improved financial performance and profitability	Financial Capital	+
	Increased return on investment due to operational efficiencies		
Community and Environment	Reduced environmental impact through sustainable practices	Social and Relationship Capital	+
		Natural Capital	+

OUTPUTS FOR DILMAH

- Overall highest performing equipment efficiency ratio – 94.03%
- Production wastage at the factory – 1.51%
- Capacity utilisation - 51%
- Delivery In Full On Time (DIFOT) - 100%
- Overall Equipment Efficiency (OEE) - 82.42%

SDGs

8  
DECENT WORK AND ECONOMIC GROWTH

9  
INDUSTRY, INNOVATION AND INFRASTRUCTURE

13  
CLIMATE ACTION

▼

PROPOSED FUTURE ACTION

Commissioning new tea bagging machines worth of Euro 5 million equipped with home compostable filter paper and threads for making biodegradable tea bags.

### ANNUAL CAPEX PLAN AND BUDGET

All investments in PPE are undertaken as per the Board-approved annual capital expenditure (CAPEX) plan and budget to ensure strategic alignment and financial discipline. Through targeted investments in PPE, Dilmah reiterates its commitment to quality, operational resilience, and ensures that the Company is equipped with the latest technology and best practices to meet the evolving demands of the global market thereby fortifying the Company's leadership status and preserving long-term success.

CAPEX requirements are typically identified through a 'Wishlist' prior to commencement of the financial year, where HODs and other technical experts are expected to present their formally documented "Wishlists" including the relevant budgets for review by the Board. Approved budgets are recorded on the Company's ERP system and supported by appropriate procurement workflows and approvals by relevant stakeholders.

In the year under review, the Company invested Rs. 1,033 Mn on CAPEX, of which approximately 45.73% was on account of plant and machinery, mainly tea bagging machines to strengthen capacity at the Peliyagoda plant.



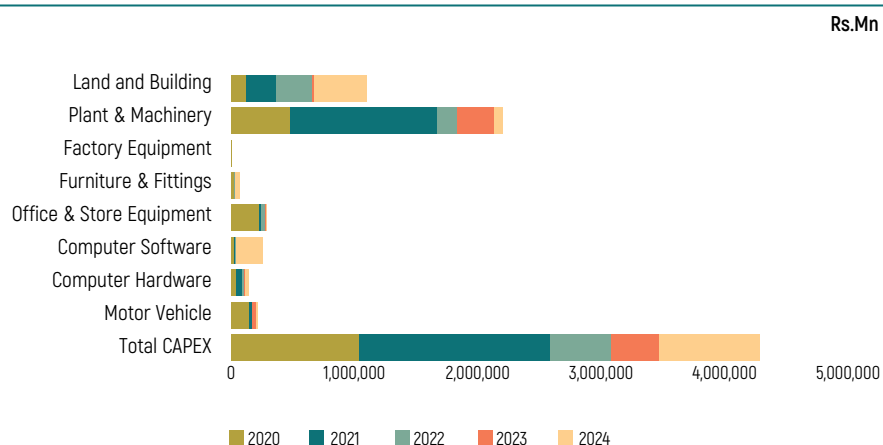
### PROCUREMENT GUIDELINES

The procurement of new machinery is based on a comprehensive due diligence process to ensure that the proposed machinery aligns with Dilmah's operational and quality benchmarks. To that end, the Company policy is to procure machinery only from globally reputed Original Equipment Manufacturers (OEM) who have access to the latest technological advancements.

Given the nature of Dilmah's core business, tea bagging machinery is the most frequently procured machinery. In this regard, the

Company's New Product Development (NPD) department keeps track of the latest market research and seeks inputs from the engineering and production department to identify possible new suppliers offering the latest technologically advanced solutions in this sphere. This is followed by an in-depth evaluation of prospective suppliers, assessing their track record, adherence to international quality standards, and technological advancements. This may on occasion include trial runs and validation processes to verify operational efficiency, safety, and reliability of the proposed machinery and equipment in supporting the Company's pursuit of manufacturing excellence.

### INVESTMENT IN CAPEX



Rs.000's (2023/24 Additions)	
Land and Building	74,411
Plant and Machinery	345,000
Factory Equipment	776
Furniture and fittings	19,596
Office equipment	222,247
Computer hardware	35,858
Computer software	23,796
Motor Vehicles	143,228
Others	168,350
Total CAPEX	1,033,262

# MANUFACTURED CAPITAL

## MANUFACTURING BEST PRACTICES

Dilmah stands at the forefront of quality assurance and sustainability within Sri Lanka's value added tea industry, underscored by the unwavering commitment to adopting manufacturing best practices aligned with globally recognised standards, including ISO 9001 : 2015 for quality management to ISO 14001 : 2015 for environmental management, FSSC 22000 and BRC Global Standard for Food Safety ensuring food safety, and Sedex Members Ethical Trade Audit (SMETA) for ethical trade practices. Additionally, by adhering to Rainforest Alliance Sustainable Agriculture standards, as well as Organic Standards for EU, USDA NOP, and JAS, the Company further seeks to demonstrate its commitment to conduct plant operations in an environmentally friendly and socially responsible manner.

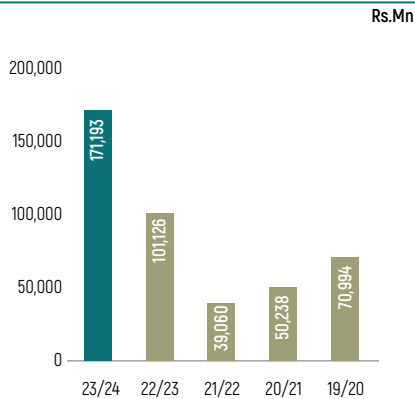
## MAINTENANCE AND UPKEEP

Maintenance and upkeep forms an integral part of Dilmah's approach to safeguarding its physical assets and ensuring they complement the Company's manufacturing excellence objectives.

To that end, engineering teams adhere to OEM recommended maintenance schedules to ensure optimal performance and longevity. In terms of fleet management, Dilmah's transport department ensures that all vehicles undergo regular servicing and maintenance according to scheduled intervals, including daily inspections and quarterly full inspections. Annual emission tests are conducted to update revenue licences, prioritising environmental compliance. Heavy vehicle service and repairs are efficiently handled through the Company's own vehicle maintenance workshop in Peliyagoda, while light vehicle repair and services are outsourced to registered external workshops and dealers, ensuring comprehensive care for the entire fleet.



## FACTORY AND MACHINERY MAINTENANCE



## CONTINUOUS IMPROVEMENT

Dilmah showcases its commitment to continuous improvement with a specific emphasis on refining its manufacturing processes to ensure optimal output and resource utilisation. Through ongoing analysis

and evaluation, engineering teams work to identify areas for enhancement and implement innovative solutions to streamline operations, while strengthening quality. Moreover, by prompting the culture of innovation and collaboration the Company seeks to encourage employees to contribute ideas for improvement. In the year under review, a total of 399 engineering improvement projects were implemented in relation to process efficiency and enhancing machine capability.

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Category	2023/24
Process Improvement	164
Production Capacity Enhancement	22
Packing Quality Improvement	8
Automation Related	42
Design Modification	39
Improve maintenance, Innovation and Machining Capability	108
Energy Efficiency Improvement	14
Product Development	2
Total	399



## IT INFRASTRUCTURE

As part of its endeavour to achieve manufacturing excellence, Dilmah has over the years leveraged the latest IT developments to strengthen backend operational support systems. Central to these efforts is the fully integrated ERP system from Xpert Agile Solutions. The system which has been in place since 2018 provides the structure for seamless integration of workflows among various functions, including finance, production, inventory management, quality assurance, and engineering, while its modular design allows for customisation to address specific operational needs. The ongoing version upgrade is expected to provide considerable benefits in terms of functionality and scalability to meet the evolving demands of the business.



# INTELLECTUAL CAPITAL

Our innovative minds that nurture a culture of creativity are at the centre of our operations, as they combine human brilliance with the latest technology to provide a taste of nature, comfort and beauty all in one sip of tea. Our Intellectual Capital is furthered by our founding family's expertise and our expansive collection of 450 unique tea standards which provides us with a competitive edge as we successfully deliver a wholesome experience of goodness to consumers across 110 countries, with integrity.

## Overview

Intellectual capital serves as the cornerstone of Dilmah's competitive advantage and sustainability in the global tea industry. Comprising intangible assets such as the collective knowledge, expertise, innovation, and reputation embedded within the organisation, Intellectual Capital underpins Dilmah's ability to continuously innovate in tea cultivation, processing, branding, and market positioning.

Dilmah has achieved a significant presence across more than 100 countries, successfully penetrating two highly competitive markets: Fast-Moving Consumer Goods (FMCG) and Hotel, Restaurant, Café and Airlines (HORECA). Central to this achievement is a steadfast commitment to creating a strong competitive advantage and establishing market leadership through innovation. Dilmah's dedicated efforts to innovate and respond to the evolving preferences of Gen Z and a diverse consumer base have been crucial to its ongoing success. The brand emphasises continuous improvement, constantly refining its products and services to surpass customer expectations. By embracing innovation as a fundamental principle, Dilmah aims to maintain its position at the forefront of the industry, driving growth and reinforcing its status as a trusted global brand.



### MANAGEMENT APPROACH

Dilmah employs a comprehensive management approach to enhance its Intellectual Capital, driven by the continuous and ongoing focus on developing intangible assets within the organisation. This strategy involves dual approaches aimed at strengthening each intangible element alongside efforts to enhance the symbiosis between elements, ultimately leading to a more cohesive framework to create and sustain Dilmah's brand differentiation over time.



### MATERIAL MATTERS



- Sustainable growth in earnings
- Innovation
- Customer satisfaction
- Managing our distribution network
- Brand image and reputation
- Information system & cybersecurity

### INPUTS



- Experienced team
- Continuous product innovation
- Ongoing digitisation and automation
- Adherence to global standards and best practices



### VALUE DRIVERS



- |                                                                                                                                                                                         |                                                                                                                                                                                                |                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Brand legacy</li> <li>• Industry knowledge and expertise</li> <li>• R &amp; d and innovation</li> <li>• Digitisation and automation</li> </ul> | <ul style="list-style-type: none"> <li>• Standards and certifications</li> <li>• Business continuity planning and disaster recovery systems</li> <li>• Information security systems</li> </ul> | <ul style="list-style-type: none"> <li>• Business conduct and ethics</li> <li>• Strategic partnerships</li> <li>• Memberships and affiliations</li> </ul> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|



# INTELLECTUAL CAPITAL

## VALUE TRANSFORMATION SCORECARD - FY 2023/24



### KEY INITIATIVES

- Invested **Rs. 53.2Mn** in Research and Development
- Strengthened BCP Infrastructure
- Enhanced the DR architecture
- Developed and launched a collective of 41 new products across 2 new product ranges and as extensions to an existing range.

Stakeholder Outcomes		Impact on Other Capitals	
Customers	Consistent high-quality products	Social & Relationship Capital	+
	Guarantee of ethically produced tea		
Employees	Opportunities for innovation and knowledge enhancement	Human Capital	
Shareholders	Stronger competitive advantage and market position to boost financial performance and profitability	Financial Capital	+
	Increased return on investment due to operational efficiencies		
Community and Environment	Better quality of life for disadvantaged communities	Social and Relationship Capital	+
	Reduced environmental impact through sustainable practices	Natural Capital	+

### OUTPUTS FOR DILMAH

- Recognition as the "Most Trusted Brand in New Zealand" for the 8th Consecutive year
- Overall award for best value-added exporter - PEA 2023
- Cost savings attributed to in-house fabrication of machinery parts vs. importing

### SDGs

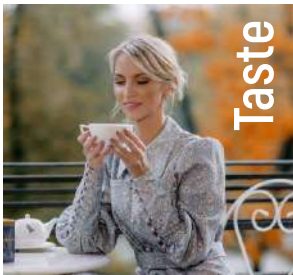


### PROPOSED FUTURE ACTION



Dilmah plans to strategically invest in enhancing its data infrastructure and IoT capabilities to deploy advanced data analytics platforms for streamlining data processing and generating actionable insights. Additionally, the Company aims to optimise operations and improve product quality by using IoT devices to integrate various systems and facilitate seamless data exchange and interoperability.

### BRAND LEGACY



Dilmah remains **SRI LANKA'S BIGGEST GLOBAL BRAND** generating on average USD 60Mn in foreign exchange earnings to the Country annually.

The Dilmah brand legacy originates from the Company's founder - Mr. Merrill J. Fernando whose indelible devotion to tea has been largely responsible for revolutionising the colonial tea trade into the modern, vibrant industry that it is today. The Dilmah brand, which is framed around Mr. Fernando's commitment to integrity, quality, and sustainability, has given Dilmah iconic status as the first ethically produced tea, picked, perfected and packed garden fresh, unblended in Sri Lanka right where it was grown.

The Brand's core values are embodied in three fundamental pillars: Taste, Goodness, and Purpose, which form the foundation for authenticity and innovation.

Since its inception, Dilmah has never compromised on its unique approach to tea making. Combining art, science and respect for nature and steeped in tradition, Dilmah continues the time honoured tea processing traditions passed down through generations of Sri Lankans.

In further testament to Dilmah's commitment to the fine art of tea, the Company's tea connoisseurs taste over 10,000 teas each week to ensure the extraordinary aroma, fine taste and signature goodness that together represent perfection in every cup.

This legacy has stood the test of time and 40 years on, today Dilmah's reputation as the world's finest single origin Ceylon Tea spans far and wide. Dilmah tea is sold in more than 100 countries across Asia, Australia, Europe and the Americas, solidifying Dilmah's status among the top 10 tea brands globally.

Dilmah is known globally not only for its exceptional tea but also as a pioneering advocacy of a more conscientious and humane approach to business, reflecting a deeper purpose towards the environment and the wider community as the Group's philosophy centers around the belief that business should serve humanity.

In this regard, the MJF Foundation, established by Dilmah, empowers marginalised communities, providing education, healthcare, and employment opportunities. At the same time, Dilmah Conservation focuses on environmental conservation, protecting biodiversity, promoting sustainable practices across tea gardens, while striving to achieve Net Zero by 2050.



### DILMAH RECOGNISED AS THE "MOST TRUSTED BRAND IN NEW ZEALAND" FOR THE 8TH CONSECUTIVE YEAR

Dilmah, the World's First Producer-Owned Tea brand, has once again been crowned the most trusted brand in New Zealand, an accolade achieved for the 8th consecutive year. The methodology employed by Trusted Brands New Zealand is rigorous and unbiased, making this achievement all the more meaningful. This remarkable achievement reflects the unwavering commitment of Dilmah in delivering the finest taste, goodness and purpose among its loyal customers.

The prestigious survey has recognised Dilmah's enduring reputation as a trusted and beloved brand in New Zealand through a procedure involving extensive scoping, where consumers voted to share their opinions on the brands they trust the most. The award has positioned Dilmah to be a Power Brand with admirable trust and good reputation in the industry. Since 1985, Dilmah Founder Merrill J. Fernando has prioritised integrity, quality, authenticity in serving the World's Finest Single Origin Pure Ceylon Tea, sourced purely from the tea gardens amidst the rolling hills of Sri Lanka, directly to consumers' cups.

### OVERALL AWARD FOR BEST VALUE-ADDED EXPORTER OF THE YEAR 2023



# INTELLECTUAL CAPITAL

## INDUSTRY KNOWLEDGE AND EXPERTISE

Dilmah derives significant advantages from the industry knowledge and expertise of its team, notably under the leadership of Dilhan Fernando, who brings a wealth of experience and vision to the Company. As the Chairman of Dilmah Tea Company PLC, Dilhan Fernando inherits a strong legacy from his father, Mr. Merrill J. Fernando. Trained under his father's tutelage, Dilhan Fernando has deep-rooted knowledge of tea tasting and plantation management, which enhances Dilmah's ability to maintain consistent quality and innovation in its product offerings.

The Group presents a diverse assortment of more than 450 distinct tea varieties, designed to satisfy a broad spectrum of tastes and preferences. Dilmah's extensive range encompasses specialty gourmet and premium teas, herbal infusions, green teas, flavoured teas, aromatic spiced chais, organic teas, and exclusive reserves carefully curated by the Teamaker.

Tea standards are established through an assessment of their compatibility with market trends and sensory attributes, ensuring they meet consumer expectations. Senior management conducts a comprehensive evaluation and verification of the organoleptic characteristics of these standards. Once approved, the tea standards undergo a validation process before being forwarded to the new product development and engineering departments.

Under his leadership, Dilmah has pioneered numerous marketing trends and innovations that have reshaped the tea industry globally, such as the introduction of the Dilmah School of Tea. This initiative not only promotes tea culture and education but also strengthens Dilmah's brand identity as a leader in tea expertise and craftsmanship. As a result of this initiative, over 5,500 tea-inspired ambassadors were created in 2023/24, showcasing the brand's commitment to nurturing tea expertise. The competent management team, under

Dilhan Fernando's stewardship, leverages its collective expertise to drive innovation, operational efficiency, and market expansion, thereby reinforcing Dilmah's competitive edge in the global tea market. Through these combined strengths, Dilmah not only sustains its legacy of quality and authenticity but also continues to pioneer advancements that shape the future of the tea industry worldwide.

Furthermore, Dilhan Fernando's roles as Chair of the UN Global Compact Network Sri Lanka and Biodiversity Sri Lanka highlight his commitment to environmental sustainability and advocacy for climate-related issues affecting the tea industry. His leadership in these areas align with Dilmah's dedication to sustainable production and manufacturing practices to position the Company as a sustainability champion leading the global tea industry towards positive change.

## R & D AND INNOVATION

### New Product Development

Dilmah's purpose-driven approach to innovation is aimed at continuous and ongoing refreshment of the product portfolio to reflect the evolving preferences of global tea enthusiasts. To that end, Dilmah conducts extensive research, often experimenting with new flavours, blends, and brewing techniques to bring unique and exciting products to the market. In the last Seven years, the Group has seen significant achievements by launching 374 new products, solidifying its leadership in industry innovation. Emphasising new product development as a key strategic focus, the brand allocates substantial annual investments, approximately Rs. 53.2 million, to research and development efforts. Below are several recent innovations that underscore the brand's dedication to pushing the boundaries in product development.

## NEW PRODUCT INNOVATIONS LAUNCHED IN FY 2023/24

### Dilmah finest in 20 new variants





## NEW PRODUCT INNOVATIONS LAUNCHED IN FY 2023/24

### Dilmah Elixir of Ceylon Tea

Black tea - In 10 Flavours & Green tea - In 3 Flavours



Mixology inspired by nature: Iced Tea, Flavoured water, Cocktails, Mocktails, Tea Sodas, Milkshakes, Smoothies, Slushies, Tea inspired food

### Christmas Teas - Gift packs in 8 Variants



2005

Dilmah Launches the Tea Gastronomy Revolution with "Thé Culinaire".

2007

Launch of the Dilmah Exceptional Range of Teas.

2015

Dilmah tea Lounges overseas.

2018

The total product range of Dilmah becomes Carbon Neutral. Dilmah Launches the first ever tea concentrate - Elixir of Ceylon Tea.

2019

Launch of the Dilmah Inspiration selection and Ceylon Golden Pekoe Leaf Tea Range  
Dilmah launches the Green Tea Variant of Elixir of Ceylon Tea.

2020

Launch of the Arana, Ayurveda-inspired herbal teas & infusions range Immunita initiative Velendho.

2021

Launch of Dilmah Iced Tea Ready-to-drink (RTD) globally and in the local market.

2022

Launch of Sustainable Premium Ceylon Black Tea 80 Pack in Australian market Venturing into the premium tea market: 85 Reserve & Teamakers Private Reserve products.

2023

Launching Dilmah Elixir of Ceylon Tea Black tea in 10 variants Green tea in 3 variants Multiple mixology Innovations.

# INTELLECTUAL CAPITAL

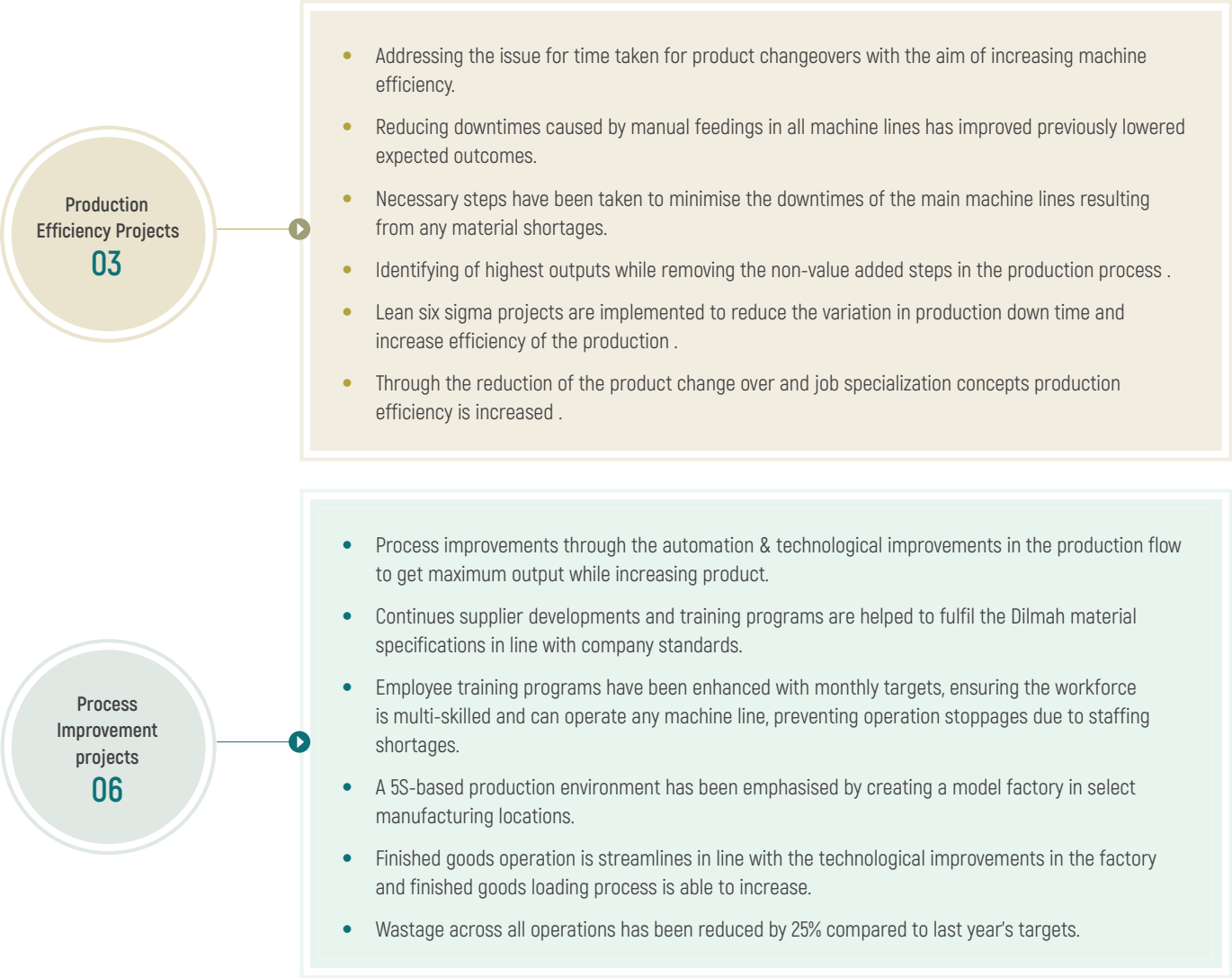
Dilmah's R&D process reflects its commitment to innovation, quality, and customer satisfaction, ensuring that every new product meets the high standards that the brand is known for globally. The process begins with identifying market needs, which can arise from consumer feedback, market trends, or directives from top management, ensuring that the Company's product offerings remain relevant and competitive. The Product Development Team is responsible for translating these requirements into viable product concepts that align with Dilmah's standards of quality and innovation.

A crucial step in the R&D process is the feasibility study, carried out jointly by the Product Development Team and the finance department. This study evaluates the technical, operational, and financial viability of the proposed product. It considers factors such as raw material availability, production capabilities, market potential, and cost implications for moving the product to the development pipeline.

If new equipment is needed, the necessary procurements are made to accommodate the new product. This may involve acquiring new machinery, upgrading existing equipment, or even reconfiguring production lines to optimise efficiency and maintain product quality.

## PROCESS IMPROVEMENTS

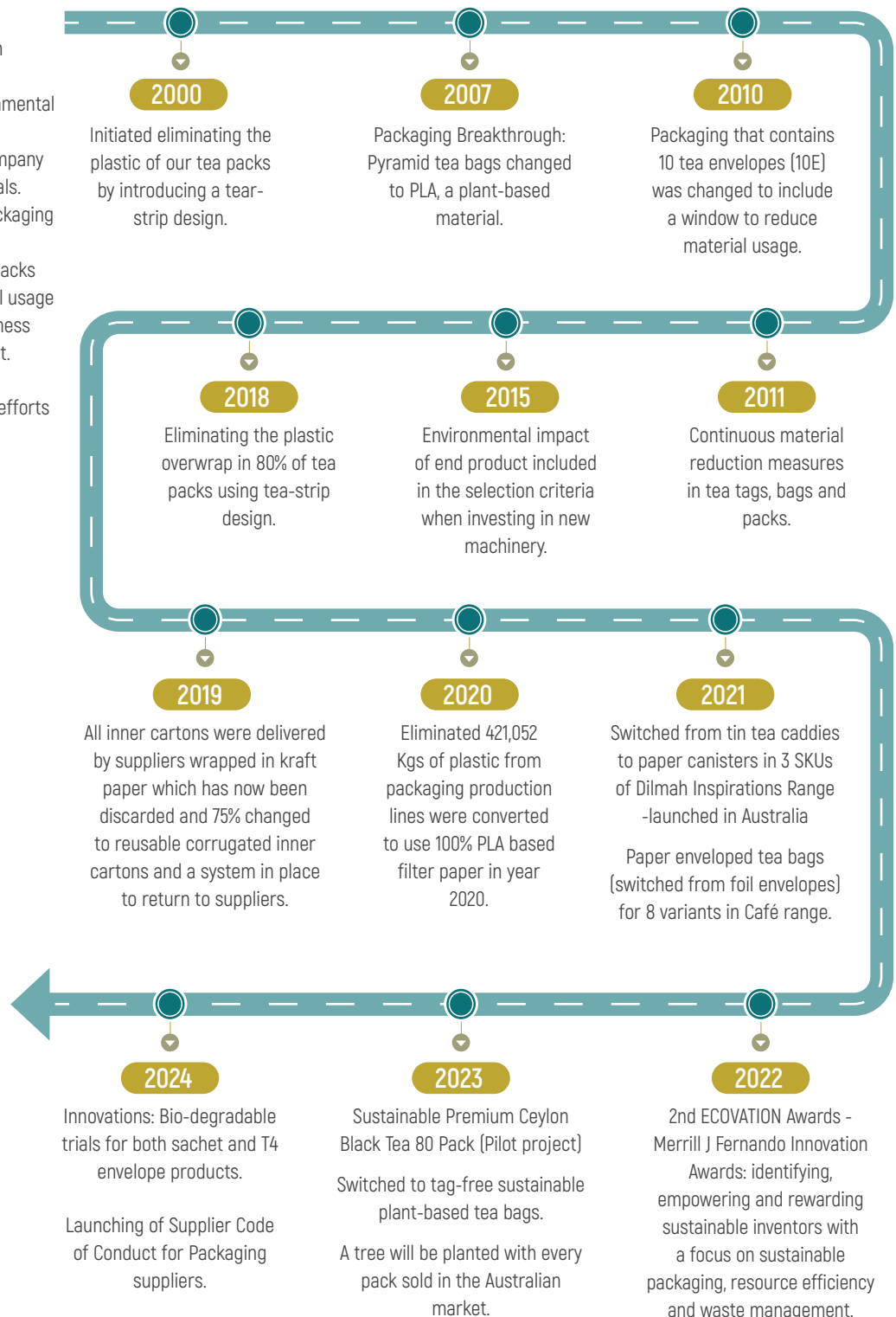
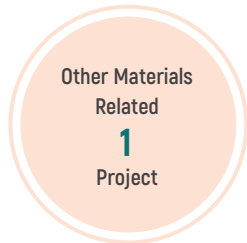
In 2023-2024, 09 improvement projects have been carried out which linked up with key areas including productivity and process improvements. Project highlights are as follows:



## PACKAGING INNOVATIONS

Dilmah firmly believes that innovation is crucial for growth and effectively addressing humanitarian and environmental issues. To reduce non-recyclable components in its packaging, the company regularly explores alternative materials. Currently, Dilmah uses minimalist packaging designs that adhere to food safety regulations. Notably, 80% of the tea packs feature tear-strips, reducing material usage by weight, resulting in cost-effectiveness and a smaller environmental footprint.

Outlined below are our collaborative efforts with packaging suppliers to enhance sustainability in the fiscal year.





## INTELLECTUAL CAPITAL

### PACKAGING TARGETS

During the 2023/24 fiscal year, Dilmah significantly advanced in its sustainability efforts, prioritising cutting-edge research, innovative technologies, and ample resources to achieve a pivotal objective: achieving 100% biodegradability throughout its entire production process. Despite challenges, the company persevered with annual research initiatives to ensure that tea bags and packaging materials could be composted in both home and industrial settings.

Dilmah Supplier Sustainability Road Map is a key initiative where Dilmah has introduced its Supplier Partner Code of Conduct, known as the "MJF Holdings Supplier Partner Code of Conduct." For the packaging suppliers in July, 2023. This initiative ensures that all packaging suppliers are informed on the packaging targets and requirements to meet the packaging sustainability.

### INNOVATION IN TEA GASTRONOMY AND MIXOLOGY

Dilmah has been proactive in leveraging the potential of high-quality tea to counteract the industry's trend towards commoditisation. By offering consumers unblended tea that is sourced, perfected, and packaged directly at its origin, Dilmah is committed to preserving the essence of a refined tea experience. This dedication is clearly evident in various culinary innovations such as tea gastronomy, mixology, and the pioneering concept of Tea Inspiration for the 21st Century.

Dilmah not only innovates internally but also cultivates a platform for innovators to introduce their ideas to the market through organising and sponsoring a range of events. This platform focuses on supporting young culinary innovators, both domestically and globally, offering them opportunities to showcase their talents and concepts.

The brand's dedication to excellence is demonstrated in its role as a knowledge hub, encouraging diverse stakeholders to actively engage. This collaborative approach benefits

both the brand and the participants alike. By embracing external talent, Dilmah expands its influence beyond internal innovations, nurturing a sustainable and dynamic ecosystem for culinary excellence.

The following section highlights the culinary innovations that emerged during the 2023/24 period.

### TEA INSPIRED CULINARY INNOVATIONS IN 2023/24



*Aperitivo Lavanda*



*Fragrant Oolong Mocktail*



*G & T Tonic*



*Ella's Secret*



*Apple Cinnamon Cake Paired with Chamomile*



*Dilmah Earl Grey and Vanilla Prawns*



*70% Valrhona dark chocolate Mousse paired with Somerset tea*

## DIGITISATION AND AUTOMATION

Dilmah assigns great importance to digitisation and automation in its pursuit of production efficiency. By integrating advanced digital technologies and automated systems into its manufacturing processes, the Company seeks to streamline operations, enhance precision, and improve overall productivity.

Automation plays a crucial role in reducing manual intervention, minimising errors, and speeding up production cycles, ultimately boosting efficiency and also enabling Dilmah to meet growing market demands without compromising on quality. Similarly, by actively leveraging digital systems, including data analytics and machine learning, the Company seeks to optimise its production schedules, predict maintenance needs, and make informed decisions that enhance operational efficiency.

The focus on digitisation and automation also aligns with Dilmah's commitment to sustainability. Automated systems often lead to reduced waste, lower energy consumption, and more efficient use of resources. This not only benefits the environment but also supports Dilmah's goal of maintaining a sustainable and responsible production process.

The CNC (Computer Numerical Control) unit launched in 2022 serves as the main Engineering Innovations Lab, exemplifying Dilmah's unwavering commitment to digitisation and automation. Projects undertaken by the CNC unit have helped reduce reliance on specialised parts from overseas manufacturers, in turn resulting in lower costs and minimising potential delays in the manufacturing processes.

Automation / Process Innovation Initiatives for FY 2023/24	Key Benefits / Outcomes
<ul style="list-style-type: none"><li>Implemented the Industry 4.0 application for downtime monitoring at the factory</li></ul>	<ul style="list-style-type: none"><li>Reducing machine downtime</li><li>Enhancing the Operational Efficiency</li><li>Reduce the wastage</li></ul>
<ul style="list-style-type: none"><li>Conveyor system</li></ul>	<ul style="list-style-type: none"><li>Reducing human movements</li><li>Eliminating the complexity on the production floor</li><li>Reducing finished goods handling time</li></ul>
<ul style="list-style-type: none"><li>Fabricating our own spare parts in the tea bag machineries</li></ul>	<ul style="list-style-type: none"><li>Significant cost saving</li></ul>
<ul style="list-style-type: none"><li>Renovating obsolete machines with PLC upgrade (Programmable logic Controller) /machine spare parts</li></ul>	<ul style="list-style-type: none"><li>Cost saving</li><li>Reduce delay associated with imported machine parts</li><li>Quality improvements</li><li>Waste reduction</li></ul>
<ul style="list-style-type: none"><li>Automating packing of Airline tea bags</li></ul>	<ul style="list-style-type: none"><li>Reduced human involvement</li><li>Food quality improvements</li></ul>
<ul style="list-style-type: none"><li>Development of a 100% biodegradable tea bagging machine -C24E</li></ul>	<ul style="list-style-type: none"><li>Leverage sustainable packaging to expand into new markets</li></ul>
<ul style="list-style-type: none"><li>Implemented an AI-driven computer vision system for quality inspection</li></ul>	<ul style="list-style-type: none"><li>Quality improvement</li><li>Reduced labour from unproductive tasks</li></ul>

## STANDARDS AND CERTIFICATIONS

Global standards and certifications play a vital role in strengthening Dilmah's business model by enhancing brand credibility, ensuring quality, and opening up new market opportunities. Adoption of internationally recognised standards, such as ISO certifications for quality management (ISO 9001) and environmental management (ISO 14001), demonstrates Dilmah's commitment to maintaining high operational and product standards.

Similarly, the ISO 17025 Chemical and Microbiological Laboratories provides assurance regarding the accuracy and reliability in testing and analysis of the Company's in-house testing facilities. By conducting rigorous chemical and microbiological testing, the labs help identify and mitigate potential contaminants, thereby safeguarding consumer health and enhancing product credibility. This commitment to precision and excellence strengthens Dilmah's reputation for quality, fosters consumer trust, and supports the brand's global market presence.

## INTELLECTUAL CAPITAL

Certifications such as, Rainforest Alliance, SEDEX Members Ethical Trade Audit further reinforce Dilmah's reputation as a socially responsible and sustainable brand. These certifications indicate that Dilmah's tea is produced with consideration for fair labour practices, environmental sustainability, and ethical sourcing. Such assurances are becoming increasingly important to consumers who prioritise ethical consumption and sustainability, thereby expanding Dilmah's appeal to a broader, more conscientious market segment.

Moreover, adherence to global food safety standards, such as, FSSC 22000 Food Safety System Certification, Global Standard for Food Safety (BRC), the Kosher and the Organic Certifications etc. ensures that Dilmah's products are safe for consumption and meet stringent hygiene requirements. This not only protects consumers but also reduces the risk of product recalls and enhances the brand's reliability.

### BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY SYSTEMS

As one of the leading global tea brands, Dilmah aims to set the benchmark in resilience within the global tea industry. For this reason the Company has established a world-class Business Continuity Planning (BCP) and Disaster Recovery (DR) infrastructure to ensure operational resilience and uninterrupted service delivery amidst potential disruptions. The BCP framework is built on a foundation of meticulous risk assessments, a customised continuity strategy, and robust emergency response protocols, all complemented by rigorous backup and recovery procedures, ongoing employee training initiatives, and regular testing protocols.

Meanwhile on the DR front, Dilmah leverages the Microsoft Azure Cloud with a primary site in Singapore and a DR site in Central India, accompanied with stringent access controls that limit system access to authorised personnel, bolstering data security and

## STANDARDS AND CERTIFICATIONS OBTAINED BY DILMAH



### QUALITY MANAGEMENT CERTIFICATION

ISO 9001:2015 Quality Management System Certification



### FOOD SAFETY MANAGEMENT CERTIFICATION

FSSC 22000 Food Safety System Certification  
BRC Global Standard for Food Safety



### LABORATORY ACCREDITATION CERTIFICATION

ISO 17025 Chemical and Microbiological Laboratory Certification of Accreditation



### ENVIRONMENTAL MANAGEMENT CERTIFICATION

ISO 14001:2015 Environmental Management System Certification



### ETHICAL SOURCING AND RESPONSIBLE OPERATIONS RELATED CERTIFICATIONS

Rainforest Alliance Chain of Custody Certification  
SMETA SEDEX Members Ethical Trade Audit



### PRODUCT 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)

Kosher Certification

Halal Certification





regulatory compliance. Azure's robust services, including virtual machines, databases, and networking capabilities, ensure high availability and data resilience. Data replication mechanisms synchronise critical data between sites, while reliable network connectivity supports seamless failover and communication protocols.

In FY 2023/24, Dilmah significantly enhanced its BCP Infrastructure with the issuance of a comprehensive crisis management plan delineating structured responses to various emergency scenarios to ensure swift and effective actions during critical incidents. Additionally, the introduction of a "code red" protocol facilitates streamlined responses to urgent situations, further enhancing our readiness.

At the governance level, new policies were implemented to enhance oversight and governance of the Company's BCP Infrastructure, ensuring alignment with evolving regulatory standards and industry best practices. Monitoring activities were also intensified to provide real-time insights into the effectiveness of our BCP strategies, allowing for proactive adjustments and continuous improvement.

Significant investments were also made in the current year, to enhance the Company's DR Infrastructure with improved real-time replication capabilities for key systems between sites, enhancing data synchronisation and system redundancy to further fortify overall disaster recovery preparedness.

### **INFORMATION SECURITY SYSTEMS**

Dilmah has implemented a robust information security framework aimed at safeguarding its data assets and mitigating potential risks. While the Company has not yet achieved ISO 27001 certification, it has aligned its security practices with the principles of this standard, emphasising confidentiality, integrity, and availability of information

systems. Regular updates to policies governing data classification, access control, incident response, and employee training ensure alignment with industry best practices and regulatory requirements. The IT department oversees information security governance, collaborating closely with other departments to set strategic objectives and ensure compliance.

All routine internal due diligence activities were conducted in FY 2023/24, including vulnerability assessments, access control audits, and ongoing monitoring of security incidents. Independent audits by external specialists also provide further assurances regarding the efficacy and resilience of the Company's security posture. These audits led to the introduction of new policies and updates to several existing mandates with a view to enhancing information security governance and oversight.

### **BUSINESS CONDUCT AND ETHICS**

Dilmah's approach to business conduct and ethics is deeply rooted in the Company Founder Mr. Merrill J. Fernando's belief that business should be conducted not merely for profit, but also with a conscious effort towards human well-being and environmental betterment. This principle of kindness is at the core of Dilmah, driving its mission to positively impact the lives of hundreds of thousands of children, youth, women, and men in Sri Lanka and beyond.

The Company's commitment to kindness is reflected in its policy of allocating a minimum of 15% of pretax profits to benefit under-served communities

As an ethical family business, Dilmah takes pride in the extensive work carried out by the Merrill J. Fernando Charitable Foundation, which focuses on building schools and hospitals, fighting cervical and childhood cancer, enabling aspiring entrepreneurs, and addressing gender imbalance and inequality. This commitment extends to environmental stewardship through

Dilmah Conservation, which engages in climate action, environmental education, promoting nature-based solutions, and restoring degraded ecosystems. These efforts highlight Dilmah's dedication to sustainable and responsible business practices, ensuring that its success benefits both people and the planet.

### **STRATEGIC PARTNERSHIPS**

Dilmah derives significant value from strategic partnerships and joint ventures with leading global retailers, hotel chains, and airlines, fostering mutual benefits and enhancing brand recognition and reach worldwide. Collaborating with renowned retailers allows Dilmah to expand its distribution network, making its premium tea products more accessible to consumers across diverse markets. These partnerships not only amplify brand visibility but also strengthen customer loyalty through enhanced availability and tailored marketing initiatives.

Aligning with prestigious hotel chains enables Dilmah to elevate the guest experience, offering a premium tea selection that complements luxury hospitality standards and reinforces the brand's association with quality and sophistication. Similarly, partnerships with airlines provide travellers with an exceptional in-flight beverage experience, showcasing Dilmah's commitment to excellence and sustainability and solidifying its reputation as a premium brand in the global market.

By cultivating these strategic alliances, Dilmah not only drives growth and revenue but also cultivates lasting relationships built on shared values of quality, innovation, and customer satisfaction in the global marketplace.

## HUMAN CAPITAL

Our most treasured asset – our Human Capital – operates with the highest standards of quality and integrity in heart and mind. We are attracting the best of the best, while retaining the most committed and talented people who further the taste of premium Ceylon Tea that only Dilmah can provide. As we move strategically through turbulent times, our spirit team embodies the family values that define us in curating the most rewarding customer experiences. With them on our side, we grow with integrity.

### Overview

As a leading value-added tea producer, Dilmah understands that its people are the driving force behind its innovation, quality, and operational excellence. In essence strong, capable and reliable Human Capital serves as the foundation for the Company's sustained success and competitive advantage.





GRI

2-7, 2-8, 2-23, 2-24, 2-25, 2-26, 2-30, 3-3, 201-3, 401-1, 401-2, 401-3, 403-3, 403-4, 403-5, 403-6, 403-9, 404-2, 404-3, 405-1, 406-1, 407-1, 408-1, 409-1

### MANAGEMENT APPROACH

Dilmah's 360 degree approach for managing Human Capital focuses on talent attraction, development, retention, employee engagement, wellbeing and occupational health and safety (OHS). This holistic approach aims to create an empowered and high functioning workforce capable of spearheading the Company's growth trajectory.

#### ATTRACTION

By knowledge  
By skills & expertise  
Via online systems/  
Platforms

#### DEVELOPMENT

State-of-the-art  
evaluation system  
Management of key  
competencies  
Tailor-made  
development plan for  
each employee

#### RETENTION

Rewards and  
recognition  
Prioritising health and  
safety  
Updated HR policy

#### EMPLOYEE ENGAGEMENT

Sustainable lifestyles  
Fitness and sports  
Fostering  
engagement with  
employees' children  
cultural events

#### OCCUPATIONAL HEALTH AND SAFETY

Immediate corrective  
actions  
Accident-free working  
environment



### MATERIAL MATTERS

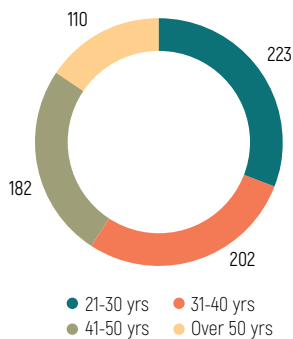


- Managing our people
- Health and safety

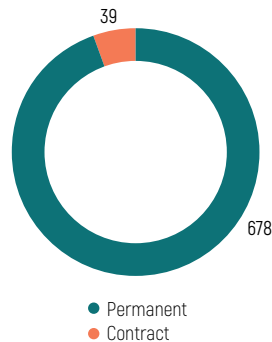


### INPUTS

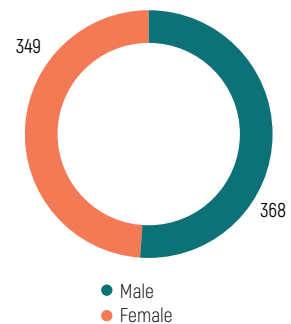
#### TOTAL EMPLOYEES BY AGE



#### TOTAL EMPLOYEES BY TYPE OF EMPLOYMENT



#### TOTAL EMPLOYEES BY GENDER



# HUMAN CAPITAL

## VALUE DRIVERS



- HR governance
- Cadre planning
- Digital services
- Recruitment, selection and on-boarding
- Remuneration and benefits
- Performance management
- Learning and development
- Career progression
- Occupational health and safety
- Employee relations
- Grievance handling
- Employee engagement
- Work-life balance



## VALUE TRANSFORMATION SCORECARD - FY 2023/24



### KEY INITIATIVES

- 78 new recruits
- 71 promotions (44 - male | 27 - female)
- Launch of the Child Labour Remediation Procedure
- Launch of the Grievance Policy
- Launch of the HRIS app for employees
- 66,084 hours of training
- 89 Long Service Awards

Stakeholder Outcomes		Impact on Other Capitals	
Employees	Enhanced skills, career progression, job satisfaction, and a safe working environment; fostering loyalty and high morale leading to improved productivity and brand leadership	Financial Capital	+
		Intellectual Capital	+
Customers	Enhance customer experience due to the expertise and commitment of a well-trained and motivated workforce	Social and Relationship Capital	+
Community	Employment opportunity and economic development for local communities	Social and Relationship Capital	+

### OUTPUTS FOR DILMAH

- 86.8% employee retention rate
- 77% employees serving the Company for longer than 5 years
- 99% of employees are proud to be a part of Dilmah Overall, the survey results reflect a positive work environment with high levels of pride and support among employees.

### SDGs



## PROPOSED FUTURE ACTION



- 1- Implement a dedicated leadership training programme to nurture future leaders within the organisation
- 2- Focus on expanding mental health and wellness programmes to support employees' physical and emotional well-being
- 3- Establish innovation hubs or labs within the organisation to encourage creative problem-solving, develop new ideas and promote online learning opportunities for knowledge enhancement
- 4- Strengthen the performance management process through the adoption of a more structured evaluation

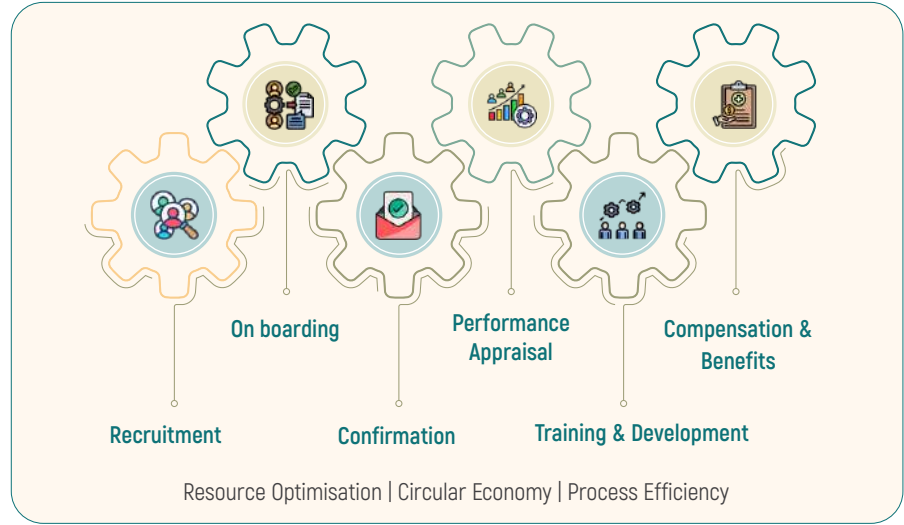


## HR GOVERNANCE

HR governance at Dilmah is based on a collaborative structure, wherein the Board, the Decentralised Management Council (DMC), and the HR Department, together undertake stewardship of human capital development activities within the Company. The Board sets the strategic direction in alignment with corporate objectives and works closely with the Board Remuneration Committee (BRC) to establish remuneration structures and appropriate policy frameworks in compliance with applicable labour laws as well as global best practices. The role of the DMC encompasses taking key decisions at operational level, while the HR Department is charged with overseeing implementation of the Board-approved policy framework to ensure the Company's overall human capital development objectives are met.

The Company's HR policy framework has been designed in line with all applicable regulatory requirements as well as to encapsulate global best practices set out under the International Labour Organisation (ILO) convention and the United Nations Global Compact for labour and Human Rights.

In the year under review, the entire HR process, including policy frameworks were digitised to enable seamless integration between all key workflows.



## COMMITMENT TO GLOBAL BEST PRACTICES FOR LABOUR AND HUMAN RIGHTS

### DIVERSITY AND EQUAL OPPORTUNITY

Dilmah prides itself as an equal opportunity employer. As dedicated by its Human Rights policy, the Company aims to provide equal opportunities to men and women at every stage of the employment lifecycle. In testimony to this commitment, the Company boasts an overall gender ratio of 51%:49% (M:F) for FY 2023/24. Further underscoring the Company's commitment to diversity and quality, female representation at a leadership level stands

at 35.2% (based on promotions granted as at 1st April 2024). As part of the overall approach to diversity and equality, Dilmah maintains a 1:1 ratio between entry level salaries for men and women, while a concerted effort is also made to ensure comparable remuneration for men and women performing similar roles across the hierarchy. To further reiterate these commitments, Diversity, Equity and Inclusion (DEI) are monitored across all the employee categories.

### Team profile by Employee category and Gender

Employee Category	Gender Ratio (M:F)	
	Male	Female
Worker – Permanent	42%	58%
Clerical & Allied	76%	24%
Executive	40%	60%
Middle Managers	62%	38%
Senior Managers	69%	31%
Overall	51%	49%

**REGULATORY FRAMEWORKS**

- Employment of Women, Young Persons and Children Act
- Convention against Torture and other Cruel, Inhumane or Degrading Treatment or Punishment Act
- Convention on the Suppression of Terrorist Financing Act
- International Covenant on Civil and Political Rights (ICCPR) Act
- Protection of the Rights of Persons with Disabilities Act
- Maternity Benefits Ordinance Shop and Office Employees (regulation of employment and remuneration) Act
- Workmen's Compensation Ordinance

**HUMAN RIGHTS POLICY**

- Human Rights Policy
- Ethics Policy
- Grievance Policy
- Human Resource Policy
- Health & Safety Policy

**COMPANY STANDING ORDERS & CODE OF CONDUCT**

- Conditions of Employment
- Classification of Employee
- Employee Security
- Disciplinary Inquiry Procedure

# HUMAN CAPITAL

## NON-DISCRIMINATION

As a non-discriminatory employer Dilmah has a zero tolerance for any form of harassment in the workplace. To support this, the Company's Human Rights policy sets out strict guidelines that extend across all Human Capital processes without exception. Further, leaders at all levels are trained to facilitate the respectful treatment of colleagues regardless of age, sex, marital status, religious beliefs or other status protected by law. No incidents of discriminatory nature have been reported in the current financial year or at any time prior to that.

## ABOLITION OF CHILD LABOUR

Dilmah explicitly forbids the employment of children, with strict protocols in place to ensure all new recruits are within the legal age for employment. Going beyond this to ensure that no part of the Company's operations are at risk, a new "Child Labour Remediation Procedure" was introduced in the current financial year. The purpose of this initiative is to make sure that third-party suppliers and other value chain partners are not at risk for child labour within their processes. As per the new policy, Dilmah will regularly assess the presence of child labour across the supply chain via on-site inspections, interviews, and document verification, etc. In this regard, employing anyone below the age of 16 years will be considered as child labour. No incidents of discriminatory nature have been reported in the current financial year.

## PREVENTION OF FORCED/COMPULSORY LABOUR

In keeping with its Human Rights policy, Dilmah does not accept or condone any aspect of forced/compulsory labour, underscoring the principle that employees have the right to choose to work at their own discretion and are free to leave subject to the conditions

indicated in all their employment contracts. Accordingly, Dilmah's operations are not at risk for forced or compulsory labour.

## CADRE PLANNING

The cadre planning process is a strategic approach to anticipating future workforce needs. It ensures the Company is staffed with a well-balanced, skilled, and adaptable workforce capable of supporting operational needs and long-term goals. Unit heads play a crucial role in evaluating staffing needs and submitting detailed recruitment requests that include justifications, required competencies, expertise, and role accountabilities. These inputs are used to develop precise job descriptions, which serve as the foundation for recruiting the right talent. The cadre plan along with the associated budget which is prepared annually for the forthcoming financial year, is subject to Board approval.

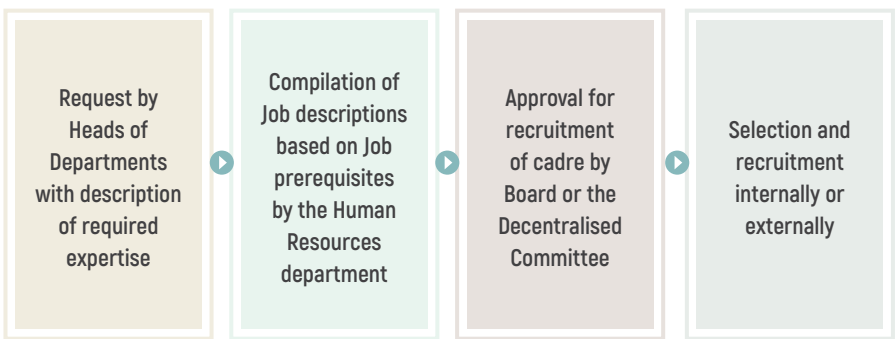
## RECRUITMENT AND SELECTION

Dilmah's approach to recruitment is designed to attract, select, and retain top talent that aligns with corporate objectives. The Board approved cadre plan and budget form the basis for hiring the most suitable candidates for all employee categories. Guided by a comprehensive Recruitment Policy, the Company focuses on merit-based hiring.

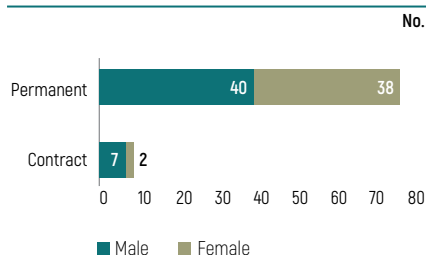
The Recruitment Policy covers all employee categories, from executive, clerical and allied to casual workers.

Executive cadre recruitments are typically managed through online job posting, professional recruiters and internal referrals. Similar methodologies are used for recruitment of clerical and allied categories along with more mainstream approaches such as newspaper advertisements, etc.

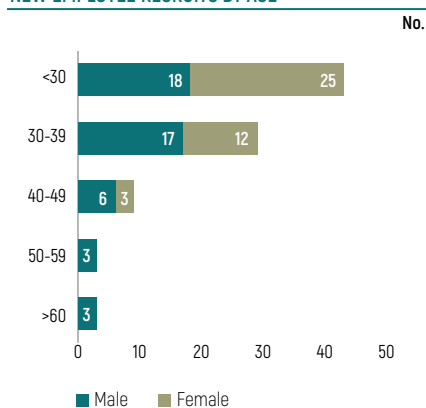
Another important source for new hires is the Dilmah Internship Programme (DIP) for students attached to various universities and technical colleges around the Country. The programme, designed to attract young professionals for a paid internship by providing them with hands-on industrial training to complement their academic knowledge, has proven an invaluable channel for building a strong external talent pipeline enabling the company to quickly access candidates with the desired skills and talents. Equally important, Dilmah believes in encouraging current employees to apply for open positions within the company to promote career growth and retention. For casual workers, the company aims to hire from the local community whenever possible and practical.



## NEW EMPLOYEE HIRES



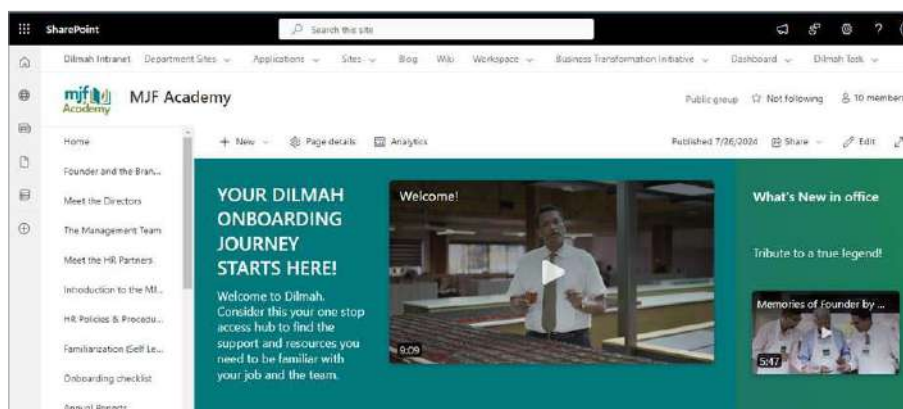
## NEW EMPLOYEE RECRUITS BY AGE



## ONBOARDING

Dilmah places significant importance on the onboarding process, recognising it as a crucial phase in integrating new employees into the Company's culture and operations. Hence the onboarding programme is designed to ensure that new hires feel welcomed, supported, and well-informed about their roles and responsibilities.

The onboarding process begins with all new recruits granted formal access to the "MJF Academy" online platform, where they are formally welcomed by the Chairman personally and thereafter guided through the processes and procedures of each department, offering a comprehensive overview of the operational modules in each function. In addition to self-learning through the platform, all new recruits also benefit from a formal 3-day induction event held every quarter.



## REMUNERATION AND BENEFITS

Operating in a highly competitive industry, Dilmah's remuneration and benefit structures are designed to attract, retain and motivate employees as well ensure they remain invested in the Company's success over time. Accordingly, all remuneration structures are designed to ensure employees are compensated fairly and adequately in line with their skills, experience, and the demands of their job roles.

The Remuneration Committee undertakes market salary surveys annually with the support of external experts to understand prevailing market rates, with the findings presented to the Board along with recommendations for necessary adjustments to reflect market conditions.


HUMAN CAPITAL

Additionally, performance-based increments are awarded based on annual performance ratings, ensuring that compensation remains competitive and aligned with individual contributions.

Salaries of manual operators are determined in accordance with the minimum wage guidelines established by the respective wages board ordinances. While firmly aligned to these minimum wage regulations, annual market surveys are conducted to understand wage structures in similar industries. According to the most recent survey, it was found that Dilmah's minimum wages are more than double the wages board guidelines and significantly higher than the industry average, reflecting the Company's commitment to fair and competitive compensation across all employee categories.

### MJF WELFARE SHOP

The MJF Welfare Shop was established within the factory premises, where staff can purchase their daily essentials at a discounted price (17-20% lower compared to the external market), maintaining quality and convenience. This endeavour is not profit-driven but aimed at transferring the entire savings benefit to the staff.



### BENEFITS OFFERED TO OUR PERMANENT CADRE

#### Fringe Benefits

- Bonus
- Welfare Shop Facility
- 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
- Healthy Meals & Snacks for Breakfast

- Free tea quota
- Staff tea sales
- Staff transport
- Laundry service
- Uniforms & overcoats

#### Mindfulness & Wellbeing

- Fitness Club
- Yoga Sessions
- Badminton
- Table Tennis
- Cricket
- Box fit

#### Healthcare

- Free Medical screenings
- Free Medical clinics
- Medical and Maternity leave
- Hospitalisation insurance
- OPD reimbursement



Considering the added financial burdens faced by employees owing to the prolonged economic downturn in the Country, ex-gratia payments and special allowances were granted as additional compensation to employees.

Maternity Leave	FY 2023/24
In compliance with the Shop and Office Employees Act of 1954, female employees are entitled to 84 days paid maternity leave, post-delivery as well as half hour nursing time for a period of 2 hours per day after returning to work till the baby turns one year.	
Total number of employees that were entitled for maternity leave	349
Total number of employees that took maternity leave	14
Total number of employees that returned to work in the reporting period after maternity leave ended	11

**PERFORMANCE MANAGEMENT**

Performance management is of paramount importance to Dilmah, serving as a cornerstone for achieving organisational excellence and fostering a culture of continuous improvement as well as building a reliable internal talent pool to support the Company's long-term strategic growth trajectory.



At the heart of this endeavour is the Employee Performance Management System (EPMS) for executive staff - a scientific and transparent system to incentivise executives by duly recognising their performance and develop them as future leaders of the Company.

Its clear goal setting, constructive feedback and regular performance evaluations, create a platform to align individual performance with the Company's business objectives and core values (culture excellence, sustainable practices, zero emissions, taste, goodness and purpose) in turn driving continuous learning and improvement, while encouraging professional and personal growth of executive employees.

The EPMS cycle commences with the goal setting exercise, where Board approved business objectives are cascaded down to department-specific functional goals and further distributed to individual targets. The fully automated EPMS process facilitates continuous and ongoing monitoring of individual performance with the mid-year review providing the opportunity for supervisors to individually discuss employee performance and take proactive action to assist under-performers to close performance gaps. As part of the EPMS, all executive employees also receive a formal annual performance appraisal immediately after the conclusion of the financial year to formally rate their performance and behavioural competencies against assigned KPIs - a process that serves as the basis for determining salary increments and promotions as well as earmarking high performers for further development. Salary increments, and promotions are granted subject to the

approval of the Chairman and Board. The annual performance appraisal process also serves as a key platform for identifying training needs of employees.

For technical staff, desired technical competencies are set based on job roles and expected outcomes supported by annual competency and training needs assessments to strengthen the desired skill set and values.

#### EMPLOYEES RECEIVING PERFORMANCE EVALUATIONS - FY 2023/24

Employee Category	M (as a % of total males in the employee category)	F (as a % of total females in the employee category)
Executive and above	100%	100%
Non-executive	100%	100%

#### PROMOTIONS - FY 2023/24

Employee Category	Total	Male	Female
Executive and above	54	30	24
Non-executive	17	14	3
Total	71	44	27

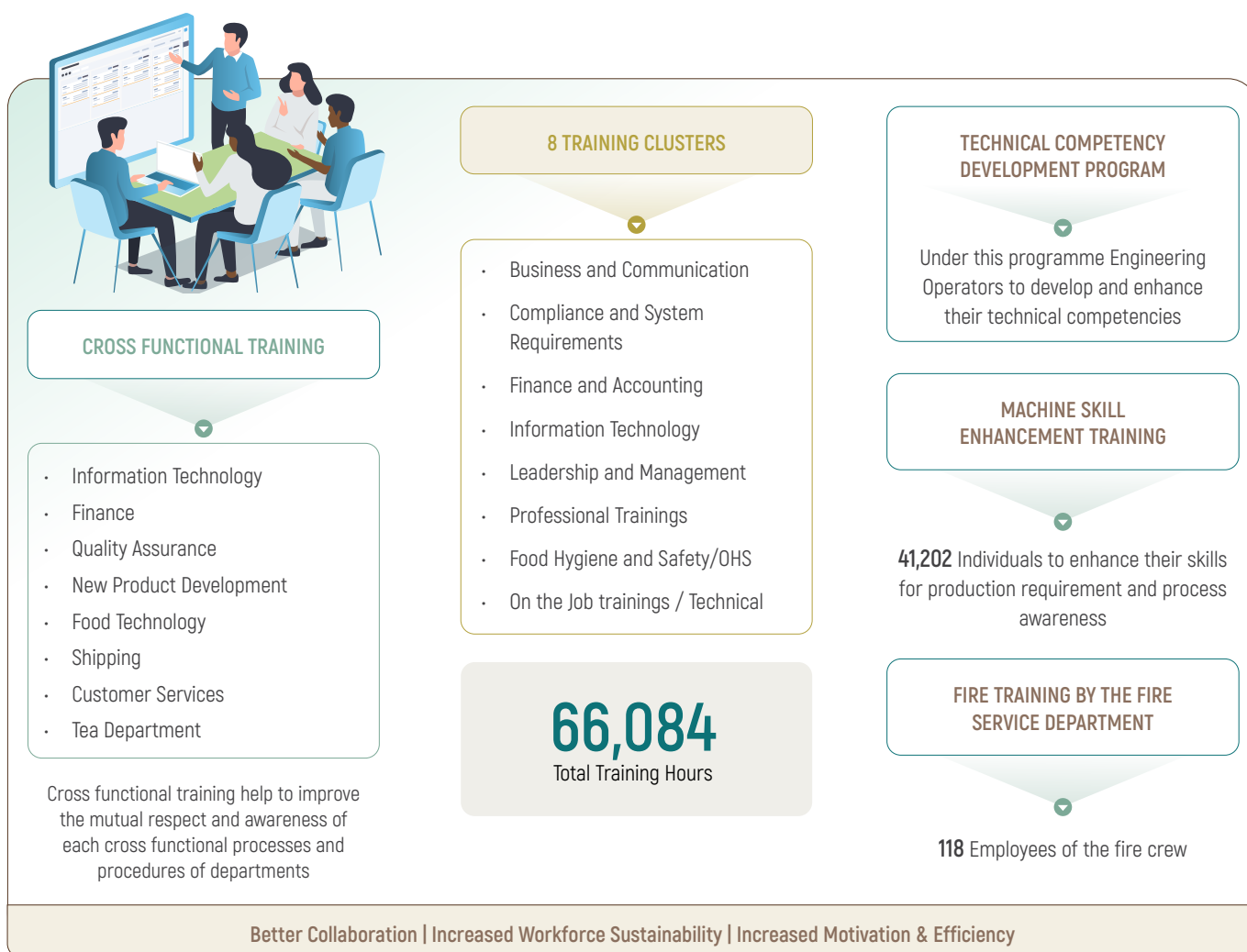
#### LEARNING AND DEVELOPMENT

Learning and development (L & D) goes hand in hand with Dilmah's efforts to ensure employees remain invested and engaged in the Company's future success. Accordingly, a comprehensive (L & D) strategy is drawn up based on the training needs assessment conducted as part of the annual performance appraisal. Other training requirements warranted by external developments such as compliance requirements and best practices are also considered alongside self recommendations by employees. All training requests received are collected by the training coordinator under eight major training clusters (Business and Communication, Compliance and System Requirements, Finance and Accounting, Information Technology, Leadership and Management, Professional Trainings, Food Hygiene and Safety/OHS, On the Job trainings/Technical) to form the Annual Training Calendar and allied training budget.

All training interventions are organised either on an individual and group basis, as deemed appropriate in line with the allocated training budget. Training is often delivered using a combination of classroom training, cross-functional training and knowledge sharing, ensuring a comprehensive approach to L & D.

In the year under review, Dilmah launched the IT Centre, a targeted initiative to create a continuous learning environment for factory Staff.

## HUMAN CAPITAL



### TRAININGS - FY 2023/24

Category	Training Hours
General training	5,947
Machine skill enhancement related training	41,202
Process related training	380
Introduction training for new recruits	797
Periodic awareness on process	100
On the job training	17,658
<b>Total training hours</b>	<b>66,084</b>

Training - FY 2023/24	Number of Trainings Conducted	Number of Employees Trained
Internal group training	25	1,539
External group training	13	1,012
Individual training	26	4,017



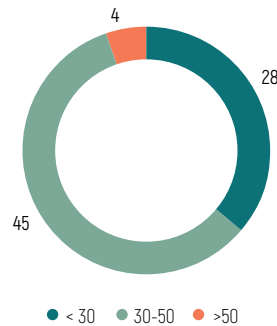
### CAREER PROGRESSION

Dilmah's approach for supporting employee career progression is centred around the EPMS, which serves as the foundation for developing personalised development plans (PDPs). Based on the annual performance appraisal, PDPs are drawn up outlining specific, actionable steps for skill enhancement, professional growth, and career advancement linked to the Company's succession planning strategy for all key positions across the organisation. PDPs often include a mix of formal training programmes, on-the-job learning opportunities, coaching sessions, and job rotation assignments. By providing tailored development opportunities, Dilmah strives to empower employees to access multiple career pathways. This structured approach not only supports individual career progression but also strengthens the internal talent pool, driving the Company's sustained success and competitiveness.

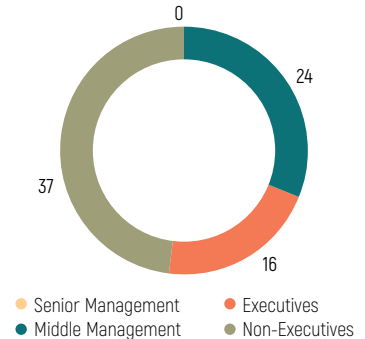
### EMPLOYEE RETENTION

Dilmah appreciates its employees' dedication and loyalty, supported by its outstanding employee benefits package, including competitive pay and a dynamic workplace. As a result, the company achieved notable retention rates with 86.8% staying on, and a turnover rate of 13.2% during the period under review.

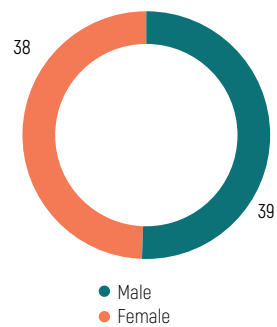
#### TURNOVER BY AGE



#### TURNOVER BY EMPLOYMENT CATEGORY



#### TURNOVER BY GENDER



#### LONG SERVICE AWARDS - RECOGNISING EMPLOYEE LOYALTY AND COMMITMENT

In the current year, Dilmah honoured the long-term commitment of its workforce, by recognising 56 employees for surpassing 10 years of service, 25 employees for reaching 20 years, and 08 employees for an impressive 25 years of dedicated service to the Company. This year, the Long Service Awards Ceremony has been made especially significant by extending invitations to former employees.



# HUMAN CAPITAL

## OCCUPATIONAL HEALTH AND SAFETY (OHS)

As a manufacturing organisation, Dilmah acknowledges that its operations entail certain injury risks for employees. Consequently, the Company has made safety its top priority. To that end, Dilmah complies with all national health and safety regulations.

The Factories Ordinance, No. 45 of 1942

### Regulations made under Factories Ordinance

- The Factories (Registration of Factories and Approval of Factory Buildings) Regulations No. 1 of 2019
- The Factories (General Standard of Lighting) Regulations No. 5 of 2019
- The Factories (Sanitary Conveniences) Regulations, 1965
- The Factories (Washing facilities General) Regulations, 1965
- The Factories (First Aid) Regulations, No. 1 of 1995
- The Factories (Protection of Eyes) Regulations, 1979
- The Factories (Noticeable Industrial Diseases) Regulations, 1972
- The Factories (Meal Room) Regulations, 1965
- The Factories (Dangerous Occurrences Notification) Regulations, 1965
- The Factories (Protection of Workers from Excessive Noise) Regulations No. 4 of 2019

Workmen's Compensation Ordinance, No. 19 of 1934

Sri Lanka Electricity Act No. 20 of 2009 and Electricity (Safety, Quality and Continuity) Regulations No. of 2016.

Sri Lanka Atomic Energy Act, No. 40 of 2014

There were no incidents of non-compliance of OHS regulations reported in the current financial year.

Dilmah's OSH framework is further strengthened through the voluntary adoption of global best practices such as SMETA™ (Sedex Members Ethical Trade Audit) and RA™ (Rainforest Alliance). OHS remains one of 4 pillars of SMETA™ - a global standard that Dilmah has voluntarily complied with since 2019. SMETA's™ OHS pillar is based on the ILO principles as defined in the Occupational Safety and Health Convention, 1981 (No. 155) and recommendation (No. 164). Similarly OHS is a major component of the RA™ Sustainability Agriculture (CoC) standard.

Framed around regulatory requirements and best practices, Dilmah's safety policy establishes specific objectives supported by standard operating procedures for planning and implementation, evaluation, and action for

improvement. The policy is designed to ensure the safety of employees and non-employees, including visitors to the Company's premises at any given time.

The health and safety manual was prepared based on the framework given by ISO 45001:2018 standard.

The Manager – Health and Safety is the main authoritative body in charge of enforcing the safety policy in the day-to-day business. Under the supervision of the Manager – Health and Safety, a cross functional OHS team comprising representatives from engineering, production, HR, stores, security, transport, food technology, the onsite nurse and designated worker representatives, has been appointed. The OHS team carries out routine patrols and conducts spot checks to ensure adherence to all OHS policies and guidelines, while the Manager – Health and Safety together with the OHS team conduct scheduled monthly safety meetings to identify potential safety hazards. These meetings provide an opportunity for employees to come forward with their observations regarding safety hazards to enable the OHS team to review and update safety procedures as needed. The Manager – Health and Safety is further responsible for carrying out a broader hazard identification with due regard to new compliance requirements, industry best practices, etc.

The OHS team is also tasked with preventive maintenance and facilitating scheduled OHS audits. Typically, Dilmah's OHS framework is subject to annual audits by the SMETA™ and RA™ certification bodies. The OHS team undertakes safety training to drive safety awareness on key areas such as emergency preparedness, workshop safety, work permit procedure, electrical safety etc.

	Identified Risk Activity	Safety Measures Adopted
Potential Safety Risks at Dilmah	Lifting, lowering and carrying	Training employees to use proper lifting techniques  Providing equipment such as pallet trucks, stackers and conveyors
	Machine packing	Machine Guards installed for all moving parts Safety data sheets provided for handling of machinery Emergency buttons provided Displaying of safety signage Appropriate converting for heated areas
Risk of worker ill health	Noise/Dust	PPE provided



Meanwhile the Manager – Health and Safety is charged with the responsibility of investigating accidents/incidents/near misses and reporting the same to the CEO on a regular basis.

Work-related injuries - FY 2023/24	Unit	Total
Fatalities as a result of work-related injury	No.	0
High-consequence work-related injuries* (excluding fatalities)	No.	0
Recordable injuries**	No.	0
Lost days due to occupational injuries	Days	0
<b>By type of incident</b>		
Falling	No.	9
Bodily reaction-injury by bending, reaching, standing or climbing	No.	3
Injury by being struck by/against an object	No.	14
Car accidents	No.	0
Natural disasters	No.	0
Exposure to toxic/dangerous material	No.	0
Other (burns)	No.	1

\* 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.

## EMPLOYEE RELATIONS

Building and maintaining good relationships with employees has always been a key priority for Dilmah. This commitment is reflected in the open door policy which enables employees to approach their supervisors and even the top management without barriers.

Communications with factory employees are managed through "Joint Consultative Committee" (JCC) - an employee task force nominated and appointed by employees themselves. Consisting of a large cross-section of the Company's workforce, the JCC has over the years proven to be a vital channel for factory employees to present their suggestions, raise concerns and voice their grievances directly to top management. In addition, monthly "Town Hall Meetings" also serve as an important forum for employees to share their views, provide suggestions, as well as for recognising outstanding employee achievements.

Meanwhile clear procedures are in place to inform employees of operational changes prior to implementation. Executive employees are typically informed of operational changes via email, or through special gatherings, while the monthly town hall meetings are used to share special announcements with factory staff.

Additionally, several communication channels such as TV monitors in cafeterias for instant notices, official social media platforms (Facebook and WhatsApp), SharePoint, newsletters, and emails are used for general communications, while digital communication tools are used for formal communications on special projects, etc.

It should be noted that strong relations built between employees and Dilmah management have prevented the need for a formal collective bargaining agreement.

## GRIEVANCE HANDLING

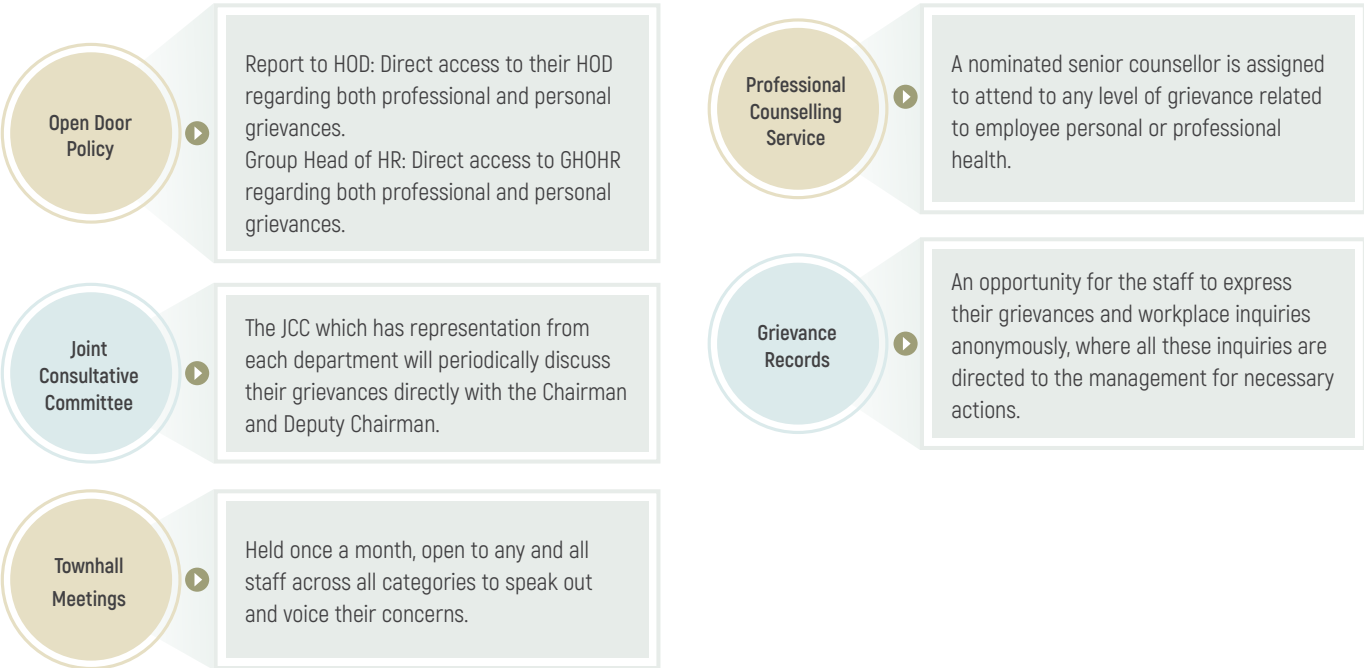
Dilmah's Grievance Policy is designed to provide employees with multiple avenues to report issues affecting their employment or any other concerns. The objective of this policy is to identify, assess, and provide appropriate solutions and feedback for employee grievances to enhance employee trust.

As stated in the Grievance Policy, employees can report grievances either officially or unofficially. As a first step, employees are encouraged to raise their concerns directly with their immediate supervisor or manager to obtain effective and quick resolution of grievances. However, if an employee is uncomfortable reporting to their manager or is dissatisfied with the solution provided, they have the option to anonymously report issues to the compliance team, HR Manager, or Quality Assurance Department. Alternatively, they can submit an anonymous note to be discussed at the monthly Town Hall meeting or by post to the Chairman. Additionally, they can present their issues to the Joint Consultative Committee (JCC) to be escalated to the senior management. All grievances are directed to the Group Head of HR for investigation and necessary resolution within the timelines stipulated in the Grievance Policy.

The Company has also commissioned the services of a certified medical counsellor to provide support to employees who require assistance on health related matters.

# HUMAN CAPITAL

## Grievance Mechanism



## EMPLOYEE ENGAGEMENT



New Year celebration



Annual Pirith chanting ceremony



Kids' Christmas party



Distribution of dry ration packs



Factory associate party



Staff party

The Chairman and the Board of Directors invited retired employees of Dilmah for a lunch to celebrate their contributions and listen to their experiences post-retirement. Nearly 100 retired employees participated in the event, some who had served Dilmah for over 20 years at the time of their retirement. The co-chairs personally engaged with each individual and extended the Small Enterprise Programme (SEP), a special financial assistance scheme under the MJF Foundation for retirees seeking to commence small scale business ventures.



#### WORK-LIFE BALANCE

Dilmah understands that a healthy balance between work and personal life not only enhances job satisfaction and employee morale but also contributes to overall performance and retention. To support this balance, the Company encourages reasonable work hours, and provides ample opportunities for employees to recharge through vacation time. Frequent awareness sessions and workshops on nutrition and healthy lifestyle choices and medical camps aim to encourage long-term well-being. Recreational activities organised by the Sports club, also serve as an important source of stress relief for employees. Moreover, employees are encouraged to volunteer in the Company's CSR activities to help them de-stress.





## SOCIAL AND RELATIONSHIP CAPITAL

Dilmah's purpose: 'Family Business, Serving Humanity' perfectly encapsulates the importance that we place on community engagement, supplier relations and charity, as we continue to provide an unparalleled tea experience to consumers. Our commitment to ethical production transcends manufacturing processes and creates unbreakable relationships with those whose hard work forms the essence of our operations. With integrity guiding us, we invest in our social & relationship capital.

### Overview

Dilmah's Social and Relationship Capital comprises the vital stakeholder networks that together form the nexus of the Company's strategic journey.





### MANAGEMENT APPROACH

Dilmah's efforts to manage Social and Relationship Capital embodies the Company's deep commitment to build and strengthen relationships with key stakeholders namely customers, suppliers, distributors, and the wider community. This involves a broad based strategy underpinned by tailored approaches to ensure that the unique needs and interests of each stakeholder Group are served appropriately.



#### MATERIAL MATTERS

- Innovation
- Customer satisfaction
- Managing our distribution network
- Geopolitical conditions in buying markets
- Product responsibility
- Managing our supply chain
- Environmental & socio-economic compliance
- Health and safety
- Community engagement

#### INPUTS

- Quality management trilogy model
- Investment in technology and automation
- Fully fledged channel management strategy
- Comprehensive labelling and marketing



#### VALUE DRIVERS

- |                                                                                                                                                                   |                                                                                                                                                            |                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Product stewardship</li> <li>• Product access and availability</li> <li>• Responsible packaging and labelling</li> </ul> | <ul style="list-style-type: none"> <li>• Marketing and communication</li> <li>• Managing customer complaints</li> <li>• Responsible procurement</li> </ul> | <ul style="list-style-type: none"> <li>• Supplier education and capacity building</li> <li>• Distributor outreach</li> <li>• Community empowerment</li> </ul> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|



#### VALUE TRANSFORMATION SCORECARD - FY 2023/24

##### KEY INITIATIVES

- Implemented the Six Sigma lean management model
- Launch of "85 Reserve" Luxury Artisanal Tea Collection in Australia
- Expanded market presence in the CIS region
- **Rs. 2.7 Bn** LKR invested in marketing, promotions, and brand-building initiatives
- 77th Dilmah School of Tea event held from 18th March to 22nd March 2024
- Launch of the "Sustainable Supply Chain Roadmap" including the MJF Holdings Supplier / Partner Code of Conduct," and introducing "Stronger Together" online platform
- Hosted the 10th Dilmah Global Family Conference took place in May 2023

## SOCIAL AND RELATIONSHIP CAPITAL

### VALUE TRANSFORMATION SCORECARD - FY 2023/24



Stakeholder Outcomes		Impact on Other Capitals	
Customers	Improved Brand loyalty attributed consistent quality and global access to a diverse product portfolio	Intellectual Capital	+
Suppliers / Distributors	Opportunities for business expansion and shared growth	Financial Capital	+
	Assurance of business continuity and reduced financial risks due to reliable partnerships		
Shareholders	Potential for revenue growth owing to high levels of customer satisfaction across global markets	Financial Capital	+
	Long-term value creation through ethical and sustainable business practices		
Community and Environment	Economic empowerment and improved quality of life for disadvantaged Communities resulting in enhanced corporate reputation	Intellectual Capital	+

#### OUTPUTS FOR DILMAH

- ZERO incidents concerning non-compliance of product and service information and labelling
- ZERO incidents concerning the health and safety of products
- Supply chain reliability
- Global distribution efficiency

#### SDGs



#### PROPOSED FUTURE ACTION



Going forward, Dilmah is planning to significantly expand its community development and empowerment activities through the MJF Foundation. Key initiatives planned include the establishment of a Centre for children with developmental disorders in Jaffna, expanding the IT training facility at the One Earth Centre in Kalkudah, and focusing on agri-based livelihood support for rural communities, with particular emphasis on women-led families. The Company is also planning to further enhance the "Stronger Together" platform to enable suppliers to access educational scholarships for children from all plantations.

## CUSTOMERS

### PRODUCT STEWARDSHIP

For the past 35 years, Dilmah has taken great pride in producing premium, single-origin Ceylon tea, meticulously handpicked and packed at source to preserve its freshness and flavour. Furthermore, by blending tradition with innovation, Dilmah has continuously expanded its portfolio of teas to cater to evolving taste preferences, while staying firmly anchored to the Company's foundational ethos of integrity and passion for tea. This holistic approach has positioned Dilmah as a leader in the global tea market, celebrated for its signature quality and unwavering ethical principles.

Over the years, Dilmah has continued to guarantee the quality and safety of its products through a comprehensive application of the Quality Management Trilogy model, which encompasses Quality Assurance, Quality Control, and Quality Development. This robust framework is further strengthened by the principles of Total Quality Management, underpinned by internationally accredited Quality Management, Food Safety Management Systems and Organic Certifications. Dilmah ensures the effectiveness of these systems through continuous improvement in line with these global standards.

Additionally, extensive research studies are conducted to drive ongoing quality enhancement, alongside regular investments in technology and automation also augment efforts to achieve superior quality outcomes.

Further solidifying the commitment to ongoing improvement, the Six Sigma lean management model was implemented across the Company's production and packing processes in FY 2023/24. The model has helped to systematically identify and eliminate non-value-added activities through process re-engineering and value stream mapping of workflows to enhance resource utilisation and reduce lead times. Similarly, implementing customised solutions to address bottlenecks have further reduced production cycles in



### Dilmah Tea unveils the “85 Reserve” Luxury Artisanal Tea Collection in Australia

Dilmah launched its finest handpicked, rare small batch of artisanal tea - the “85 Reserve” in collaboration with its retail parents in Australia.

The “85 Reserve” range - a celebration of the founding of Dilmah in 1985, evokes the heritage and quality of the brand. The range comprising meticulously crafted artisanal teas to bring a luxurious touch of indulgence into the everyday occasion. Sold in beautifully presented tin caddies, each consists of 20 tea large leaf luxury tea bags, the full range consisting of six variants, from the elegant and bright Royal Ceylon Breakfast to the fragrant bergamot and vanilla taste of Earl Grey & Vanilla or the notes of artisanal spices in the Ceylon Spice Chai are available on the Dilmah website while three of the teas - Royal Ceylon Breakfast, Earl Grey & Vanilla, and Ceylon Green Tea with Mint have been made available at 650 supermarkets across Australia.

specific areas. Overall results from these system improvements have generated significant cost savings, quality enhancements, and strengthened the alignment with the Company's sustainability goals.

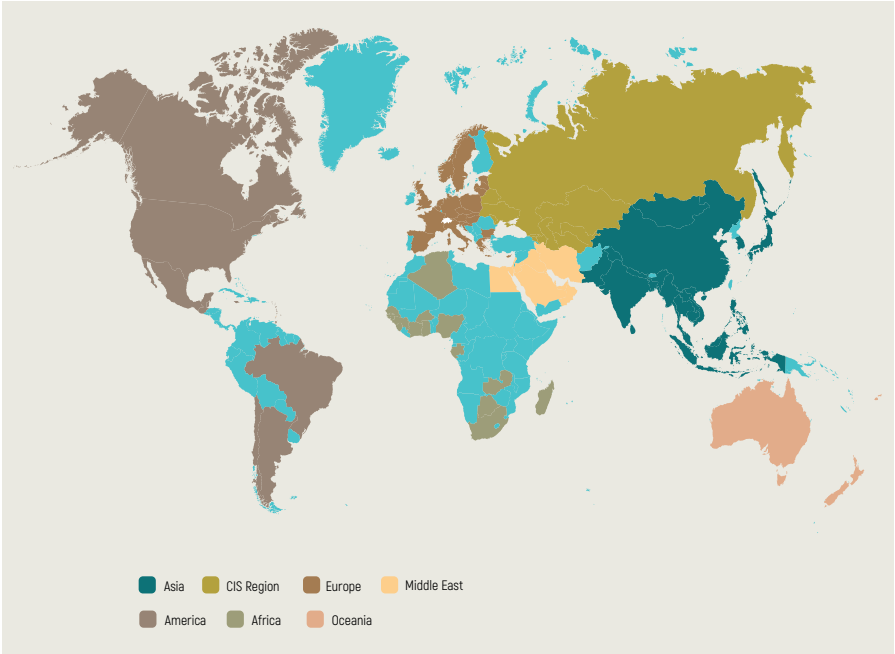
Dilmah ensures 100% of its products are assessed against established quality and safety parameters. Assessments conducted in the current financial year did not reveal any incidents concerning the health and safety of products.

### PRODUCT ACCESS AND AVAILABILITY

Dilmah ensures worldwide access and availability of its products through a fully fledged channel management strategy that involves a combination of the Company's own sales channels alongside collaborations with local offices and distributors to effectively navigate different regulatory landscapes, cultural preferences, and market demands in various markets around the world. Dilmah is present in 110 countries with Azerbaijan and North Cyprus as the newest markets entered into in FY 2023/24.

In key markets such as Australia and New Zealand, the Company maintains direct control over distribution processes via its own distribution channels. In a majority of other global markets Country offices have been set up in partnership with local importers/distributors covering a range of retail touch-points, including supermarkets, hypermarkets, and traditional trade outlets, where Dilmah tea is made available to a broad consumer base from everyday shoppers to niche market enthusiasts. Additionally, the HORECA (Hotel, Restaurant, Café, and Airline) channel plays a pivotal role in presenting Dilmah products across premium hotel chains, restaurants, cafés, and airlines worldwide. Dilmah has also maintained a robust online retail presence, allowing consumers 24/7-365 day access. This multi-channel approach not only guarantees that Dilmah tea is readily available to consumers and reinforces the brand's commitment to access and accessibility on a global scale.

# SOCIAL AND RELATIONSHIP CAPITAL



## RESPONSIBLE PACKAGING AND LABELLING

Strong emphasis is placed on comprehensive and accurate labelling to empower consumers to make informed choices. All Dilmah tea products are packaged and labelled in compliance with applicable legal requirements as well as globally accepted best disclosure practices. Accordingly, each package of Dilmah tea includes essential information such as ingredients, nutritional facts, brewing instructions, and expiration dates, which are clearly marked to ensure product safety and quality. In the interest of complete transparency, labels also contain allergen warnings, where relevant.

Dilmah also incorporates sustainability information on its packaging, highlighting the brand's eco-friendly practices and commitment to environmental conservation.

There were no incidents concerning non-compliance of product and service information and labelling reported in the current financial year.

## MARKETING AND COMMUNICATION

Transparency in marketing and communication across all platforms is a key aspect of Dilmah's overall approach to managing the customer experience. Clarity, accuracy and completeness are the key, underpinning principles for all promotional activities conducted by the Company. ATL marketing through television, radio, and print media reach a broad audience via consistent and straightforward messaging, while special outreach initiatives such as special workshops and tea promotion events conducted by the Dilmah school of tea, offer interactive experiences, allowing consumers to sample products, learn about tea origins, and engage directly with tea experts.

Participation in global trade exhibitions further exemplifies Dilmah's transparent approach to marketing and communications. At these events, the brand showcases its products, shares its sustainable practices, and interacts with international buyers and industry stakeholders. These exhibitions also provide a platform for Dilmah to demonstrate its innovations and receive feedback, promoting open dialogue and trust.

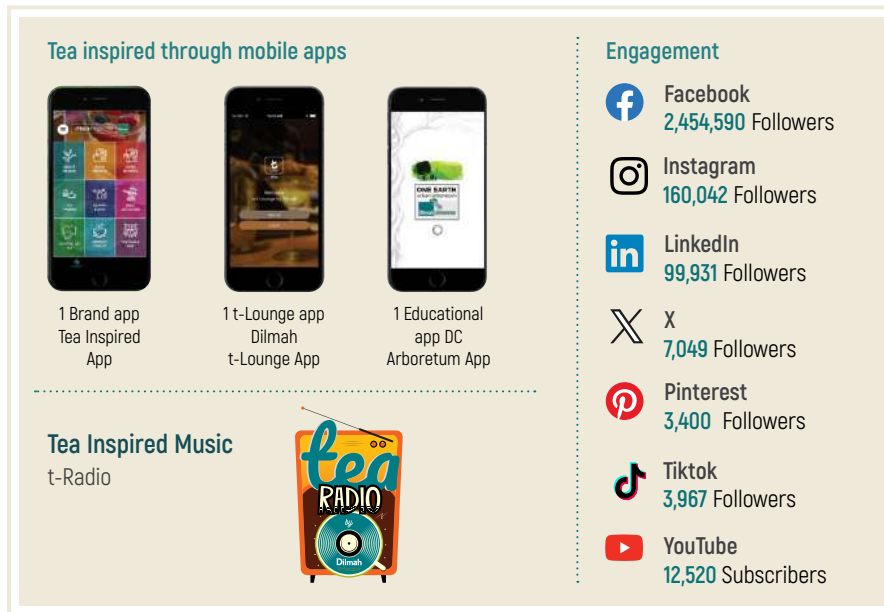
Through social media, Dilmah engages with its audience in real-time, sharing product updates and educational information about tea across a community of tea enthusiasts.

### 77TH DILMAH SCHOOL OF TEA EVENT WAS HELD FROM 18TH MARCH TO 22ND MARCH 2024

The School of Tea is an educational platform founded by Dilmah, where the goal is to educate people about tea, from its origins and production to tea brewing and tasting. Tea lovers and hospitality professionals are immersed in the world of tea for one week, attending multiple training programs and workshops. Participants have the opportunity to visit tea gardens, talk with tea farmers and producers, and tour the factories. This hands-on experience highlights the extensive work involved in tea production. In addition to visiting tea plantations, the course provides in-depth knowledge about tea tasting, including the techniques and terminology used in judging tea. Participants also learn how to brew tea properly, discover perfect tea-food pairings, and create tea cocktails.







A collective total of Rs. 2.7 billion was invested in marketing, promotions, and brand-building initiatives in the current financial year.

### MANAGING CUSTOMER COMPLAINTS

Dilmah's approach to managing customer complaints is centred on effectiveness, professionalism and timeliness. A specialised team is in place, solely focused on addressing customer concerns. This team is trained to handle complaints efficiently and empathetically, ensuring that each issue is resolved to the satisfaction of the customer. By prioritising prompt and thorough responses, Dilmah demonstrates its commitment to maintaining high standards of customer service and continually improving its products and services based on customer feedback.

## SUPPLIERS

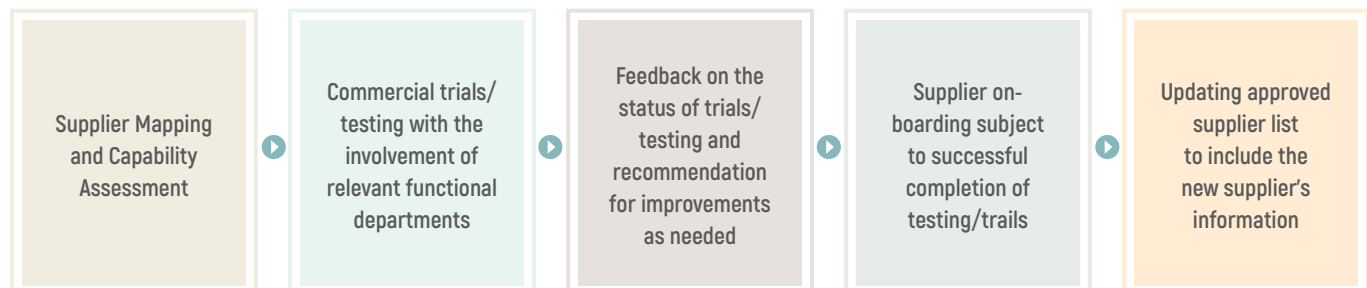
### RESPONSIBLE PROCUREMENT

Dilmah's supply chain consists of a combination of local and international suppliers. Of the total annual procurement spend for the current financial year, Rs.19,617 Mn was paid to local suppliers who provided the Company's core raw material - tea, while the remainder was on account of imported items such as packaging material, machinery spare parts, etc.

Given that the majority of its suppliers are local tea smallholders and regional plantation companies, Dilmah works closely with its supplier base to build strong ties based on the principle of long-term shared value.

A structured 5-step process is in place to provide the framework for selecting the best-fit suppliers. The process begins with a rigorous supplier selection mechanism involving a comprehensive Supplier Mapping and Capability Assessment based on the specific criteria including but not limited to:

- **System Certifications:** Suppliers must possess industry-standard certifications, ensuring adherence to recognised best practices.
- **Quality Certificates:** Suppliers must provide proof of high-quality standards through relevant certificates.
- **Adherence to Dilmah Specifications:** Compliance with Dilmah's specific requirements is essential.
- **Technological Proficiency:** Suppliers should demonstrate the ability to employ advanced technologies in their production processes.
- **Reliability and Cost:** Suppliers must be dependable and offer cost-effective solutions.
- **Lead Time:** Efficiency in delivering products within the required timeframe is crucial.



## SOCIAL AND RELATIONSHIP CAPITAL

- **Ethics and Environment:** Commitment to ethical practices and environmental sustainability is a key consideration. These initiatives are part of Dilmah's broader sustainability strategy, which features a key pillar dedicated to "Supplier Sustainability." This pillar guides the supplier selection and procurement process, ensuring alignment with the company's values.
- **Responsiveness:** The ability to respond promptly to Dilmah's needs and feedback is critical.

All our new suppliers are screened using the above process.

### SUPPLIER EDUCATION AND CAPACITY BUILDING

Supplier education and capacity building go hand-in-hand with Dilmah's efforts to strengthen the reliability of its supply chain. Dilmah's approach to supplier education and capacity building is rooted in its strong commitment to sustainability, ethics, and continuous improvement. Central to this approach is the "MJF Holdings Supplier/Partner Code of Conduct," and the "Stronger Together" online platform, unveiled at the Supplier/ Partner conference in December 2023. Both the Supplier/Partner Code of Conduct," and the "Stronger Together" online platform are critical components of the "Sustainable Supply Chain Roadmap," an initiative designed to ensure the sustainability of the entire supply chain.

The Supplier/Code of Conduct encompasses critical areas such as legal compliance, business ethics, human rights and labour, quality assurance, food safety, supply chain security, sustainable packaging, health and safety, and environmental sustainability. These efforts are further complemented by the "Stronger Together" platform which includes a "Supplier Self-Assessment" tool.

The self-assessment tool is designed for the purpose of facilitating comprehensive and consistent biannual assessments to allow different departments to rate suppliers' performance in line with Dilmah's standards.

Recognising that over 90% of its emissions originate from its value chain, Dilmah has started leveraging the Stronger Together Platform to encourage suppliers to align with the Company's 2050 net zero ambition via the Science Based Targets initiative (SBTi) that specifies both short-term and long-term mitigation strategies to reduce emissions across its entire supply chain. As an initial measure, Dilmah announced its support for decarbonisation efforts within the tea sector during the Supplier Conference on 1st December 2023, where tea smallholders were encouraged to submit their decarbonisation proposals through the Stronger Together Platform, for evaluation by an expert panel. Selected proposals may receive full or partial monetary support, while others might qualify for technical assistance.

### LAUNCH OF THE "SUSTAINABLE SUPPLY CHAIN ROAD MAP"

Dilmah has launched the "Sustainable Supply Chain Roadmap" to ensure supply chain sustainability.

As part of this initiative, Dilmah Tea invited a large number of its supply chain partners to discuss sustainability topics, including product, packaging, environmental impact, humanity, and legal concerns.

Nearly, 325 suppliers/partners participated in the event held at the Dilmah head office in Peliyagoda.



 **767**

Local suppliers and service providers

 **220**

Foreign suppliers and service providers

 **Rs. 19.6 Bn**

Total value created to suppliers

### Catering to Leading Airlines

 **Emirates**

 **ETIHAD AIRWAYS**

 **QANTAS**

 **QATAR AIRWAYS**

 **flydubai**

 **malaysia airlines**

 **GULF AIR**

 **OMAN AIR**

 **SINGAPORE AIRLINES**

 **SIX**

 **Wizz**

 **LOT**

 **AIR CANADA**

 **深圳航空 Shenzhen Airlines**

## DISTRIBUTORS

### Distributor Outreach

As a global brand, Dilmah relies on a vast network of partners combining Business to Business (B2B) and Business to Consumer (B2C) channels to maximise reach and accessibility across all 110 international markets in which the Company is present.

Given the crucial role they play in the company's value chain, Dilmah aims to cultivate strong relationships with its global distributor networks. Regular communication and strategic alignment are key components, facilitated through frequent meetings and outreach events that allow for the exchange of insights and feedback. Training and capacity-building programs are also carried out to equip distributors with the knowledge and tools to effectively market Dilmah products.

### GLOBAL DISTRIBUTOR CONFERENCE 2023

The 10th Dilmah Global Family Conference took place in 6th May 2023 with 115 distributor network partners travelling from across the globe to Sri Lanka to join the Dilmah team for 3 days of tasting tea together and learning about the future of Dilmah. Visitors were also given the opportunity to visit the MJF Centre-Moratuwa, to see first hand, the purpose with which Merrill J. Fernando, Dilmah Founder, created his family business to serve humanity with kindness to people and nature.



## ENGAGEMENT ACTIVITIES DURING 2023/24

### Sri Lanka



*Bocus d'Or Event*



*High Tea with Gary Mehigan*



*Real High Tea Challenge, Sri Lanka*



*Dilmah 77th School of Tea*



# ENGAGEMENT ACTIVITIES DURING 2023/24

## Global



*Dilmah Tea corner at Ashes Test Series partnering with Emirates*



*Dilmah Tea Appreciation at Sofitel Hotel Paris*



*Dilmah Tea Appreciation in Indonesia*



*Dilmah Tea Appreciation at Hilton - Frankfurt Germany*



*Dilmah School of Tea in Hungary*



*Indonesia TPR Afternoon Tea*



*Dilmah Tea Appreciation in Hilton Tokyo Bay*



*Dilmah High Tea in Netherlands*



*Appreciation of Fine Tea in UAE*



*Flavours and Flair Event at Hilton Qatar*



*Indonesia Mixology Playoff at Hard Rock Hotel*



*Dilmah Camellia Epicurean Dinner- Osaka Japan*



# COMMUNITY

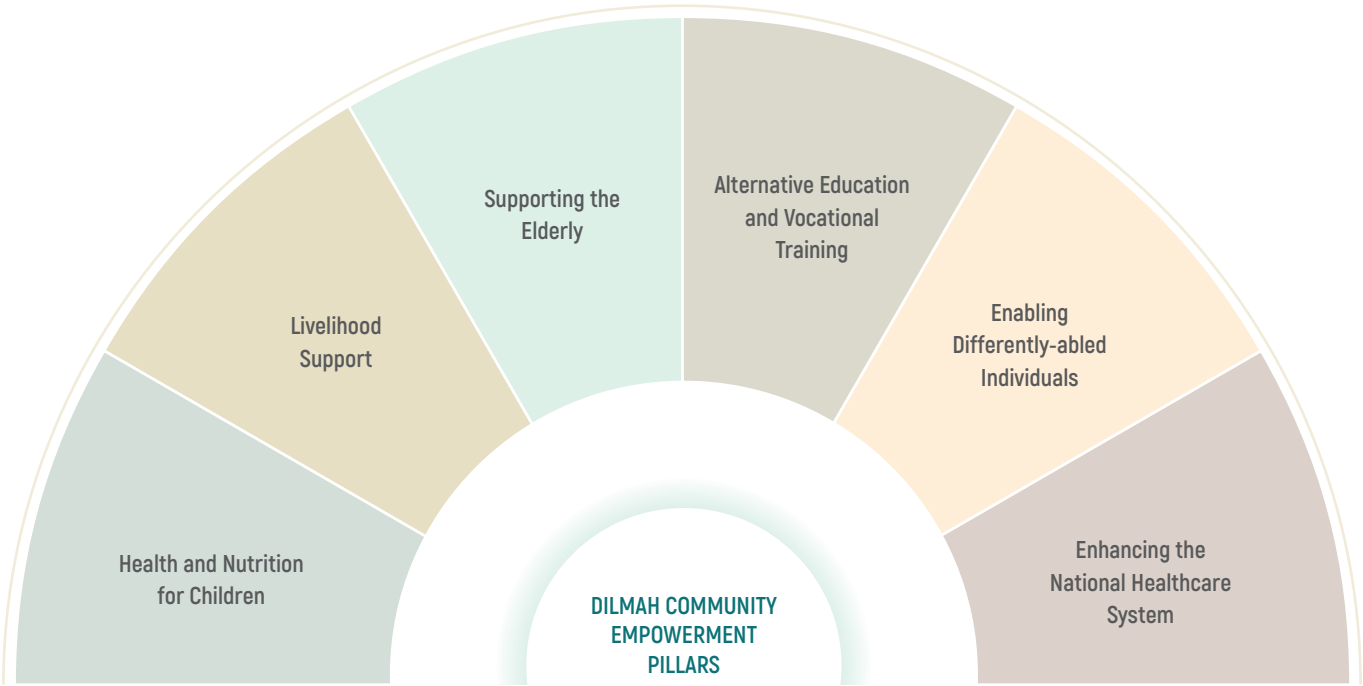
## COMMUNITY EMPOWERMENT

In keeping with the principles of goodness promulgated by Dilmah's founder - Merrill J. Fernando, Dilmah takes great pride in its commitment to community empowerment. First and foremost, the Company aims to ensure its business practices have no negative impacts on the community. These efforts are supported by the MJF Foundation that is dedicated to the betterment of people, further underscored by the mandatory allocation of 15% of Dilmah's pre-tax profits to support underprivileged communities vis-a-vis 6-pillar community empowerment strategy.

### MJF CHARITABLE FOUNDATION

The Merrill J. Fernando Charitable Foundation (MJFCF) was established to honor our Founder's heartfelt wish to ensure that his business serves humanity through kindness to people and nature. As one of the region's most significant private charitable foundations, MJFCF focuses on providing direct, efficient, and impactful assistance to less fortunate communities, differently abled children, and youth. The Foundation also empowers women, youth, and men with dignity through initiatives such as free education, vocational training, entrepreneurship support, nutritional aid, medical infrastructure provision, elder care, and advocacy.

Dilmah Conservation and the MJF Charitable Foundation align perfectly with the Founder's belief that success should be shared. Merrill J. Fernando challenged the conventional norms of the tea industry, previously tied to a colonial economic system. His lifelong dedication to tea and determination to create a truly ethical product has transformed countless lives. Driven by faith in God and His Grace, this spirit of kindness is extended to those who need it most, highlighting the enduring commitment of Dilmah and the MJF Charitable Foundation to creating a positive and meaningful impact on society.



## SOCIAL AND RELATIONSHIP CAPITAL

### CHANGING LIVES

#### Women's Development Program (WDP)

The Women's Development Program (WDP) was established to empower marginalised women and young girls with skills development and entrepreneurship training.

The WDP is active across Sri Lanka at the Moratuwa, Kalkudah and Weligama Centers empowering 1400+ women with vocational skills to pursue their goals.



#### Empower IT Lab

The Dilmah Empower IT Lab was inaugurated in 2024 within our factory premises at the Head Office. This state-of-the-art facility is exclusively dedicated to providing our factory associates with the resources and opportunities to pursue professional IT courses in alignment with National Vocational Qualifications (NVQ) guidelines.



### MJF KIDS

#### MJF Kids Programme

3500 boys and girls from less fortunate plantation and rural communities are strengthened with educational support through the MJF Kids program.

The MJF Kids Programme provides underprivileged children from low income families in 8 locations across Sri Lanka, with education, life skills/vocational training required to overcome the challenges faced by them due to extreme poverty and ensuing social issues.

This year, 1369 young boys and girls from less privileged, plantation and rural communities are supported with scholarship programs and educational support.



### YOUTH

#### Vocational training Programme

Vocational training provided for nearly 7,000 youth in carpentry, dress making, IT and graphics.

In their efforts to inspire female youth entrepreneurs, the MJF Center, Kalkudah launched a beauty culture program for young women. In just 6 months, the course has graduated 25 young women who are makeup artists and salon owners.

Their new Aari work embroidery and needlework course has also graduated 60 young women with the skills to become professional designers and seamstresses.



#### The Curtiss Institute of Design Technology program

The Curtiss Institute of Design Technology program is a part of the MJF Charitable Foundation Moratuwa and Kalkudah Centers. It is an IT skills training program that fulfills all national competency standards of the Tertiary and Vocational Education Commission (TVEC). Over 6000 youth and adults have benefited from the courses offered in IT and graphic design.



#### Life Through Cricket

The "Life Through Cricket" programme created by the MJF Foundation and Cricket Live Foundation (CLF) New Zealand commemorates a decade of uplifting the lives of young children through sports. around 1,000 boys and girls have been impacted by this program.



## ENABLING THE DISABLED

### Rainbow Horizons programs

3500 youth and children supported through the Rainbow Horizons programs in Moratuwa and Kalkudah, and 230 children and infants supported at the Center for Children with Cerebral Palsy and other Developmental Disorders.

The Early Intervention Clinic in collaboration with the Faculty of Medicine, University of Colombo was launched. This ground-breaking facility is dedicated to enhancing the lives of young children with Down Syndrome, Cerebral Palsy, and other developmental disorders. Around 1,000 boys and girls have been impacted by this program.



## PEOPLE'S MARKET

### Small Entrepreneur Program

The People's market falls within the scope of the Small Entrepreneur Program. It was initiated in the aftermath of COVID-19 to

help revive small enterprises and support individuals who were made unemployed by the pandemic.

Today the Peoples Market takes place every quarter at the Moratuwa or Weligama Centers. Each market supports up to 100 small businesses, female-led enterprises and entrepreneurs with disabilities.

The Markets attract a footfall between 700 to 1700 shoppers, allowing small enterprises to grow their networks.



## ENHANCING THE NATIONAL HEALTHCARE SYSTEM

Launch of the Early Intervention Clinic in collaboration with the Faculty of Medicine, University of Colombo. This ground-breaking facility is dedicated to enhancing the lives of young children with Down Syndrome, Cerebral Palsy, and other developmental disorders.



## Dilmah Tea Fights to eradicate the cervical cancer

Dilmah Tea, through its Merrill J. Fernando Charitable Foundation, entered into agreement with Ministry of Health and the Rotary Club of Colombo, to restart a national initiative to eradicate cervical cancer in Sri Lanka by 2030. The initial grant of Rs. 75 million from Dilmah - MJF Foundation with fund test kits for early detection and treatment, to reduce approximately 800 preventable deaths from cervical cancer in Sri Lanka every year.



## PLANTATIONS

Meeting the needs & demands of a resident population of 155,000 in the plantation community through updated infrastructure and facilities.

131 young beneficiaries supported through Scholarships; 88 university undergraduates, 32 of our beneficiaries are university graduates.

Gifting of a passbook savings account to over 40 newborns of plantation employees.



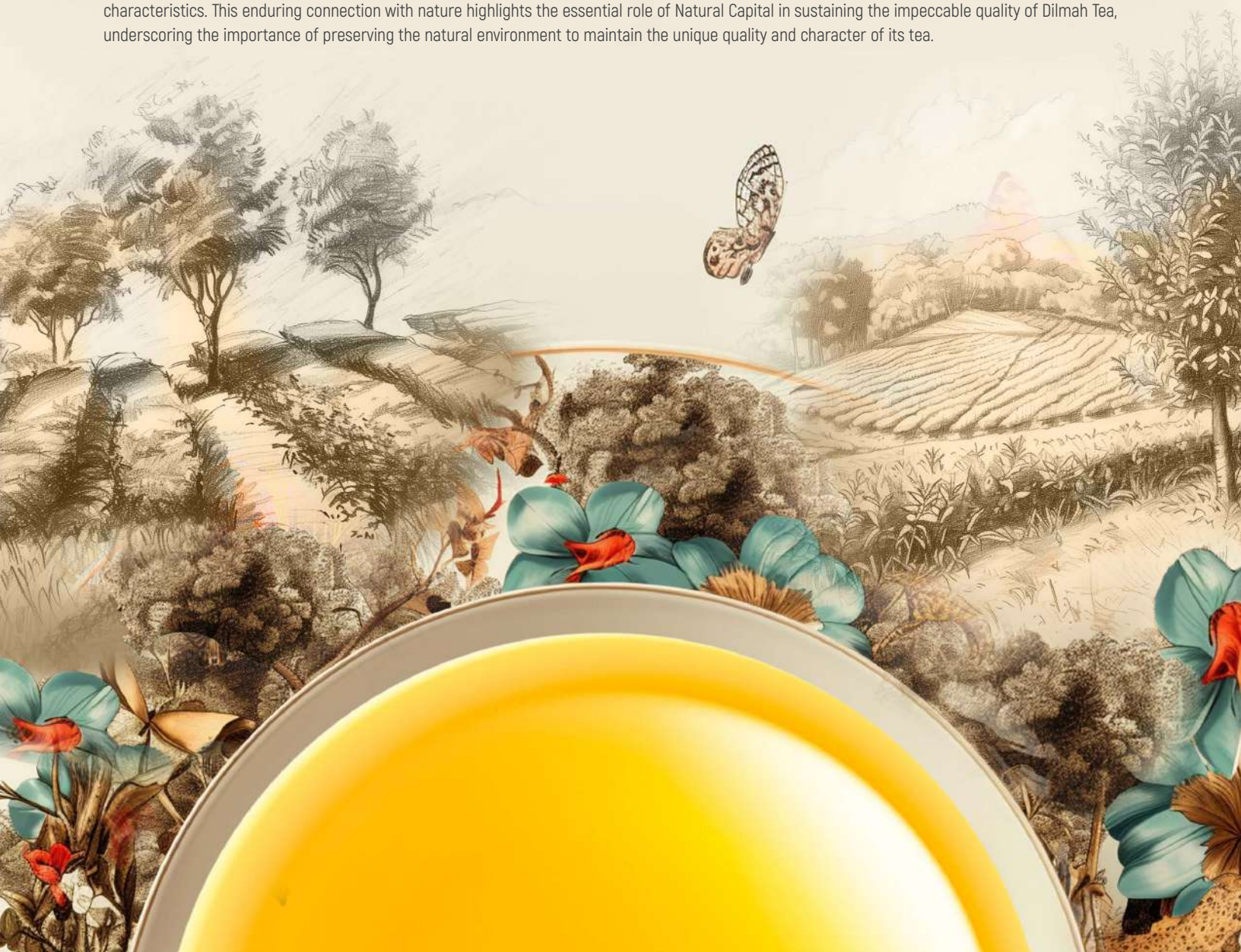


# NATURAL CAPITAL

Our dedication towards providing the highest quality tea, grown in optimal conditions, is measured best in our efforts to ensure that the environment is treasured, respected and reinforced with our every business decision. Dilmah Conservation continues to drive sustainability – in practice – and is spreading awareness – to protect the earth, as our environmental management system ensures our continued support towards safeguarding nature – an integral and irreplaceable part of Dilmah's value chain.

## Overview

Dilmah's dependence on natural capital is intrinsic to its identity as an agricultural product, with the quality of each cup of tea being profoundly influenced by the environment in which the tea bush grows. The strength, texture, fragrance, and flavour of Dilmah Tea are direct outcomes of the natural conditions surrounding the tea plantations, including soil quality, climate, altitude, and biodiversity which collectively contribute towards shaping these characteristics. This enduring connection with nature highlights the essential role of Natural Capital in sustaining the impeccable quality of Dilmah Tea, underscoring the importance of preserving the natural environment to maintain the unique quality and character of its tea.







GRI

3-3, 301-1, 301-2, 302-1, 302-3, 302-4, 303-1, 303-2, 303-3, 303-4, 303-5, 304-1, 304-2, 304-3, 305-1, 305-2, 305-3, 305-4, 306-1, 306-2, 306-3, 306-4, 306-5, 307-1

## MANAGEMENT APPROACH

Acknowledging its profound responsibility to safeguard vital natural resources, Dilmah's Environmental Policy embodies a deep respect for the environment and a commitment to its protection. The policy emphasises fostering a harmonious coexistence between humanity and nature, ensuring that every aspect of the company's operations contributes to environmental preservation. To that end, the Company has adopted the ISO 14001:2015 Environmental Management Systems (EMS) standard. The EMS framework which encompasses critical elements such as environmental planning, implementation and operation, monitoring and corrective actions, and regular management reviews, serves as the basis of managing the direct environmental impact resulting from the core business operations.

Each department within Dilmah plays a pivotal role in upholding the EMS mandate through various initiatives, including innovative packaging developments, sustainable energy practices, and efficient waste management. Moreover, by setting and pursuing environmental targets, monitoring environmental parameters, and continuously seeking improvements, the EMS represents a holistic approach to environmental stewardship and sustainable business. The EMS framework is further strengthened by the adoption of other global standards and best practices applicable to the business.

Additionally, Dilmah has chosen to further commit to environmental stewardship through its Beyond Business initiatives led by Dilmah Conservation, a dedicated environmental arm with a mission to drive Dilmah's environmental sustainability efforts. Paying tribute to the remarkable legacy that nature has bestowed upon the Company, Dilmah's Beyond Business initiatives focus on green restoration, species conservation, climate research, climate action and environmental education within the supply chain. Through these concerted efforts, Dilmah aims to nurture and protect the essence of its products, ensuring a sustainable future for both the Company and the precious ecosystems upon which it depends.

## DILMAH TEA ENVIRONMENTAL POLICY

In our efforts to offer consumers the finest tea on earth with ethics and integrity, we at Dilmah recognise that conservation of the environment is an extension of our founding commitment to human service. Accordingly, we are committed to respect the environment and ensure its protection by encouraging a harmonious coexistence of man and nature.

We will strive to conduct our activities in accordance with the highest standards of corporate best practice in preventing pollution and in compliance with all applicable legal and other environmental requirements.

We will assess, monitor, and continually improve the quality and environmental impact of our operations, services and products whilst striving to influence our supplier partners and customers, where relevant and to the extent possible.

We shall strive to be an organisation of choice by providing a safe and healthy working environment to our employees who can have equal opportunity to realise their full potential.

## MATERIAL MATTERS



- Innovation
- Managing our distribution
- Product responsibility
- Managing our supply chain
- Implications of climate change
- Preserving the environment
- Power and energy

## INPUTS



- ISO 14001:2015: Environmental Management System Certification
- SMETA: SEDEX Member Ethical Trade Audit
- RA: Rainforest Alliance Sustainable Agriculture Standard
- ISO 14064-1:2018: Organisation level quantification and reporting of greenhouse gas emissions and removals
- Environmental Protection License (EPL) issued by the Central environmental Authority

## VALUE DRIVERS



- |                       |                        |                             |                           |
|-----------------------|------------------------|-----------------------------|---------------------------|
| • Energy management   | • Materials management | • Waste management          | • Education and awareness |
| • Emission management | • Water conservation   | • Biodiversity conservation | • Special collaborations  |

# NATURAL CAPITAL

## VALUE TRANSFORMATION SCORECARD - FY 2023/24



### KEY INITIATIVES

- Submission of SBTi targets for validation
- Launch of Udawalawe Information Center – Elephant Knowledge Walk
- **Rs. 150.7 Mn** Investment in Environmental Initiatives
- **15** Publications on environmental and heritage conservation
- **44** Research projects
- **9** Ongoing biodiversity related projects
- Launching **Supplier Code of Conduct** and introducing **"Stronger Together"** Platform for our partners

Stakeholder Outcomes		Impact on Other Capitals	
Customers	Access to environmentally friendly products	Social and Relationship Capital	+
	Increased awareness of environmental issues and sustainable practices through educational programmes	Social and Relationship Capital	+
	Enhanced brand trust and loyalty due to Dilmah's commitment to environmental conservation	Intellectual Capital	+
Supplier	Support to achieve the sustainability targets	Social and Relationship Capital	+
Employees	Opportunities for skill development in sustainable agriculture and environmental stewardship	Human Capital	+
Community	Enhanced livelihood opportunities through sustainable agriculture and eco-friendly practices	Social and Relationship Capital	+

### OUTPUTS FOR DILMAH

- **99.96%** of the Total Waste Recycled/Repurposed/Re-used
- **548,104 kWh** of Solar energy production equivalent to planting 6413 Trees
- **75,022 MT CO2e** discharge of Emissions from tea gardens to the destination ports of all overseas markets
- Winner among the Top 10 Best Corporate Citizen 2023, Winner Best Project Sustainability Awards 2023 for Endane Biodiversity Corridor (EBC) & Certificate for Consistent Commitment & Continuous Improvement- Under Environment Beyond the Business category - BCCS

### SDGs



### PROPOSED FUTURE ACTION



It is proposed to implement an automated energy monitoring system to capture energy data from all sources. Additionally, steps will be taken to further improve the efficiency of the existing rainwater harvesting infrastructure at all potential estates of Kahawatte Plantations PLC to mitigate the impact of climate change.

## ENERGY MANAGEMENT

Dilmah utilises several energy sources - grid electricity, LP gas, and solar power for powering the production facility, hydropower for the needs of estates as well as diesel for generators and transport requirements.

While grid electricity remains the main source of energy for day-to-day operations, the Company has in recent years systematically increased its investment in renewable energy (mainly solar) in bid to reduce the dependence on grid electricity.

Investments in solar over the years has allowed Dilmah to lay claim to a combined generation capacity of 1,400.75 kWp. This includes the 04 (four) solar power plants with a collective generation capacity of 415.5 kWp that contribute towards meeting 4.66% of the energy requirements of Dilmah Headquarters in Peliyagoda.

Dilmah has also made significant investments in hydropower, starting with the two hydroelectric plants at the Queensberry and Craighead estates, both which commenced power generation in 2018. Today, the Company operates a total of four hydropower plants: Queensberry (50 kW), Craighead (70 kW), Kataboola (70 kW), and Wellandura (70 kW), with a combined capacity of 260 kW. In the year under review, these plants collectively generated 389 MWh of hydropower.



	2023/24	2022/23
<b>Non-renewable energy</b>		
Grid Electricity GJ	14,834	13,887
Diesel GJ	1,545	5,001
Transport (Company Owned Vehicles)	1,283	1,174
Transport (Employee Commuting Paid)	6,136	4,740
<b>Total Non Renewable Energy consumption</b>	<b>23,799</b>	<b>24,802</b>
<b>Renewable energy</b>		
Solar - within the production facility (GJ)	1,109	1,529
Solar - other facilities within the MJF Group(GJ)	1,973	1,346
Hydro - in Plantations (GJ)	1,401	1,413
<b>Total Renewable Energy production</b>	<b>4,483</b>	<b>4,288</b>
<b>Renewable energy production as a % of total energy consumption</b>	<b>19%</b>	<b>17%</b>
<b>Renewable energy production as a % of Grid Electricity energy consumption</b>	<b>30.22 %</b>	<b>30.88%</b>

Consumption of energy across all sources is strictly monitored with each department tasked with recording and reporting on energy consumption. Meanwhile, demonstrating a strong commitment to responsible energy management in line with its environmental stewardship goals, Dilmah's energy management activities are anchored to two primary pillars: "Climate Adaptation" and "Facilities and Buildings." Through the "Climate Adaptation" pillar, Dilmah focuses on leveraging opportunities to mitigate the impacts of climate change and enhance resilience, while the "Facilities and Buildings" pillar emphasises the optimisation of energy use in infrastructure and operational processes.

Energy Saving Initiatives		Location	Status	Outcomes
<b>Compressed air saving</b>	Minimise the air leaks in compressed air distribution	WH06-GF, 1F & WH04-1F	In progress	10% (from the air compressor's energy consumption)
<b>Energy monitoring system</b>	Implementation of energy meters to required areas to capture the energy consumption and to collect the energy data	All in DCTC	Planning	-
<b>VFD Installation to cooling tower motor</b>	To optimise the energy consumption as per actual load of the pump	WH01-AC system	Planning	20%
<b>Replacement of old AC Package units</b>	Replacement of old AC package units by energy efficient models	WH01-AC system	Planning	10%

# NATURAL CAPITAL

## RISK AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

Climate Change Risks		Financial Implications to Dilmah	Potential Opportunities for Climate Adaptation
Short Term	<b>Transition Risks:</b> Policy and Legal - Enhanced emissions reporting obligations and increased pricing of GHG emissions	Increased costs of compliance/fines and/or legal action due to non-compliance  Cost of transitioning to lower emissions technology	Committing to SBTi Net Zero targets  Investments on Renewable energy
Medium Term	<b>Transition Risk:</b> Market Changes - Changing consumer behaviours and preferences	Loss of revenue due to the early retirement of products	New product developments with recycled/biodegradable packaging
Long Term	<b>Physical Risk:</b> Extreme Weather Events - Operational Disruptions	Loss of market share and higher operating costs due to frequent business disruptions	Geographical diversification of operations

## EMISSION MANAGEMENT

Recognising the pressing challenges posed by the climate crisis, Dilmah has continued to place significant emphasis on managing emissions as a means of addressing the long-term impacts of climate change. Having proactively undertaken to calculate its carbon footprint since 2014, the Company has since made major strides in its emission management programme. The year 2018 denoted a key milestone in this journey with Dilmah expanding its carbon footprint calculation to cover the entire lifecycle of its products, from inception to point of sale, a strategy that allowed the Company to achieve the 100% carbon neutral certification across its entire product line based on an independent third party verification of the Company's carbon footprint against the universally accepted GHG Protocol established by the World Resources Institute and the World Business Council for Sustainable Development. Digitisation in 2020 has enabled the carbon footprint calculation method to be extended to include emissions up to destination ports in export countries.

Marking a quantum leap in further solidifying its commitment to emission management, Dilmah in 2021 became one of the few Sri Lankan entities to join the Science Based Targets initiative (SBTi), setting ambitious goals to achieve net-zero emissions, including targets to be met by 2031 for near-term goals and by 2049 for long-term goals, covering over 95% of its emissions across operations and the value chain.

With the base year for SBTi targets set to 2021/22, Dilmah expanded its GHG inventory for FY 2021/22 to include a comprehensive emission boundary, covering all potential sources such as energy, transport, and upstream and downstream emissions, transitioning from a "Cradle to Destination ports" approach to a "Cradle to Grave" framework. Additionally, MJF Beverages Pvt. Ltd., a subsidiary under DCTC, was incorporated into the GHG inventory starting from 2021. In late 2023, Dilmah submitted its proposed emission reduction targets for both Forest, Land & Agriculture (FLAG) emissions and Non-FLAG emissions to the Science Based Targets initiative for evaluation.

Meanwhile demonstrating its commitment to decarbonisation throughout its value chain, the "Stronger Together" platform was launched in July 2023 to support suppliers, particularly within the tea sector. This initiative is designed to assess, monitor, and assist suppliers in their sustainability efforts, including emission management in alignment with Dilmah's core values and sustainability objectives.

### OUR JOURNEY TO ACHIEVING NET ZERO

2017

Peliyagoda factory and head office certified as carbon neutral - ISO 14064-1:2006

2018

Dilmah achieves carbon neutrality for all products and factories - ISO 14064-1:2006

2019

Dilmah achieves carbon neutrality for the facility and all products up to Australia shelf - ISO 14067:2018 ISO 14064-1:2018

2020

Dilmah achieves carbon neutrality for the event School of Tea

- Carbon Footprint Calculation mode was Digitalised
- Dilmah achieves carbon neutrality for the facility and all products up to the destination ports of all overseas markets
  - ISO 14067:2018
  - ISO 14064-1:2018

2021

2022

Dilmah achieves carbon neutrality for the facility and all products up to the destination ports of all overseas markets

- ISO 14067:2018
- ISO 14064-1:2018

2023

Short-term and NetZero targets (including FLAG) were submitted to SBTi for validation



## GHG EMISSIONS FROM CRADLE TO GRAVE- DCTC AND SUBSIDIARIES

Scope	Emission Source	Total GHG emissions MT CO2e in 2023/24	Total GHG emissions MT CO2e in 2022/23*	Year-on-Year Change
Scope 1	Stationary combustion	220.41	484.80	-54.5%
	Mobile combustion	549.58	442.30	24.3%
	Industrial Process Emissions	1.84	3.10	-40.6%
	Refrigerant and air conditioning	191.59	26.66	618.8%
	Wastewater Treatment and Discharge	136.43	112.59	21.2%
	Fire Suppression Equipment	0.03	0.03	6.7%
	<b>Total Scope 1 emissions</b>	<b>1,099.88</b>	<b>1,069.48</b>	<b>2.8%</b>
Scope 2	Indirect Emissions from Purchased Electricity	1,790.70	1671.62	71%
	<b>Total Scope 2 emissions</b>	<b>1,790.70</b>	<b>1,671.62</b>	<b>71%</b>
Scope 3	Category 1: Purchased Goods and Services	32,227.06	33,083.06	-2.6%
	Category 2: Capital Goods	573.46	1,228.24	-53.3%
	Category 3: Fuel & Energy Related Activities	420.79	420.91	0.0%
	Category 4: Upstream Transportation and Distributions	3,852.24	4,200.42	-8.3%
	Category 5: Waste Generated in Operations	68.37	70.69	-3.3%
	Category 6: Business Travel	1,073.33	723.60	48.3%
	Category 7: Employee Commuting	3.42	4.43	-22.8%
	Category 8: Upstream Leased Assets	0.75	0.70	74%
	Category 9: Downstream Transportation and Distribution	10,149.96	1,0130.87	0.2%
	Category 11: Use of Sold Products	21,121.68	21,532.37	-1.9%
	Category 12: End of Life Treatment of Sold Products	2,262.92	2,306.92	-1.9%
	Category 13: Downstream Leased Assets	377.89	377.89	0.0%
	<b>Total scope 3 emissions</b>	<b>72,131.87</b>	<b>74,080.09</b>	<b>-2.6%</b>
<b>Total GHG emissions</b>		<b>75,022.46</b>	<b>76,821.19</b>	<b>-2.3%</b>

\* The GHG inventory for 2022/23 was revised to broaden the reporting boundaries in order to comply with SBTi requirements.

Category	Emissions [ MT CO2e]			
	DCTC		MJFB	
	2023/24	2022/23	2023/24	2022/23
Scope 1	970.66	969.37	129.24	100.11
Scope 2	1,762.82	1,650.48	27.88	21.14
Scope 3	71,655.52	73,827.36	476.37	252.76
<b>Total Emission</b>	<b>74,389.00</b>	<b>76,447.21</b>	<b>633.49</b>	<b>374.01</b>

## NATURAL CAPITAL

### MATERIAL MANAGEMENT

Packaging materials make up the largest component of materials used by the Company in its core business of value-added tea production and distribution. In line with the commitment to advancing a circular economy and fostering product safety and sustainability, Dilmah prioritises packaging materials that are recyclable and biodegradable. Accordingly, packaging materials, such as filter paper, inner cartons, envelopes, tags, and corrugated outer cartons, are chosen for their recyclability and biodegradability and sourced from reputed local and international suppliers who demonstrate a strong track record for sustainability best practices.

Material	Quantity (MT)
Cardboard	1,797.3
Paper	278.5
Composites	381.0
Herbs	113.1
Polythene	50.4
Wood	46.7
Tin caddy	41.4
Porcelain	21.8
Thread	22.6
Flavours	43.7

Material	Quantity (MT)
Plastic	13.1
Glue	8.4
Glass	12.2
Metal	6.7
Aluminium Wire	2.0
Cloth	1.0
Sticker	15.9
Ink	0.4
Rubber	0.1
Paper (Filter)	314.9

Materials Consumed FY 2023/24	%
Renewable Materials	84.13
Non-renewable Materials	15.87

Significant steps to promote responsible consumption and utilisation of materials and support circularity

#### SUSTAINABLE CLIMATE ACTION CHALLENGE

A competition to motivate university students to contribute towards addressing the issue of single-use plastic and promote responsible behaviour and consumption patterns among the public.

#### RECYCLING

Paper, cardboard, polythene and plastic are handed over to authorised recyclers.

Research on recycled materials to be used in packaging.

#### RE-USE

Waste wood pallets are sent to the One Earth Centre in Moratuwa, where they are repurposed to construct gardening structures. These structures serve as educational materials for workshops conducted at the organic farm and the Sustainable Agricultural Research Centre at the One Earth Centre.

Paper and plastic reels are collected and handed back to suppliers for reuse. This practice not only reduces waste but ensures that these materials are repurposed rather than discarded.

## OUR COMMITMENT TO SUSTAINABLE PACKAGING

INVESTMENT IN RESEARCH, DEVELOPMENT AND ADOPTION OF THE MOST ENVIRONMENTALLY FRIENDLY PACKAGING TECHNOLOGY FOR OUR PRODUCTS SINCE 2000



**ALL INNER CARTONS ARE recyclable & biodegradable**



**ALL OUTER CARTONS ARE recyclable & biodegradable**



**ALL TIN CADDIES ARE recyclable**



## OUR PACKAGING SUSTAINABILITY HIGHLIGHTS



Eliminated the plastic overwrap in 80% of tea packs using tear-strip design



75% of kraft paper wrapped inner cartons have switched to reusable corrugated inner cartons



Switched from foil envelopes to Paper enveloped tea bags for 8 variants in Café range



Replaced costly virgin board materials with low-cost recyclable material board in food service products of Silver Jubilee & VIVID refilled packs

### PRODUCTION LINES WERE CONVERTED TO USE 100% PLA BASED FILTER PAPER

At present we have the capacity to produce OVER 2.5 MILLION BIODEGRADABLE TEA BAGS per day at Dilmah.



#### What is PLA?

Poly lactic acid (PLA) is a biodegradable polymer derived from lactic acid. It is a highly versatile material and is made from 100% renewable resources like corn, sugar beets, wheat and other starch-rich products. Poly lactic acid exhibits many properties that are equivalent to or better than many petroleum-based plastics.

### SWITCHED TO TAG-FREE SUSTAINABLE PLANT-BASED TEA BAGS



80 POT Bags sustainable Kraft-finish pack for Australia.



Silver Jubilee Gourmet Sachets for food service in home compostable wrapper.



Yum range 100E Extensions for Hospitality with Compostable Paper Envelope tea bags. True organics: Compostable Paper Envelope tea bags.

## WATER CONSERVATION

Dilmah's core business of blending and packaging of tea, does not involve heavy usage of water. Hence water is used only for cleaning as well as the utility and sanitation needs of employees. To meet these day-to-day requirements, the Company sources water from local municipal lines. All wastewater is managed as per the Environmental Protection License (EPL) and in line with the standards and parameters shown in Gazette No.2264/17 dated 27.01.2022.

Wastewater generated on a daily basis, including both greywater (from handwashing, sinks, showers, etc.) and blackwater (from toilet flushes, urinals, etc.), undergoes treatment at the on-site wastewater treatment plant. The wastewater treatment plant has a capacity of 110m<sup>3</sup> per day, with its daily output typically ranging from approximately 60 to

70m<sup>3</sup>. The annual output of the treatment plant ranges from approximately 15,840m<sup>3</sup> to 18,480m<sup>3</sup>. After treatment, a significant portion of this reclaimed water is strategically allocated for irrigation and nurturing the Company's green spaces, while a portion of the treated water is stored in a dedicated fire well, serving as a vital resource for emergency fire response.

A dedicated officer has been assigned to manage all operations at the wastewater treatment plant, ensuring continuous

oversight and efficient management. Effluent parameters, especially chlorine and pH levels, are monitored on a daily basis, with any deviations prompting immediate adjustments to the treatment processes to ensure consistent compliance with regulatory standards. To maintain ongoing compliance, quarterly reports are generated by an independent laboratory, and bi-annual reports are prepared based on assessments conducted by the Central Environmental Authority (CEA). These reports help ensure transparency and adherence to environmental regulations.

	2023/24	2022/23	Y-O-Y change (%)
Municipal Water (m3)	29,776	32,778	(9.16)
Ground Water (Well) (m3)	5,475	4,834	13.26
<b>Total Water Consumption (m3)</b>	<b>35,251</b>	<b>37,612</b>	<b>(6.28)</b>

## NATURAL CAPITAL

Despite there being no direct water related impacts attributed to Dilmah's core business, the Company's operations are indirectly affected by the potential impacts of water scarcity on the supply chain. To counteract these challenges, the Company has invested in Rainwater Harvesting systems both at its own locations as well as at supplier tea estates

### WASTE MANAGEMENT

Waste generated by Dilmah originates mainly from the production and packaging processes. Keen to lead by example in promoting responsible waste management practices, the Company has made a firm commitment to reduce plastic usage in both production and packaging. These systematic efforts over the years have seen Dilmah successfully transitioning more than 80% of its product range to plastic-free alternatives.

Moreover, the 3R approach—Reduce, Reuse, Recycle—is practiced to manage waste effectively whenever feasible. Additionally, strategies such as repurposing and treatment are undertaken to support a circular economy. Such initiatives are underscored by waste reduction targets set by the Production department, ensuring that production staff are actively engaged in minimising waste. This is coupled with continuous awareness-building initiatives to reinforce the 3R concept. The special "Waste to Craft" segment is a key effort that seeks to educate staff on reusing waste materials, fostering a culture of sustainability within the organisation. This comprehensive approach not only aligns with the company's environmental goals but also sets a standard for responsible waste management in the industry.

### BIODIVERSITY CONSERVATION

Recognising that Sri Lanka, being an island nation, is particularly susceptible to the impacts of climate change, Dilmah expresses its deep commitment to biodiversity conservation via Dilmah Conservation - a dedicated unit which was established in 2007. For nearly two decades, Dilmah Conservation

Waste by method of disposal Waste material	2023/2024	
	MT	% from the total
Cardboard and paper - Recycle	132.49	43.38%
Food waste - Animal feed	28.33	9.28%
Wood waste/ Pallet Reuse	8.28	2.71%
Polythene/Plastic Recycle-	64.03	20.97%
Metal - Recycle	12.13	3.97%
Tea waste - Reprocessed	59.46	19.47%
Sanitary waste - Incineration	0.13	0.04%
E-waste - Recycle	0.56	0.18%
Total waste	305.41	100.00%
Total Incinerated	0.13	0.05%
<b>Total recycled/repurposed/re-used</b>	<b>305.28</b>	<b>99.95%</b>
Waste diverted from Landfilling	305.41	100%

has been a major driver of environmental and wildlife conservation projects. Their work focuses on sustainable agriculture initiatives and implementing programs to raise awareness about protecting species' habitats and biodiversity.

### The Endane Biodiversity Corridor

The Endane Biodiversity Corridor, initiated by Merrill J. Fernando, the Founder of Dilmah Ceylon Tea, is the flagship biodiversity restoration project under Dilmah Conservation. The project is jointly funded by Dilmah Ceylon Tea Company PLC and the Franklania Foundation, Switzerland, and implemented by Dilmah Conservation together with the Rajarata University of Sri Lanka.

Since its inception in 2018, the project has been responsible for the creation of a forested pathway through degraded tea land to connect two separate forest reserves.

Under the project, to date, approximately 40 ha. of degraded tea lands have been converted to tropical lowland rainforest to create the Endane Biodiversity Corridor. A dedicated plant nursery has been created to nurture over 10,000 seedlings, of which 4,238 seedlings, including 47 globally threatened flora species have been transplanted to create the Endane Biodiversity Corridor.

Further a 5 ha of the Endane Biodiversity Corridor have been designated for the purpose of supporting long-term restoration efforts.

In May 2023, 180 tree saplings from 30 species of rare, endemic and threatened plants from the Endane plant nursery were donated to the Seethawaka Wet Zone Botanical Garden as part of ex-situ conservation efforts.





### The Udawalawe Elephant Information Centre

For the past 15+ Years Dilmah Conservation has extended its support to the Udawalawe Elephant Information Centre, which is allied to the Elephant Transit Home (ETH) in Udawalawe that has successfully rehabilitated 172 elephant calves since 1995, making it the world's most successful rehabilitation centre for elephant calves. Dilmah Conservation has been actively involved in elephant conservation initiatives at the Elephant Transit Home and currently sponsors the care of an elephant calf named 'Baby Dilly'.

In 2023, Dilmah Conservation in partnership with the Department of Wildlife Conservation undertook to transform the Elephant Information Centre at Udawalawe with the introduction of the Elephant Knowledge Walk to provide visitors with a visually immersive experience enabling them to explore elephant evolution, anatomy, ecology and cultural significance supported by statistics, images and infographics. A special section focused on the human-elephant conflict (HEC) was also incorporated to the visual presentation with a view to raising public awareness about the crucial issue.

As part of the latest upgrade, a new anatomy laboratory for close-up specimen viewing and a children's activity area for age-appropriate education was also introduced.



### Afforest Underwater Seaweed Project

Part of the ongoing "Afforest Underwater " initiative, Dilmah Conservation initiated a pilot project in collaboration with the National Aquaculture Development Authority (NAQDA) to educate fishermen in Mannar, Northern Province of Sri Lanka on practising sustainable seaweed farming with a view to addressing challenges such as overfishing and fish migration due to warmer waters. Being at the pilot stage, the project is working with a small number of fishermen in a local community, with the aim of expanding to other locations, based on the insights and experience gained during the lifetime of the pilot project.

As an extension of the project, Dilmah also supported the Bocuse d'Or Sri Lanka 2023, a culinary competition where 28 teams from hotels and resorts across Sri Lanka competed for the coveted Gold award, with the goal of representing Sri Lanka in the Regional competitions. Sustainably harvested seaweed through the aforementioned pilot project was used as an ingredient throughout the competition.



### Defending Mangroves

An ongoing conservation effort by Dilmah Conservation to restore 25 acres of degraded mangrove forest in Kappal Adi Lagoon, Kalpitiya and 2.4 acres of Anawilundawa Wetland Sanctuary. To that end, Dilmah has invested in an extensive mangrove plant nursery nurturing over 800 saplings across 7 species. The use of science-based planting techniques have ensured an above average success rate in all planting activities that have been completed since its inception in October 2022. As part of the overall effort, a special series of Mangrove awareness workshops and tree planting programmes were conducted for students from St. Anne's College and for navy officers at Sri Lanka Naval Base Kalpitiya in this financial year, while a total of 120 mangrove plants were donated to the Sri Lankan Naval Base, Kalpitiya, for their restoration projects in the same year.



# NATURAL CAPITAL

## Wetland conservation

A new initiative by Dilmah Conservation in partnership with the Sri Lankan Urban Development Authority to preserve the Beddagana Wetland Park. This initiative focuses on consistent park maintenance and expert-led education and awareness programmes aimed at emphasising the ecological importance of the wetland to increase visitor footfall. The inaugural awareness event, "Wetland Walkabout: Excursion of Beddagana Wetland Park," was conducted in February 2024 and featured three environmental educators leading groups of university students, children, and nature enthusiasts on guided tours. The event concluded with a skills showcase specifically designed for children.



## Marine Conservation

Dilmah sponsored the World Oceans Day exhibition at One Galle Face mall on 10th and 11th June 2023 - an event organised to highlight some of the critical challenges facing the marine environment due to anthropological effects. The workshops were accompanied with 2 beach clean up programmes.



## Greening Batticaloa Phase 02

Dilmah Conservation has signed a Memorandum of Understanding (MOU) with USAID and the Sri Lanka Cashew Corporation to implement Phase 02 of the "Greening Batticaloa" initiative. A preliminary visit to farmers' lands in the Kalkudah area was conducted to identify the necessary facilities to support the farmers. This project focuses on selecting farmers from vulnerable communities, aiming to significantly uplift and empower them.



## Apiculture Project

In 2020, Dilmah Conservation launched a 3-year bee conservation program namely 'Bee A Keeper'. Aimed at conserving the Sri Lankan bee population, the effort includes research activities and the creation of a replicable livelihood model for people through sustainable beekeeping. In 2023, Dilmah conservation expanded its apiculture project into all four One Earth Centers.

The 'Bee A Keeper' program aligns with the UN's goals for Zero Hunger and Life on Land by promoting sustainable practices in agriculture and reforestation. These activities are part of Dilmah Conservation's ongoing efforts to promote sustainable beekeeping and support community engagement in beekeeping practices.





#### MORATUWA:

- Conducted a public workshop on beekeeping with field experience for 22 participants
- Internal staff training on advanced beekeeping
- 2 additional workshops

#### ENDANE:

- 10 successful beekeepers and 3 are undergoing the training process
- A workshop for village beekeepers.
- 2 litres of bee honey extracted

#### NAWALAPITIYA:

- 16 successful beekeepers and 12 are undergoing the training process
- 1 workshop with 15 participants.
- 3 litres of bee honey extracted for research purposes.
- 2 day residential workshop for Resplendent Ceylon staff.

#### KALKUDAH:

- Community workshop on beekeeping with 45 participants around the center.
- A workshop for the Veddah community to raise awareness on unsustainable bee honey extraction from the forest (traditional practice) and help transition into sustainable beekeeping using bee boxes in Mallichchagani and Akaranai villages with 92 participants.

## EDUCATION AND AWARENESS

### Dilmah Conservation Centers

Dilmah Conservation's "One Earth Centers" have been established across the island with a mandate to build a more sustainable and resilient future by integrating education, community involvement, and innovative practices in environmental conservation

#### Educational Outreach:

Provide opportunities to learn about sustainable agriculture and environmental stewardship through various initiatives.

#### Climate Change Research:

Address the impacts of climate change through scientific research focused on adaptation and mitigation strategies.

### One Earth Centers

#### Climate Resilience and Sustainable Livelihoods:

Introduce sustainable and climate-smart practices in agriculture, animal husbandry, and ecosystem restoration. The centres aim to enhance climate resilience and promote sustainable livelihoods.

#### Ecosystem Restoration:

Initiating and facilitating long-term community participatory programs to restore degraded ecosystems.

### "One Earth Center" - Moratuwa

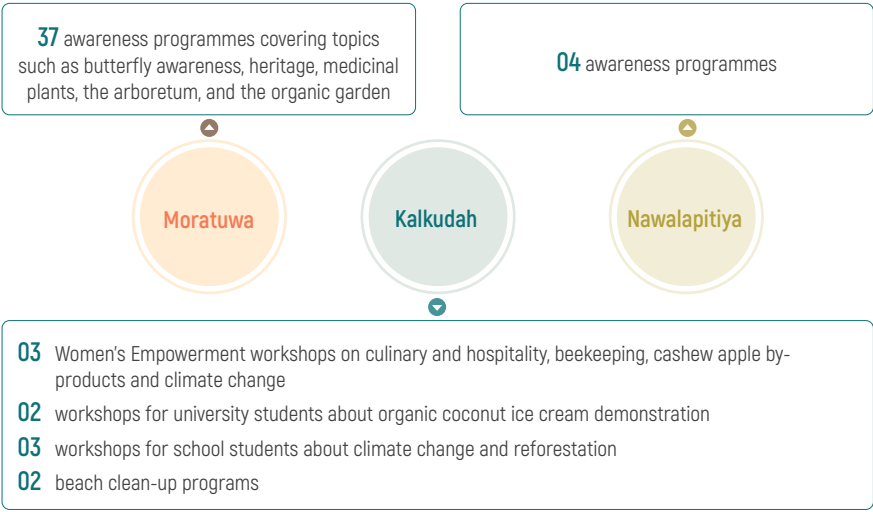
The "One Earth Center" in Moratuwa offers a range of educational resources dedicated to sustainable agriculture and conservation. The centre is also home to Dilmah Conservation's One Earth Urban Arboretum, Butterfly Garden, Heritage Corner, Medicinal Plant Garden, Traditional Yam Plot, Recycling Unit, Sustainable Agricultural Farm and Hydroponic Unit.

The butterfly garden, the first of its kind in Sri Lanka, provides a sanctuary for various butterfly species and hosts educational programmes to foster conservation awareness. The medicinal plot showcases a variety of traditional medicinal plants, highlighting their importance in healthcare and traditional practices. The One Earth Urban Arboretum, housing over 500 tree and plant species, serves as a green oasis and educational space, promoting biodiversity conservation, while the heritage centre preserves and exhibits traditional agricultural practices, emphasising the cultural significance of agriculture and the preservation of traditional knowledge.



# NATURAL CAPITAL

## Awareness Building Activities by "One Earth Centres" - FY 2023/24



### One Earth Center Kalkudah

The One Earth Centre in Kalkudah extends Dilmah Conservation's initiatives into Eastern Sri Lanka. This centre is aligned with Dilmah Conservation's regional objectives of enhancing livelihood opportunities and building climate resilience among communities through the introduction of innovative and sustainable practices innovative, sustainable and climate-smart practices in agriculture and animal husbandry along with comprehensive livelihood support and ecosystem restoration efforts.

Similar to the Moratuwa facility, the Kalkudah complex also contains a One Earth Urban Arboretum as well as an organic fruit and vegetable model farm and a model coconut farm.



### KEY ACHIEVEMENTS BY THE "ONE EARTH CENTERS" - FY 2023/24

#### One Earth Climate Change Centre in Nawalapitiya

Dilmah Conservation was honoured by the University of Peradeniya in 2023 for being one of their long-term collaborators on groundbreaking research alongside UKRI GCRF South Asian Nitrogen Hub. The partnership was, initiated in 2020 through the Climate Change Centre in Nawalapitiya for their efforts to understand the implications of ammonia pollution on tropical forest ecosystems and agricultural lands.



#### One Earth Center - Moratuwa

During the financial year, more than 60 Parisara Niyamu workshops have been conducted on the premises, covering topics such as butterfly garden, agricultural conservation heritage, the agricultural plants, the arboretum, and the organic garden.

### Field Research Station -Endane

Dilmah received the BCCS project award for its environmental contribution through Endane Biodiversity Corridor project, a long-term collaborative effort with Rajarata University of Sri Lanka and Franklinia Foundation, Switzerland. The initiative aims to enhance biodiversity near the UNESCO World Heritage Site, Sinharaja Rainforest in Ratnapura, by linking two forest reserves with a 3 km forested pathway through degraded tea lands and community-owned home gardens in the Ratnapura region.



### One Earth Center- Kalkudah

Launch of Phase 2 of the "Greening Batticaloa" - the longstanding livelihood development initiative by Dilmah Conservation in partnership with USAID and the Sri Lanka Cashew Corporation to support farmers from vulnerable communities in the Kalkudah area.

Greening Batticaloa, launched in 2010 aims to plant 1 million cashew trees to mitigate the harmful impacts of deforestation and climate change, while economically empowering local communities in Batticaloa, Eastern Sri Lanka.





Dilmah Conservation **One Earth** Centers provide undergraduates and graduates a platform to conduct research to complete their thesis requirement. While providing students with an exposure to science-based and community-centred conservation initiatives, students also interact with a corporate culture. In return, the research findings help Dilmah Conservation to advance its environmental conservation projects and gain accreditation.

Since 2018/19 we have provided opportunities for 39 students, including 20 students this financial year.

No. of research and internships offered (FY 2023/2024):

- **One Earth Center Moratuwa**  
3 Internships
- **One Earth Center Kalkudah**  
3 Internships
- **Field Research Station - Endane**  
4 Internships
- **One Earth Climate Change Research Center**  
2 Research

### One Earth Climate Change Research Center – Nawalapitiya

The One Earth Climate Change Research Center – Nawalapitiya is the first-ever Climate Change Research Station by the private sector in Sri Lanka, established at Dilmah Tea's Queensbury Estate in Nawalapitiya. Since its inception in 2017, the centre has been collaborating in groundbreaking research studies, including efforts to discover the impacts of climate

change-inducing ammonia pollution on tropical ecosystems and the recent collaboration with renowned experts across the South Asian region in a groundbreaking international research study to find a solution for the global nitrogen waste crisis. Since opening in 2017 the center has facilitated 3 global and 17 local research and 3 international workshops.

The centre is also the main research hub for the Bee A Keeper project.

Another key effort has been the introduction of camera traps to monitor the biodiversity of fauna.



### Field Research Station - Endane

This Centre promotes nature-based agriculture, where tea plants are uprooted to facilitate restoration of a depleted ecosystem. Apart from this direct activity, the centre has adopted a multi-stakeholder approach to further strengthen restoration efforts. The center also provides opportunities for local community members to gain a deeper understanding of sustainability principles by getting involved in various activities such as nursery management, organic farming, and beekeeping.



### Genesis- The Centre for a Sustainable Future

*Empowering entrepreneurs to forge their own legacies—building upon ours.*

Dilmah launched Genesis, the Dilmah Centre for a Sustainable Future, located at 52 Maligawatte Road. This facility represents the evolution of the premises where Dilmah was first tasted, selected, packed, and exported. Genesis is equipped with the necessary amenities to help agri or nature-based entrepreneurs and agri-tech startups build their businesses from the ground up.

As a collaborative platform, Genesis facilitates knowledge sharing, discussion, inspiration, and communication. The Centre aims to grow awareness of the importance of nature, its value, and ecosystem services. This is achieved by harnessing the knowledge and commitment of academia and scientists, alongside the ability and network of businesses and policymakers. Moreover, Genesis directly nurtures sustainable agricultural entrepreneurship, promoting better social, economic, and gender equality.

## NATURAL CAPITAL

### The Scale up shop

The Scale-Up Shop is part of the "Support to Small and Medium Enterprises in the Organic Agriculture Sector" programme jointly co-financed by the European Union (EU) and the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by GIZ, Genesis Centre and Dilmah. This initiative empowered and uplifted 10 small-scale food and agriculture entrepreneurs in Sri Lanka by enabling them to bring their innovative products to market while integrating sustainability, mentorship, training, and funding opportunities.



### Sustainable Climate Action Challenge

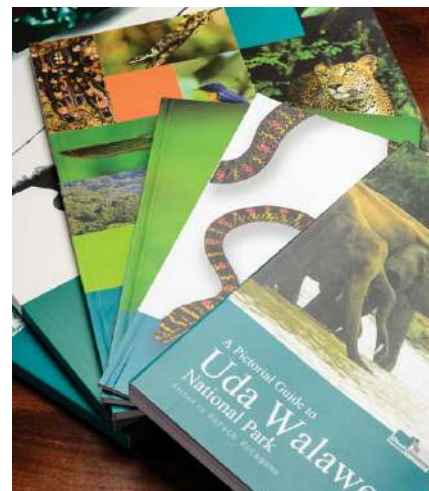
Taking a proactive stance against single-use plastic, the Genesis Centre, Dilmah Conservation and the EU launched the Sustainable Climate Action Challenge - a competition to motivate university students to contribute towards addressing the issue of single-use plastic and promote responsible behaviour and consumption patterns among the public. A joint effort between Dilmah Conservation and the European Union, the Sustainable Climate Action Challenge was

designed to empower university students to channel their knowledge towards a vision for a plastic free world. Over 45 applications were received and subject to stringent screening by industry experts, with 9 applicants selected for a 6-week programme of learning, crafting, and testing. The programme included 90 one-on-one sessions, three community events, and 8 group sessions with industry experts. Following the final pitch, 6 innovators were identified to present at the final demo day and 3 winners were selected.



### Publications by Dilmah Conservation

Recognising that protecting Sri Lanka's biodiversity hinges on an educated society, Dilmah Conservation has been at the forefront in supporting education and raising awareness through a series of special publications. These publications are broadly classified into field guides on Sri Lanka's flora and fauna, and books on culture and heritage, Ayurveda, and organic home gardening, each, authored by leading experts in their own field, contain valuable information and high-quality images to enlighten the reader.



The latest addition to the collection was "Green Gold" - The discovery of Sri Lanka's Biodiversity" by renowned biodiversity scientist, conservationist, and taxonomist Rohan Pethiyagoda. Dilmah Tea takes great pride in presenting this remarkable publication that dives into SL's natural history, beginning from the pre-colonial era.



### Naturetoons

The Naturetoons series is a unique initiative by Dilmah Conservation to use animation and interactive storytelling to address complex environmental topics and promote conservation in a simple and fun manner. The Naturetoons series is run on social media not only to educate the public but also to encourage interaction and participation, building a supportive community.



#### Highest Reached Naturetoon on Facebook



Total reach: 42,946  
Total impressions: 54,867  
Total Interactions: 2,019

#### Highest Reached Naturetoon on Meta



Total reach: 32,372  
Total impressions: 40,661  
Total Interactions: 3,725

### SPECIAL COLLABORATIONS

#### Partnership with Kahawatte Plantations

Dilmah Conservation in collaboration with Kahawatte Plantations (KWPL) undertook a pilot project to conduct a comprehensive biodiversity assessment, documenting species richness, habitat occupancy, and environmental variables to develop a centralised data collection system at KWPL's Queensbury Estate, adjacent to the Rilagala Forest Reserve. The project employs various technologies such as GPS mapping, drones, and camera traps to track and monitor wildlife, detect and prevent poaching, and enhance our understanding of natural systems. Research findings are then disseminated to surrounding communities to protect their natural resources effectively. Facilitators for the information dissemination and education segment are Tropical Ecosystem Network (TERN) and technical partners from the University of Sabaragamuwa.

Furthermore, Endane Nature Biodiversity Corridor is situated in Endane Estate owned by Kahawatte Plantations which is a remarkable biodiversity restoration effort.

#### Biodiversity Sri Lanka

Dilmah, together with IUCN and the Ceylon Chamber of Commerce, formed Biodiversity Sri Lanka (BSL) in 2012 to build a coalition

for environmental conservation among the corporate sector. BSL is a knowledge sharing platform owned and driven by the private sector to strengthen the link between business, biodiversity and environmental conservation in Sri Lanka. Through it, businesses can come together to discuss best practices, voice their needs and concerns, and design novel solutions that contribute towards conservation efforts at a national level. Membership has grown significantly over the years and currently includes 37 Patron Members, 38 General Members and 5 SME Members.

### JOINT ACTIVITIES WITH BSL

#### Life to our mangroves

Mangrove restoration project which Dilmah partnered with BSL won the UN decade of restoration flagship award for Sri Lanka.

Biodiversity Sri Lanka (BSL) formally launched a collaboration amongst businesses and government to restore up to 25 acres of degraded mangrove forest patches in the Anawilundawa Wetland Sanctuary. The initiative is linked to the critical importance of restoring degraded wetlands, to harness the social, environmental, and economic benefits of mangroves, through the Life to Our Mangroves project.



#### Kanneliya Restoration Project

'The Life Project' - a pilot project program to test the feasibility of restoring a completely degraded rainforest patch within the Kanneliya Conservation Forest in Southern Sri Lanka. The site had been cleared for cultivation and subsequently abandoned, resulting in its colonisation by the pioneer fern species *Dicranopteris linearis* (Kekilla). A 10 ha. block of degraded land has been selected to be restored according to scientific principles of ecological restoration. This initiative is implemented in partnership with Biodiversity Sri Lanka, IUCN and other businesses.

Completed the second phase of the Life - Kanneliya project, a significant milestone in the project.

The project site has received official recognition and listing in the National Forest Restoration Database by the Forest Department. Furthermore, the entire Opatha - Kanneliya landscape, including the restoration site, has been chosen as one of Sri Lanka's three Forest Landscape Restoration (FLR) pilot sites under the esteemed Sri Lanka FLR mentorship program.



# NATURAL CAPITAL

## World Environment Day 2023

Discussing circular economy: beyond plastic, Dilmah Conservation represented as a panellist at the BSL event held in honour of World Environment Day. The discussion was on innovation in plastics and adaptation and mitigation strategies such as product redesign, introducing product substitutes and creating an overall shift in attitudes by changing the business ecosystem.



- Developing innovative sustainable practices
- Enhancing Supply chain sustainability
- Ensuring compliance with global sustainability

## United Nations Global Compact (UNGC)

Dilmah Conservation holds the position of a climate leader for UNGC Network Sri Lanka, collaborating on initiatives to raise climate awareness. Dilmah is also engaged in UNGC's Sustainable Supply Chain and Climate Action Working Groups, committed to achieving zero emissions by 2050 through the Science Based Targets.



## BSL AGM

The centrepiece of this year's BSL AGM featured a thought – provoking panel discussion lead by three prominent leaders in the field, Dilhan C Fernando – Chairman of Dilmah, Gihan Cooray Deputy Chairman and Group Finance Director of John Keells Holdings PLC and Supun Weerasinghe group CEO of Dialog Axiata PLC





# Diversity

We are deeply committed towards supporting diverse stakeholders from every walk of life; creating an inclusive space that fosters life, vibrance, and positivity.

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## GOVERNANCE AND STEWARDSHIP



Green tea originates from China and is grown in Japan, Vietnam, Taiwan, India and Sri Lanka. Green Tea is unfermented, maintaining mild and light, while sometimes astringent, characteristics. Several different methods reflect unique traditions for green tea making in parts of China, Taiwan and Japan. The most popular tea in Japan is Sencha, made by a method unique to Japan.

# CORPORATE GOVERNANCE

GRI 2-9, 2-10, 2-11, 2-12, 2-13 2-15 2-18 2-19 2-20, 2-24, 205-1, 205-2, 205-3, 206-1

## CREATING VALUE THROUGH GOOD GOVERNANCE

At Dilmah Ceylon Tea Company PLC (Dilmah) good governance serves as the main anchor that forms the foundation upon which the Company's operations are built and managed. Good governance has been the key catalyst in positioning Dilmah as the first ethically produced tea brand and exemplifying the Dilmah philosophy that business transcends mere commerce to become a force for human service.

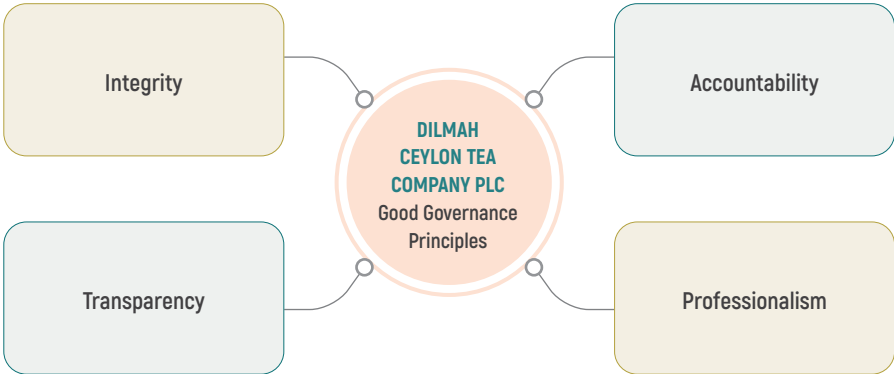
Dilmah's commitment to good governance is framed around the principles of integrity, transparency, accountability and professionalism that permeate every facet of the business.

### Integrity

Integrity serves as the guiding principle that influences behaviour and decision-making processes. The Board leads by example, fostering an enterprise-wide culture of ethics to ensure all employees act with integrity and honesty. This commitment involves upholding legal and regulatory requirements, avoiding conflicts of interest, promoting diversity and inclusion, respecting human rights, protecting the environment, and ensuring transparency and accountability in all business activities. By embedding these ethical principles into the corporate culture, Dilmah ensures responsible and sustainable operations, benefiting all stakeholders and the broader community.

### Transparency

Transparency is the cornerstone of Dilmah's corporate culture, where the Board leads by example in sharing information and maintaining clear communication channels with both internal and external stakeholders. This commitment is evident through practices such as open-door policies, townhall meetings, regular communication and feedback mechanisms, , effective grievance handling, and a dedication to timely and accurate reporting about the Company's goals and objectives, financial performance, decision-making processes, and corporate social responsibility initiatives.

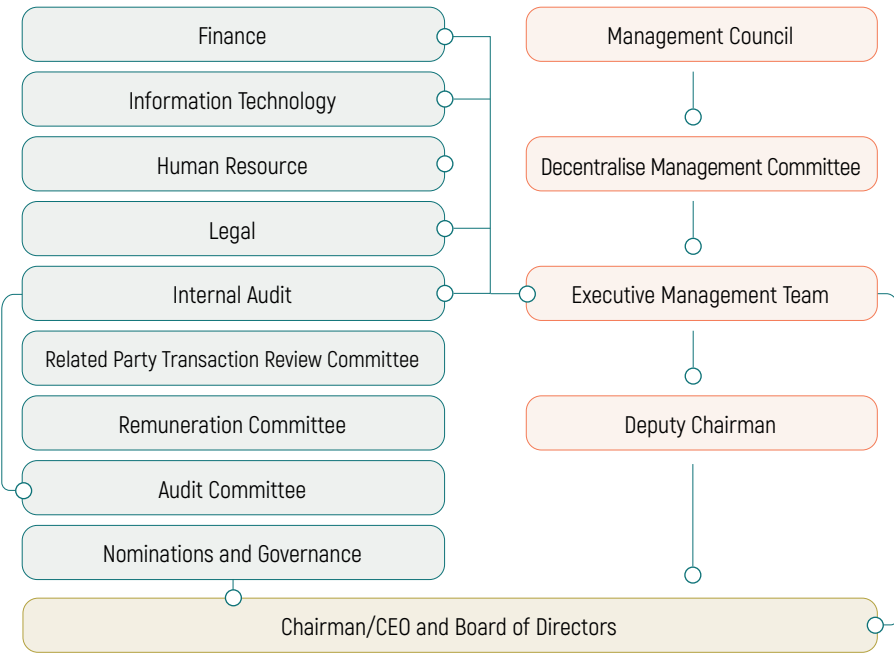


### Accountability

Accountability at Dilmah refers to the acceptance and ownership of the consequences of actions and decisions, whether positive or negative. The Board sets the tone for accountability by establishing clear goals and objectives, outlining performance targets, regularly measuring and evaluating performance, and taking appropriate corrective actions when necessary. This approach ensures every employee and the Company as whole remains responsible and answerable to its stakeholders at all times.

### Professionalism

Professionalism at Dilmah signifies a steadfast commitment to excellence and continuous improvement, alongside adherence to the highest ethical and legal standards. The Board exemplifies professionalism through their conduct, which includes maintaining a high level of knowledge and skill, adhering to professional codes of conduct and ethics, acting with integrity and honesty, communicating effectively and respectfully, and treating colleagues, clients, and other stakeholders with respect and dignity. This dedication to professionalism ensures that Dilmah consistently delivers high-quality products and services while upholding strong ethical standards.





### Internal Frameworks

Vision, Mission

Articles of Association

Board Governance Policy

Board Approved Sub Committee TOR's

Code of Business Ethics Anti-Bribery and Corruption Policy

Human Rights Policy



### Regulatory Frameworks

Companies Act No. 07 of 2007

CSE Listing Rules, including corporate governance rules

Securities and Exchange Commission Act No. 37 of 1987 and amendments thereto

Shop and Office Employees Act of 1954 and amendments thereto

Factories Ordinance (No. 45 of 1942) and amendments thereto



### Voluntary Frameworks

Code of Best Practices for Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka

<IR> Framework issued by the IIRC

Global Reporting Initiative (GRI)

UN SDGs

TCFD

SASB

## Governance Highlights - FY 2023/24

### Board Refreshment in line with the new corporate Governance Rules issued by the CSE for listed entities

Appointment of Mr. Rajan Asirwatham as the Senior Independent Director (SID) with effect from 30th October 2023

Appointment of Mr. John M Lo as an Independent Non-Executive Director to the Dilmah Board with effect from 21st November 2023

### Sub Committee Reconstitution in line with the new corporate Governance Rules issued by the CSE for listed entities

Change in the composition of the Related Party Transaction Review Committee with the appointment of Dr. Ravindra Fernando (Independent Non-Executive Director) as its Chairman with effect from 16th November 2023.

Establishment of the Nomination and Governance Committee with effect from 8th February 2024

Change in the composition of the Audit Committee with the appointment of Mr. John Lo (Independent Non-Executive Director) as a Member with effect from 8th February 2024.

Change in the composition of the Related Party Transaction Review Committee with the appointment of Mr. John Lo (Independent Non-Executive Director) as a Member with effect from 8th February 2024.

### Updates to the internal policy framework in line with the new corporate Governance Rules issued by the CSE for listed entities

New policies formulated

- Gift policy
- Policy on the matters relating to the Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance, Nominations and Re-election
- Policy on Remuneration
- Policy on Risk management and Internal controls
- Policy on Relations with Shareholders and Investors
- Policy on Environmental, Social and Governance Sustainability
- Policy on Control and Management of Company Assets and Shareholder Investments
- Policy on Corporate Disclosures
- Policy on Whistleblowing

# CORPORATE GOVERNANCE

## THE BOARD

The Dilmah Board, as the highest governing body within the organisation, bears the ultimate responsibility for the management and administration of the Company. The Board functions in accordance with the Board Charter, which delineates the roles, responsibilities, and operating procedures essential for effective governance.

The Charter dictates that the Board provides strategic oversight, upholding the vision, mission, and values of Dilmah while steering the Company towards its long-term objectives. The Board also assumes responsibility for establishing a robust governance framework designed to meet stakeholder expectations and deliverables over the short, medium, and long term. The Board further leads by example in setting high standards for transparency, accountability, and integrity, thereby ensuring that the commitment to excellence permeates every aspect of the business.

## BOARD COMPOSITION

Dilmah is governed by a robust and well-balanced Board, comprising a mix of Executive and Non-Executive Directors who bring a rich mix of business acumen, extensive experience, and diverse perspectives.

The composition of the Dilmah Board is governed by the Company's Articles of Association and aligned with the latest regulatory frameworks.

Accordingly, at least two (02) Board Members or 1/3rd of the Board (whichever is higher) consists of Independent Directors.

The Dilmah Board composition was subject to change in the current financial year in keeping with the new corporate governance rules issued by the CSE for listed entities. Accordingly, Mr. Rajan Asirwatham was appointed as the Senior Independent Director (SID) with effect from 30th October 2023, while Mr. John M Lo was appointed as an Independent Non-Executive Director to the Dilmah Board with effect from 21st November 2023.

As of 31st March 2024, the Dilmah Board consisted of 5 Executive Directors and 4 Non-Executive Directors, including 3 Independent Non-Executive Directors, ensuring a high level of objectivity and independence in decision-making, fostering a governance environment that is both transparent and accountable.

## BOARD DIVERSITY

Board diversity is a fundamental pillar in Dilmah's efforts to achieve governance excellence.

All Directors on the Dilmah Board are esteemed professionals who bring a wealth of diverse industry perspectives, enhancing the Board's ability to make well-informed and strategic decisions. Their varied expertise and backgrounds enable them to effectively challenge Board decisions, ensuring robust discussions and active debate. By leveraging their knowledge, experience and diverse perspectives, the Board collectively creates the foundation for prioritising integrity, accountability, and sustainable growth,

reinforcing Dilmah's dedication to excellence in every sphere of its business.

When Board vacancies arise, potential candidates are considered based on merit, with due regard to their skills, acumen, qualifications, experience, and ethical behaviour. Consideration is also given to their potential contribution towards enhancing age and gender diversity at the Board level. Directors' independence is another important consideration within the Board diversity process.

Independence of Directors is determined by the Board, based on annual declarations submitted by Directors in accordance with the requirements of the Listing Rules of the CSE and with due consideration of any impairment in independence owing to extended Board tenures. All Independent Non-Executive Directors on the Dilmah Board as at 31st March 2024, were deemed independent in character and judgement, devoid of any relationships or circumstances that could compromise their independence or judgement.





## PROCEDURES FOR ASSURING DIRECTORS INDEPENDENCE

Assurance regarding the Independence of Non-Executive Directors is obtained based on the following guidelines;

### DEFINITION

Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with schedule K of the CA Code 2017.

### ASSESSMENT

Independent assessment of Directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors.

### OUTCOME

The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' independence during the period under review.

## BOARD REFRESHMENT

Board refreshment is undertaken in line with the Company's Articles of Association and subject to the ratification by the shareholders at the Annual General Meeting (AGM).

In accordance with Article 24 of the Company's Articles of Association, one Director shall retire from office at each Annual General Meeting (AGM). Upon the recommendation of the Board, the retiring Director will be eligible for re-election by the shareholders at the AGM. Directors' independence is discussed and evaluated by the Board prior to recommending Board members for re-election.

Furthermore, in terms of Article 23 (2) of the Company's Articles of Association, Directors appointed to the Board during the year to fill a casual vacancy, also remain eligible to offer themselves for re-election at the AGM.

All new appointments are communicated to the CSE. Resignations or removal of Directors, if any, are similarly informed to the CSE and the public within the stipulated timelines.

### Board Refreshment - 2023/24

New Appointments	Resignations	Re-elections
Mr. John M Lo as an Independent Non-Executive Director to the Dilmah Board with effect from 21st November 2023	There were no resignations during the year under review	Mr. Darshana Gunasekera as a Director retiring in terms of Article 24 of the Articles of Association.

## CONFLICTS OF INTEREST

As part of their fiduciary duties towards shareholders and other stakeholders, Directors are required to actively avoid engaging in situations that can be construed as conflict of interest.

All Directors are expected to exercise diligence and transparency in identifying potential conflicts, promptly disclosing them to the Board, and taking appropriate action to mitigate their impact. The Company's Code of Business Conduct & Ethics for Directors & Employees offers clear guidance regarding protocols for managing conflict of interest, including recusal from discussions or decisions where a conflict arises.

Additionally each member of the Board is also required to provide a general disclosure and declaration on fitness and propriety and report any material changes to the information provided therein, including any changes to their professional responsibilities and business associations. The Nominations and Governance Committee reviews these declarations and confirms to the Board that all members of the Board meet the proper criteria of honesty, integrity and reputation, competence, capability, and financial soundness.

Meanwhile the Related Party Transaction Review Committee undertakes a thorough assessment of all conflict of interest disclosures made by Directors, with the findings presented to the Board for appropriate action.

# CORPORATE GOVERNANCE

Governance Highlights - FY 2023/24					
Name of Director	Position on the Dilmah Board	No. of Directorships held in listed Companies other than Dilmah Ceylon Tea Company PLC		Directorships held in non-listed Companies	
		Executive Capacity	Non-Executive Capacity	Executive Capacity	Non-Executive Capacity
Mr. Dilhan Fernando	Chairman/CEO	None	06	43	13
Mr. Malik Fernando	Executive Director	None	08	41	None
Mr. Himendra Ranaweera	Deputy Chairman/ Executive Director	None	01	23	03
Mr. Darshana Gunasekera	Executive Director	None	01	05	None
Mr. Roshan Tissaaratchy	Executive Director	None	None	02	None
Ms. Minette Perera	Non- Executive Director	None	03	None	09
Mr. Rajan Asirwatham	Non Executive Independent Director/ Senior Independent Director	None	07	None	02
Mr. John Lo	Non Executive Independent Director	None	None	None	None
Dr. Ravindra Fernando	Non Executive Independent Director	None	03	None	06

## DIVISION OF RESPONSIBILITIES AT LEADERSHIP LEVEL

The Dilmah Board is headed by an Executive Chairman who also functions as the Chief Executive Officer (CEO) of the Company. To ensure the seamless preservation of the "Dilmah" brand and to enhance the effectiveness of the Company's growth strategies Mr. Dilhan Fernando took over the Chair position upon the demise of his father Founder Chairman Late Merrill Fernando. Mr. Dilhan Fernando, who under the direct guidance of his late father has gained over 30 years of hands-on experience in the management of the Company and continues to demonstrate a deep commitment to the same values that have been intrinsic to Dilmah's and its Founder's legacy. The CEO further leads the corporate management team that is collectively responsible for executing the Board approved strategy in order to achieve stated commercial objectives.

## SENIOR INDEPENDENT DIRECTOR

Given that Dilmah's Chairman functions in an Executive capacity also as its CEO, the Company has appointed a Senior Independent Director (SID) as stipulated by the CSE Listing rules. The SID exercises independent judgement on Board related matters. The SID is also required to meet separately with all Non-Executive Directors at least once every year to discuss governance related matters without the presence of Executive Directors.

## BOARD ACCOUNTABILITY

### Regulatory Compliance

The Dilmah Board, as the main governing body within the organisation holds the primary responsibility for ensuring the Company remains fully compliant with all applicable regulatory requirements at all times. To that end, the Board together with relevant Board Committees, maintain a good understanding of the regulatory landscape and conduct regular

reviews and assessments to identify potential compliance risks. The Board also collaborates closely with executive leadership to establish and enforce robust compliance policies and procedures, ensuring that all employees are educated and trained on their obligations. Moreover, the Board fosters a culture of accountability and transparency, encouraging open communication channels for reporting any compliance concerns or violations.

In addition, the Board keeps abreast of evolving regulatory requirements and industry best practices and strives to lead by example in the early adoption of these latest developments.

## Financial Control and Reporting

The Dilmah Board exemplifies its commitment to robust financial control and reporting systems through a comprehensive approach aimed at ensuring transparency, accuracy, and compliance. At the heart of this effort is the

Board approved system of internal controls, encompassing policies, procedures, and checks, designed to safeguard assets, prevent fraud, and ensure the reliability of financial information.

The Board has delegated its responsibility for financial control and reporting to the Audit Committee of the Company, which in turn is responsible for monitoring financial statement preparation and the financial reporting process, and monitors the effectiveness of the Company's internal control environment, internal audit functions, and risk management processes. The Audit Committee reviews the findings from regular audits by both internal and external assurance providers to assess the efficacy of these controls and identify areas for enhancement with findings reported to the Board.

For further information in this regard, please refer to The Statement of Directors' Responsibilities in Relation to the Preparation of Financial Statements on page 132 of this report.

#### **Risk Management and Internal Control**

The Board bears the ultimate responsibility for effective risk management, ensuring all key risks relevant to the business are identified, assessed and effectively managed to facilitate the achievement of corporate objectives.

Under the guidance of the Board, the Audit Committee has developed and implemented robust risk mitigation tools, including preventive controls, risk transfer mechanisms, and contingency plans, designed to minimise the likelihood and impact of adverse events.

Supporting this commitment to effective risk management is a comprehensive 360-degree internal control system that provides assurance regarding the reliability of financial reporting, the effectiveness of operations, and compliance with regulatory requirements. The Board with the assistance of the Audit

Committee periodically reviews the adequacy and effectiveness of the Company's risk management and internal control systems, and with a view to addressing any identified gaps or weaknesses promptly.

For further information in this regard, please refer to The Risk Management Report on page 41 of this report.

#### **Ethics and Integrity**

The Board believes that the long-term success of the Company is dependent on the maintenance of an ethical business environment that focuses on adherence to both the letter and the spirit of regulatory and legal mandates, as well as the "06 Pillars of Dilmah" (Integrity, Quality, Ethics, Tradition, Sustainability, and 'Our Customers').

Accordingly, the Board sets a strong tone from the top to promote a culture of integrity, accountability, and ethical conduct throughout the organisation with the Board approved Conduct framework creating the foundation for ensuring these principles permeate across the all levels of the Company. Key components of Dilmah's conduct framework include:

- **Business Ethics Policy** - mandates compliance with laws and regulations and articulates the Company's stance against unethical practices including discrimination, anti competitive behaviour, political contributions etc. The Business Ethics Policy also sets out several formal reporting channels to enable employees and other stakeholders to report on perceived misconduct, including a special whistleblower channel to support anonymous reporting. Whistleblower complaints are investigated by an independent panel, with all reasonable steps taken to ensure the whistleblower is kept apprised of the progress of the investigation as much as possible. For easy access of all stakeholders, the Dilmah Business Ethics Policy is made available

on the corporate website (<https://www.dilmahtea.com/privacy-and-terms/dilmah-business-ethics-policy>)

- **Internal Code of Business Conduct & Ethics (Code) for Directors & Employees** - aimed at empowering the Board, Directors, Managers, Officers, and all employees of Dilmah Ceylon Tea Company PLC to act in good faith in their dealings with or on behalf of the Company and fulfil the duties of their office honestly. In this context, the Code informs the aforementioned internal stakeholders about expected behaviours, provides the tools to navigate ethical challenges and encourages reporting unethical behaviour, underscoring the Board commitment to integrity, honesty, and individual accountability.
- **Anti-Bribery and Corruption (ABC) Policy** - Developed in line with the UNGC's 10th principle of Anti-Corruption, the ABC Policy underscores Dilmah's ZERO tolerance approach to bribery and corruption. To that end, the ABC Policy sets out the Company's stance against bribery and corruption, including facilitation payments and kickbacks. The policy establishes clear guidelines and standards for all employees, suppliers, contractors, and stakeholders, outlining their responsibilities in upholding ethical business practices and compliance with anti-bribery laws and regulations. Regular training is conducted to increase awareness among all stakeholders. The suppliers are required to complete and submit declaration against bribery and corruption before they are on boarded. In July 2024, number of Dilmah employees, directors and senior management participated in a workshop by Transparency International Sri Lanka, on Anti-bribery and corruption, covering a broad range of topics such as laws and regulations as well as how to identify types and forms of corruption etc.



# CORPORATE GOVERNANCE

- **Gift Policy** - establishes uniformity in the gift giving culture within the Company and restricts any conflicts of interest. This policy governs the gifts that are exchanged, gifted or received by the employees of the organisation and is also applicable to gifts within the Company as well as between professional connections made on behalf of the Company. To ensure transparency, mitigate potential conflicts of interest, the Gift Policy identifies prohibited gifts as well as permissible gifts accompanied with clearly defined monetary limits for gifts that employees can give or accept in the course of their duties. Moreover, as per the policy, employees are required to report any gifts received regardless of their value, for documentation and review. As part of the annual policy review programme, the Board reviewed and updated all Conduct policies as needed to reflect latest regulatory developments and global best practices.

## IT Governance

The Dilmah Board plays a pivotal role in IT governance, ensuring that the Company's information technology strategies align with its overall business objectives and risk management framework. The Board is responsible for establishing and maintaining robust IT governance policies and procedures that promote effective management of IT resources, safeguard digital assets, and ensure compliance with regulatory requirements. Additionally, the Board works closely with the Company's IT department to monitor and evaluate the performance of IT initiatives, ensuring that they deliver value, enhance operational efficiency, and support innovation. Operating under the delegated authority of the Board, the IT department is also charged with governance and oversight of information security, including reviewing and approving security measures, assessing risks, and ensuring compliance with regulatory requirements objectives.

## HR Governance

Recognising that a capable and efficient team serves as a strategic competitive advantage, the Dilmah Board works to position the Company as an employer of choice with the power to attract and retain top-tier talent. Striving to create an environment that fuels personal and professional growth of employees, the Board has delegated all HR related matters to the Company's HR department to oversee all operational aspects of human capital development, adhering to policies and procedures approved by the Board, thus ensuring a cohesive and effective approach to talent management and development.

For further information in this regard, please refer to the Human Capital Report on page 68 of this report.

## Stakeholder Engagement

The Dilmah Board is deeply committed to stakeholder engagement through proactive and transparent communication strategies aimed at building strong relationships with all stakeholders, including employees, customers, suppliers, investors, and the broader community. By prioritising stakeholder engagement, the Board not only enhances corporate governance and accountability but also aligns the Company's operations with the expectations and needs of those it serves, thereby driving long-term value creation and reinforcing Dilmah's reputation as a responsible and responsive organisation.

For further information in this regard, please refer to the Stakeholder Engagement section on page 28 of this report.

## Sustainability Governance and Reporting

The Dilmah Board is unwavering in its commitment to sustainability governance, faithfully aligning with the vision of the Company's founder "to build a truly sustainable tea industry that benefits both people and

the planet". This commitment is manifested through the development and implementation of a comprehensive Board approved sustainability strategy anchored to global best practices. Operating under the delegated authority of the Board, the Company's CEO and COO provide oversight for the implementation of policies and initiatives that encompass environmental stewardship and social responsibility. The Dilmah Conservation Unit and Sustainability Team are jointly responsible for environmental stewardship, while all social responsibility initiatives are spearheaded by the MJF Charitable Foundation.

The Board further demonstrates its advocacy for sustainability through the adoption of global standards to strengthen reporting transparency in regard to sustainability disclosures.

For further information in this regard, please refer to the ESG Focus section on page 33 of this report.

## Shareholder Relations and Communication

The Board is dedicated to upholding shareholder rights and ensuring that the interests of all shareholders are protected and respected at all times. This commitment is demonstrated by ensuring shareholders have access to timely and accurate information, enabling informed decision-making and active participation in key company matters.

As specified in the Company's Policy on Relations with Shareholders and Investors, all its shareholders and investors are provided regular, timely, and accurate communication in compliance with the prevailing requirements for the disclosure of information in accordance with the Company's Articles of Association and regulations of the Colombo Stock Exchange (CSE). These include: the Annual Report, Interim Financial Results, CSE announcements, investor information on the corporate website and other press releases issued from time to time.

Under the guidance of the Board, the Finance Director is tasked with the responsibility of coordinating the production and dissemination of material/price sensitive information and non-material information to the investment community.

### Annual General Meeting (AGM)

The Annual General Meeting (AGM) serves as the main event for shareholders to meet with the Board to raise any concerns and make suggestions. All Directors along with the Corporate Management team are present at the AGM.

The Annual Report, notice of the AGM and any other resolution that require shareholder approval along with voting instructions are circulated to shareholders a minimum 15 working days prior to the AGM allowing for sufficient time for shareholders to review the documentation prior to attending the AGM.

Dilmah Ceylon Tea Company PLC's next AGM is scheduled to be held on 21st August 2024.

### BOARD MEETINGS

Board meetings are held at least once every quarter, or more often when needed. It is mandatory for all Directors to attend Board meetings, be it the regular Board meetings or ad hoc Board meetings. All Board members are expected to come well prepared and engage in robust discussions on key matters pertaining to the Company.

The Chairman plays a pivotal role in ensuring the effectiveness of Board meetings. During meetings, the Chairman facilitates open and constructive discussions, encouraging diverse viewpoints while maintaining focus on the strategic objectives. The Chairman ensures that all Directors have the opportunity to contribute and that decisions are made based on comprehensive deliberation and consensus. The Chairman also oversees the implementation of Board resolutions and follows up on action items, ensuring accountability and progress.

Members of the Senior Management team also attend Board meetings on invitation. Additionally, the Chairman / Chairperson of each Board committee is called upon to provide an update on significant matters discussed at their respective Board sub-committee meetings held since the previous Board meeting.

The Company secretary is required to maintain minutes of every Board meeting. Minutes are first presented to the Chairman for approval prior to being circulated among the Directors and other members of Senior Management who were present at the particular meeting. Minutes of the meetings are typically circulated within two weeks after the meeting date.

### PLANNING OF BOARD MEETINGS

Meeting calendar is prepared by the Company Secretary annually in advance and communicated to all Board members.

The Chairman sets the Board agenda, assisted by the Company Secretary. The agenda is prioritised and timed to ensure all items are discussed. Directors are allowed to make a written request to the Chairman detailing any additional matters to be included in the agenda.

The finalised agenda along with a comprehensive Board pack containing relevant Board Papers are circulated among all Directors at least seven (07) working days prior to the meeting date, allowing Board members sufficient time to review the same.

### Attendance at Meetings

Directors	Status	Board	AC	RPT	RC	NGC
Mr. Dilhan Fernando-Chairman	E	4/4	-	-	-	-
Mr. Himendra Ranaweera Deputy Chairman	E	4/4	-	-	-	-
Mr. Malik Fernando	E	3/4	-	-	-	-
Mr. Roshan Tissaarachy	E	1/4	-	-	-	-
Mr. Darshana Gunasekera	E	4/4	4/4	4/4	1/1	-
Ms. Minette Perera	NED	4/4	4/4	4/4	1/1	0/0
Mr. Rajan Asirwatham	NEID	4/4	3/4	4/4	1/1	0/0
Dr. Ravindra Fernando	NEID	4/4	4/4	4/4	1/1	0/0
Mr. John Lo (appointed wef 21.11.2023)	NEID	1/4	-	-	-	0/0

# CORPORATE GOVERNANCE

## ACCESS TO INFORMATION

All directors are allowed unrestricted access to the corporate management to obtain necessary information to enable them in carrying out their duties as members of the Dilmah Board. This transparent and open flow of information is designed to allow Directors to critically evaluate Company operations, contribute meaningfully to discussions, and make decisions that align with the Company's long-term goals and stakeholder interests.

The following software tools are also available to further enhance access to information for Directors:

- Cloud-based storage through SharePoint allows the Board Members access to information in digitised form on contracts signed with local and international distributors/suppliers/ customers, trademarks and IP, etc.
- The Asana project management tool allows the Board Members to set targets, monitor progress of projects, etc.
- Power BI - an interactive reporting tool that provides Board Members with timely information.
- Copilot - an AI tool which allows Board Members to obtain information via AI chat portal.
- Live dashboards which present real time information and reports to the Board.

Meanwhile Directors can seek independent professional advice as needed, at the Company's expense, ensuring they have access to expert insights to inform their decision-making. Requests for such assistance are

routed through the Company Secretary for approval by the Chairman.

## TRAINING FOR DIRECTORS

Newly appointed Directors undergo a formal induction process, during which they are provided with an orientation pack containing comprehensive external and internal documentation. This ensures that they are thoroughly briefed and equipped with the necessary understanding of the company and its functions. Additionally, new Directors have the opportunity to engage with both the Board and Corporate Management.

Throughout their tenure, Directors continue to benefit from regular training interventions aimed at enhancing their knowledge typically in the areas of product research, technological advancements, new product development, branding and advertising spheres through their constant foreign travel and international trade fair and market exposure.

## DIRECTORS REMUNERATION

The Company maintains a two-tier Remuneration Policy for Directors, wherein the remuneration structures for Executive Directors are designed to be consistent with prudent risk-taking and ensures that total remuneration is appropriately balanced to include a combination of fixed remuneration, perquisites, and variable remuneration to promote the Company's competitiveness and to support the execution of the Company's strategy.

As per the Company's Remuneration policy, Non-Executive Directors are not entitled to receive any performance related/incentive payments and are paid a standard fee in line with regulatory requirements as compensation for their participation at Board and committee meetings.

## BOARD SUB COMMITTEES

To assist in performing its oversight role, the Board has appointed several Sub Committees. The responsibilities delegated to these Subcommittees are documented in each Committee's Terms of Reference (TOR), which have been formally approved by the Board. Committee TOR's are reviewed on an annual basis by the Board and updated as needed.

In FY 2023/24, the Board took steps to appoint a new Nominations and Governance Committee supported by a Board approved TOR as required under Rules 9.31 (a) and 9.11 of the new corporate governance rules issued by the CSE for listed entities.

The Nominations and Governance Committee (NGC) was constituted on 8th February 2024 with the following members:

- Dr. Ravindra Fernando (Chairman)
- Mr. John Lo (Member)
- Mr. Rajan Asiriwatham (Member)
- Ms. Minette Perera (Member)

Furthermore the Audit Committee (AC) and Related Party Transaction (RPT) Review Committee were also reconstituted, in alignment with the new corporate governance rules issued by the CSE for listed entities.

Accordingly, Dr. Ravindra Fernando was appointed as the Chairman of RPT with effect from 16th November 2023, while Mr. John Lo was appointed as a member of the AC and RPT with effect from 8th February 2024.

Simultaneously, the TOR's of all Board Sub Committees were reviewed and updated by the Board as needed.



## **BOARD AND BOARD SUB COMMITTEE EVALUATION**

In accordance with regulatory standards, the effectiveness of both the Board and its Subcommittees are subject to an annual evaluation. To facilitate this process, all Directors are required to submit a self-assessment to express their perspectives on the Board balance and effective functioning of the Board.

## **EVALUATING THE PERFORMANCE OF THE CEO**

The Nominations and Governance Committee together with the Remunerations Committee is responsible for appraising the performance of the CEO in line with pre-agreed goals for the Group, set in consultation with the Board. These goals cover overall strategic leadership among good governance and 6 pillars of Dilmah namely Integrity, Quality, Ethics, Tradition, Sustainability and 'Our Customer'.

## **BOARD SUCCESSION PLANNING**

As Dilmah is primarily a family-owned Company, appointment and succession of Chairman/ CEO to the Board is governed by the Dilmah Family Charter developed by the Founder Chairman, late Mr. Merrill J. Fernando.

## **ROLE OF THE COMPANY SECRETARY**

The Company Secretary serves as a central point for ensuring compliance with legal and regulatory requirements while facilitating effective communication between the Board, management, and shareholders. The Company Secretary also oversees the Company's adherence to relevant laws and regulations, including those related to corporate governance, disclosure, and reporting. As a direct appointee by the Board, the Company Secretary often serves as an advisor to the Board on matters of governance best practices, ensuring transparency, integrity, and accountability throughout the organisation.

# REPORT OF THE BOARD OF DIRECTORS



GRI

2-6, 2-12, 2-14, 2-19, 2-20

## 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 2024, 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 Company has entered into an Agreement with Board of Investment of Sri Lanka (BOI) on and enjoy concessions under section 17 of the BOI Law.

The Annual Financial Statements were reviewed and approved by the Board of Directors on 30th July 2024

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 2024.

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	144
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 31st March 2024.	138 to 142
Auditor's Report on the Financial Statements of the Company	Section 168 (1) (c)	Independent Auditors' Report	135 to 137
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	145
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 changes to the Directors' shareholding during the financial year. Details in Directors' Interests in Shares and Shareholding.	125
Remuneration and other benefits of Directors during the accounting period	Section 168 (1) (f)	Note 32.2 to the Financial Statements - Profit / (Loss) Before Tax	179
Total amount of donations made by the Company during the accounting period	Section 168 (1) (j)	External Auditors	170
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  Appointment of Mr. John Lo as a Non Executive Independent Director.  In terms of Article 24 of the Articles of Association of DCTC, Mr. Darshana Gunasekera retires by rotation and being eligible, offers himself for re-election.	19 to 21

Disclosure Requirements	Reference to the Companies Act No. 07 of 2007	Disclosure Reference for Compliance	Page
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 24 to the Financial Statements - Profit / (Loss) Before Tax	170
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	135
Signed on behalf of the board by two Directors and the Company Secretary.	Section 168 (1) (k)		127

#### 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 18) and Financial Capital Report (pages 46 to 49).

#### FUTURE DEVELOPMENTS

An overview of the future developments of the Group is given in the Chairman's Message (pages 16 to 18).

#### 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 2024 duly signed by the Chief Financial Officer and two Directors of the Company, are given in pages 138 to 186.

#### 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 132.

#### 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.

#### DIVIDENDS

A dividend of Rs.10/- was paid during the year ended 31st March 2024. The Directors recommend paying a final dividend of Rs. 8/- for the year ended 31st March 2024.

The Board of Directors provided the Statements of Solvency to the Auditors and obtained Certificates of Solvency from the Auditors in respect of the 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 the interim dividend, and ensured compliance with the Solvency Test after payment of each.

#### GROUP RESULTS AND APPROPRIATIONS

For the year ended 31st March	2024 Rs. '000	2023 Rs. '000
Revenue	18,497,350	22,313,009
Profit for the Year	762,392	5,034,354
Other Comprehensive Income Net of Tax	(98,476)	(32,297)
Total Comprehensive Income Net of Tax	663,916	5,002,057
Interim Dividends for the Current Year	207,375	725,813
Proposed Final Dividend	165,900	311,063



# REPORT OF THE BOARD OF DIRECTORS

## 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. 200 million (2022/2023 Rs. 483 million) to the MJF Charitable Foundation. The activities of the Foundation are given on the pages 82 to 93. Other Donations by the Company during the year amounted to Rs. 2,054,000. (2022/ 23 - Rs. 96,200/-).

## TAXATION

The taxable income is determined according to the provisions of the Inland Revenue Act No.24 of 2007 as amended.

## 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.

Upholding the Founder's principles of "Business is a Matter of Human Service", the board continued to grant an ex-gratia payment to its employees in support of the high tax burden.

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 2024, 717 persons were employed by the Company

## 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.

## POLICIES

In compliance with Rule 9.2.1 of the listing rules, the Company has articulated its governance practices in the form of 12 policies. These policies are available for viewing at <https://www.dilmahtea.com/>

## CAPITAL EXPENDITURE

Capital expenditure incurred on acquisition of property, plant & equipment during the year of the Company and Group amounted to Rs. 982 million and Rs. 1,033 million respectively (2022/23 Company and Group: Rs. 1,545 million and Rs. 1,547 million respectively). Details are given in Note 4 of the Notes to the Financial Statements on page 154 to 157.

Capital expenditure approved and contracted for and not contracted for, as at Balance Sheet date are given in Note 29 to the Financial Statements on page 176.

## PROPERTY, PLANT AND EQUIPMENT (PPE)

Details of property, plant and equipment are given in Note 4 to the Financial Statements on pages 154 to 157. The net book values of freehold properties owned by the Company and the Group as at 31st March 2024 are included in the accounts at Rs. 5,105 million and Rs. 5,201 million respectively (2022/23 Company and Group Rs. 4,639 million and Rs. 4,690 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 Notes 7 and 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 2024, there were 1,096 (1,043 as at 31st March 2023) registered shareholders and their distribution is given on page 185. The twenty major shareholders as at 31st March 2024 and the number of shares held and their percentage shareholding are disclosed on page 186.

## RESERVES

The total reserves as at 31st March 2024 stand at Rs. 21,668 million (2022/23 - Rs. 22,041 million) including the FVOCI Reserve of Rs. 8 million (2022/23- Rs. 37 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 41 to 45. 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 Auditors' Report thereon are given on pages 128, 41 and 135.

## 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 33 to 36.

## DIRECTORATE

The following Directors held office as at the Statement of Financial Position date and their brief profiles appear on pages 20 to 21 of the Annual Report.

Name of the Director	Status
Mr. Dilhan C. Fernando – Chairman/ Chief Executive Officer	ED
Mr. Himendra S. Ranaweera – Deputy Chairman	ED
Mr. Malik J. Fernando	ED
Mr. Roshan C. Tissaaratchy	ED
Mr. Darshana Gunasekera	ED
Ms. Minette D. A. Perera	NED
Mr. Rajanayagam Asirwatham	IND
Dr. Ravindra A. Fernando	IND
Mr. John Michael Lo	IND

Mr. Himendra S. Ranaweera and Mr. Rajanayagam Asirwatham retire in terms of Section 210 of the Companies Act No. 07 of 2007. Separate resolutions are proposed respectively to re-appoint each of them as Director in terms of Section 211 (1) of the said Companies Act No. 07 of 2007.

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. Accordingly, Mr. John M Lo who was appointed as a director during the year will retire in terms of Article 23 (3) of the Articles of Association and being eligible, offers himself for re-election at the AGM.

Mr. Darshana Gunasekera 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.

(IND - Independent Director, NED - Non-Executive Director and ED - Executive Director)

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

Name of the Director	Status
Mr. Dilhan C. Fernando – Chief Executive Officer	ED
Mr. Himendra S. Ranaweera – Deputy Chairman	ED
Mr. Malik J. Fernando	ED
Mr. Roshan C. Tissaaratchy	ED
Mr. Daya Prabath 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.

Further the Company has received confirmation from all Board Members and the CEO on their ability to satisfy the fit and proper criteria as set out in CSE Rule 9.7.3. As such there were no non-compliance/s by any Board Member of the Listed Entity with the Fit and Proper Assessment Criteria.

All relevant declarations made by Board Members during the year under review are duly entered in the Interests Register, and is 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 four (4) 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.

## REPORT OF THE BOARD OF DIRECTORS

Board Committee	Members	
<b>Audit Committee</b>	Mr. Rajanayagam Asirwatham - Chairman Ms. Minette D. A. Perera Dr. Ravindra A. Fernando Mr. John M Lo	Report of the Audit Committee is given on page 128
<b>Remuneration Committee</b>	Ms. Minette D. A. Perera – Chairperson Mr. Rajanayagam Asirwatham Dr. Ravindra A. Fernando	Report of the Remuneration Committee is given on page 130
<b>Related Party Transactions Review Committee</b>	Dr. Ravindra A. Fernando - Chairman Mr. Rajanayagam Asirwatham Ms. Minette D. A. Perera Mr. John M Lo	Report of the Related Party Transaction Review Committee is given on page 131
<b>Nominations and Governance Committee</b>	Dr. Ravindra A. Fernando - Chairman Mr. Rajanayagam Asirwatham Ms. Minette D. A. Perera Mr. John M Lo	Report of the Nominations and Governance Committee is given on page 129

### RELATED PARTY TRANSACTIONS

All Related Party Transactions (RPTs, other than those exempted by the CSE listing rules on the RPTs) are carried out and disclosed in a manner consistent with the CSE Listing Rules. 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 32 in Related Party Disclosure to the Financial Statements on pages 176 to 178 of the Report. These interests have been declared at Directors meetings in compliance with the 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 131.

### DIRECTORS EMOLUMENTS

During the year under review, total remuneration of the Executive Directors amounted to Rs. 270,180,514/- and Non-

Executive Directors amounted to Rs. 3,780,000/- (2022/23 - Executive Directors Rs. 240,862,325/- and Non-Executive Directors Rs. 3,930,000/-)

### 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	2024	2023
Mr. Malik J. Fernando	24,200	24,200
Mr. Dilhan C. Fernando	60,400	60,400
Mr. Himendra S. Ranaweera	22,984	22,984
Ms. Minette D. A. Perera	200	200
Mr. Roshan C. Tissaaratchy	4,000	4,000
Mr. Rajanayagam Asirwatham	4,800	4,800
Mr. Darshana Gunasekera	-	-
Dr. Ravindra A. Fernando	-	-
Mr. John M Lo	-	-

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



As at 31st March	2024	2023
MJF Teas (Pvt) Ltd.	13,812,882	13,812,882
MJF Exports (Pvt) Ltd.	4,256,712	4,256,712
Merrill J. Fernando and Sons (Pvt) Ltd.	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 112 to 121 of this Annual Report. The Company has complied with 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 135 to 137 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. 1,447,712/- (2022/23 - 1,292,600/-). Fees payable for other services rendered Rs.1,671,677/- (2022/23 - Rs. 1,081,631/-). 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 01.04.2023 to 31.03.2024 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 43rd Annual General Meeting of Dilmah Ceylon Tea Company PLC is to be convened on 21st August 2024 at 10.30 am from the broadcasting venue of 111, Negombo Road, Peliyagoda as a fully virtual meeting. Notice of the Annual General Meeting appears on page 197.

### 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**  
Chairman/ CEO



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



**Ms. Jayanga Wegodapola**  
Company Secretary

30th July 2024

# REPORT OF THE AUDIT COMMITTEE

## COMMITTEE COMPOSITION

The Audit Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of four Non-Executive Directors, three of them are 'Independent' as per the Listing Rules. The members of the Committee as at the end of the reporting period are Mr. Rajan Asirwatham (Chairman), Ms. Minette Perera, Dr. Ravindra A Fernando and Mr. John M Lo. The Chairman of the Audit Committee, Mr. Asirwatham is a qualified Chartered Accountant.

## COMMITTEE MEETINGS

The Committee held four meetings during the financial year under review. Mr. Asirwatham attended three meetings and was unable to attend one meeting due to unavoidable circumstances but was kept abreast of the key decisions made thereof. Ms. Minette and Dr. Ravindra attended all four meetings. Mr. John Lo's appointment to the Committee was with effect from 12th February 2024. Group Finance Director and the Company Secretary attended all 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 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 an avenue of communication among the external auditors, the management and the Board.

## INTERNAL AUDIT

The Committee regularly reviews the scope of the internal audit function and reviews audit programs proposed. Our internal audit function is outsourced to KPMG who are an internationally recognised team of accounting professionals. 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 2025 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 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 judgemental areas and material audit judgments.



**Mr. Rajan Asirwatham**  
Chairman – Audit Committee

30th July 2024

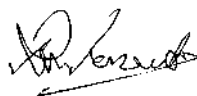
# REPORT OF THE NOMINATION AND GOVERNANCE COMMITTEE

The Nominations and Governance Committee of the Dilmah Ceylon Tea Company PLC was constituted by the Board of Directors on 8th February 2024 in compliance with the new listing rules of the Colombo Stock Exchange consisting of four Non-Executive Directors and three of them are Independent. Non-Executive independent Director Dr. Ravindra Fernando is the Chairman. Ms. Minette Perera, Mr. Rajan Asirwatham and Mr. John Lo serve as its members. The Secretary to the Board functions as the Secretary of the Committee.

The function of the Committee is mandated by Terms of Reference approved by the Board of Directors which have been developed in line with Rule 9.11.5 of the Listing Rules. Accordingly, the Committee is delegated with the authority by the Board to review the Board's composition and diversity, formulate and implement the policy for nominating Board candidates for election by Shareholders, make recommendations to the Board on the appointment of Directors and members to the Board committees, and assess Independent Non-Executive Director's independence and commitment. The Committee is also responsible for succession planning for Directors, CEO and senior executives, leadership training and development, and oversight of matters relating to corporate governance.

The Committee will perform its duties with responsibility, ethics and independence. The Nominations and Governance Committee shall ensure that the nomination and remuneration procedures are transparent and fair in accordance with the corporate governance rules. The Nominations and Governance Committee will help enhance efficiency of the Board of Directors in steering the operation of the Company forward in line with new strategies and help build confidence among the shareholders, investors and all stakeholders.

As the Committee was constituted in February 2024 and no new board nominations were made since its constitution, there were no significant activities during the year under review.



**Dr. Ravindra Fernando**  
Chairman - Nomination and Governance  
Committee

30th July 2024

# REPORT OF THE REMUNERATION COMMITTEE

The Committee is responsible for setting the Company's policy on remuneration and to review significant Human Resource policies that influence the Company's performance.

## COMMITTEE COMPOSITION

The 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 Listing Rules. The members of the Committee during the year under review were Ms. Minette D. A. Perera (Chairperson) Mr. Rajan Asirwatham, and Dr. Ravindra A. Fernando.

## COMMITTEE MEETINGS

The Committee held one meeting during the year under review with the attendance of Ms. Minette, Mr. Asirwatham and Dr. Fernando. The Deputy Chairman, Group Finance Director and the Company Secretary 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 to optimise long term shareholder value creation.

## SCOPE

The Committee lays down guidelines and parameters for the compensation structure of the Chief Executive Officer, Executive Directors and other key Management Staff. 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 to strategic priorities.



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

Chairperson – Remuneration Committee

30th July 2024



# 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 Four Non- Executive Directors as at the end of the reporting period, and three of them are 'Independent' as per the requirements of the Code.

Mr. Rajan Asirwatham served as the Chairman to the Committee till 15th November 2023 and Dr. Ravindra Fernando was elected as the Chair w.e.f. 16th November 2023 pursuant to the Board Sub Committee restructure undertaken by the Company in line with the new governance framework. Ms. Minette Perera continues to serve as a member of the Committee and Mr. John M Lo was appointed as a member to the Committee by the Board w.e.f. 08th February 2024.

## PURPOSE OF THE COMMITTEE

The purpose of the Committee as set out 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 four quarterly meetings during the financial year under review with the attendance of Mr. Asirwatham, Ms. Minette and Dr. Fernando. Group Director Finance and the Company Secretary attended the meetings of the Committee by invitation. As Mr. Lo was appointed at the last meeting held during the reporting period he did not participate in any meetings during the year under review.

## COMMITTEE SCOPE

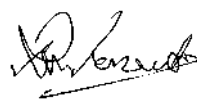
- The Committee reviews in advance all related party transactions of the Company except those explicitly exempted in the Code.
- The Committee ensures that written policies and procedures of the Company are in conformity with rules and regulations governing related party transactions.
- The Committee 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 2023/24.

The Committee has reviewed the related party transactions during the financial year 2023/24 and has communicated their comments/ observations to the Board. It was also observed that there were no nonrecurrent 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 32 to the financial statements.

## DECLARATIONS

The Committee quarterly reviewed the disclosures made by each of the members of the Board on transactions in which he is interested or which is 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.



**Dr. Ravindra Fernando**

Chairman – Related Party Transactions Review Committee

30th July 2024

# 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 Auditors responsibility in relation to the Financial Statements, set out in the report of the Auditors on page 135 to 137 of this 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 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 comprise of the statement of financial position as at 31.03.2024, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then 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 2024.
- 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 Sector Financial Controller 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 on pages 138 to 143 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 frauds 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 page 135 to 137 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 satisfies the solvency test immediate 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 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 138 to 143 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

30th July 2024

# STATEMENT BY THE SENIOR INDEPENDENT DIRECTOR

Profile of Mr. Rajan Asirwatham is given on page 21 of this report.

In order to comply with Section 9.6.3 of the Listing Rules of the Colombo Stock Exchange, the Board of Directors of the Company designated me as the Senior Independent Director (SID) of the Company with effect from 30th October 2023. Section 9.6.3 of the Listing Rules and the Code of Best Practice on Corporate Governance 2023 issued by the Institute of Chartered Accountants of Sri Lanka provide that in situations where the Chairman and CEO are the same person or where the Chairman is not an Independent Director, a Senior Independent Director (SID) shall be appointed. At Dilmah Ceylon Tea Company PLC, Mr. Dilhan Fernando as an executive Director holds the combined roles of Chairman and CEO.

## ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director (SID) provides guidance to the Chairman on matters of governance of the Company. The role of the SID also provides emphasis to transparency on matters relating to governance and calls for a review of the effectiveness of the Board. The SID makes himself available to any Director or any employee to have confidential discussions on the affairs of the Company should the need arise.

## ACTIVITIES DURING THE YEAR

In line with the regulatory requirements, I presided over meetings called for evaluation of Board Performance and exercised my voting rights where necessary. One meeting was held as a virtual meeting with the Non-Executive Directors without the presence of the Executive Directors. At this meeting the performance of the Chairman and the Executive Directors were appraised. Also at the meeting held only with the Independent Directors discussions were held on matters relating to effectiveness of Directors when making deliberation at meeting and maintenance of board balance in the decision-making process.

The outcome of these meetings together with recommendations were duly informed to the Chairman and the Board. The Company follows a policy of strict compliance with mandatory requirements while embracing voluntary adherence. I am available for all key stakeholders to raise any concerns which they have. I believe such unbiased and independent engagements have made a positive impact on value creation. As such I believe that I have fulfilled the obligations entrusted to the SID in accordance with the Corporate Governance guidelines.



**Mr. Rajan Asirwatham**  
Senior Independent Director

30th July 2024

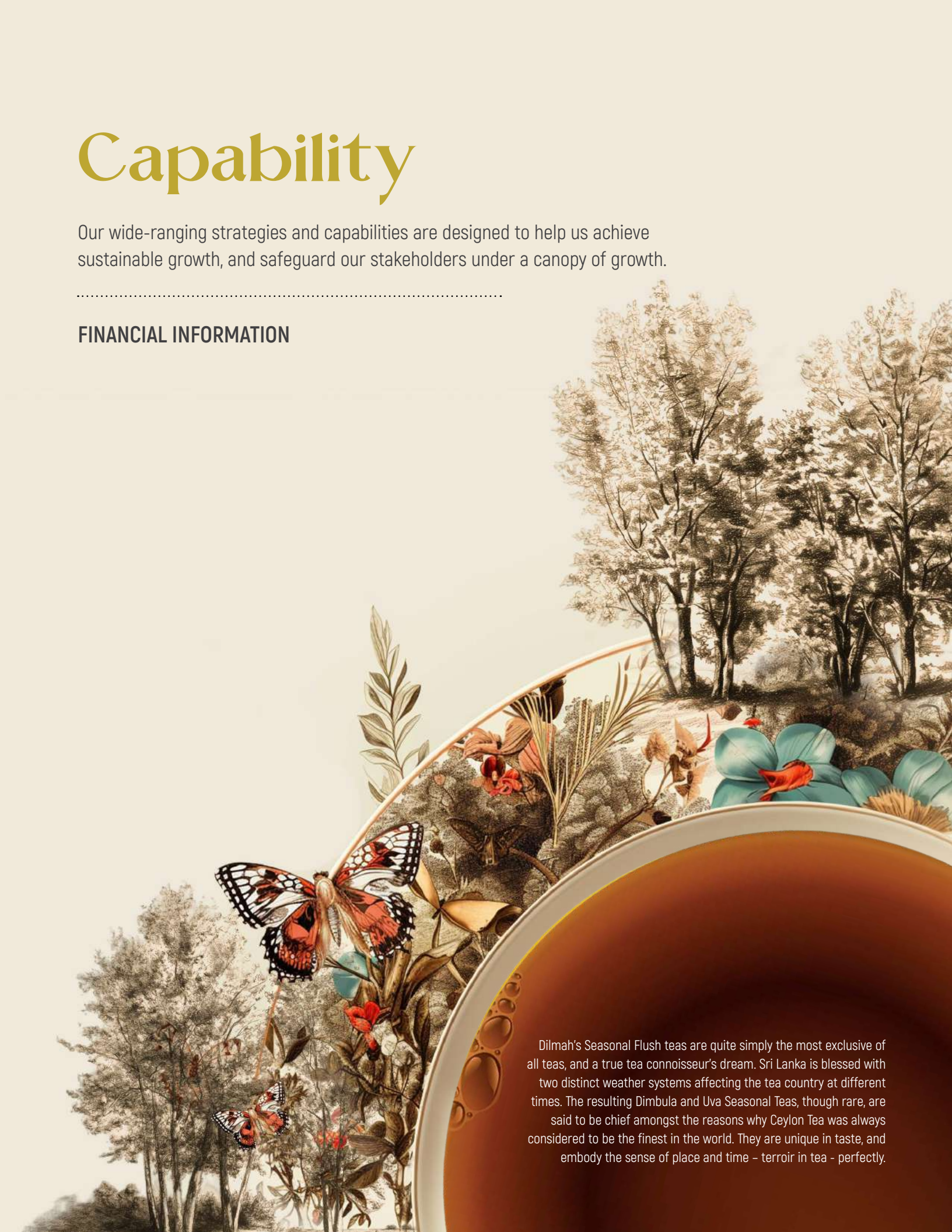


# Capability

Our wide-ranging strategies and capabilities are designed to help us achieve sustainable growth, and safeguard our stakeholders under a canopy of growth.

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## FINANCIAL INFORMATION



Dilmah's Seasonal Flush teas are quite simply the most exclusive of all teas, and a true tea connoisseur's dream. Sri Lanka is blessed with two distinct weather systems affecting the tea country at different times. The resulting Dimbula and Uva Seasonal Teas, though rare, are said to be chief amongst the reasons why Ceylon Tea was always considered to be the finest in the world. They are unique in taste, and embody the sense of place and time – terroir in tea – perfectly.



# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
Rotunda Towers  
No. 109, Galle Road  
P.O. Box 101  
Colombo 03, Sri Lanka

Tel : +94 11 246 3500  
Fax : +94 11 768 7869  
Email: eysl@lk.ey.com  
ey.com

## 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 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements 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 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSSs). 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 for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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.

Key audit matter	How our audit addressed the key audit matter
<b>Revenue</b>	
Revenue from Contracts with Customers	Our audit procedures included the following key procedures:
The Group derived its revenue of Rs. 18,497 Bn as disclosed in Notes 2.18 & 19 to the financial statements.	<ul style="list-style-type: none"><li>evaluated the design and tested the relevant key controls relating to the sale of goods. Our procedures included testing the general IT control environment and the relevant key IT application controls relating to the most significant IT systems relevant to revenue.</li></ul>
Revenue was a key audit matter due to the materiality of the reported balance.	<ul style="list-style-type: none"><li>performed analytical procedures to understand and assess the reasonableness of the reported revenues.</li><li>Tested revenue transactions by reviewing sales contracts, shipping documents and other relevant supporting documents. Our procedures included testing revenue cut off at the period-end to determine whether transactions are recorded in the proper period.</li></ul>
	We also assessed the adequacy of the disclosures in respect of revenue in Notes 2.18 and 19 to the financial statements

# INDEPENDENT AUDITOR'S REPORT



## Other information included in the 2024 Annual Report

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

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

In preparing the financial statements, management is responsible for assessing the 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 scepticism throughout the audit. We also:

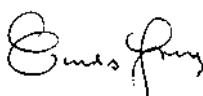
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

- 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.



30th July 2024  
Colombo

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.

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

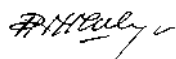
Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2024	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	5,201,474	4,690,230	5,105,203	4,639,158
Investment Property	5	617,428	628,123	617,428	628,123
Intangible Assets	6	129,005	132,660	129,005	132,660
Right of Use Asset	7	1,025,132	1,054,937	1,015,418	1,044,767
Deferred Tax Asset	25	22,985	41,277	35,787	53,713
Other Non-Current Financial Assets	8	225,437	270,805	225,437	270,805
Total Non-Current Assets		7,221,461	6,818,032	7,128,278	6,769,226
Current Assets					
Inventories	9	2,754,652	2,780,029	2,690,191	2,729,844
Trade and Other Receivables	10	6,250,593	6,799,456	6,195,296	6,766,780
Advances and Prepayments	11	2,214,098	731,582	2,199,306	714,179
Amounts Due from Related Party	12	23,273	-	168,508	90,394
Other Current Financial Assets	13	3,445,999	971,042	3,445,999	971,042
Cash and Cash Equivalents	14	5,114,921	9,920,878	5,106,894	9,907,305
Total Current Assets		19,803,536	21,202,987	19,806,194	21,179,544
Total Assets		27,024,997	28,021,019	26,934,472	27,948,770
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	15	642,500	642,500	642,500	642,500
Other Components of Equity		(8,371)	36,997	(8,371)	36,997
Retained Earnings		21,677,003	22,004,594	21,623,566	21,960,569
Total Equity		22,311,132	22,684,091	22,257,695	22,640,066
Non-Current Liabilities					
Lease Liability	7	1,154,114	1,132,041	1,143,504	1,121,418
Retirement Benefit Obligations	16	447,758	300,393	441,783	296,441
		1,601,872	1,432,434	1,585,287	1,417,859
Current Liabilities					
Trade and Other Payables	17	1,086,180	1,247,182	1,065,339	1,242,107
Provisions and Accrued Expenses		1,411,477	1,634,753	1,404,967	1,630,191
Lease Liability	7	71,980	79,528	71,206	78,656
Income Tax Payable	25	542,356	943,031	549,978	939,891
Total Current Liabilities		3,111,993	3,904,494	3,091,490	3,890,845
Total Liabilities		4,713,865	5,336,928	4,676,777	5,308,704
Total Equity and Liabilities		27,024,997	28,021,019	26,934,472	27,948,770

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



**R. N. Malinga**  
Chief Financial Officer

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



**Dilhan C Fernando**  
Chairman/CEO



**Darshana Gunasekera**  
Group Finance Director

30th July 2024

The accounting policies and notes on pages 144 through 183 form an integral part of these financial statements.



# STATEMENT OF PROFIT OR LOSS

Year Ended 31 March 2024	Notes	Group		Company	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue from Contracts with Customers	19	18,497,350	22,313,009	18,349,958	22,186,053
Cost of Sales		(11,248,799)	(12,223,914)	(11,119,396)	(12,124,993)
<b>Gross Profit</b>		<b>7,248,551</b>	10,089,095	<b>7,230,562</b>	10,061,060
Other Income	20	76,980	49,611	69,019	49,611
Administrative Expenses		(3,130,733)	(2,649,525)	(3,123,438)	(2,640,084)
Selling and Distribution Costs		(2,954,526)	(4,781,278)	(2,953,862)	(4,780,987)
Foreign Exchange Gain/(Loss)	21	(490,358)	2,269,566	(489,657)	2,267,540
Finance Costs	22	(185,145)	(142,779)	(183,757)	(141,322)
Finance Income	23	802,126	995,949	802,108	995,949
<b>Profit Before tax</b>	24	<b>1,366,895</b>	5,830,639	<b>1,350,975</b>	5,811,767
Income Tax Expense	25	(604,503)	(796,285)	(598,727)	(786,221)
<b>Profit for the year</b>		<b>762,392</b>	5,034,354	<b>752,248</b>	5,025,546
Earnings per Share (Rs.)	26	36.76	242.77	36.27	242.34
Dividend per Share (Rs.)	27	50.00	50.00	50.00	50.00

The accounting policies and notes on pages 144 through 183 form an integral part of these financial statements.

# STATEMENT OF OTHER COMPREHENSIVE INCOME

Year Ended 31 March 2024	Notes	Group		Company	
		2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit for the year		762,392	5,034,354	752,248	5,025,546
Other Comprehensive Income					
Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods;					
Change in Fair Value of FVOCI Investments	8.3	(45,368)	(32,679)	(45,368)	(32,679)
Net Other Comprehensive Income/(Loss) to be reclassified to Profit or Loss in subsequent periods;		(45,368)	(32,679)	(45,368)	(32,679)
Other Comprehensive Income/(Loss) not to be classified to profit or loss in subsequent periods:					
Re-measurement Gain/(Loss) on Employee Retirement Benefit Obligation	16	(75,869)	546	(74,822)	1,089
Deferred Tax attributable to re-measurement Gain/(Loss) on Employee Retirement Benefit Obligation	25	22,761	(164)	22,446	(327)
Net Other Comprehensive Income/(Loss) not to be reclassified to Profit or Loss in Subsequent periods;		(53,108)	382	(52,376)	762
Other Comprehensive Income/(Loss) for the year, Net of Tax		(98,476)	(32,297)	(97,744)	(31,917)
Total Comprehensive Income for the year, Net of Tax		663,916	5,002,057	654,504	4,993,629

The accounting policies and notes on pages 144 through 183 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Year Ended 31 March 2024	Notes	Other Components of Equity		Retained Earnings	Total
		Stated Capital	FVOCI Reserve		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>					
<b>As at 01 April 2022</b>		642,500	69,676	18,006,733	18,718,909
Profit for the Year		-	-	5,034,354	5,034,354
Other Comprehensive Income/(Loss)		-	(32,679)	382	(32,297)
Total Comprehensive Income for the year		-	(32,679)	5,034,736	5,002,057
2nd Interim Dividend - 2021/22	27	-	-	(518,438)	(518,438)
Final Dividend - 2021/22	27	-	-	(311,062)	(311,062)
1st Interim Dividend - 2022/23	27	-	-	(207,375)	(207,375)
<b>As at 31 March 2023</b>		642,500	36,997	22,004,594	22,684,091
Profit for the Year		-	-	762,392	762,392
Other Comprehensive Income/(Loss)		-	(45,368)	(53,108)	(98,476)
Total Comprehensive Income for the year		-	(45,368)	709,284	663,916
2nd Interim Dividend - 2022/23	27	-	-	(518,438)	(518,438)
Final Dividend - 2022/23	27	-	-	(311,062)	(311,062)
1st Interim Dividend - 2023/24	27	-	-	(207,375)	(207,375)
<b>As at 31 March 2024</b>		642,500	(8,371)	21,677,003	22,311,132
<b>Company</b>					
<b>As at 01 April 2022</b>		642,500	69,676	17,971,136	18,683,312
Profit for the Year		-	-	5,025,546	5,025,546
Other Comprehensive Income/(Loss)		-	(32,679)	762	(31,917)
Total Comprehensive Income for the year		-	(32,679)	5,026,308	4,993,629
2nd Interim Dividend - 2021/22	27	-	-	(518,438)	(518,438)
Final Dividend - 2021/22	27	-	-	(311,062)	(311,062)
1st Interim Dividend - 2022/23	27	-	-	(207,375)	(207,375)
<b>As at 31 March 2023</b>		642,500	36,997	21,960,569	22,640,066
Profit for the Year		-	-	752,248	752,248
Other Comprehensive Income/(Loss)		-	(45,368)	(52,376)	(97,744)
Total Comprehensive Income for the year		-	(45,368)	699,872	654,504
2nd Interim Dividend - 2022/23	27	-	-	(518,438)	(518,438)
Final Dividend - 2022/23	27	-	-	(311,062)	(311,062)
1st Interim Dividend - 2023/24	27	-	-	(207,375)	(207,375)
<b>As at 31 March 2024</b>		642,500	(8,371)	21,623,566	22,257,695

The accounting policies and notes on pages 144 through 183 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

		Group		Company	
Year Ended 31 March 2024	Notes	2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense		1,366,895	5,830,639	1,350,975	5,811,767
Adjustments for					
Depreciation	24	508,917	370,634	502,865	366,968
Amortisation of Intangible Assets	24	27,451	26,332	27,451	26,332
Depreciation on Right of Use Asset	7	29,805	29,792	29,349	29,350
Interest Expense on Lease Liability	22	147,252	142,779	145,864	141,322
Unrealised Foreign Exchange (Gain) / Loss		673,766	(147,914)	670,582	(152,494)
Interest Expenses	22	37,893	-	37,893	-
Dividend Income	20	(45)	(44)	(45)	(44)
Interest Income	23	(802,126)	(995,949)	(802,108)	(995,949)
Profit on disposal of Property, Plant and Equipment	20	(14,874)	(440)	(14,874)	(440)
Profit on disposal of Investment	20	-	(44)	-	(44)
Provision for Impairment of Receivables		361,635	108,172	360,680	108,172
Provision for Defined Benefit Plans	16	94,798	63,616	93,514	62,806
Impairment Loss on Amounts due from Related Party		-	-	(54,841)	(11,112)
Operating Profit before Working Capital Changes		2,431,367	5,427,573	2,347,305	5,386,634
Working Capital Changes:					
(Increase)/Decrease Inventories		25,377	(860,287)	39,653	(834,465)
(Increase)/Decrease Trade and Other Receivables		(23,242)	(1,577,040)	3,464	(1,579,224)
(Increase)/Decrease Advances and Prepayments		(1,482,516)	268,082	(1,485,128)	277,435
Increase/(Decrease) Trade and Other Payables		(160,526)	443,859	(176,263)	440,735
(Increase) Decrease Amounts Due From Related Party		(23,273)	-	(23,273)	-
Increase/(Decrease) Provisions and Accrued Expenses		(223,276)	56,746	(225,224)	54,807
Cash Flows from Operations		543,911	3,758,933	480,534	3,745,922
Retirement Benefit Obligation Paid	16	(23,302)	(36,008)	(22,993)	(35,625)
Interest Paid		(37,893)	-	(37,893)	-
Income Tax Paid	25	(963,792)	(278,735)	(948,267)	(278,570)
Net Cash Flows from/(Net in) Operating Activities		(481,076)	3,444,189	(528,619)	3,431,727



		Group		Company	
Year Ended 31 March 2024	Notes	2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investing Activities					
Acquisition of Property, Plant and Equipment	4	(1,009,466)	(1,539,445)	(958,215)	(1,538,064)
Acquisition of Investment Properties		-	(859)	-	(859)
Acquisition of Intangible Assets	6	(23,796)	(6,585)	(23,796)	(6,585)
Acquisition of Other Current Financial Assets	13	(2,474,957)	(971,042)	(2,474,957)	(971,042)
Proceeds from disposal of Property, Plant and Equipment		14,874	2,602	14,874	2,602
Proceed from Disposal of Investment		-	52	-	52
Dividend Received	20	45	44	45	44
Interest Received	23	802,126	995,949	802,108	995,949
Net Cash Flows used in Investing Activities		(2,691,174)	(1,519,284)	(2,639,941)	(1,517,903)
Financing Activities					
Repayment of Lease Liability	7	(133,060)	(132,841)	(131,227)	(131,227)
Dividends Paid	27	(1,036,875)	(1,036,875)	(1,036,875)	(1,036,875)
Proceeds from Interest Bearing Loans and Borrowings-Capital		3,084,309	-	3,084,309	-
Re-payments from Interest Bearing Loans and Borrowings-Capital		(3,084,309)	-	(3,084,309)	-
Net Cash Flows used in from Financing Activities		(1,169,935)	(1,169,716)	(1,168,102)	(1,168,102)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(463,772)	731,104	(463,749)	732,153
Net Increase / (Decrease) in Cash and Cash Equivalents		(4,805,957)	1,486,293	(4,800,411)	1,477,875
Cash and Cash Equivalents at the beginning of the year		9,920,878	8,434,585	9,907,305	8,429,430
Cash and Cash Equivalents at the end of the year		5,114,921	9,920,878	5,106,894	9,907,305

The accounting policies and notes on pages 144 through 183 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 (Pvt) Limited, which is incorporated in Sri Lanka.

### 1.4 Date of Authorisation for Issue

The Financial Statements of the Group as at and for the year ended 31 March 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 30th July 2024.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred as "SLAS") as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

These consolidated financial statements presented in Sri Lankan Rupees have been prepared on a historical cost basis, except for investment properties, buildings classified as property, plant and equipment, short term investments that have been measured at fair value.

The preparation and presentation of these consolidated financial statements are in compliance with 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	
		2024	2023
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 derecognises 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 Amended standards and interpretations

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. [Refer note 3]

## 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, net accumulated impairment losses, if any, which include all costs incurred from the date of acquisition to the date recognition criteria met to consider as property plant and equipment. Capital work-in-progress is transferred to the appropriate category under property, plant and equipment and depreciated over the estimated useful life.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 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.

##### **(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 7).

##### **(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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 recognised 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 derecognises 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 realise 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 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, Minimum retirement age and workers act No.28 of 2021.

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the 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 2024. The liability is not externally funded. The gratuity 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

# NOTES TO THE FINANCIAL STATEMENTS

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) 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 17 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.

## 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.

The 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 recognised 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 recognised 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 utilised, 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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised 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 realised 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 Tax

Turnover based tax includes 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 sell 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

## Impairment of Trade Receivables

The Group assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised 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 recognise from initial recognition of the receivables.

At the reporting date, gross trade receivables of the Group were Rs. 6,750 million (2023 - Rs. 6,891 million) with allowance for impairment of trade receivables amounting to Rs.648 million (2023 - Rs. 359 million) and gross trade receivables of the Company were Rs. 6,696 million (2023 - Rs. 6,858 million) with allowance for impairment of trade receivables amounting to Rs. 647 million (2023 - Rs.355 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.

## Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2024, based on available information, the management has assessed the existing and anticipated effects current economic conditions on the Group and the appropriateness of the use of the going concern basis. In March 2024, 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 current

economic conditions has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

## 3. Effect of Sri Lanka Accounting Standards (SLFRS) Issued But Not Yet Effective:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### 3.1 SLFRS 17 Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2026,

with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17

### **3.2 Classification of Liabilities as Current or Non-current - Amendment to LKAS 1**

Amendments to LKAS 1 relate to classification of liabilities with covenants as current or non-current. The amendments clarify that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants only at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. The requirements apply only to liabilities arising from loan arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

### **3.3 Disclosures: Supplier Finance Arrangements - Amendments to LKAS 7 and SLFRS 7**

The amendments clarify the characteristics of supplier finance arrangements and require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements.

The amendments are effective for annual periods beginning on or after 1 January 2024

### **3.4 Lease Liability in a Sale and Leaseback - Amendment to SLFRS 16**

The amendments to SLFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the

seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. A seller-lessee applies the amendment retrospectively in accordance with LKAS 8 to sale and leaseback transactions entered into after the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2024

### **3.5 International Tax Reform—Pillar Two Model Rule - Amendments to LKAS 12**

The amendments to LKAS 12 introduce a mandatory exception in LKAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. An entity is required to disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes..

The amendments are effective for annual periods beginning on or after 1 January 2024

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT AND EQUIPMENT

#### 4.1 Group

Gross Carrying Amounts	Balance As at 01.04.2023 Rs. '000	Additions Rs. '000	Transfers Rs. '000	Disposals Rs. '000	Balance As at 31.03.2024 Rs. '000
<b>At Cost</b>					
Land	865,294	-	-	-	865,294
Buildings on Leasehold Land	68,091	222	-	-	68,313
Buildings	795,321	74,189	13,818	-	883,328
Plant and Machinery	5,282,424	345,000	-	-	5,627,424
Factory Equipment	12,250	776	-	-	13,026
Furniture and Fittings	67,931	19,596	-	-	87,527
Office and Store Equipment	172,775	222,247	19,101	-	414,123
Computer Hardware	187,575	35,858	-	(1,692)	221,741
Motor Vehicle	251,512	143,228	-	(13,545)	381,195
<b>Total Value of Depreciable Assets</b>	<b>7,703,173</b>	<b>841,116</b>	<b>32,919</b>	<b>(15,237)</b>	<b>8,561,971</b>
<b>In the Course of Construction</b>					
Capital Work In Progress	231,318	168,350	(32,919)	-	366,749
	231,318	168,350	(32,919)	-	366,749
<b>Total Gross Carrying Amount</b>	<b>7,934,491</b>	<b>1,009,466</b>	<b>-</b>	<b>(15,237)</b>	<b>8,928,720</b>

Accumulated Depreciation	Balance As at 01.04.2023 Rs. '000	Charge for the year Rs. '000	Transfers Rs. '000	Disposals Rs. '000	Balance As at 31.03.2024 Rs. '000
<b>At Cost</b>					
Buildings on Leasehold Land	25,980	1,839	-	-	27,819
Buildings	19,534	20,724	-	-	40,258
Plant and Machinery	2,688,949	378,046	-	-	3,066,995
Factory Equipment	8,164	554	-	-	8,718
Furniture and Fittings	37,277	9,698	-	-	46,975
Office and Store Equipment	126,069	30,355	-	-	156,424
Computer Hardware	134,622	32,056	-	(1,692)	164,986
Motor Vehicle	203,666	24,950	-	(13,545)	215,071
<b>Total Depreciation</b>	<b>3,244,261</b>	<b>498,222</b>	<b>-</b>	<b>(15,237)</b>	<b>3,727,246</b>



Net Carrying Amounts	2024 Rs. '000	2023 Rs. '000
Land	865,294	865,294
Buildings on Leasehold Land	40,494	42,111
Buildings	843,070	775,787
Plant and Machinery	2,560,429	2,593,475
Factory Equipment	4,308	4,086
Furniture and Fittings	40,552	30,654
Office and Store Equipment	257,699	46,706
Computer Hardware	56,755	52,953
Motor Vehicle	166,124	47,846
	4,834,725	4,458,912
Capital Work In Progress	366,749	231,318
	366,749	231,318
<b>Total Net Carrying Amount</b>	<b>5,201,474</b>	<b>4,690,230</b>

- 4.1.1 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.1,009,466,793/- (2023-Rs. 1,539,444,232/). Cash payments amounting to Rs.1,009,466,793/- (2023 - Rs.1,539,444,232/-) 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. 1,704,761,514/- (2023 - Rs. 1,674,095,659/-) 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.

#### Land

Location	Extent
111, 115/A, 147, 147 1/1, 147/2, 147/3, 167, 179, Negombo Road, Peliyagoda	295.01P

#### Buildings

Location	Number of Building
111, Negombo Road, Peliyagoda	01
Rilhena, Palmadulla, Rathnapura	01

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT AND EQUIPMENT (Contd.)

#### 4.2 Company

Gross Carrying Amounts	Balance As at 01.04.2023 Rs. '000	Additions Rs. '000	Transfers Rs. '000	Disposals Rs. '000	Balance As at 31.03.2024 Rs. '000
<b>At Cost</b>					
Land	865,294	-	-	-	865,294
Building	795,321	74,189	13,818	-	883,328
Plant and Machinery	5,102,364	297,584	-	-	5,399,948
Furniture and Fittings	67,224	17,753	-	-	84,977
Office and Stores Equipment	174,745	221,253	19,101	-	415,099
Computer Hardware	186,986	35,858	-	(1,692)	221,152
Motor Vehicles	251,516	143,228	-	(13,545)	381,199
<b>Total Value of Depreciable Assets</b>	<b>7,443,450</b>	<b>789,865</b>	<b>32,919</b>	<b>(15,237)</b>	<b>8,250,997</b>
<b>In the Course of Construction</b>					
Capital Work In Progress	231,318	168,350	(32,919)	-	366,749
	231,318	168,350	(32,919)	-	366,749
<b>Total Gross Carrying Amount</b>	<b>7,674,768</b>	<b>958,215</b>	<b>-</b>	<b>(15,237)</b>	<b>8,617,746</b>

Accumulated Depreciation	Balance As at 01.04.2023 Rs. '000	Charge for the year Rs. '000	Transfers Rs. '000	Disposals Rs. '000	Balance As at 31.03.2024 Rs. '000
<b>At Cost</b>					
Building	19,534	20,724	-	-	40,258
Plant and Machinery	2,516,238	374,890	-	-	2,891,128
Furniture and Fittings	36,823	9,436	-	-	46,259
Office and Stores Equipment	125,278	30,149	-	-	155,427
Computer Hardware	134,067	32,021	-	(1,692)	164,396
Motor Vehicles	203,670	24,950	-	(13,545)	215,075
<b>Total Depreciation</b>	<b>3,035,610</b>	<b>492,170</b>	<b>-</b>	<b>(15,237)</b>	<b>3,512,543</b>

Net Carrying Amounts	2024 Rs. '000	2023 Rs. '000
Land	865,294	865,294
Building	843,070	775,787
Plant and Machinery	2,508,820	2,586,126
Furniture and Fittings	38,718	30,401
Office and Stores Equipment	259,672	49,467
Computer Hardware	56,756	52,919
Motor Vehicles	166,124	47,846
	4,738,454	4,407,840
Capital Work In Progress	366,749	231,318
	366,749	231,318
<b>Total Net Carrying Amount</b>	<b>5,105,203</b>	<b>4,639,158</b>

- 4.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.958,215,626/- (2023 - Rs.1,538,063,848/-). Cash payments amounting to Rs. 958,215,626/- (2023 - Rs. 1,538,063,848/-) 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. 1,526,595,285/- (2023 - Rs. 1,497,693,311/-) 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, 115/A, 147, 147 1/1, 147/2, 147/3, 167, 179, Negombo Road, Peliyagoda	295.01P

#### Buildings

Location	Number of Building
111, Negombo Road, Peliyagoda	01

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INVESTMENT PROPERTY

Group/Company

Gross Carrying Amounts	Balance As at 01.04.2023 Rs. '000	Additions Rs. '000	Disposals Rs. '000	Balance As at 31.03.2024 Rs. '000
<b>At Cost</b>				
Land	234,064	-	-	234,064
Building	427,802	-	-	427,802
<b>Total Value of Investment Property</b>	661,866	-	-	661,866
<b>Total Gross Carrying Amount</b>	661,866	-	-	661,866

Accumulated Depreciation	Balance As at 01.04.2023 Rs. '000	Charge for the year Rs. '000	Disposals Rs. '000	Balance As at 31.03.2024 Rs. '000
<b>At Cost</b>				
Building	33,743	10,695	-	44,438
<b>Total Depreciation</b>	33,743	10,695	-	44,438

Net Carrying Amounts	2024 Rs.'000	2023 Rs.'000
Land	234,064	234,064
Building	383,364	394,059
	617,428	628,123
<b>Total Net Carrying Amount</b>	617,428	628,123

- 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 2024 is estimated to be Rs. 694,500,000/- (2023 - Rs. 601,900,000/-), and has been derived by considering the prevailing prices of similar lands in the same locality. Accordingly, price per perch of Rs. 1,500,000/- (2023 - Rs. 1,300,000/-) has been taken to arrive at the said fair value. The building which includes in the Investment Property as at 31 March 2024 is estimated at Rs. 427,801,692/- (2023 - Rs. 427,801,692/-).
- 5.3** The Group/Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties or for repairs, maintenance and enhancements.
- 5.4** The Group/Company has generated income during the year amounting to Rs. 35,018,437/- (2023 - 30,783,802/-). The operational expenses of the property had been limited to brokerage charges and general maintenance expenses amounting to Rs. 4,034,829/- (2023 - Rs. 2,891,863/-) for the year.



## 6. INTANGIBLE ASSETS

### Group/Company

Computer Software	2024	2023
	Rs. '000	Rs. '000
<b>At Cost</b>		
As at 1 April	696,046	689,461
Acquired during the year	23,796	6,585
As at 31 March	719,842	696,046
<b>Amortisation</b>		
As at 1 April	563,386	537,054
Amortisation for the year	27,451	26,332
As at 31 March	590,837	563,386
<b>Net Book Value</b>	<b>129,005</b>	<b>132,660</b>

- 6.1 During the financial year, the Group/Company acquired Intangible Assets to the aggregate value of Rs.23,795,789/- (2023 - Rs.6,584,965/-). Cash payments amounting to Rs.23,795,789/- (2023 - Rs.6,584,965/-) 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 Group 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 Group is as follows;

#### 7.1.1 Group

At Gross Value	Balance As at 01.04.2023	Additions	Advance Payment for Leases	Balance As at 31.03.2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land	789,341	-	-	789,341
Buildings and installations	384,795	-	-	384,795
	1,174,136	-	-	1,174,136

Accumulated Depreciation	Balance As at 01.04.2023	Charge for the year	De-Recognition	Balance As at 31.03.2024
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Land	80,179	19,934	-	100,113
Buildings and installations	39,020	9,871	-	48,891
	119,199	29,805	-	149,004

## NOTES TO THE FINANCIAL STATEMENTS

### 7.1.1 Group (Contd.)

Net book values	2024 Rs. '000	2023 Rs. '000
Land	689,228	709,162
Buildings and installations	335,904	345,775
	1,025,132	1,054,937

### 7.1.2 Company

At Gross Value	Balance As at 01.04.2023 Rs. '000	Additions Rs. '000	Advance Payment for Leases Rs. '000	Balance As at 31.03.2024 Rs. '000
Land	789,341	-	-	789,341
Buildings and installations	372,824	-	-	372,824
	1,162,165	-	-	1,162,165

Accumulated Depreciation	Balance As at 01.04.2023 Rs. '000	Charge for the year Rs. '000	De-Recognition Rs. '000	Balance As at 31.03.2024 Rs. '000
Land	79,737	19,934	-	99,671
Buildings and installations	37,661	9,415	-	47,076
	117,398	29,349	-	146,747

Net book values	2024 Rs. '000	2023 Rs. '000
Land	689,670	709,604
Buildings and installations	325,748	335,163
	1,015,418	1,044,767

### 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 Group incremental borrowing rate. The movement of Lease creditor for the period is as follows;

#### 7.2.1 Group

	Balance As at 01.04.2023 Rs. '000	Additions Rs. '000	Accretion of Interest Rs. '000	Repayment During the Year Rs. '000	Balance As at 31.03.2024 Rs. '000
Land	814,986	-	99,069	(87,419)	826,636
Buildings and installations	396,583	-	48,183	(45,308)	399,458
	1,211,569	-	147,252	(132,727)	1,226,094

	Amount repayable within 1 year Rs. '000	Amount repayable after 1 year Rs. '000	Total Rs. '000
Lease Liability/Lease Creditor	71,980	1,154,114	1,226,094
	71,980	1,154,114	1,226,094

## 7.2.2 Company

	Balance As at 01.04.2023 Rs. '000	Additions Rs. '000	Accretion of Interest Rs. '000	Repayment During the Year Rs. '000	Balance As at 31.03.2024 Rs. '000
Land	814,986	-	99,069	(87,419)	826,636
Buildings and installations	385,088	-	46,794	(43,808)	388,074
	1,200,074	-	145,863	(131,227)	1,214,710

	Amount repayable within 1 year Rs. '000	Amount repayable after 1 year Rs. '000	Total Rs. '000
Lease Liability/Lease Creditor	71,206	1,143,504	1,214,710
	71,206	1,143,504	1,214,710

## 7.2.3 Maturity analysis of lease liability as follows,

	Group		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
<b>Payable within one year</b>				
Gross liability	139,421	136,703	137,921	135,204
Finance cost allocated to future periods	(67,441)	(57,175)	(66,715)	(56,548)
Net liability transferred to current liabilities	71,980	79,528	71,206	78,656
<b>Payable within two to five years</b>				
Gross liability	571,616	560,471	565,616	554,471
Finance cost allocated to future periods	(351,032)	(316,758)	(347,351)	(313,371)
Net liability	220,584	243,713	218,265	241,100
<b>Payable after five years</b>				
Gross liability	5,066,683	5,160,360	5,042,308	5,134,485
Finance cost allocated to future periods	(4,133,153)	(4,272,032)	(4,117,069)	(4,254,167)
Net liability	933,530	888,328	925,239	880,318
Net liability payable after one year	1,154,114	1,132,041	1,143,504	1,121,418

## NOTES TO THE FINANCIAL STATEMENTS

### 8. OTHER NON-CURRENT FINANCIAL ASSETS

#### Group/Company

	2024	2023
	Rs. '000	Rs. '000
<b>Investment in Subsidiary</b>	-	-
Equity Securities designated as FVOCI - Quoted Investments	213,735	259,103
- Unquoted Investments	11,702	11,702
	225,437	270,805

#### 8.1 Investment in Subsidiary

	Holding %		Company	
Non-quoted	2024	2023	2024	2023
			Rs.'000	Rs.'000
<b>MJF Beverages (Private) Limited</b>	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 2024. Based on that assessment, the investment has been fully provided for as at 31 March 2024.

#### 8.3 Group/Company

	Quoted Investments		Unquoted Investments		Total	
	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Equity Securities designated as FVOCI</b>						
At the beginning of the year	259,103	291,790	11,702	11,702	270,805	303,492
Gain/(Loss) on Change in Fair Value	(45,368)	(32,679)	-	-	(45,368)	(32,679)
Disposals	-	(8)	-	-	-	(8)
At the end of the year	213,735	259,103	11,702	11,702	225,437	270,805

#### 8.4 Quoted Investments

	No. of Shares		Company	
	2024	2023	2024	2023
			Rs.'000	Rs.'000
Kahawatte Plantation PLC	12,571,800	12,571,800	207,435	252,694
Renuka City Hotels PLC	17,500	17,500	6,300	6,409
			213,735	259,103

The Group/Company mainly holds a non-controlling interest of 15.74% (2023 - 15.74%) in Kahawatte Plantations PLC. The fair value of quoted equity shares is determined by reference to published prices on the Colombo Stock Exchange.



## 8.5 Unquoted Investments

	No. of Shares		Company	
	2024	2023	2024	2023
			Rs.'000	Rs.'000
Rainforest Ecolodge (Private) Limited	2,500,000	2,500,000	11,702	11,702
			11,702	11,702

The Group/Company holds a non-controlling interest of 5.25% (2023 - 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 2024 and potential returns expected through its future operations.

## 9. INVENTORIES

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw Materials	1,244,169	1,236,077	1,239,668	1,233,758
Packing Materials	623,157	677,894	592,043	647,757
Finished Goods	311,300	317,546	286,177	304,738
Consumables and Spares	576,026	548,512	572,303	543,591
	2,754,652	2,780,029	2,690,191	2,729,844

## 10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Debtors - Related Party (Note 10.1)	1,877,446	1,863,073	1,855,188	1,854,775
- Others	4,872,753	5,028,635	4,841,617	5,003,423
	6,750,199	6,891,708	6,696,805	6,858,198
Less: Provision for Bad and Doubtful Debts (10.2)	(648,456)	(359,664)	(647,501)	(355,033)
	6,101,743	6,532,044	6,049,304	6,503,165
Other Receivables - Related Party (Note 10.3)	47,635	50,108	47,635	50,108
- Other	101,215	217,304	98,357	213,507
	6,250,593	6,799,456	6,195,296	6,766,780

# NOTES TO THE FINANCIAL STATEMENTS

## 10.1 Trade Receivables - Related Party

	Relationship	Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dilmah Australia Pty Ltd	Fellow Subsidiary	1,476,863	1,526,163	1,471,199	1,524,404
Dilmah Europe B.V (MJF Group Europe Holding B.V)	Fellow Subsidiary	370,319	290,600	363,110	285,073
M.J.F. Exports (Private) Limited	Fellow Subsidiary	9,385	1,012	-	-
MJF Exports Limited - Coimbatore	Fellow Subsidiary	20,620	45,298	20,620	45,298
Kahawatte Plantations PLC	Fellow Subsidiary	259	-	259	-
		1,877,446	1,863,073	1,855,188	1,854,775

## 10.2 Movement of Provisions for Bad and Doubtful Debts

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 01 April	359,664	240,487	355,033	236,240
Impairment Reversal on Trade Receivables	(43,344)	(56)	(39,053)	-
Impairment Provision on Trade Receivables	361,635	106,241	360,680	106,241
Exchange Loss/(Gain) on impairment on Trade Receivables	(29,499)	12,992	(29,159)	12,552
As at 31 March	648,456	359,664	647,501	355,033

## 10.3 Other Receivables - Related Party

	Relationship	Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
MJF Exports Ltd - Coimbatore	Fellow Subsidiary	46,528	50,108	46,528	50,108
Printcare Universal (Private) Limited	Fellow Subsidiary	1,107	-	1,107	-
		47,635	50,108	47,635	50,108

## 10.4 Trade Receivable - Age Analysis

	Total	Neither Past due nor Impaired	Past due but not impaired				
			0-60 days	61-90 days	91-120 days	121-360 days	>360 days
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>							
As At 31 March 24	6,101,743	4,989,292	780,468	209,512	31,790	61,163	29,518
As At 31 March 23	6,532,044	5,154,049	743,553	150,591	42,289	101,031	340,531
<b>Company</b>							
As At 31 March 24	6,049,304	4,964,509	766,131	208,418	31,790	54,125	24,331
As At 31 March 23	6,503,165	5,134,898	736,965	150,611	42,285	97,875	340,531

Above figures are after considering the impairment provision.

# 11. ADVANCES & PREPAYMENTS

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Advances	2,147,654	669,707	2,137,387	656,251
Prepayments	66,444	61,875	61,919	57,927
	2,214,098	731,582	2,199,306	714,178

Advances includes payments made to purchase new Tea bagging machines.

# 12. AMOUNTS DUE FROM RELATED PARTY

Company	Relationship	Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
MJF Beverages (Private) Limited	Subsidiary	-	-	171,140	171,140
Provision for Impairment of Amounts due from Related Party		-	-	(80,746)	(80,746)
During the year transactions		-	-	54,841	-
		-	-	145,235	90,394
PCL Solutions (Pvt) Ltd	Affiliate	23,273	-	23,273	-
		23,273	-	23,273	-
		23,273	-	168,508	90,394

# 13. OTHER CURRENT FINANCIAL ASSETS

Group/Company

	2024	2023
	Rs.'000	Rs.'000
Fixed Deposits	3,445,999	971,042
	3,445,999	971,042

# 14. 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	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Favourable Cash and Cash Equivalents Balances</b>				
Cash on Hand	2,049	1,027	1,771	833
Bank Balances	1,729,172	769,739	1,721,423	756,360
Short-term Deposits	3,383,700	9,150,112	3,383,700	9,150,112
	5,114,921	9,920,878	5,106,894	9,907,305

# NOTES TO THE FINANCIAL STATEMENTS

## 15. STATED CAPITAL

	Group/ Company			
	2024		2023	
	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

## 16. RETIREMENT BENEFIT OBLIGATION

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1 April	300,393	273,331	296,441	270,349
Current Service Cost	33,428	22,594	32,894	22,254
Interest Cost	60,039	41,022	59,288	40,552
Actuarial (Gain)/Loss	75,869	(546)	74,822	(1,089)
Benefits Paid	(21,971)	(36,008)	(21,662)	(35,625)
As at 31 March	447,758	300,393	441,783	296,441

The employee retirement benefit liability of the Group/Company is based on the actuarial valuation carried out by Smiles Global (Private) Limited (2023 - Smiles Global (Private) Limited), Independent actuarial specialists as at 31 March 2024. The principal assumptions used are as follows:

	Group/ Company	
	2024	2023
Discount Rate	12%	20%
Future Salary Increment rate	12%	15%
Expected future working life time	5 - 6 Years	5 - 6 Years

### Sensitivity of Principal Assumptions used

A one percentage change in the assumptions would have the following effects:

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Favourable Cash and Cash Equivalents Balances</b>				
<b>Discount Rate</b>				
1% increase	(15,283)	(8,059)	(14,849)	(7,871)
1% decrease	16,790	8,656	16,298	8,448
		-	-	-
<b>Salary Increment Rate</b>				
1% increase	18,804	10,260	18,286	10,028
1% decrease	(17,451)	(9,694)	(16,988)	(9,481)



## 17. TRADE AND OTHER PAYABLES

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Payables - Related Party (Note 17.1)	186,312	129,266	186,312	126,709
- Other	810,430	989,551	789,694	987,208
	996,742	1,118,817	976,006	1,113,917
Other Payable	89,438	128,365	89,333	128,190
	1,086,180	1,247,182	1,065,339	1,242,107

### 17.1 Trade Payables - Related Party

		Group		Company	
Relationship		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Dilmah Australia Pty Ltd	Fellow Subsidiary	28,163	-	28,163	-
Printcare Universal (Private) Limited	Affiliate Company	40,656	29,616	40,656	29,616
Packages Lanka (Private) Limited	Affiliate Company	15,746	21,756	15,746	21,756
Timber Concepts (Private) Limited	Fellow Subsidiary	12,990	8,580	12,990	8,580
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	27,594	17,517	27,594	17,267
Forbes & Walker Warehousing (Pvt) Ltd	Fellow Subsidiary	45	-	45	-
Printcare Digital Solution (Pvt) Ltd	Fellow Subsidiary	135	-	135	-
Print Care PLC	Affiliate Company	56,324	41,187	56,324	41,187
Ceylon Tea Farmers (Pvt) Ltd	Fellow Subsidiary	-	804	-	-
Kahawatte Plantation PLC	Fellow Subsidiary	714	1,787	714	284
The Ceylon Spice Co (Pvt) Ltd	Fellow Subsidiary	-	688	-	688
Dilmah SEA (Pte) Limited	Fellow Subsidiary	3,665	7,320	3,665	7,320
MJF Group Europe Holding BV	Fellow Subsidiary	280	11	280	11
		186,312	129,266	186,312	126,709

## NOTES TO THE FINANCIAL STATEMENTS

### 18. MATURITY ANALYSIS

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2024, based on contractual undiscounted (principal plus interest) payments.

	Between						
In Rs'000s	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total Over 1 year
Group							
Lease Liabilities	71,980	64,511	57,817	51,816	46,440	933,530	1,154,114
Trade and other payables	899,866	-	-	-	-	-	-
Amount due to related parties	186,313	-	-	-	-	-	-
Total	1,158,159	64,511	57,817	51,816	46,440	933,530	1,154,114
Company							
Lease Liabilities	71,206	63,824	57,206	51,275	45,960	925,239	1,143,504
Trade and other payables	879,026	-	-	-	-	-	-
Amount due to related parties	186,313	-	-	-	-	-	-
Total	1,136,545	63,824	57,206	51,275	45,960	925,239	1,143,504

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2023, based on contractual undiscounted (principal plus interest) payments.

	Between						
In Rs'000s	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total Over 1 year
Group							
Lease Liabilities	79,528	71,408	63,824	57,206	51,275	888,328	1,132,041
Trade and other payables	1,117,916	-	-	-	-	-	-
Amount due to related parties	129,266	-	-	-	-	-	-
Total	1,326,710	71,408	63,824	57,206	51,275	888,328	1,132,041
Company							
Lease Liabilities	78,656	70,634	63,136	56,596	50,734	880,318	1,121,418
Trade and other payables	1,115,398	-	-	-	-	-	-
Amount due to related parties	126,709	-	-	-	-	-	-
Total	1,320,763	70,634	63,136	56,596	50,734	880,318	1,121,418

## 19. REVENUE FROM CONTRACTS WITH CUSTOMERS

		Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Export Sales	- Related Party (Note 19.1)	3,708,958	4,983,442	3,687,429	4,950,322
	- Other	14,768,638	17,317,582	14,662,529	17,235,731
		18,477,596	22,301,024	18,349,958	22,186,053
Local Sales		19,754	11,985	-	-
		18,497,350	22,313,009	18,349,958	22,186,053

### 19.1 Export Sales - Related Party

		Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Relationship				
Dilmah Australia Pty Ltd	Fellow Subsidiary	3,546,833	4,746,167	3,527,533	4,719,100
Dilmah Europe B.V (MJF Group Europe Holding B.V)	Fellow Subsidiary	162,125	187,281	159,896	181,228
MJF Exports Limited - Coimbatore	Fellow Subsidiary	-	49,994	-	49,994
		3,708,958	4,983,442	3,687,429	4,950,322

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.

## 20. OTHER INCOME

		Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit on Disposal of Property, Plant and Equipment		14,874	440	14,874	440
Income on Hire of Vehicles		7,197	5,697	7,197	5,697
Income from Disposal of Investments		-	44	-	44
Dividend from Equity Securities		45	44	45	44
Income Rent		35,018	30,784	35,018	30,784
Sundry Income		17,364	10,737	9,403	10,737
Service Fees		2,482	1,865	2,482	1,865
		76,980	49,611	69,019	49,611

## 21. EXCHANGE GAIN

		Group		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Exchange Gain/(Loss) for the Year		(519,857)	2,282,558	(518,816)	2,280,092
Exchange Gain/(Loss) on Impairment of Trade Receivable		29,499	(12,992)	29,159	(12,552)
		(490,358)	2,269,566	(489,657)	2,267,540

## NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCE COSTS

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest Expense on Short Term Loans	37,893	-	37,893	-
Interest Expense on Lease Liability	147,252	142,779	145,864	141,322
	185,145	142,779	183,757	141,322

### 23. FINANCE INCOME

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on Deposits and Saving Accounts	668,202	898,835	668,184	898,835
Interest on REPO Deposits/Others	133,924	97,114	133,924	97,114
	802,126	995,949	802,108	995,949

### 24. PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following:

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Included in Cost of Sales:</b>				
Consumption of Tea and Packing Material	9,420,787	10,701,304	9,348,903	10,652,046
Employee Benefits including the following;	839,903	710,167	806,656	682,685
- Defined Benefit Plan Costs - Gratuity	1,284	808	-	-
- Defined Contribution Plan Costs - EPF and ETF	61,817	49,673	59,648	47,831
Depreciation	416,463	299,828	410,913	296,313
<b>Included in Administrative Expenses:</b>				
Employee Benefits including the following;	1,161,921	928,262	1,161,921	928,262
- Defined Benefit Plan Costs - Gratuity	93,514	62,807	93,514	62,807
- Defined Contribution Plan Costs - EPF and ETF	63,218	46,501	63,218	46,501
Directors' Fee and Emoluments	273,961	244,792	273,961	244,792
Donations	204,069	483,596	202,054	483,096
Amortisation of Intangible Assets	27,451	26,332	27,451	26,332
Depreciation	92,454	70,806	91,951	70,655
Impairment Loss on Trade Receivables	361,635	108,172	360,680	108,172
Auditors Remuneration	1,591	1,372	1,461	1,254
Other Audit Fees	1,281	2,123	1,281	2,123
<b>Included in Selling and Distribution Costs:</b>				
Export Promotion	2,072,633	4,019,547	2,072,633	4,019,547



## 25. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows :

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Statement of Profit or Loss</b>				
<b>Current Income Tax</b>				
Current Income Tax Expense	563,264	1,104,088	558,354	1,100,947
	563,264	1,104,088	558,354	1,100,947
<b>Deferred Income Tax</b>				
Deferred Taxation Charge (Reversed)	41,239	(307,803)	40,373	(314,726)
<b>Income Tax Expense recognised in Statement of Profit or Loss</b>	<b>604,503</b>	<b>796,285</b>	<b>598,727</b>	<b>786,221</b>
<b>Statement of Comprehensive Income</b>				
Deferred Tax attributable to re-measurement Gain on Employee Defined Benefit Liabilities	(22,761)	164	(22,446)	327
<b>Deferred Tax Charge recognised in Statement of Comprehensive Income</b>	<b>(22,761)</b>	<b>164</b>	<b>(22,446)</b>	<b>327</b>

### 25.1 Reconciliation between Current Tax Expense and the product of 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	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit before Tax	1,366,895	5,830,639	1,350,975	5,811,767
Intra Group Eliminations	14	-	-	-
Adjusted accounting profit/(loss) chargeable to Income Tax	1,366,909	5,830,639	1,350,975	5,811,767
Disallowable Expenses	2,092,980	1,852,799	2,079,490	1,848,526
Allowable Expenses	(905,126)	(1,245,380)	(892,071)	(1,237,669)
Allowable Income	(817,532)	(2,558,363)	(817,532)	(2,558,363)
Investment Income-other than dividend	140,317	928,925	140,317	928,925
(Utilisation)/un-utilisation of tax losses	-	(17,117)	-	-
Taxable Profit	1,877,548	4,791,503	1,861,179	4,793,186
<b>Income tax charged at</b>				
Standard rate 24%	-	111,471	-	111,471
Standard rate 30%	563,264	721,902	558,354	718,978
Standard rate 14%	-	270,498	-	270,498
Standard rate 18%	-	217	-	-
Current Tax charge	563,264	1,104,088	558,354	1,100,947

## NOTES TO THE FINANCIAL STATEMENTS

### 25.1 Reconciliation between Current Tax Expense and the product of Accounting Profit (Contd.)

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Reconciliation between Current Tax Expense and the product of Accounting Profit</b>				
Profit before Tax	1,366,895	5,830,639	1,350,975	5,811,767
Accounting profit/(loss) chargeable to Income Tax	1,366,895	5,830,639	1,350,975	5,811,767
Tax effect on chargeable profits/losses	410,070	1,283,118	405,293	1,278,589
Tax effect on non deductible expenses	627,895	407,137	623,848	406,676
Tax effect on deduction claimed	(271,537)	(274,137)	(267,622)	(272,288)
Tax effect of non taxable income	(245,259)	(562,840)	(245,260)	(562,840)
Tax effect on Investment Income -other than dividend	42,095	250,810	42,095	250,810
Net tax effect of deferred tax for prior years	41,239	(307,803)	40,373	(314,726)
	604,503	796,285	598,727	786,221

### 25.2 Income Tax (Receivable) / Payable

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	943,031	117,514	939,891	117,514
Current Income Tax Expense	563,264	1,104,088	558,354	1,100,947
Over Provision of Current Income Tax in respect of prior years	(147)	164	-	-
Income tax paid / Set off	(963,792)	(278,735)	(948,267)	(278,570)
At the end of the year	542,356	943,031	549,978	939,891
Income tax Payable	542,356	943,031	549,978	939,891
	542,356	943,031	549,978	939,891

### 25.3 Tax Losses

At the beginning of the year	-	11,347	-	-
Adjustment for tax losses brought forward	-	5,770	-	-
Loss set-off for the current year	-	(17,117)	-	-
At the end of the year	-	-	-	-

## 25.4 DEFERRED TAX

Group	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes	437,572	378,233	59,339	234,445	-	-
Unrealised Exchange Gain	-	-	-	(211,210)	-	-
<b>Deferred Tax Assets</b>						
Unclaimed Right of Use Asset Rentals	(59,975)	(46,990)	(12,800)	(30,624)	-	-
Defined Benefit Plans	(134,327)	(90,118)	(21,448)	(52,015)	(22,761)	164
Provision for Doubtful Debt	(194,537)	(106,510)	(88,027)	(73,436)	-	-
Provision for Slow Moving Inventory	(8,714)	(1,994)	(6,719)	(1,065)	-	-
Unrealised Exchange Loss	(63,004)	(173,898)	110,894	(173,898)	-	-
Deferred Income Tax Charge			41,239	(307,803)	(22,761)	164
Net Deferred Tax Liability	(22,985)	(41,277)				

Company	Statement of Financial Position		Statement of Profit or Loss		Statement of Other Comprehensive Income	
	2024	2023	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes	421,550	364,213	57,337	226,664	-	-
Unrealised Exchange Gain	-	-	-	(211,210)	-	-
<b>Deferred Tax Assets</b>						
Unclaimed Right of Use Asset Rentals	(59,788)	(46,592)	(13,197)	(30,372)	-	-
Defined Benefit Plans	(132,535)	(88,932)	(21,156)	(51,410)	(22,446)	327
Provision for Doubtful Debt	(194,250)	(106,510)	(87,740)	(73,436)	-	-
Provision for Slow Moving Inventory	(8,714)	(1,994)	(6,719)	(1,064)	-	-
Unrealised Exchange Loss	(62,050)	(173,898)	111,848	(173,898)	-	-
Deferred Income Tax Charge			40,373	(314,726)	(22,446)	327
Net Deferred Tax Liability/ (Asset)	(35,787)	(53,713)				

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax (Assets) / Liability has been computed taking into consideration the effective tax rate which is 30% (2023 – 30%) for the company/group.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. 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	
	2024	2023
	Rs.'000	Rs.'000
<b>Amount Used as the Numerator:</b>		
Profit for the year	762,392	5,034,354

	Number	Number
	Rs.'000	Rs.'000
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares *	20,738	20,738
Earning per Share (Rs.)*	36.76	242.77

Given below is the computation of earning per share:

	Company	
	2024	2023
	Rs.'000	Rs.'000
<b>Amount Used as the Numerator:</b>		
Profit for the year	752,248	5,025,546

	Number	Number
	Rs.'000	Rs.'000
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares *	20,738	20,738
Earning per Share (Rs.)*	36.27	242.34

### 27. DIVIDEND PER SHARE

#### Group/Company

		2024	2023
		Rs.'000	Rs.'000
<b>Dividend paid on Ordinary Shares during the year</b>			
2nd Interim Dividend for 2022	Rs. 25/- per share	-	518,438
Final Dividend for 2022	Rs. 15/- per share	-	311,062
1st Interim Dividend for 2023	Rs. 10/- per share	-	207,375
2nd Interim Dividend for 2023	Rs. 25/- per share	518,438	-
Final Dividend for 2023	Rs. 15/- per share	311,062	-
1st Interim Dividend for 2024	Rs. 10/- per share	207,375	-
		1,036,875	1,036,875
Dividend per Share (Rs.)*		50.00	50.00

\*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 divided.



## 28. 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;

### 28.1 Business Segment - Group

	Tea Bags		Tea Packets		RTD		Other*		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	15,792,683	17,939,801	2,383,867	4,075,037	147,392	126,956	173,408	171,215	18,497,350	22,313,009
Cost of Sales	(9,204,173)	(9,121,251)	(1,766,451)	(2,876,001)	(129,403)	(98,921)	(148,772)	(127,741)	(11,248,799)	(12,223,914)
Segment Gross Profit	6,588,510	8,818,550	617,416	1,199,036	17,989	28,035	24,636	43,474	7,248,551	10,089,095

### 28.2 Business Segment - Company

	Tea Bags		Tea Packets		Other*		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	15,792,683	17,939,801	2,383,867	4,075,037	173,408	171,215	18,349,958	22,186,053
Cost of Sales	(9,204,173)	(9,121,251)	(1,766,451)	(2,876,001)	(148,772)	(127,741)	(11,119,396)	(12,124,993)
Segment Gross Profit	6,588,510	8,818,550	617,416	1,199,036	24,636	43,474	7,230,562	10,061,060

\*Other Sales include Bulk Tea and Other Value Added Teas.

A new segment called 'Ready to Drink (RTD)' is presented in the Segmental Information separately at the Group level from the current financial year given the subsidiary company's focus on driving business within this category. Previously, this category was recognised under the "Other" in the segmental information. Consequently, the comparative information presented herein has been adjusted to reflect the impact on both revenue and cost of sales.

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.

## 29. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 29.1 Capital Expenditure Commitments

### Group/Company

	2024 Rs.'000	2023 Rs.'000
Estimated capital expenditure contracted but not provided for;		
Tea Bagging Machines	165,012	-
Factory Automation Project	-	204,549
Bank Reconciliation Automation Project	-	764
	165,012	205,313

## 29.2 Contingencies

The Company has given corporate guarantees to the following Affiliate and Subsidiary Companies.

Company in favour	Relationship	Bank	2024 Rs.'000	2023 Rs.'000
Cape Weligama (Pvt) Ltd	Fellow Subsidiaries	Hongkong and Shanghai Banking Corporation Limited	-	1,815,420

29.3 The Department of Inland Revenue has issued assessments for Y/A 2018/19 and 2019/20, disallowing advertising and export promotional expenses incurred overseas. The Company has made appeals to the court of Appeal and Tax appeals commission for two year of assessments respectively. The total tax penalties and interests of the assessments which are under appeal amount of Rs. 1 Bn approx.

## 30. ASSETS PLEDGED

There are no material assets pledged as at the reporting date.

## 31. 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. 8/- per ordinary share for the year ended 31 March 2024. However, in accordance with Section 32 - Events After the end of the Reporting Period of the Sri Lanka Accounting Standards, the proposed final dividend has not been recognised as a liability as at 31 March 2024. This would result in a total outflow of Rs. 165,900,000/- subject to approval at the forthcoming Annual General Meeting.

There have been no other material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

## 32. RELATED PARTY DISCLOSURES

Related parties represent the shareholders, key management personnel of the Group, close family members of key management personnel 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.

### 32.1 Related Party Transactions

Transactions with related parties are as follows:

Group			Transaction Value	
Recurrent Transactions exceeds 10% of Revenue			2024	2023
Name of the Company	Relationship	Nature of Transaction	Rs.'000	Rs.'000
Dilmah Australia Pty Ltd	Fellow Subsidiary	Export Sales	3,566,134	4,746,167
As a % of revenue			19%	21%

Note - Export sales to Dilmah Australia Pty Ltd are made on commercial terms.

**Recurrent Transactions not exceeds 10% of Revenue**
**Transaction Value**

Name of the Company	Relationship	Nature of Transaction	2024	2023
			Rs.'000	Rs.'000
Dilmah Europe B.V (MJF Group Europe Holding B.V)	Fellow Subsidiary	Export Sales	162,125	187,281
MJF Exports Limited - Coimbatore	Fellow Subsidiary	Export Sales	-	49,994
MJF Teas (Private) Limited	Parent Company	Rent Expenses	(40,563)	(40,563)
		Dividend Paid	(587,047)	(669,925)
MJF Exports (Private) Limited	Fellow Subsidiary	Local Sales	19,754	11,984
		Transfer of Tea and Packing Materials	1,021,971	767,577
		Vehicles Hire Income	3,090	2,643
		Dividend Paid	(180,910)	(206,451)
MJF Sons (Pvt) Ltd	Affiliate Company	Dividend Paid	(1,075)	(835)
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials	(650,973)	(702,585)
Printcare PLC	Affiliate Company	Purchase of Packing Materials	(674,530)	(718,749)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(221,760)	(188,766)
		Vehicles Hire Income	252	205
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(81)	(9)
		Vehicles Hire Income	673	522
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials	(508,750)	(641,244)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses	(90,665)	(90,665)
Kahawatte Plantations PLC	Fellow Subsidiary	Rent Expenses	(2,416)	(2,197)
		Vehicles Hire Income	11	166
Forbes and Walker Warehousing (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	1,440	1,410
MJF Properties (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	19	30
Ceylon Tea Farmers (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	36	26
		Tea Purchases	-	50,227
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income	172	-
		Packing Material Purchases	-	3,270
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income	780	388
		Donations	(200,000)	(483,500)

# NOTES TO THE FINANCIAL STATEMENTS

## 32.1 Related Party Transactions (Contd.)

Company				Transaction Value	
Recurrent Transactions exceeds 10% of Revenue				2024	2023
Name of the Company	Relationship	Nature of Transaction	Terms	Rs.'000	Rs.'000
Dilmah Australia Pty Ltd	Fellow Subsidiary	Export Sales	Note (a)	3,527,533	4,719,100
As a % of revenue				19%	21%

Note - Export sales to Dilmah Australia Pty Ltd was made on commercial terms.

Recurrent Transactions not exceeds 10% of Revenue			Transaction Value	
Name of the Company	Relationship	Nature of Transaction	2024	2023
			Rs.'000	Rs.'000
Dilmah Europe B.V (MJF Group Europe Holding B.V)	Fellow Subsidiary	Export Sales	159,896	181,228
MJF Exports Limited - Coimbatore	Fellow Subsidiary	Export Sales	-	49,994
MJF Teas (Private) Limited	Parent Company	Rent Expenses	(40,563)	(40,563)
		Dividend Paid	(587,047)	(669,925)
MJF Exports (Private) Limited	Fellow Subsidiary	Transfer of Tea and Packing Materials	1,021,971	767,577
		Vehicles Hire Income	3,090	2,643
		Dividend Paid	(180,910)	(206,451)
MJF Sons (Pvt) Ltd	Affiliate Company	Dividend Paid	(1,075)	(835)
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials	(650,973)	(702,585)
Print Care PLC	Affiliate Company	Purchase of Packing Materials	(674,530)	(718,749)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(221,760)	(188,766)
		Vehicles Hire Income	252	205
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials	(81)	(9)
		Vehicles Hire Income	673	522
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials	(508,750)	(641,244)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses	(90,665)	(90,665)
Forbes and Walker Warehousing (Private) Limited	Fellow Subsidiary	Vehicles Hire Income	1,440	1,410
Kahawatte Plantations PLC	Fellow Subsidiary	Vehicles Hire Income	11	166
MJF Properties (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	19	30
Ceylon Tea Farmers (Pvt) Ltd	Fellow Subsidiary	Vehicles Hire Income	36	26
		Tea Purchases	-	50,227
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income	172	-
		Purchase of Packing Materials	-	3,270
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income	780	388
		Donations	(200,000)	(483,000)

The transactions with related parties are made on ordinary course of business. Outstanding balances at the year-end are unsecured and interest free. No corporate guarantees provided to/received from related parties.

Amounts due from and due to related party balances are disclosed in Notes 10,12 and 17.



### 32.2 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

	2024 Rs.'000	2023 Rs.'000
<b>Key Management Personnel Compensation</b>		
Short-term Employee Benefits	273,961	244,792
Post Employment Benefits	29,712	34,940
	<b>303,673</b>	<b>279,732</b>

No other 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 32.2.

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade payables, amounts due to related parties, Lease Liabilities 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 100 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 therefore, the Group is not exposed to interest rate risk.

#### Group/ Company

For the Year Ended 31st March	Increase/Decrease in Base Report	Effect On Profit Before Tax Rs.'000
2024	+ 100	94,621
	- 100	(94,621)
2023	+ 100	90,703
	- 100	(90,703)

## NOTES TO THE FINANCIAL STATEMENTS

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

#### 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.4,225 Mn (2023 - Rs. 4,669 Mn) and the Company include an amount of Rs.4,194 Mn (2023 - Rs. 4,648 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Bank balances of the Group include an amount of Rs.1,729 Mn (2023 - Rs. 770 Mn) and the Company include an amount of Rs.1,721 Mn (2023 - Rs. 756 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Short-term deposits of the Group include an amount of Rs. 3,384 Mn (2023 - Rs. 9,150 Mn) and the Company include an amount of Rs. 3,384 Mn (2023 - Rs. 9,150 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Amount due to related parties of the group include an amount of Rs. 1,925 Mn (2023-Rs.1,913 Mn) and the Company include an amount Rs.1,902 Mn (2023- Rs. 1,904 Mn) due to the foreign currencies mainly in United States Dollars, Australian Dollars and EURO.

The following table demonstrates the sensitivity to a reasonably possible changes in the United States Dollars and Australian Dollars exchange rates by 10%, and 15% 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.

		Group		Company	
		Effect on Profit for the year		Effect on Profit for the year	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
United States Dollars	15%	(1,813,652)	(1,979,290)	(1,812,101)	(1,972,819)
	10%	(1,212,556)	(1,319,527)	(1,208,067)	(1,315,213)
Australian Dollars	15%	(318,268)	(285,293)	(317,418)	(285,029)
	10%	(212,179)	(190,195)	(211,612)	(190,019)

#### 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 (2023 - Rs. 12 Mn). The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2024 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	Effect on	Change in	Effect on
	Equity Price	Equity	Equity Price	Equity
	2024	2024	2023	2023
		Rs.'000		Rs.'000

Fair Value Through Other Comprehensive Income Investments

Quoted Investments	+10%	21,373	+10%	25,143
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### 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 2024, short term deposits and bank balances comprise 100% (2023 - 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, from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments as follows:

	Group		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	4,224,297	4,668,971	4,194,116	4,648,390
Other Receivables	101,215	217,304	98,357	213,507
Amounts due from Related Parties	1,925,081	1,913,182	1,902,823	1,904,883
Short-term Deposits	3,383,700	9,150,112	3,383,700	9,150,112
Bank Balances	1,729,172	769,739	1,721,423	756,360
	11,363,465	16,719,308	11,300,419	16,673,252

Management has assessed the existing and anticipated effect of current economic conditions in the country 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

#### 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.

As at 31st March 2024	On Demand	Less than 3 Months	3 to 12 Months	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>				
Trade Payables	2,954	234,085	573,391	810,430
Amounts due to Related Parties	-	186,312	-	186,312
Other Payables	-	9,519	79,919	89,438
	2,954	429,916	653,310	1,086,180
<b>Company</b>				
Trade Payables	2,954	233,914	552,826	789,694
Amounts due to Related Parties	-	186,312	-	186,312
Other Payables	-	9,519	79,814	89,333
	2,954	429,745	632,640	1,065,339

	Group		Company	
As at 31st March 2023	On Demand	Less than 3 Months	3 to 12 Months	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Group</b>				
Trade Payables	6,967	638,864	343,720	989,551
Amounts due to Related Parties	-	129,266	-	129,266
Other Payables	-	11,635	116,730	128,365
	6,967	779,765	460,450	1,247,182
<b>Company</b>				
Trade Payables	6,091	637,397	343,720	987,208
Amounts due to Related Parties	-	126,709	-	126,709
Other Payables	-	11,460	116,730	128,190
	6,091	775,566	460,450	1,242,107

Management has assessed the existing and anticipated effect of current economic conditions in the country 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 do not 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 2024 and 2023.

Capital, which includes stated capital, fair value through other comprehensive income reserve and retained earnings of the Group is measured at Rs.22,311 million as at 31 March 2024 (2023 - Rs. 22,684 million) and the Company is measured at Rs.22,257 million as at 31 March 2024 (2023 - Rs. 22,640 million).

### 34. 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, lease liabilities and other payables.

The following table provides the fair value measurement hierarchy of the Group's assets which are stated at Fair value.

#### Fair value measurement hierarchy for assets as at 31 March:

		Group/Company Fair value measurement using			
	Date of valuation	Total Rs.'000	Quoted prices in active markets (Level 1) Rs.'000	Significant observable inputs (Level 2) Rs.'000	Significant unobservable inputs (Level 3) Rs.'000
<b>Assets measured at fair value:</b>					
<b>As at 31 March 2024</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2024	213,735	213,735	-	-
Unquoted Investments	31 March 2024	11,702	-	-	11,702
<b>Fair Value Through Other Comprehensive Income Investments as at 31 March 2024</b>		<b>225,437</b>	<b>213,735</b>	<b>-</b>	<b>11,702</b>
<b>As at 31 March 2023</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2023	259,103	259,103	-	-
Unquoted Investments	31 March 2023	11,702	-	-	11,702
<b>Fair Value Through Other Comprehensive Income Investments as at 31 March 2023</b>		<b>270,805</b>	<b>259,103</b>	<b>-</b>	<b>11,702</b>

The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2024 and potential returns expected through its future operations.

During the reporting period ending 31 March 2024, 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 considering the short term maturities.

## FIVE YEAR SUMMARY - COMPANY

For the year ended 31 March	2024	2023	2022	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>TRADING RESULTS</b>					
Turnover	18,349,958	22,186,053	11,350,390	9,175,653	11,555,335
Operating Expenses	17,196,696	19,546,064	10,487,792	8,719,655	9,988,218
Other Income	381,470	3,313,100	5,121,458	1,654,561	603,696
Interest Expense	183,757	141,322	170,048	195,954	181,925
Profit before Income Tax	1,350,975	5,811,767	5,814,008	1,914,605	1,988,887
Income Tax on Profits	598,727	786,221	272,105	164,494	429,143
Profit for the Year	752,248	5,025,546	5,541,903	1,750,111	1,559,744
<b>SHAREHOLDERS' FUNDS</b>					
Stated Capital	642,500	642,500	642,500	642,500	642,500
Reserves	21,615,195	21,997,566	18,040,812	13,227,176	11,686,886
<b>NET ASSETS</b>	22,257,695	22,640,066	18,683,312	13,869,676	12,329,386
<b>ASSETS</b>					
Property , Plant & Equipment	5,105,203	4,639,158	3,459,568	3,273,610	3,188,118
Investment Property	617,428	628,123	637,921	647,946	658,528
Intangible Assets	129,005	132,660	152,407	176,085	195,978
Right of Use Assets	1,015,418	1,044,767	1,074,117	1,103,467	1,144,619
Other Financial Assets / Investments	225,437	270,805	303,492	379,214	469,709
Deferred Tax Asset	35,787	53,713	-	-	-
Current Assets	19,806,194	21,179,544	17,235,658	11,178,152	11,613,492
<b>LIABILITIES</b>					
Non-current Liabilities	1,585,287	1,417,859	1,633,259	1,544,748	1,551,583
Current Liabilities	3,091,490	3,890,845	2,546,592	1,344,050	3,389,476
<b>NET ASSETS</b>	22,257,695	22,640,066	18,683,312	13,869,676	12,329,386
Market Price Per Share (Rs.)	995.25	1,020.00	998.00	636.75	531.00
Dividend Per Share (Rs.)	18.00	50.00	55.00	18.00	25.00
Total Dividend Rs. 000s (Gross)	373,275	1,036,875	1,140,563	373,275	518,438
No of Shares	20,737,500	20,737,500	20,737,500	20,737,500	20,737,500
<b>RATIOS</b>					
Return on Average Shareholders Funds (%)	3.35	24.32	34.05	13.36	13.08
Earnings Per Share (Rs)	36.27	242.34	267.23	84.39	75.21
Dividend Cover (times)	2.02	4.85	4.86	4.69	3.01
Liquidity (times)	6.41	5.44	6.77	8.32	3.43

# INFORMATION TO INVESTORS

## 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	992	65,978	0.31%
1,001 - 5,000	62	154,260	0.74%
5,001 - 10,000	12	84,321	0.41%
10,001 - 50,000	23	521,693	2.52%
50,001 - 100,000	4	263,885	1.27%
100,001 - 500,000	-	-	-
500,001 - 1,000,000	-	-	-
1,000,001 - Over	3	19,647,363	94.75%
<b>Total</b>	<b>1,096</b>	<b>20,737,500</b>	<b>100.00%</b>

## 3. ANALYSIS OF SHAREHOLDERS

Number of Shares	Number of Shareholders	Total Holding	% Holding
Individuals	1037	930,370	4.49%
Institutions	59	19,807,130	95.51%
<b>Total</b>	<b>1,096</b>	<b>20,737,500</b>	<b>100.00%</b>

Number of Public Shareholders as at 31st March 2024 was 1,086  
 2,517,822 (12.14%) shares were held by the public as at 31st March 2024  
 The float adjusted market capitalisation is Rs. 2,505,574,220/-

## 4. SHARE TRADING

	2024	2023	2022	2021	2020
No of Transactions	1,280	1,838	1,376	1,376	532
No of Shares Traded	34,563	61,288	113,182	36,813	16,553
Value of Shares Traded	34,802,979	75,615,478	88,602,136	25,066,297	9,258,053

## 5. DIVIDENDS

	2024	2023	2022	2021	2020
Interim	10/-	35/-	40/-	-	20/-
Final	8/-	15/-	15/-	18/-	5/-
Amount (Rs.000's) Gross	373,275	1,036,875	1,140,563	373,275	518,438

## 6. EARNINGS

	2024	2023	2022	2021	2020
Earnings/share Rs.	36.76	242.77	268.62	84.38	75.19
P/E Ratio	27.07	4.20	3.72	7.55	7.06

## INFORMATION TO INVESTORS

### 7. MARKET VALUES (Rs.)

	2024	2023	2022	2021	2020
Highest	1,150.00	1,800.00	1,300.00	799.00	605.00
Lowest	970.00	700.00	632.25	500.50	480.00
Year End	995.25	1,020.00	998.00	636.75	531.00

The weighted average trading price for the year was Rs. 1,006.94

### 8. MARKET CAPITALISATION (Rs.Million)

	2024	2023	2022	2021	2020
Capital & Reserves	22,257	22,640	18,683	13,870	12,329
Market Capitalisation	20,639	21,152	20,696	13,205	11,012

### 9. TOP 20 SHAREHOLDINGS AS AT 31ST MARCH 2024

SHAREHOLDER NAME	31.03.2024		31.03.2023	
	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	79,501	0.38
GF Capital Global Limited	69,700	0.34	69,700	0.34
Mr. D.C. Fernando	60,400	0.29	60,400	0.29
Mrs. A.S. Fernando	54,284	0.26	54,284	0.26
Mr. W.H.M. Fernando	46,662	0.23	46,662	0.23
Mr. D. Ortiz	42,864	0.21	42,864	0.21
Mr. A.W. Athukorala	36,870	0.18	36,870	0.18
Mr. M.W. De Silva	34,830	0.17	34,830	0.17
Mr. J.W. Burton	32,270	0.16	32,270	0.16
Ms. N. Harnam	30,000	0.14	22,265	0.11
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
Dr. K. Poologasundram	23,808	0.11	23,808	0.11
Mr. H.S. Ranaweera	22,984	0.11	22,984	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
Ms.L.R. Jayasundera	18,000	0.09	18,000	0.09
	20,290,703	97.86	20,282,968	97.83



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<b>Customer health and safety</b>		
GRI 3: Material topics 2021	3-3 Management of material topics	84
GRI 416: Customer health and safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	85
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	85
<b>Marketing and labelling</b>		
GRI 3: Material topics 2021	3-3 Management of material topics	83
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	85, 89, 90
	417-2 Incidents of non-compliance concerning product and service information and labelling	83-84

# SUSTAINABILITY ACCOUNTING STANDARDS BOARD INDEX

Topic	Metric	Category	Unit of Measure	Code	Response
<b>Fleet Fuel management</b>	Fleet fuel consumed, percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	FB-NB-110a.1	Fleet Fuel Consumed (GJ): 1283,4475 Percentage Renewable (%): 0 % (our fleet does not have vehicles operates with Renewable energy)
<b>Energy management</b>	(1) Operational energy consumed, (2) percentage grid electricity and (3) percentage renewable	Quantitative	Gigajoules (GJ), Percentage(%)	FB-NB-130a.1	1) Operational Energy Consumed (GJ): 23,799.26 2) Percentage Grid Electricity (%): 62.33% 3) Percentage Renewable (%): 19%
<b>Water management</b>	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m3), Percentage (%)	FB-NB-140a.1	1) Total water withdrawn: 35,251 2) total water consumed: 35,251 3) percentage of each in regions with High or Extremely High Baseline Water Stress: Our operations are not water intensive, and the water footprint only includes the overhead water and the black water, The latest version of Aqueduct 4.0, tool the water stress where our Head office locates is Medium - High (20-40%).
	Description of water management risks and discussion of strategies and practices to mitigate those risks	Discussion and Analysis	n/a	FB-NB-140a.2	Dilmah's core business of blending and packaging tea involves minimal water usage, with water needed primarily for cleaning, utility, and employee sanitation needs. The daily wastewater, including greywater and blackwater, is treated at an on-site plant in compliance with the Environmental Protection License (EPL). Treated water is used for irrigation of green spaces and stored in a fire well for emergency use. A dedicated officer oversees the wastewater treatment operations, ensuring effluent parameters such as chlorine and pH levels are monitored daily, with immediate adjustments made as needed to maintain compliance. Quarterly reports by an independent laboratory and bi-annual reports from the Central Environmental Authority (CEA) ensure ongoing adherence to environmental regulations.
<b>Health &amp; nutrition</b>	Revenue from (1) zero- and low-calorie or energy-free and low-energy, (2) no-added sugar, and (3) artificially sweetened beverages	Quantitative	Presentation currency	FB-NB-260a.1	Rs.18,349,958 Mn
	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Discussion and Analysis	n/a	FB-NB-260a.2	Our tea products do not contain GMO or allergen-related ingredients. In our beverage products, we use natural sugar alternatives like stevia and honey to replace added sugars.



## SUSTAINABILITY ACCOUNTING STANDARDS BOARD INDEX

Topic	Metric	Category	Unit of Measure	Code	Response
Product labelling and market	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines [1]	Quantitative	Percentage (%)	FB-NB-270a.1	0%
	Revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Quantitative	Presentation currency	FB-NB-270a.2	0%
	Number of incidents of non-compliance with industry or regulatory labelling or marketing codes	Quantitative	Number	FB-NB-270a.3	0%
	Total amount of monetary losses as a result of legal proceedings associated with marketing or labelling practices	Quantitative	Presentation currency	FB-NB-270a.4	0%
Packaging Lifecycle Management	(1) Total weight of packaging, (2) percentage made from recycled or renewable materials, and (3) percentage that is recyclable, reusable, or compostable	Quantitative	Metric tons(t), Percentage (%)	FB-NB-410a.1	1) Total weight of packaging, (MT): 3,014.4 2) percentage made from recycled or renewable materials (%), and - 79.18% 3) percentage that is recyclable, reusable, or compostable (%) - 78.9%
	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	Discussion and Analysis	n/a	FB-NB-410a.2	Dilmah is firmly committed to sustainable packaging solutions supported by regular investment in technology coupled with ongoing research to develop innovative eco-friendly alternatives. At present 100% of the Company's production lines have been converted to PLA based filter paper. Moreover, introducing the tear strip design feature has helped to eliminate plastic overwrap in tea packs, while Dilmah kraft paper based inner crayons have been replaced with reusable corrugated inner cartons. In the Cafe range, foil envelope tea bags have been range replaced with paper envelopes.
Environmental & Social Impacts of Ingredient Supply Chain	Suppliers' social and environmental responsibility audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor nonconformances	Quantitative	Rate	FB-NB-430a.1	From the onset of supplier onboarding, their social and environmental responsibilities are evaluated. In addition, suppliers are subjected to biannual assessments according to specific predefined criteria, which encompass both social and environmental aspects. Moreover, a 'Supplier Self-Assessment' was introduced at supplier conferences to track their progress. The assessment rates will be reported in future updates.

Topic	Metric	Category	Unit of Measure	Code	Response
Ingredient Sourcing	Percentage of beverage ingredients sourced from regions with High or Extremely High Baseline Water Stress	Quantitative	Percentage (%) by cost	FB-NB-440a.1	Our operations are not water intensive and the water footprint only includes the overhead water and the black water, The latest version of Aqueduct 4.0, tool the water stress where our Head office locates is Medium - High (20-40%).
	List of priority beverage ingredients and discussion of sourcing risks related to environmental and social considerations	Discussion and Analysis	n/a	FB-NB-440a.2	<p>Tea, Flavours and Herbs</p> <p>The primary environmental risk identified is climate change, while the main social risk is a shortage of labour. Climate change leads to various other environmental issues, including groundwater depletion, increased temperatures, droughts, and extreme rainfall. Additionally, climate change indirectly affects the workforce by causing migration, which contributes to labour shortages.</p>

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## TCFD DISCLOSURE

Topic	Recommended	Response and references
<b>Governance:</b> Disclose the organisation's governance around climate related risks and opportunities	<p>Describe the board's oversight of climate related risk and opportunities.</p> <p>Describe management's role in assessing and managing climate related risks and opportunities.</p>	<p>Sustainability and ESG initiatives at Dilmah are directed by the "Sustainability Strategy," comprising six pillars and 27 components. "Climate Adaptation" is the primary element under the "Responsible Operations" pillar.</p> <p>The Board of Directors oversees the company's overall sustainability and ESG efforts, which extend to the Dilmah Conservation and Sustainability unit and the MJF Charitable Foundation.</p> <p>Also, these two units are evaluated by an external advisory board of their journey towards achieving sustainability goals including Climate change.</p> <p>Dilmah Conservation and Sustainability of Dilmah is the environmental arm of Dilmah which safeguard the environment including addressing climate change where MJF charitable foundation supports vulnerable communities to uplift their life standards. However, DC ad MJFCF work had in hand in the area of climate change through projects which has both mitigation and adaptation benefits.</p> <p>A major milestone for the year was the advancement of Dilmah's Net Zero journey that commenced in 2021. In December 2023 Dilmah submitted validation targets for the SBTi NetZero commitments in late December 2023, covering both near-term and NetZero targets for DCTC and its Subsidiary MJFB. Furthermore, the targets cover both FLAG ad non-FLAG emissions. Additionally, Dilmah has decided to extend its voluntary reporting to include SASB standard for Non-Alcoholic Beverages and TCFD recommendations during the reporting year.</p> <p>Climate change is recognised as a critical issue essential to business operations, and environmental and climate change risks are categorised as "Key Risks" to the company. Dilmah employs a transparent Enterprise Risk Management (ERM) system, equipped with structures and tools to consistently identify, manage, and mitigate risks. This approach integrates good governance and sustainable development, with the Board of Directors ultimately responsible for managing the company's risk exposure. The Board delegates its risk management duties via the three-lines-of-defence that delineates specific responsibilities and oversight at multiple organisational levels, ensuring a comprehensive and systematic approach to identifying, managing, and mitigating risks. Functional / Department Heads or risk owners are the first line of defence charged with the responsibility of adhering to the risk control frameworks pre-approved by Dilmah's Audit Committee and the Board. The main body overseeing the first line of defence, is the Decentralised Management Council (DMC). The DMC conducts ongoing risk assessments to evaluate the adequacy of existing risk controls and determine the need for further improvements.</p> <p>The second line of defence is represented by Dilmah's Corporate Risk Management Team. The team plays a vital role in proactively reviewing existing risk profiles and assessing emerging risks arising from the external and internal environments, and ensuring these changes are reflected in the updated risk grids presented to the Board Audit Committee and the Board for regular review. The third line of defence in Dilmah's Risk Governance Structure are the External Auditors, who provide independent assurance to the shareholders through the Board.</p>

Topic	Recommended	Response and references																	
<b>Strategy:</b> Disclose the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term.  Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.  Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Climate change has been identified as a potential risk for the Dilmah's operations by the company's Enterprise Risk Management (ERM) system.  Listed below are specific climate change related risk and opportunities for Dilmah.																	
		<table><tr><th>Type</th><th>Climate Risk</th><th>Potential Financial impacts</th></tr><tr><td rowspan="4">Transitional Risks</td><td>Enhanced emissions reporting obligations and increased pricing of GHG emissions</td><td>Increased costs in terms of compliance</td></tr><tr><td>Substitution of existing products with low emission options</td><td>Early retirement of existing products</td></tr><tr><td>Cost of transitioning to lower emissions technology</td><td>Capital investment in new technology</td></tr><tr><td>Changing consumer behaviours and preferences</td><td>Increased Production costs due to changing raw material inputs and designs</td></tr><tr><td rowspan="3">Physical Risks</td><td rowspan="3">Increased severity of extreme weather events and extreme variability in weather patterns</td><td>Increased operating cost/capital cost</td></tr><tr><td>Interruptions to the supply chain</td></tr><tr><td>Interruption to for the operations due to difficulties in employee commuting and transportation</td></tr></table>	Type	Climate Risk	Potential Financial impacts	Transitional Risks	Enhanced emissions reporting obligations and increased pricing of GHG emissions	Increased costs in terms of compliance	Substitution of existing products with low emission options	Early retirement of existing products	Cost of transitioning to lower emissions technology	Capital investment in new technology	Changing consumer behaviours and preferences	Increased Production costs due to changing raw material inputs and designs	Physical Risks	Increased severity of extreme weather events and extreme variability in weather patterns	Increased operating cost/capital cost	Interruptions to the supply chain	Interruption to for the operations due to difficulties in employee commuting and transportation
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## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Topic	Recommended	Response and references
<b>Risk Management:</b> Disclose how the organisation identifies, assesses, and manages climate-related risks	<p>Describe the organisation's processes for identifying and assessing climate related risks.</p> <p>Describe the organisation's process for managing climate-related risks.</p> <p>Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.</p>	<p>Climate related risks are identified and integrated with Company's Enterprise Risk Management System (ERM). The Company also follows a comprehensive and integrated approach towards risk management, incorporating good governance and sustainable development. Risk management is done as per the guidelines from ISO 31000:2018 which includes the risk assessments for Business risk, hazard assessment, vulnerability assessment, Threat assessment, Health and safety risk assessment, environmental impact assessment, Security risk assessment and Business Continuity Assessment.</p> <p>Climate risks are evaluated and addressed within Business risk assessments, Business continuity risk assessments, and Environmental impact risk assessments. These assessments are reviewed annually, as well as promptly whenever new risks are identified, to support the ongoing enhancement of business activities.</p> <p>Risk Management Framework:</p> <p>The Board of Directors has the final responsibility for identifying and managing the Company's risk exposure. The Board is supported by the Audit Committee, the Corporate Risk Management Team, and the Decentralised Management Council (DMC). Risk identification is an ongoing process that includes stakeholder engagement and regular assessments of both the internal and external business environments. Risk grids are continuously updated and presented to the Board for review.</p>
<b>Metrics and targets:</b> Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material.	<p>Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.</p> <p>Disclose scope 1, scope 2 and if appropriate scope 3 greenhouse gas (GHG) emissions and the related risks</p> <p>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</p>	<p>GHG emissions, energy consumption, emissions and energy per capita, waste generation, Water consumption, Renewable energy generation are the key metrics used to measure and manage the climate related risks and opportunities.</p> <p>ESG/Sustainability team is responsible for monitoring and measuring these metrics regularly and presenting to the management during the progress reviews.</p> <p>Furthermore, there will be a set of Science Based targets approved by the SBTi to reach short term and NetZero Targets by mid of 2024 which is currently under the validation process.</p> <p>FY23-24 Emissions in MT CO2e</p> <p>Scope 1: 1,099.88 MT CO2e</p> <p>Scope 2: 1,790.70 MT CO2e</p> <p>Scope 3: 72,131.87 MT CO2e</p>



# NOTICE OF MEETING

Notice is hereby given that the 43rd Annual General Meeting of Dilmah Ceylon Tea Company PLC to be convened on 21st August 2024 at 10.30 a.m as a fully virtual meeting from the broadcast venue of the Board Room of the Company at No.111, Negombo Road, Peliyagoda using a digital platform to take the matters under the agenda of the meeting as follows;

## Ordinary Business

1. 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 2024 along with the Report of the Auditors thereon.

2. To declare a final dividend of Rs. 8/- per share as recommended by the Board of Directors.

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. 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."

5. To re-elect as a Director, Mr. Darshana Gunasekera who retires by rotation under Article 24 of the Articles of Association.

6. To re-elect as a Director Mr. John M Lo who retires in terms of Article 23(2) of the Articles of Association.

7. To re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.

8. To authorise the Directors to determined and make donations and contributions to charities.

# NOTICE OF MEETING

## Special Business

9. To pass the following resolution as a special resolution to amend the Articles of Association of the Company to comply with the revised Listing Rules of the Colombo Stock Exchange on Corporate Governance;

That the existing Article 26 be deleted in entirety and the following new Articles number 26 be included therefor:

- 26 (a) A Director may by notice in writing under his/her hand and subject to the approval of the Directors appoint any person to be his/ her Alternate Director to act for him under exceptional circumstances acceptable to the Board of Directors, for a maximum period of one (01) year from the date of appointment. The said notice of appointment may specify a date or event upon the happening of which such person shall cease to be his/ her Alternate Director, and the tenure of office of the Alternate Director so appointed shall not exceed a period of one (1) year from the date of appointment.
- 26 (b) A Director may by notice in writing under his/her hand at any time before the expiration of one year from the date of appointment, remove the Alternate Director so appointed and appoint another person as his/her Alternate Director, subject to paragraph (a) above.
- 26 (c) Notwithstanding anything to the contrary contained in paragraph (b) above, the office of an Alternate Director may be determined by the Board of Directors before the expiration of one year from the date of his/her appointment.
- 26 (d) A person nominated to be appointed as an Alternate Director shall be of the same nature of his appointor if appointed, i.e. an Alternate Director of a Non-Executive Director shall be a Non-Executive Director and Alternate Director to an Independent Non-Executive Director shall be a person who will satisfy the criteria of Independence as set out by the Listing Rules of the Colombo Stock Exchange. The Nominations and Governance Committee shall review and determine that a person nominated to the office of Alternate Director to an Independent Non-Executive Director satisfies the criteria for Independence prior to his appointment
- 26 (e) A person appointed to be an Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company nor be required to hold any share qualification.
- 26 (f) Alternate Director so appointed shall be entitled to receive notice of meeting and to attend such meetings on behalf of his/her appointor and shall have the right to sign circular resolutions of the Directors in the event his/ her appointor is unable to sign such resolution."

10. Any other business.

To consider any other business of which due notice has been given.

By order of the Board,  
DILMAH CEYLON TEA COMPANY PLC



**Ms. Jayanga Wegodapola**  
Company Secretary  
At Colombo, Sri Lanka  
30th July 2024

## Notes:

- A Shareholder is entitled to appoint a Proxy to virtually participate and vote at the meeting on his/her behalf.
- A Proxy need not be a shareholder of the Company.
- 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 legal@dilmahtea.com at least not less than 48 hours before the time appointed for the meeting.

# 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. Dilhan Crishantha Fernando of Colombo or failing him  
Mr. Malik Joseph Fernando of Colombo or failing him  
Mr. Himendra Somasiri Ranaweera of Colombo or failing him  
Mr. Darshana Gunasekera 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  
Dr. Ravindra Ajith Fernando of Colombo or failing him  
Mr. John Michael Lo

As my/our Proxy to participate virtually and vote for me/us on my/our behalf at the 43rd Annual General Meeting of the Company to be held virtually on the 21st of August 2024 10.30 am and any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

## 1. Ordinary Business

Ref	Resolution	For	Against
a.	To receive and adopt the Annual Report, Financial Statements for the year ended 31st March 2024 along with the Report of the Auditors thereon.		
b.	To declare a final dividend of Rs. 8/- per share as recommended by the Board of Directors.		
c.	To re-appointment Mr. Himendra S. Ranaweera as a Director of the Company.		
d.	To re-appoint Mr. Rajanayagam Asirwatham, as a Director of the Company.		
e.	To re-elect as a Director, Mr. Darshana Gunasekera who retires by rotation under section 24 of the Articles of Association.		
f.	To re-elect as a Director Mr. John M Lo who retires in terms of Article 23(2) of the		
g.	To re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorise the Directors to determine their remuneration.		
h.	To authorise the Directors to determine and make donations and contributions to charities.		

## 2. Special Business

Ref	Resolution	For	Against
a.	To pass the Special Resolution for the amendment to the Articles of Association as detailed in item 9 of the Notice of Meeting		

As Witness my hand / our hands this ..... day ..... of 2024

Signature: .....

# FORM OF PROXY

## N.B.

Instructions for completion are as follows;

- Please delete the inappropriate words
- A Proxy need not be a member of the Company
- 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.
- In the case of corporate members, the proxy form must be under the seal or hand of an authorised officer or attorney.
- 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.
- 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

No. 111, Negombo Road, Peliyagoda, Sri Lanka

# CORPORATE INFORMATION

## LEGAL FORM

Quoted Public Company with Limited Liability

## COMPANY REGISTRATION NO

PQ 209

## REGISTERED OFFICE

No. 111, Negombo Road, Peliyagoda, Sri Lanka

Telephone : (94 11) 482 2000

Facsimile : (94 11) 482 2001

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 (Pvt) Ltd

## BOARD OF DIRECTORS

### Chairman/Chief Executive Officer

Dilhan C Fernando - B.Sc

### Deputy Chairman

Himendra S Ranaweera

### Directors

Malik J Fernando - B.Sc

Roshan Tissaarachthy - B.A, MBA, DipM, FCIM

Darshana Gunasekera - FCMA, FCCA, B.Sc

Minette Perera - FCA, FCMA, FCCA

Rajanayagam Asirwatham - FCA

Ravindra A Fernando - DBA, MBA, MSt.(Cambridge)

John Lo - MBA, B.Sc

## COMPANY SECRETARY

Jayanga Wegodapola - Attorney at law

## BANKS

Bank of Ceylon

Bank of China Limited

Cargills Bank Limited

Commercial Bank of Ceylon PLC

Citibank N.A.

DFCC Bank PLC

Hatton National Bank PLC

The Hongkong & Shanghai Banking Corporation Limited

National Development Bank PLC

Nations Trust Bank PLC

People's Bank

Standard Chartered Bank Limited

## AUDITORS

Ernst & Young,

Chartered Accountants,

109, Rotunda Towers

Galle Road,

Colombo 3.



## NOTES

Designed & produced by

**emagewise**

Softwave Printing and Publishing (Pvt) Ltd.



**Dilmah Ceylon Tea Company PLC**  
111 Negombo Road, Peliyagoda, Sri Lanka  
[www.dilmahtea.com](http://www.dilmahtea.com)