



# A CUP OF KINDNESS

Fulfilling a Founding Commitment to Quality & Integrity, with Taste, Goodness & Purpose

**DILMAH CEYLON TEA COMPANY PLC**  
ANNUAL REPORT 2019/20





## A Cup of Kindness

More than anything at Dilmah, we believe in being kind, and kindness is at the heart of everything we do. We spread kindness by doing everything with **care and respect**.

That means:

### Caring for and respecting nature

with growing only the finest ingredients and protecting the environment. We are tea growers, and our commitment is to *great taste* with tea that is garden fresh, single origin and of the finest quality. While we grow tea, we use our profits to support restoration and conservation of ecosystems, species conservation, climate change research & adaptation, and environmental education and advocacy.

### Caring for and respecting our customers

we do not blend our teas. We uphold the highest standards and do not compromise quality to make a profit. Our infusions are made from ingredients that are authentic. Our tea is grown, handpicked, handmade, and freshly packed at source to ensure that *natural antioxidant goodness* is nurtured and protected for your enjoyment.

### Caring for and respecting our people

we go beyond providing our employees with good working conditions and fair wages for their efforts; Dilmah was formed around our Founder's sincere wish to make business a matter of human service, thus earnings from Dilmah Tea are shared with less privileged people. That means vulnerable women, men, girls and boys are given the opportunity to control their future and give back to their communities, in our tea gardens and across Sri Lanka. Our programmes are designed to empower the most marginalised amongst us, with dignity.

This is our *ethical purpose*. Not only do we make the best tea in the world, but we use our profits to support those that need that little bit of kindness the most.

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# DILMAH CEYLON TEA COMPANY PLC

## Annual Report 2019/20

### Welcome to our 2<sup>nd</sup> Integrated Annual Report

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

### Scope and Boundary

The Report covers the operations of Dilmah Ceylon Tea Company PLC (“DCTC”) and its subsidiary MJF Beverages (Private) Limited (collectively referred to as the “Group”) for the period from 1st April 2019 to 31st March 2020. The Group adopts an annual reporting cycle and its latest annual report for the financial year ending 31st March 2020 is available to download at [www.dilmahtea.com](http://www.dilmahtea.com). There were no significant changes to the Group’s size, structure or supply chain during the year, nor any material restatements of non-financial information published in previous years unless specifically mentioned.

### Materiality

In determining the content to be included in this Integrated Report we have adopted the principle of materiality. The material topics listed on page 24 and 25 form the anchor of this Report and have been selected following feedback received from Dilmah’s stakeholders, the Group’s strategic aspirations, risks and opportunities stemming from the operating landscape.

## Reporting Standards

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

## External Assurance

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



→ **Print** available on request



→ Available **online** as a PDF

## Feedback

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

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

## Applying the <IR> Principles

### Completeness

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

### Materiality

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

### Strategic Orientation

Dedicated chapter on the Group's Strategic Orientation

### Connectivity

Sign posting and navigation icons throughout the Report to show connectivity of information

## Reporting Format

Last year, the Annual Report and the Sustainability Report was combined to form one Integrated Report which included all material information relevant to stakeholders; providing a balanced, concise and clear assessment of Dilmah's value creation. This year our second Integrated Report of Dilmah Ceylon Tea Company PLC further strengthens our commitment.

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



The first Integrated Annual Report was awarded Bronze in the Food and Beverages category at the 55th Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka

# Performance Highlights 2019/20

Metric		2019/20	2018/19	Y-O-Y
<b>Financial Performance</b>				
Revenue	Rs. Mn	11,610	10,713	8%
Operating profit	Rs. Mn	1,975	1,582	25%
Profit before tax	Rs. Mn	1,989	1,694	17%
Profit after tax	Rs. Mn	1,559	1,591	-2%
Return on equity	%	13.08	14.50	-10%
Return on capital employed	%	13.08	14.50	-10%
<b>Working Capital Ratios</b>				
Inventory days	Days	57	57	-
Debtor days	Days	142	133	7%
Payable days	Days	24	24	-
Current ratio	Times	3.4	9.5	-64%
Quick asset ratio	Times	3.0	8.3	-64%
<b>Financial Position</b>				
Total assets	Rs. Mn	17,305	12,805	35%
Total liabilities	Rs. Mn	4,969	1,283	287%
Shareholders' funds	Rs. Mn	12,336	11,522	7%
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	-
Earnings per share	Rs.	75.19	76.71	-2%
Dividends per share	Rs.	25.00	35.00	-29%
Net asset value per share	Rs.	594.88	555.65	7%
Closing price	Rs.	531.00	619.90	-14%
Market capitalisation	Rs. Mn	11,012	12,855	-14%
P/E ratio	No. of times	7.06	8.08	-13%
Dividend pay out	%	47	26	81%
Dividend cover	No. of times	2.15	3.84	-44%
Dividend yield	%	5.0	6.0	-17%

Metric		2019/20	2018/19	Y-O-Y
<b>Human Capital</b>				
Total employees – permanent	No.	587	644	-9%
Payments to employees	Rs. Mn	1,199	1,099	9%
New recruits – permanent	No.	52	56	-7%
Employee retention rate	%	85	82	4%
No. of promotions	No.	13	10	30%
Female representation	%	43	44	-2%
Investment in training	Rs. Mn	34	36	-6%
Total training hours	Hours	21,584	5,850	269%
Average training hours/employee	Hours	37	9	309%
Workplace injuries	No.	4	7	-43%
Union representation	%	N/A	N/A	-
Instances of disruption to work	No.	Nil	Nil	-
<b>Manufactured Capital</b>				
Investment in capex	Rs. Mn	4,100	3,944	4%
Property, plant and equipment	Rs. Mn	3,246	2,994	8%
Highest performing equipment efficiency	%	96	91	5%
Capacity utilisation	%	80	77	4%
<b>Intellectual Capital</b>				
R&D investment	Rs. Mn	32.6	39.8	-18%
New products launched	No.	45	65	-31%
Tea standards	No.	360	208	73%
<b>Social and Relationship Capital</b>				
No. of distributors	No.	108	97	11%
Payments to suppliers	Rs. Mn	9,538	8,117	18%
Proportional spending to local suppliers	Rs. Mn	6,012	5,542	8%
Investment in CSR	Rs. Mn	260	170	53%
<b>Natural Capital</b>				
Material - tea, flavours & herbs	MT	5,639	5,190	9%
Energy consumption	GJ	16,473	13,574	21%
Energy intensity	GJ per unit	2.9	2.6	12%
Water consumption	m3	23,928	21,420	12%
Water consumption per unit	m3 per unit	4.2	4.1	3%
Solid waste generation	MT	287	267	7%
Carbon footprint	tCO2e	28,393	31,315	-9%
Spending on environmental initiatives	Rs. Mn	29.7	40.1	-26%







## About Dilmah

### Business Overview

As a globally renowned tea company, Dilmah has an unparalleled reputation for natural and ethical production of Sri Lanka's finest quality tea. Pioneering the concept of 'single origin tea' in 1988, the company offers tea that is 'picked, perfected and packed' at origin. The Dilmah Group is the only producer owned tea brand that is a fully vertically integrated tea company, with presence along the entire value chain including ownership in several of Sri Lanka's finest tea gardens, factories, printing and packaging facilities. Supported by an extensive global

distribution network, Dilmah products are sold in over 100 countries. Remaining true to its founder's vision of making business as a matter of human service, the Group has invested significantly towards supporting the humanitarian and environmental initiatives of MJF Charitable Foundation and Dilmah Conservation, every year. Dilmah Ceylon Tea Company (DCTC) is 86% owned by MJF Group of companies; inclusive of MJF Teas (Pvt) Ltd and MJF Exports (Pvt) Ltd.

### Dilmah in Numbers







## Artistry of Our Tea



**First Value-Added Sri Lankan Owned Global Brand**

Pioneered Single Origin Tea

Dilmah t-Lounges in Overseas Markets

Dilmah School of Tea

Dilmah Pledges a Core Commitment to Sustainability



## Commitment to Taste, Goodness and Purpose

**ISO 9001: 2015**  
Quality Management System

**FSSC 22,000**  
Food Safety Management System

**BRC**  
Global Food Safety Standard

**SMETA**  
SEDEX Members Ethical Trade Audit

**ISO:17025**  
Chemical and Microbiological Laboratory Accreditation

**ISO 14001: 2015**  
Environmental Management Systems

**Rainforest Alliance CoC & Carbon Neutral Certification**  
(Cradle to Gate)



## Sustainable Organisation

Dilmah Ceylon Tea Company (DCTC) is the key contributor to the MJF Group's charitable and conservation arms, MJF Charitable Foundation and Dilmah Conservation, which engages in island-wide humanitarian and environmental sustainability initiatives.

**15% of PBT**

Directed Towards Social and Environmental Sustainability

**Over 25,000**

Lives Impacted Directly and Indirectly

Sri Lanka's First Private Sector Climate Change Research Station

**14**

Environmental Publications

**Rs. 260 Mn**

Spend on Community Initiatives

**Rs. 30 Mn**

Spend on Environmental Initiatives

Carbon Neutral Status



## About Dilmah

### Our Impact

With significant investments directed every year towards global marketing efforts, industry thought leadership, research and development, and communications, the Dilmah Group has been instrumental in enhancing the brand value of Ceylon Tea in the global arena. Aimed at engaging and educating industry stakeholders in inspiring new tea experiences, the Group conducts signature international events and competitions such as the Dilmah Thé Culinaire, Chefs & the Teamaker, Dilmah Tea

Sommelier, and The Dilmah School of Tea among others. A series of tea inspired publications have been launched, aimed at raising awareness on industry innovations, health benefits of tea and tea gastronomy and tea mixology. A dedicated website on the History of Ceylon Tea was launched to commemorate 150 years of Sri Lanka's tea industry, which includes numerous publications on the fascinating evolution of the said industry.

### Economic Impact

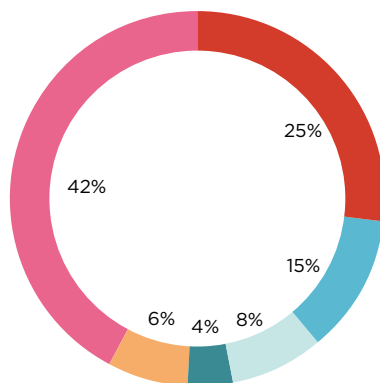
- Foreign Exchange Income Generated: **USD 65 Mn**
- Tax & Regulatory Fees: **Rs. 388 Mn**
- Employment Generated: **587** numbers
- Payments to Employees: **Rs. 1,199 Mn**
- Payments to Suppliers: **Rs. 9,538 Mn**
- Market Capitalisation: **Rs.11 Bn**

### Dilmah School of Tea

The World's first consumer and hospitality tea school, the Dilmah School of Tea, offers programmes that seek to inspire passion in tea amongst hospitality professionals, consumers and industry stakeholders. The school offers tea programmes around the world, with over 5,300 participants successfully completing programmes since inception.

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

### Value Distribution



Value Distribution	
To Employees	25%
To Shareholders	15%
Tax Contributions	8%
To Lenders	4%
To Development Interventions & Environmental Initiatives	6%
Retention for Growth	42%

### Promotional and Engagement Initiatives

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

### R&D and Innovation

- Rs. 33 Million Annual Investment in R&D
- Over 3,000 Products
- A Library of over 300 Tea Standards

## Brand Reach

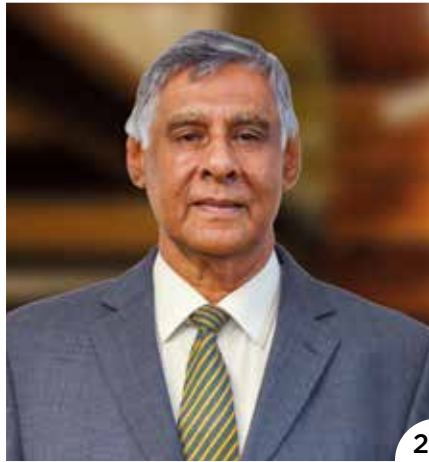
Through an extensive network of sales agents and distributors, Dilmah products are sold in over 100 countries around the world. These partners are a critical element of

our value chain; they engage proactively with consumers, pursue new opportunities and identify emerging consumer preferences.





# Board of Directors



1



### Mr. Merrill J. Fernando Chairman

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

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

2



### Mr. Himendra S. Ranaweera Deputy Chairman

Mr. Himendra S. Ranaweera has been working with the MJF Group of Companies for the past 29 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.

3



### Mr. Dilhan C. Fernando Executive Director / CEO

Mr. Dilhan C. Fernando is the CEO of Dilmah Ceylon Tea Company PLC. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director and was appointed as the CEO of the Company in August 2017. Mr. Fernando had his secondary education at Stonyhurst College, England and graduated from the London School of Economics with a BSc (Hons) in Economics. He joined the MJF Group as a Management Trainee nearly 30 years ago.

Mr. Fernando currently chairs UNGC Network in Sri Lanka and Biodiversity in Sri Lanka.

4



### Mr. Malik J. Fernando Executive Director

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

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

He joined the MJF Group as a Management Trainee nearly 35 years ago.

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

5



### Mr. Roshan C. Tissaarachthy Executive Director

Mr. Roshan C. Tissaarachthy is Director Sales of the MJF Group and was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in April 2005 as an Executive Director. Mr. Tissaarachthy 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 over 30 years of working experience in all aspects of sales and marketing in a number of industries and also in advertising. He has now completed 22 years of International Marketing with Dilmah Tea.

6



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

Ms. Minette D.A Perera was appointed to the Board of Dilmah Ceylon Tea Company PLC (formerly Ceylon Tea Services PLC) in September 2000 as an Executive Director. She is a Fellow member of the Institute



## Board of Directors

of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. After serving the Company as the Group Finance Director for over 12 years, Ms. Perera retired from her post on 31st March 2013 and continued on the Board as a Non-Executive Director.

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

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

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

Mr. Asirwatham is the Chairman of the Financial System Stability Committee of the Central Bank of Sri Lanka. He is also the Chairman of the Audit Committee of the Institute of Chartered Accountants of Sri Lanka.

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

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

Mr. Chitty has been an adviser to the Sri Lanka Delegation to the UN and has served as an adviser to the Inter-Ministerial Committee on Oceans and the Law of the Sea. He is also a member of the Appeals Board of the International Sea Bed Authority, a Member of the Editorial Board of the Law Journal "The Law and Practice of International Courts & Tribunals", a practitioner before the UN Disputes Tribunal and the UN Appeals Tribunal, and a Trustee of the Weeramantry

International Centre for Peace Education and Research.

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

### 9 **Mr. Darshana Gunasekera** Group Finance Director

Mr. Darshana Gunasekera was appointed to the Board of Dilmah Ceylon Tea Company PLC in October 2020 as an Executive Director. He is a double qualified accountant, Fellow member of the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. He holds a B.Sc. degree from University of Sri Jayewardenepura and is also qualified in Marketing.


Mr. Gunasekera has over 24 years of working experience including extensive overseas exposure, having worked in leading local and multinational companies before joining MJF Group more than 5 years ago.





# Our Team



→  ←

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





Merrill J. Fernando





# Chairman's Review



“The Dilmah brand is built on tradition in tea, as many of those traditions are what make Ceylon Tea unique. While honouring that tradition, the brand's tea gastronomy, mixology, and other innovations are engaging a new generation of tea drinkers. As consumers in retail and hospitality sectors evolve, initiatives like Tea Inspiration for the 21st Century, and related innovations are driving the brand's growth into new markets and segments. The t-Lounge by Dilmah is joined by Brew 1867, a more casual format, in expanding the brand's presence.”

**I am pleased to present the Annual Report and Audited Financial Statements of Dilmah Ceylon Tea Company PLC for the year ended 31st March 2020.**

## Tea Crop and Tea Prices

Tea production reached a record high of 340 Million Kgs in 2013 however it declined, quite significantly, to around 300 Million Kgs since. It is likely to decline further to 200 Million Kgs in 2020 this year. Tea production in Kenya has increased dramatically and its relatively much younger tea industry will continue to grow so with the benefit of virgin soils and low labour cost. The production was 432 Million Kgs in 2013 and increased to 459 Million Kgs in 2019 and it is expected to reach 500 Million Kgs in 2020. Kenya manufactured CTC tea exclusively for many years and did not compete with Sri Lanka in any way.

It is pertinent to remind our tea traders that, some years ago, multinational companies and their local representatives convinced our government to switch our production also to CTC manufacture. When

I became aware of this move, I pointed out to the government that our export markets are supplied with our traditional, orthodox tea at premium prices hence, we should not even consider CTC manufacture. Fortunately, this potential calamity was prevented. Multinational traders endeavoured to create a glut of CTC tea in the market and enhance profits.

Another fatal blow to the tea industry was averted when traders prevailed on the government to allow import of tea for blending and re-export. Fortunately, the sane counsel prevailed in dislodging a Finance Minister's budget proposal. Traders' sole objective is profit. Where and how it comes from is not their concern. They compete with each other to secure business using price as their only tool. If imports were permitted within six months our auction prices would have dropped below cost of production making the industry unviable.

A close examination of FOB/export prices would reveal that they range from Rs. 600 to over Rs. 2,000 per Kilo. If the tea industry is strategically

managed in the hands of capable people with proven expertise, export earnings could well reach US\$5 billion within the next five years. Bulk tea exports should be discouraged and value added exports should be generously incentivised for the social and economic benefit they bring. Part of the additional income from value added export must be used to advertise and promote quality brands. This is likely to encourage bulk tea exporters to change course.

The tea industry which is being written off by many, offers enormous potential in the hands of investors who believe in it. The government authorities responsible for tea can turn it around if they have a realistic vision for the industry. Recent interest and initiatives by government in finding solutions to longstanding issues in tea plantations and exports are welcome, and will deliver benefit to our economy and to Ceylon Tea.

At the initial public offering of Dilmah Ceylon Tea Company PLC, an investment of Rs. 10,000 on 1,000 shares, has yielded Rs. 8,600,250 by way of dividends. The same 1,000



shares has been increased to 20,000 via bonuses of 1:1, 2:3, 2:5, 1:1 on four different occasions. The Rs. 10 per share has now become .50 cents via script shares, is Rs. 531 in the CSE, reflecting a value of 531,000, such is the power of Ceylon tea in the hands of committed investors in the industry.

### Performance

The company continues to grow, enhancing profits regularly. Revenue grew by 8% and Gross profit by 14% over the previous year. Impact of exchange rates showed a remarkable decline of -46% over the previous year. Net profit before tax increased by 17% and, after tax profit declined by 2%.

### Corporate Social Responsibility and Alleviation of Poverty

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

That resolution has proved to be prescient as the social and environmental challenges we collectively face, have expanded. The MJF Foundation's humanitarian programmes continue to focus on empowerment with dignity, amongst marginalised youth, women and men. The Foundation's scholarship programmes have produced doctors, magistrates, chefs, harnessing the potential in young men and women from the tea plantation sector, while our efforts at caring for differently

able children and youth have shown humbling results.

Dilmah Conservation extends the company's purpose beyond profit, to the environment. While designing and managing ground breaking initiatives benefiting terrestrial and marine ecosystems, Dilmah Conservation actively engages youth through its environmental educational programmes, and seeks to build collaboration for the greater good through Biodiversity Sri Lanka. Our Climate Reality and allied programmes continue, with broader involvement now including mangrove restoration and research amongst other initiatives.

### Innovations

The Dilmah brand is built on tradition in tea, as many of those traditions are what make Ceylon Tea unique. While honouring that tradition, the brand's tea gastronomy, mixology, and other innovations are engaging a new generation of tea drinkers. As consumers in retail and hospitality sectors evolve, initiatives like Tea Inspiration for the 21st Century, and related innovations are driving the brand's growth into new markets and segments. The t-Lounge by Dilmah is joined by Brew 1867, a more casual format, in expanding the brand's presence.

### Dividends

The company declared an interim dividend Rs. 20/- per share during the year. Considering present circumstances caused by COVID-19, I am inclined to skip a final dividend however, I am declaring a token dividend of Rs. 5/- per share for 2019/20

### Outlook for the Current Year

The outlook for the general economy appears bleak throughout the world – some worse than others. Already there are bankruptcies, severe unemployment and hardships. It is likely that conditions may not improve short term. How long the coronavirus will last only God knows.

We can only pray for it to disappear soon and bring hope and comfort back to our homes and our lives.

COVID19 brought fresh appreciation of the health benefits in tea, and its immune boosting benefits have brought new users to tea. I am confident of quoting good results for the current financial year. I thank the good Lord for showering His blessings on our businesses and shareholders.

The world is in uncharted territory and we are experiencing hitherto unknown turmoil, pain and fear. COVID19 has brought the high and mighty, rich and poor down to a common level, with no respect for master and servant. Amidst the terrible loss of life, this enforced retreat is a time for mankind to review the past, forgive and repent for wrong doings perhaps, through greed, envy, jealousy and selfishness, in preparation for a more tolerant and happier life in a better world.

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



**Merrill J. Fernando**  
Chairman

15th October 2020











# CEO's Report



Amidst headwinds caused by a global economic slowdown, Dilmah achieved strong sales in retail and hospitality sectors. This is remarkable as that result was achieved in an environment of increased retail discounting, without compromise in the company's founding commitment to Quality and Integrity. Economic weakness affected core markets where natural disasters caused by extreme weather and worsening trade tensions added to the volatility. Even under these circumstances, company managed to grow its' revenue and gross profit by 8% and 14% respectively. Focused efforts on cost control helped reduce the operating costs by 3% over last year. Thus, the resulting growth in operating profit was over 25%. Rate at which the LKR depreciated reduced over the previous year. Therefore, the exchange gain contribution to the profit before tax is less. Increased Income Tax rate since previous year applicable to value added exporters (14%) and higher profits contributed to the increased taxation for the year in review. Company achieved a noteworthy, double-digit growth in net profit for the year, capping of a very strong financial performance under challenging circumstances. Financial performance is analyzed in further detail under the Finance Capital pillar in the report.

We navigated these unusually turbulent times with stronger focus

on the uniqueness of Dilmah. In hospitality we intensified our efforts in traditional and new markets. This was done by educating hospitality professionals and supporting our customers in delivering innovative tea experiences, while in retail we focused on aligning with the changing nature of consumer preference in tea. While both presented challenges, we are fortunate in that the alignment of Dilmah with quality, freshness and provenance, echoes accelerating consumer preference for authenticity, quality and wellness in food and beverage.

A decade of effort in building the Dilmah School of Tea initiative, has produced an asset that has won credibility through the quality of its programmes. The education, collaboration and innovation that the School offers has been vital in revitalizing the guest experience in tea. Its migration to an online platform and digital delivery has added a consumer dimension to the original focus of hospitality professionals.

Our continued investment in new technology has enabled Dilmah to respond to consumer trends with innovation built on quality and sustainability. The debut of the t-Lounge & Bar by Dilmah added a tea cocktail dimension to the company's tea inspiration, riding a consumer trend that Dilmah began preparation

for in 2013 with The Mixologists & the Teamaker. The company's design and product development efforts continue at a pace that caters to the long tail that is evolving, allowing Dilmah to cater to Millennial and younger consumers whose expectations of tea are significantly different to tea drinkers from the baby boomer generation. This research and development process is likely to strengthen the company's retail and hospitality presence with ancillary product categories that maintain alignment with quality and integrity, and complement the current Dilmah product portfolio.

As the world enters an unprecedented phase with COVID-19 accelerating the changes and challenges we experienced in 2019, we will continue to evolve, with education, innovation and an uncompromising commitment to Taste, natural Goodness and Purpose beyond profit, values that form the heart of Dilmah, and which are equally valued by our customer.

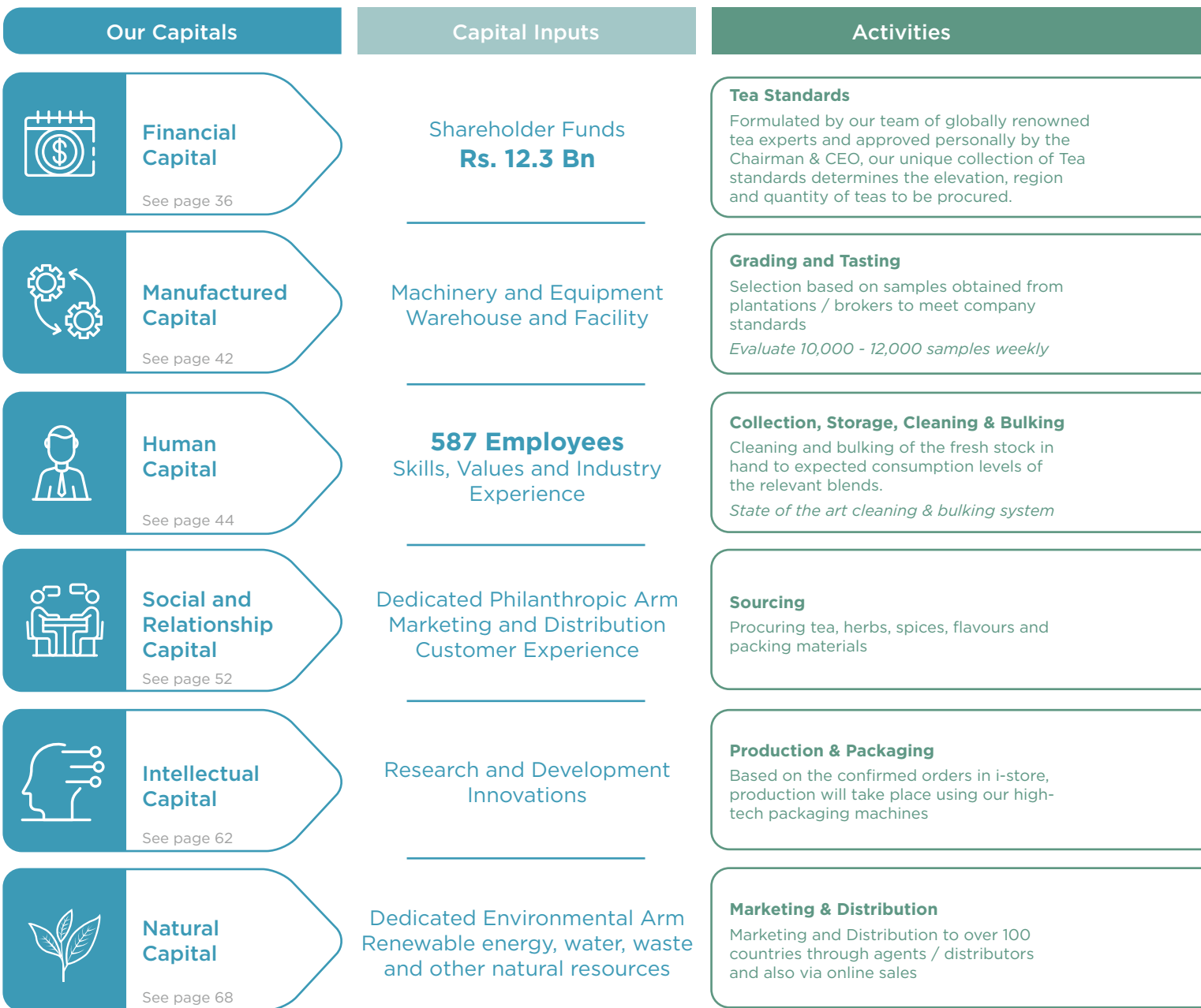


**Dilhan C. Fernando**  
CEO

15th October 2020



## Value Creation Model



**Top Quality Tea  
Delivered**

With leaf evaluation using all sensory impacts including visual, sound, feel and taste

With internal quality control procedures for stringent sample testing

## Sustainable Growth

## Vision

## Mission

## Dilmah Values

Activities	Value Delivered	Outcomes
	Shareholders <b>PAT Rs. 1.6 Bn</b>	Financial stability and growth
	Customers <b>Tea 5,639 MT</b>	Improved process efficiency
	Employees Value created Rs.1,199 Mn	Talented, committed and empowered human capital
	25,009 CSR beneficiaries supported through island-wide programmes	Empowered community
	Rs. 9.5 Bn payments to suppliers	Strengthened supply chain
	<b>World's only vertically integrated tea brand</b> (from tea plant to tea cup)	Business evolution with new technologies and process improvements
	100% Carbon Neutral Facility and Product	Sustainable use of natural resources
	90.35% of total waste recycled/repurposed	Biodiversity Conservation

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

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

After-sales customer engagement and feedback mechanisms including customer and market surveys

Strategy

Governance

Risk Management

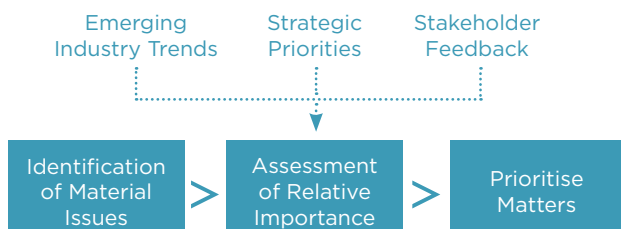




## Determining Material Issues

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










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



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

Significance to Stakeholder	high			1,2,3,4,5,8,9,12
	medium			6,7,10,11,13,14
	low			
		low	medium	high
Significance to Group				

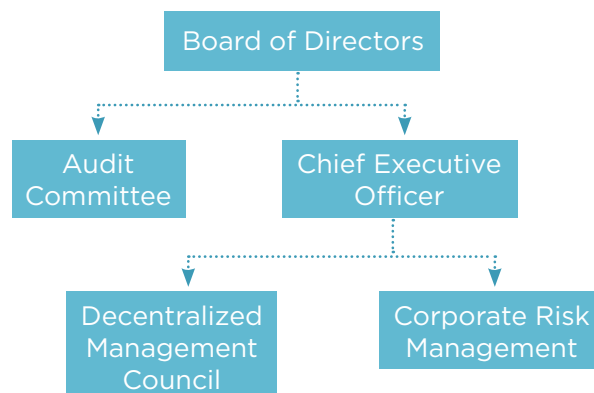


	Material Topic	Corresponding GRI Topic	Corresponding Sustainable Development Goal
1	Sustainable Development Goal		
2	Managing our People	GRI 401: Employment GRI 403: Occupational Health and Safety GRI 404: Training and Education	
3	Innovation		
4	Customer Satisfaction		
5	Managing our Distribution Network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



# Risk Management

The Board of Directors hold ultimate responsibility for identifying and managing the Group's risk exposures. They are assisted by the Board Audit Committee, Corporate Risk Management team and Decentralized Management Council; who are collectively responsible for the same. Risk identification is an ongoing process and follows stakeholder engagement and persistent evaluation of the internal and external business environments. Risk grids are updated on an ongoing basis and presented to the Board for review.



The following table provides a high-level overview of the Group's principal risks in 2019/20.

Risk	Potential Impact & Developments in 2019/20	Mitigating Activities
Geopolitical conditions in buying markets	As an export-oriented Group, economic and geopolitical conditions in buying markets have a significant impact on demand and pricing trends.	<ul style="list-style-type: none"> <li>The Group's focus and presence in diverse markets limit its dependence on countries / regions.</li> <li>Focus on developing new channels such as e-commerce and launching more sustainable products, and also looking at opportunities to give more value added lines to make the products more affordable to consumers.</li> </ul>
Fluctuations in tea prices	Tea prices are dependent on a range of factors outside the Group's control including weather patterns, demand conditions and labour productivity among others. As the primary raw material, fluctuations in tea prices have a direct impact on the Group's profitability margins. In the year 2019, average Sri Lankan tea prices declined by 6% and tea production declined by 1.3% (period January to December).	<ul style="list-style-type: none"> <li>Tea buying strategy incorporates price fluctuations and seasonal trends</li> <li>Ongoing monitoring of emerging industry trends</li> <li>Pursuing product differentiation through innovation</li> </ul>
Changing customer preferences	Customer preferences are changing rapidly with the increasing number of health-conscious customers, competition from alternative beverages and more sophisticated customer demands. Inability to cater to these emerging preferences could affect the relevance of the Group's products, ultimately affecting its competitive edge.	<ul style="list-style-type: none"> <li>Proactive and ongoing engagement with customers through numerous platforms</li> <li>Sourcing from diverse regions and elevations</li> </ul>
Employee attraction and retention	The organisational tacit knowledge of our employee base is a critical factor in sustaining our competitive edge, and the Group's inability to attract and retain the right talent would affect the fulfilment of strategic objectives.	<ul style="list-style-type: none"> <li>Maintain close relationships with employees, training &amp; development programmes, remuneration in line with the industry. Maintain a healthy working environment through an effective two-way communication system.</li> </ul>





Risk	Potential Impact & Developments in 2019/20	Mitigating Activities
Implications of climate change	As a Group which is dependent on the Agriculture sector, the increasingly pronounced effects of climate change has a direct impact on our operations, through adverse weather and natural disasters which affect the quantity and quality of tea. The drought conditions which prevailed in tea growing areas during the year resulted in the country's tea production declining during the year under review.	<ul style="list-style-type: none"> <li>• Conducting research through an owned climate change research station and educating farmers on adaptation methodology</li> </ul>
Product responsibility / quality related risks	Issues relating to product responsibility and / or quality will directly impact the Group's brand and reputation, thereby affecting its competitive edge.	<ul style="list-style-type: none"> <li>• Compliance to a range of product quality related certifications</li> <li>• Stringent quality assurance across the sourcing, manufacturing and distribution process</li> <li>• Ongoing monitoring of emerging customer preferences</li> <li>• Strategic focus on product innovation and developing environmentally sustainable packaging</li> </ul>
Credit risk	The Group is exposed to credit risk through the potential loss of earnings and cash flow arising distributors' / customers' inability to fulfil their financial obligations.	<ul style="list-style-type: none"> <li>• Customers' profiles are carefully evaluated before credit terms are offered. Advise secure payment terms LCs, bank guarantees etc and also obtain SLECIC cover when there is a default risk and regular follow up action with customers.</li> </ul>
Financial risk arising from interest rate fluctuations	Increasing interest rates have a direct impact on profitability through both funding costs and finance income. Interest rates were on a downward trend during the year under review. The Group's finance costs increased by 180% due to the short-term loan facility with Citibank. Finance income also increased by 108% during the year due to an increase in foreign currency deposits.	<ul style="list-style-type: none"> <li>• The company is mostly equity financed and does not contain long term debt obligations having exposure to interest rate risks. Interest rate risk is managed by constantly monitoring the interest rates and negotiating the rates with the banks.</li> </ul>
Exchange rate impacts	Fluctuations in exchange rates have a direct impact on the Group's profitability margins. During the year under review, the Sri Lankan Rupee depreciated by 6% against the US Dollar, and appreciated by 8% against Australian Dollar.	Follow efficient treasury management procedures, forward bookings at the right time and continuous expert advice ease the exchange risks.

## Risks associated with COVID-19

The Group's risk mitigation strategy involved the implementation of business continuity plans, allowing all the functions, departments and sub units to continue through alternative working arrangements including providing transport facilities to employees in complying with necessary health, safety and hygiene protocols. The Group will continue to monitor the impacts to its operations and export sales and proactively take measures to ensure business continues as seamlessly as possible.

The COVID-19 pandemic will result in a decline of revenue in the Food Service segment of the company whilst the impact on retail will be lesser during the forthcoming financial year. The Group continues to assess the business environment in consultation with global business partners to grab the opportunities in the markets post COVID-19, by developing new channels such as e-commerce, developing products to meet the new consumer demands in health and wellness category, launching more sustainable products and also looking at opportunities to give more value added lines to make the product more reachable / affordable to consumers.



# Sustainability at Dilmah

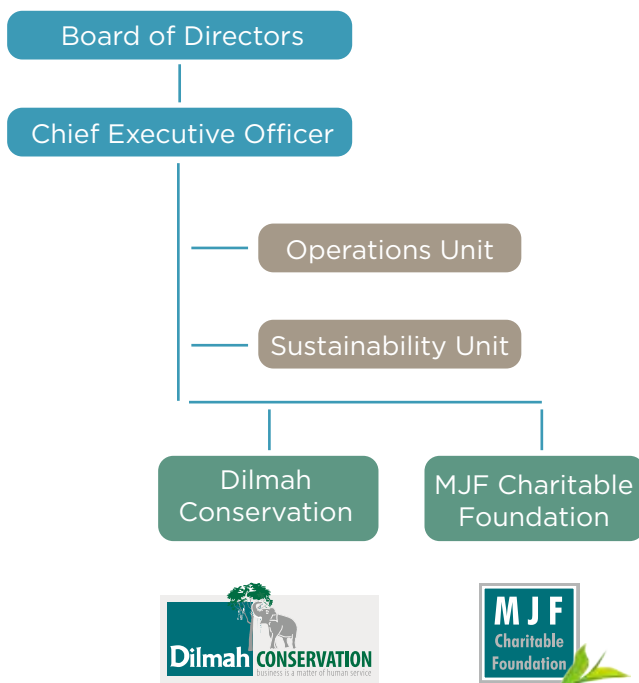
The Founder's long-term vision of building a truly sustainable tea industry benefiting people, communities and the environment, is deeply instilled into the Group's ethos and organisational culture.

## Our Commitment and Approach

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

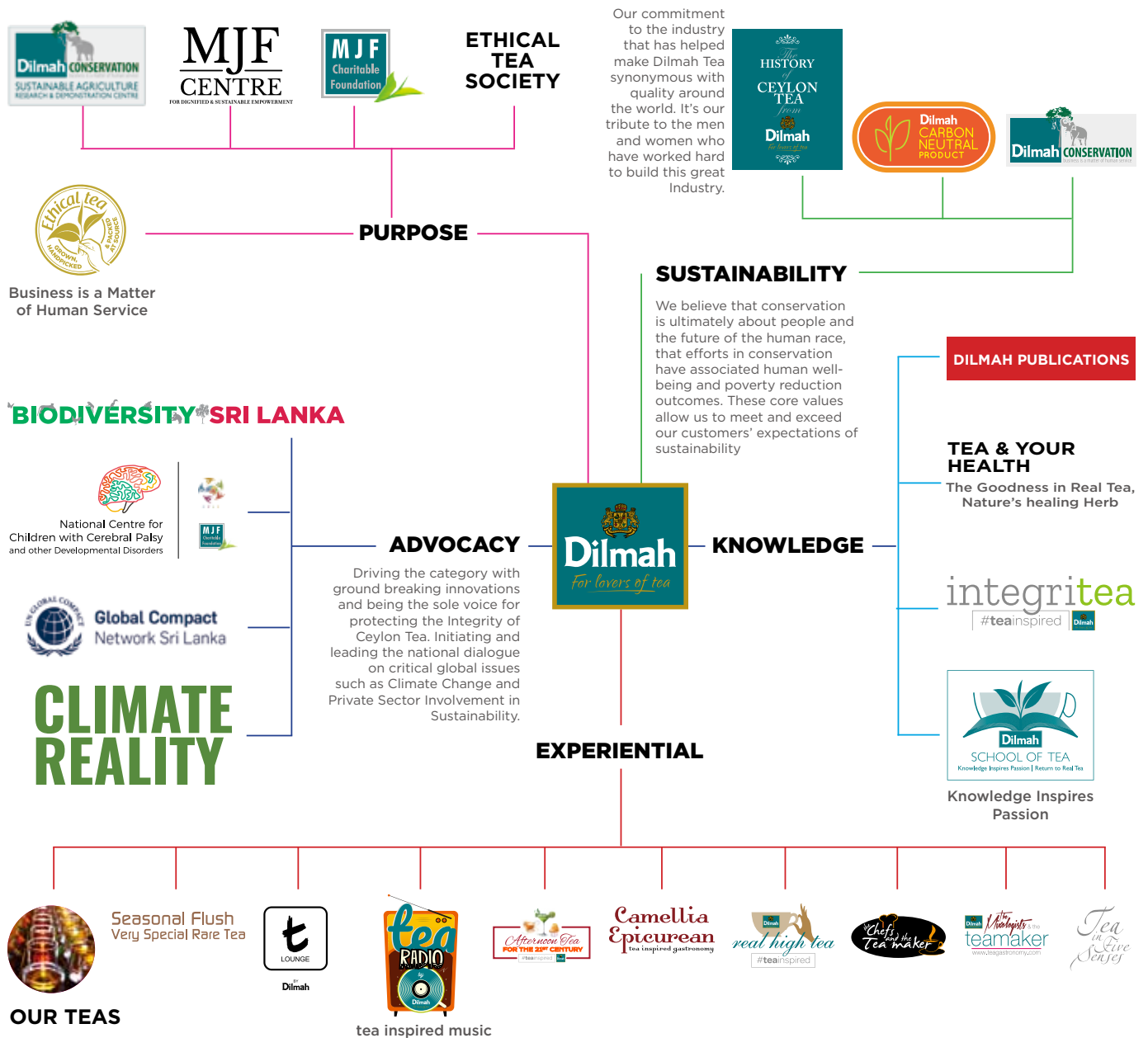
The ensuing section illustrates the Group's sustainability strategy consisting of 6 pillars and 26 elements. In 2019/2020 the Group focussed on training and development, promoting sustainable lifestyles, climate adaptation, safeguarding natural and cultural ecosystems, development interventions and stakeholder engagement.

## Sustainability Governance Structure



## Brand Ecosystem Approach

Dilmah's business strategy is integrated within the brand ecosystem. This enables all stakeholders to engage better so that every action in the business process contributes to a sustainable approach.

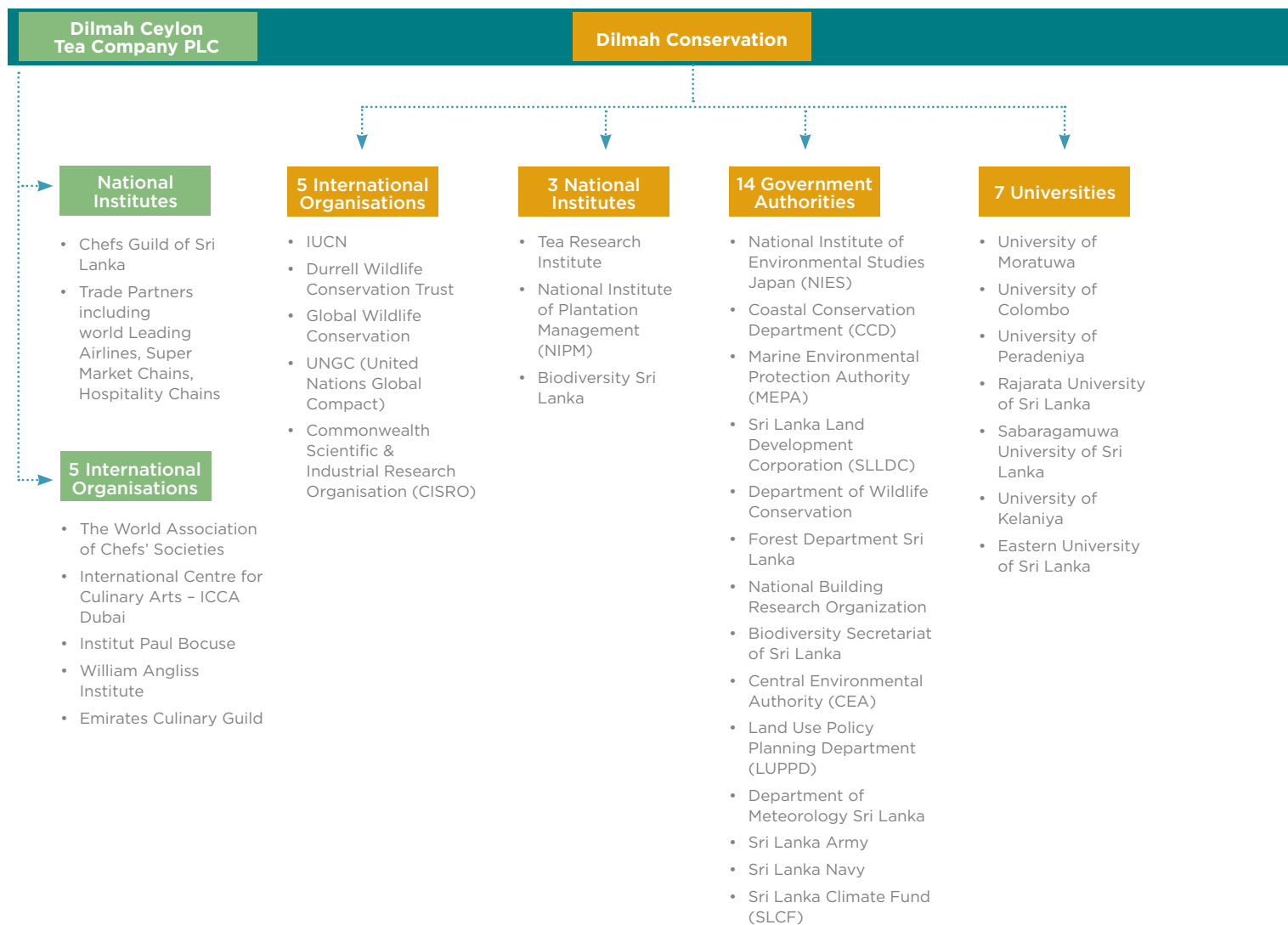


# Stakeholder Engagement

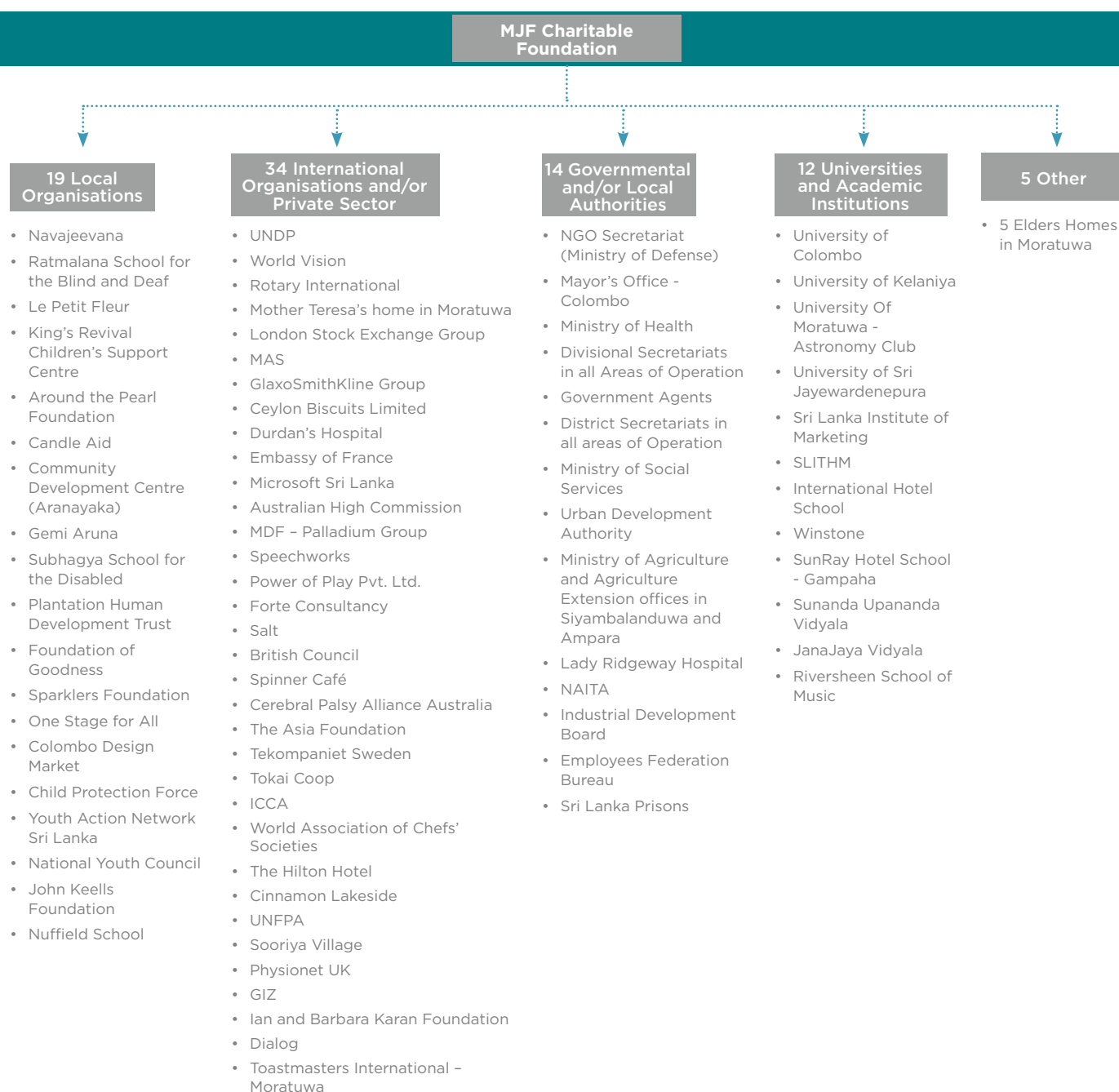
## Sustainability at Dilmah

### Collaborating for Success

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







## Sustainability at Dilmah

Dilmah values sustainability advocacy and realizes the effect of stakeholder engagement on the company's overall Sustainability Strategy. It was one of the founding partners of Biodiversity Sri Lanka (BSL), a national platform entirely owned and driven by the private sector. It was established to promote strong engagement of the corporate sector in biodiversity and environmental conservation in Sri Lanka.

Dilmah is also a lead advocate of corporate sustainability within the United Nations Global Compact, a strategic

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

**BIODIVERSITY SRI LANKA**



### Contribution to the SDGs

Dilmah drives towards aligning its sustainability strategy and initiatives with the United Nations Sustainable Development Goals (SDGs) through strategic and concerted efforts aimed at alleviating poverty, promoting prosperity and protecting the environment. The ensuing section is an illustration of Dilmah's focus on the SDGs through its businesses and sustainability initiatives.


	Stringent quality assurance at every stage of the production process	
	Supplier assessments for quality and food safety	ISO 9001:2015 FSSC 22000 BRC Global Standard for Food Safety ISO 17025
	Production and distribution of 5,639 MT of tea- considered to be one of the healthiest beverages available in the market	


	Total water consumption of 23,928 m <sup>3</sup>
--	--------------------------------------------------


	Partnered with governmental, national and international organizations for technical expertise and guidance, essential collaborations on Dilmah's journey of sustainability	
	Initiating Partner of Biodiversity Sri Lanka in collaboration with Ceylon Chamber of Commerce and IUCN- Sri Lanka	
	Dilmah Conservation joined forces with conservationists from Global Wildlife Conservation (USA), Durrell Wildlife Conservation Trust (UK) and the IUCN Species Survival Commission-amphibians, for building capacity of Sri Lankan herpetologists to facilitate assessing over 120 species of frogs that inhabit Sri Lanka to include them in the Global IUCN Red List	

	BRC food safety cultural excellence to enhance the existing overall company culture	
	Equal opportunity employer	
	9% increase in employee payments	21,584 training hours 85% retention rate




	Over 90% of total waste recycled/repurposed	
	Circular Economy Initiatives	
	25% upcycling of waste packaging material	
	Water and Energy stewardship	<p>Generation of 476,278 kWh of renewable energy</p> <p>100% carbon neutrality</p>

	Achieved 100% carbon neutrality for all the products	
	Extended the scope of carbon neutrality status, up to the shelves of Australia	
	The head office achieved carbon neutrality in 2017	
	78,749 kWh generated through hydropower plants	397,529 kWh generated through solar units

	Fostering sustainable livelihoods through skills and capacity enhancement	
	55 small entrepreneurship grants distributed in 2019.	1506 youth empowered through the Youth Development Programmes in 2019
	Over 4000 children supported through 15 centres dedicated towards child development	
	202 wheelchairs donated in 2019	Empowered 1965 small entrepreneurs to date
	3821 beneficiaries with special needs supported from the inception	
	683 supported in FY 2019/20	
	5307 individuals have received vocational training. 1506 beneficiaries were trained in FY 2019/20	

	1 million cashew trees planted in Batticaloa	
	Initiating Partner of Biodiversity Sri Lanka in collaboration with Ceylon Chamber of Commerce and IUCN- Sri Lanka	Supported 5 initiatives of Biodiversity Sri Lanka
	Endana Nature Corridor aims to create a biological corridor across our tea estate in Endana which borders the Sinharaja Rainforest - a World Heritage Site and a Man & Biosphere Reserve	
	14 publications on biodiversity and heritage conservation to encourage biodiversity and heritage conservation are made available at affordable prices. Selected publications are prescribed for academic programmes in Sri Lankan educational institutes	
	Kayankerni marine sanctuary conservation gazetted as the 18th marine and marine associated sanctuary in Sri Lanka	
	Mangrove Restoration to support blue economy and marine conservation	
	<p>Marine conservation through Beach Caretaker Program</p> <p>Cleaned 23.2 km of coastal areas monthly basis</p> <p>Removed 5282kg of waste from coastal line</p>	

	Equal opportunity employer	
	43% female representation	
	Capacity development through the Women's Development Programme	<p>198 Women and Girls trained in IT in rural settings</p> <p>Sewing and healthy cooking training for 285 women</p>
	Over 1500 women entrepreneurs supported through the Small Entrepreneurship Programme (SEP) and Women's Development Programme (WDP)	









# CAPITAL MANAGEMENT





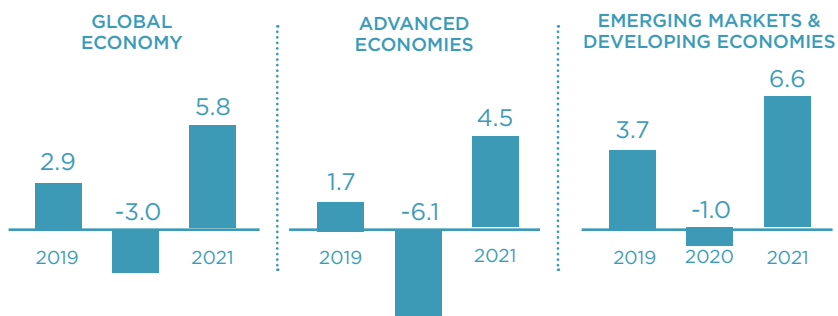
# Operating Environment

## Global Economic Growth

As per the IMF, global economic growth stabilized at 2.9% in 2019 and projects a far worse result in 2020 due to the outbreak of COVID-19. As per the IMF world economic outlook April 2020 research “The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008-09 financial crisis. In a baseline scenario which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support. The risks for even more severe outcomes, however, are substantial. Effective policies are essential to forestall the possibility of worse outcomes, and the necessary measures to reduce contagion and protect lives are an important investment in long-term human and economic health. Because the economic fallout is acute in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses domestically. And internationally, strong multilateral cooperation is essential to overcome the effects of the pandemic, including to help financially constrained countries facing twin health and funding shocks, and for channelling aid to countries with weak health care systems”

## WORLD ECONOMIC OUTLOOK APRIL 2020 GROWTH PROJECTIONS

The COVID - 19 health crisis will have a severe impact on economic activity in 2020



INTERNATIONAL MONETARY FUND

IME.org #WEO



## Commodity Prices

The downward trend in commodity prices continued in the latter part of 2019 and extended in quarter one of 2020 due to the virus outbreak, reflecting the slowdown of global growth. Moreover, as weaker global demand drives down commodity prices, commodity exporters faced pressure on their public finances and real economic activity. Projections show the commodity prices would remain low until demand conditions rise again.

## Sri Lankan Economy

Sri Lanka recorded only a 2.3% economic growth in 2019; the lowest growth in 18 years, mainly due to the April Easter attack. The COVID-19 pandemic added further challenges to the growth outlook with expectations of a contraction in 2020. IMF forecasts -0.5% and World Bank forecasts a growth of -3% to -0.5%. Meanwhile, the Central Bank of Sri Lanka (CBSL) is more optimistic and projects a growth of 1.5%.

As outlined in the CBSL annual report 2019 published in May 2020, all major sectors of the economy recorded positive, but modest growth rates due to the slowing down of trading activities in the first half of 2019 due to the April Easter attacks followed by the COVID-19 pandemic. The agriculture sector recorded a growth of 0.6% in 2019 compared to the growth of 6.5% in 2018. Extreme weather conditions also affected the agriculture sector in 2019. The tea, rubber, marine fishing and marine aquaculture subsectors and forestry and logging activities recorded notable contractions. In contrast, growing oleaginous fruits, vegetables, fruits and animal production contributed towards the growth of the value-added sector. Meanwhile, the industry sector registered a growth of 2.7% in 2019, compared to the growth of 1.2% in the previous year. The growth of the industry sector was mainly supported by the manufacture of textiles, apparel and leather products, the manufacture of food, beverages and tobacco products, and the revival of construction, mining and quarrying activities.

The tourism industry and related activities were also directly impacted by the April Easter attacks. The growth of the services sector reduced significantly to 2.3 % in

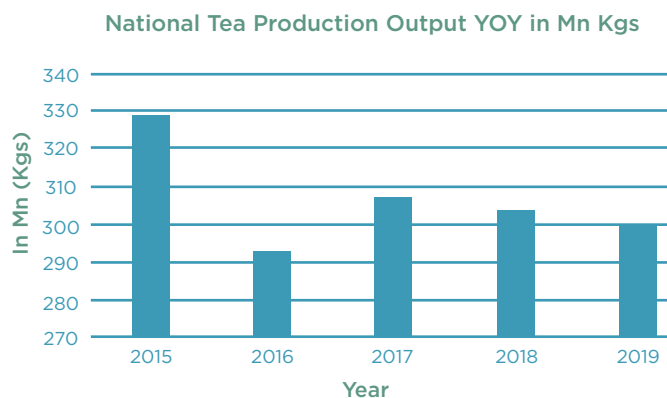
2019, compared to the growth of 4.6% in 2018. Activities in accommodation, food and beverage services also recorded a contraction in 2019.

However, wholesale and retail trade contributed to the overall growth of the services sector, while telecommunication, IT programming consultancy and related activities continued to record double-digit growth.

Sri Lanka's key sectors – industries and tourism are set to resume after a blackout period close to two months with strict health guidelines. However the year 2020 is expected to be a year in recession. Due to the slowness in global demand, exports will have a severe impact resulting in a reduction in the foreign reserves. Government has taken further measures to cut on unnecessary imports and ban certain luxury items to curb the outflow of foreign currency.

## Tea – Industry Environment

The downward trend in tea production that was observed since 2017, continued in 2019 as well, primarily due to domestic and environmental factors. Tea production in 2019 declined by 1.3% to 300.1 million kilogrammes, owing to labour issues that emerged during wage negotiations in the sector, dry weather conditions that prevailed in the first half of the year as well as heavy rains in the fourth quarter. Accordingly, high grown tea production reported a decline of 3% to 63.1 million kilogrammes, while the medium grown tea output increased marginally by 0.1% to 47.2 million kilogrammes. Low grown teas, which account for around 62% of the total output, declined by 1.0% in 2019 to 189.9 million kilogrammes. The average



## Operating Environment

yield in the smallholder sector was generally higher than that in the large plantation sector, reflecting the potential for increasing the yield by replanting and infilling old plantations with high yielding tea plants and applying good agricultural practices.

### A Short Term Boost in Tea – Amidst COVID-19

The global tea market has been depressed over the last few years due to excessive supplies. Ironically during the COVID-19 pandemic, a surge in the demand for tea was noted globally. While most people spent more time in their homes under lockdown the demand for tea increased. The increase in consumption was only second to water, as people opted for healthier beverage options.

China, India, Kenya, Sri Lanka and Vietnam account for 82% of global tea exports, and according to a new Reuters article, labour lockdowns caused by the pandemic and colder-than-usual weather in 3 out of the 5 countries have disrupted the leaf-picking season, delaying shipments and created price hikes as demand for the beverage climbed world over. Even Turkey, which globally consumes the most tea but usually produces its own supply, has been struck by labour shortages due to a lack of migrant workers.

Airfreight, ocean freight, and land transport have all been disrupted by the pandemic and the loss of labour due to sick workers or stay-at-home restrictions impacting the food supply chain everywhere. Other recent developments such as the impact of meat processing plants that have begun to close, only to be mandated to remain open in the U.S., and excess milk and produce going to waste at the source, show the somewhat tenuous nature of the global food supply chain.

Although the surge in demand of the hot tea market is expected to be short-term, the good news is that while it lasts and prices are up, it is giving “much needed support” to the tea industry and plantation sector.

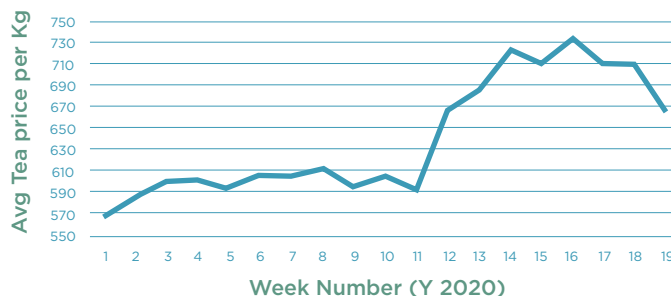
*Courtesy: [www.profoodworld.com](http://www.profoodworld.com)*

### Tea prices up to an all-time high amidst COVID-19

Panic buying triggered by the spreading of COVID-19 along with the short supply has boosted the prices at Colombo Tea Auctions. As per Forbes and Walker Tea Brokers, the national Tea Sales Average (TSA) for the month of April totalled LKR 689.18 per kg, the highest-ever recorded for a calendar month surpassing the best of LKR 648.52 achieved in April 2017. Continuing the same trend, during the first week of May, the TSA increased to LKR 733.60. However, during the second and third weeks of May, the TSA declined but was still well over the average.

Data Source: Forbes and Walker Tea Brokers

Movement of Tea Auction Averages during 2020 (LKR)





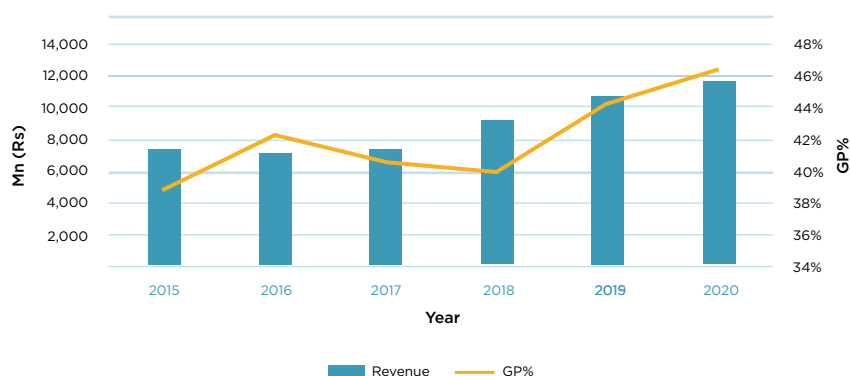
## Capital Management

Financial  
Capital

Dilmah Ceylon Tea Company (DCTC) achieved yet another strong performance year. DCTC ended the financial year recording an export revenue of LKR 11.6 Billion, an increase of 8% compared to the last financial year. The export volume for the year stood at 5.63 Million Kilograms. Last year's exports totalled to 5.19 Million Kilograms, resulting in a volume increase of 8.7% for the year.

PBT stood at LKR 2Bn compared to the last financial year's growth of 17% (LKR 1.6Bn, 2019) and EPS reported at Rs. 75.19 per share. The company's steady and consistent performance has positively contributed to effectively executing the long term strategy of the company.

## Revenue &amp; GP Growth



Group continued to innovate its product portfolio, launching new recipes and consumer-friendly packaging to meet the changing needs of the markets. Despite the price pressures and discounts by large retailers undermining Ceylon Tea, DCTC continued to maintain its strong brand equity with high-quality products.

DCTC reported a gross profit of LKR 5.3Bn with an impressive gross margin percentage of 46% compared to LKR 4.6Bn (GP margin of 44%) versus last FY. Gross profit value in absolute terms increased by LKR 673 million an increase of 14% compared to the last year. On average, a downward trend in tea costs(initial part of the year) & LKR depreciation helped improve the GP% whilst the increase in volume helped the GP in absolute terms to rise. However, it is pertinent to note that due to the drought conditions and the disruptions caused by COVID 19, tea prices have been going up steadily from the latter part of March. The impact will be felt in the next financial year.

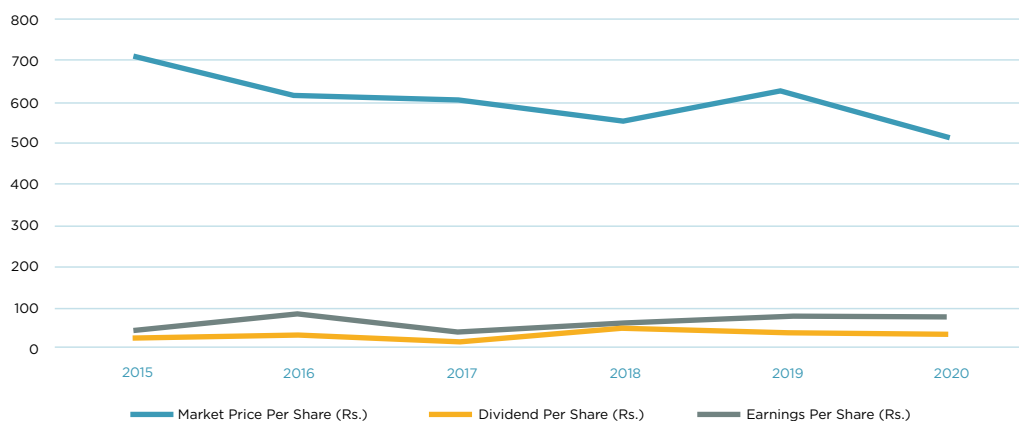
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## Capital Structure

DCTC's consistently strong performance results in a strengthened capital structure. Key internal, as well as market indicators, shown below, are evident to the DCTC's strong capital structure. Return on equity (ROE) reported within the range of 11-15% for last few years.

The company redistributed its earnings in the form of dividends while having sufficient funds for business expansion, accordingly, the company paid an interim dividend of Rs.20/- and proposes a final dividend of Rs 5/- per share for the year 2019/20.

Return to Shareholders		2019/20	2018/19
ROE	%	13.18	14.5
Earnings per Share	Rs.	75.19	76.71
Net Asset per Share	Rs.	594.88	555.65
Share Price (Closing)	Rs.	531.00	619.90
P/E Ratio	Times	7.06	8.08
Dividend Per Share	Rs.	25.00	35.00
Dividend Yield	%	5	6
Dividend Payout	%	33.25	45.63
Market Capitalisation	Rs. Mn	11,012	12,855



## Capital Management

# Manufactured Capital

Being a vital component in the value creation process, the Group's physical infrastructure consists of production facilities, manufacturing equipment, and other machinery. Along with facilities manufacturing high quality products in an uninterrupted, efficient and sustainable manner.



**79.1%** Overall  
Equipment  
Efficiency



**Rs. 3,246 Mn**  
Property, Plant  
& Equipment



Advanced  
Manufacturing  
Technology

### Highlights of 2019/20

- 52 engineering improvements
- 3.1% increase in Overall Equipment Efficiency (OEE)
- 0.5% reduction in production wastage at the factory

### Value Delivered

**Production volume**  
**5,639 MT**

100% product customisation  
based on country / customer  
requirements

Overall highest  
performing equipment  
efficiency  
**95.6%**

Production wastage  
at the factory  
**2.3%**

**100%**  
Delivery In Full  
On Time (DIFOT)

### Capacity Utilisation

The efficiency of the manufactured capital has increased as a result of the increase in overall equipment efficiency which has shown a 3.1% increase compared to the previous year.

Consequently, these improvements have led the human capital to function well by maintaining the absenteeism cover at a low level of 10%. Similarly, due to the efficiency improvements in the manufactured capital, the cadre requirement has reduced to 432 in the production process, which has shown a 11% reduction compared to the recommended cadre of 485.

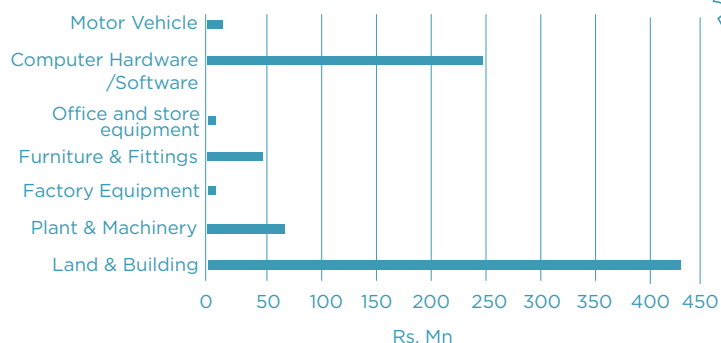




Indicator	2019/ 20	2018/ 19	Y-O-Y Change %
Overall highest performing equipment efficiency ratio	95.6%	91%	4.6%
Production wastage at the factory	2.3%	2.8%	- 0.5%
Capacity utilisation	80%	77%	4%
Delivery In Full On Time (DIFOT)	100%		
Overall Equipment Efficiency (OEE)	79.1%	76%	3.1%

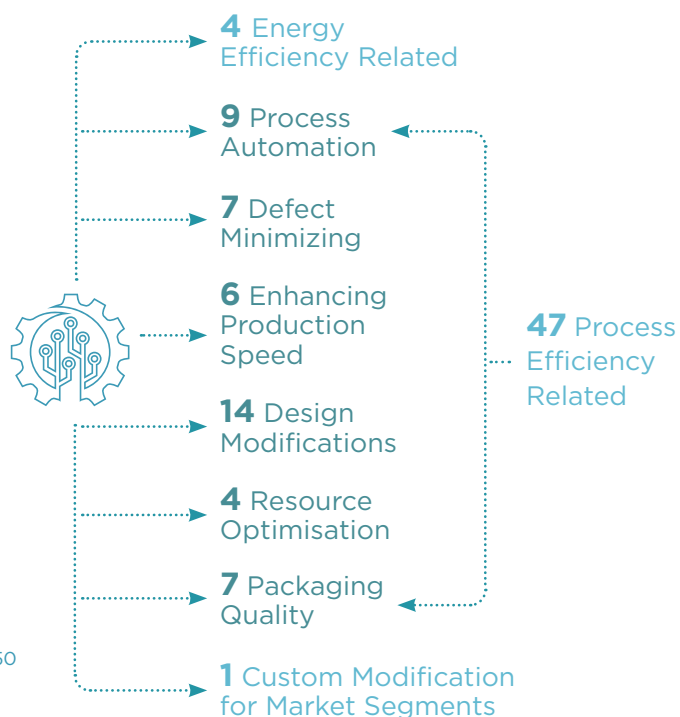
### Capital Value Addition

The Group invested Rs. 811 million as capex during the year, consisting of new investments and regular maintenance expenditure for its manufactured capital.



### Engineering Improvements

Dilmah pursues a sustainable production process through upkeep and enhancement of the manufacturing capital via many engineering improvements. The ensuing section illustrates the 52 engineering improvements made during the year. These improvements are mainly categorized into energy efficiency related projects, process efficiency related projects and custom modifications for market segments.



## Capital Management

# Human Capital

Upholding the philosophy of 'Business is a Matter of Human Service', the Group leverages the talent and the commitment of its most valuable asset – its employees, while attracting and retaining the best talent in the country. The Group's dynamic team of 587 employees drives its strategic aspirations and facilitates a healthier customer experience that ultimately contributes to business growth.



**587**  
Employees



**43%** Female  
Representation



**85%**  
Retention  
Rate

Employee Performance  
Management System with  
Real-Time Feedback

### Highlights of 2019/20

- Complete digitalization of the HR process from hire to retire
- 266 individuals trained on enhancing technical competencies
- Employee productivity (defined as revenue per employee) increased by 19%

### Value Delivered

Total payments  
to employees  
**Rs. 1,199 million**

**85%**  
Retention Rate

Training  
investment  
**Rs. 34 million**

**High Level of  
Employee Engagement**

Total training hours during  
the year **21,584**

### Management Approach

The values of Dilmah tea – dedication, integrity, loyalty, motivation, authenticity, and humaneness are enlivened by the 587 strong human capital of Dilmah. Hence, the Group ensures that their personal and career aspirations are met by adopting a holistic employee value proposition.

We have increased the efficiency of the HR process through complete digitalization which helps optimize time and resources, from recruitment up to retirement / resignation.

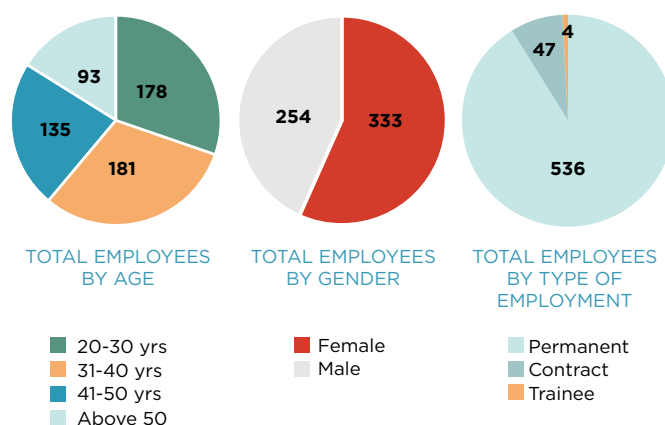
During the year under review, a relatively low employee turnover was shown of 15%, justifying Dilmah's commitment as a preferred employer. Our value delivery system is reflected by investing in over 21,000 training hours and an increase in the total pay-out, by 9%.



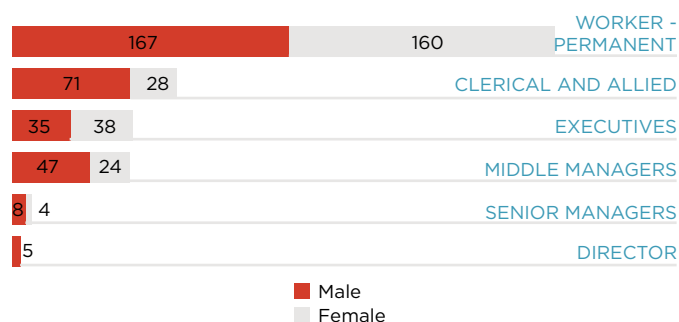
## Team Profile

The Dilmah family is enriched by a young and energetic team with 61% of them being between 20 to 40 years of age. Being an equal opportunity employer, Dilmah does not discriminate based on gender, ethnicity, age or any other form of diversity when attracting, remunerating, or promoting employees.

Team Profile



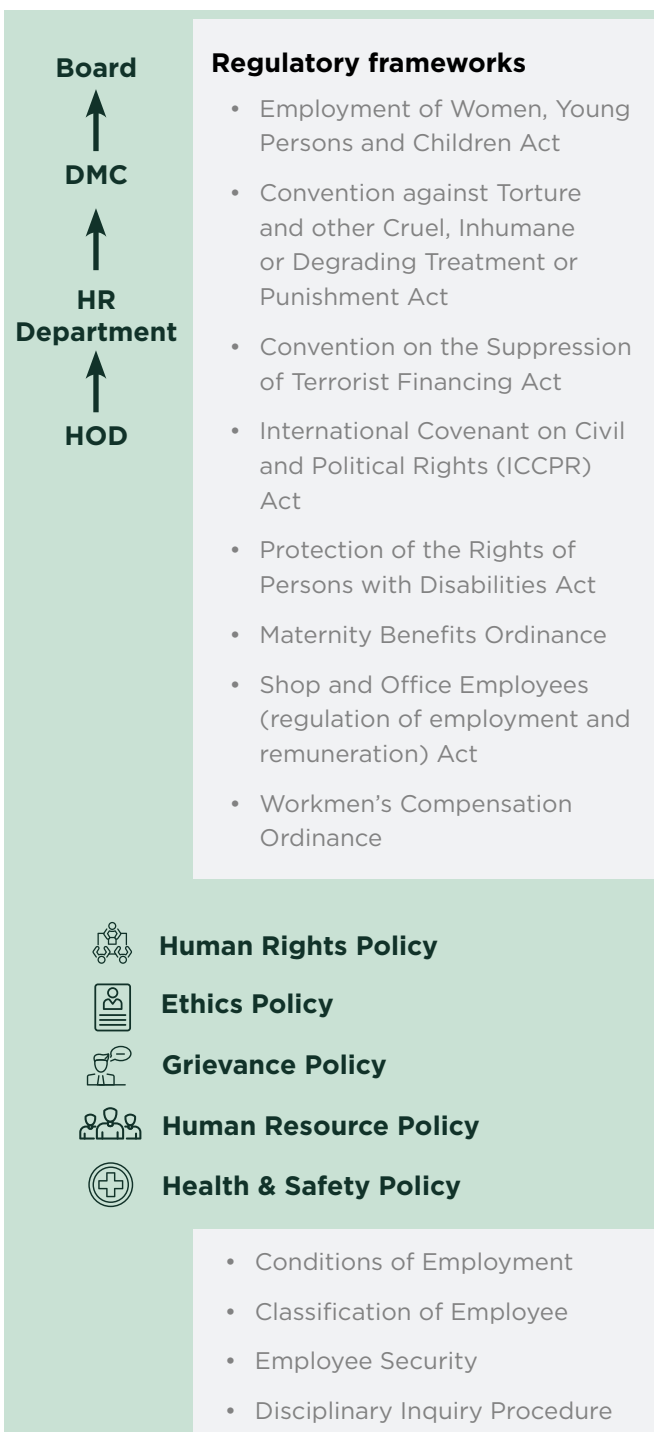
Team Profile by Employment Category



## HR Governance and Policies

Our Human Resource governance framework consists of resilient HR, Grievance and Ethics policies centred on attracting, stimulating, developing, and retaining our human capital. Our governance policies focus on capitalising and augmenting employee interest based on stakeholder and organisational goals. The Board, Human Remuneration Committee and the Heads of Departments constantly review and update policy framework and the way forward with said policies. Our comprehensive HR

policy framework is designed to comply with local and international regulations, standards and industry best practices.

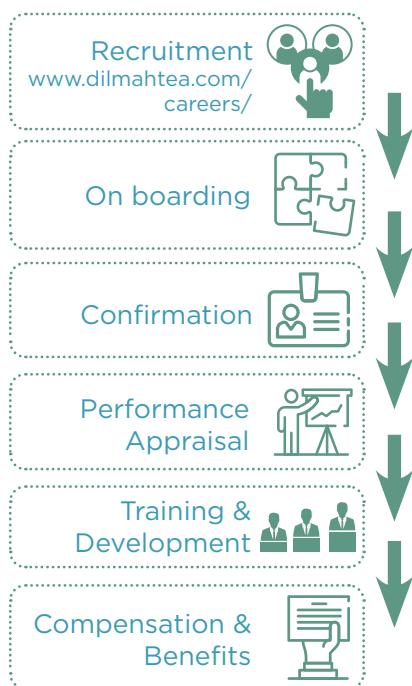


# Human Capital

## Digitized HR Process

The HR process has demonstrated a continuous improvement through complete digitalization, starting from recruitment up to retirement / resignation. An online career page was launched on Dilmah's official website for the candidates to upload their CVs for vacant positions. The system also helps the selected candidates create their employee profiles via online documentation.

Candidates best suited for the job are recruited based on knowledge, skills, abilities and behaviour providing an equal opportunity in line with organizational goals. The requirements of the Employment of Women, Young Persons and Children Act is firmly adhered to in our recruitment process. All recruits undergo an induction program covering all departments.



Resource Optimization | Circular Economy |  
Process Efficiency

Figure 1: Digitized HR Process

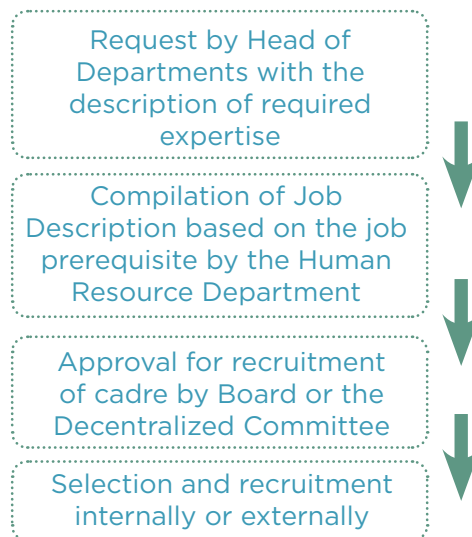


Figure 2: Recruitment Process

### Attraction

- By Knowledge
- By Skills & Expertise
- Via an Online System

### Development

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

### Retention

- Rewards and recognition
- Prioritizing Health and safety
- Updated HR Policy

### Employee Engagement

- Sustainable Lifestyles
- Fitness and Sports
- Employees' Children Engagement
- Engaging in Cultural Events

### Occupational Health and Safety

- Immediate corrective actions
- Accident-free working environment

Figure 3: Human Capital Priorities



## Engagement and Grievance Handling

A happy workforce enables high performance. Various employee engagement activities such as development initiatives, sporting and recreational events, cultural events etc. are planned throughout the year. In addition, a transparent and streamlined grievance handling procedure has also been put in place to ensure employee feedback is well received.

### Employee Engagement activities during the year



Religious Activities



New Year Celebrations



Weekly Fitness Sessions



Staff Get-together



Long Service Awards



Staff Christmas Party



International Women's Day Celebrations



Employee Kids Party



## Sustainable Lifestyles

- Staff Christmas party with a new purpose of living a sustainable lifestyle

## Human Capital

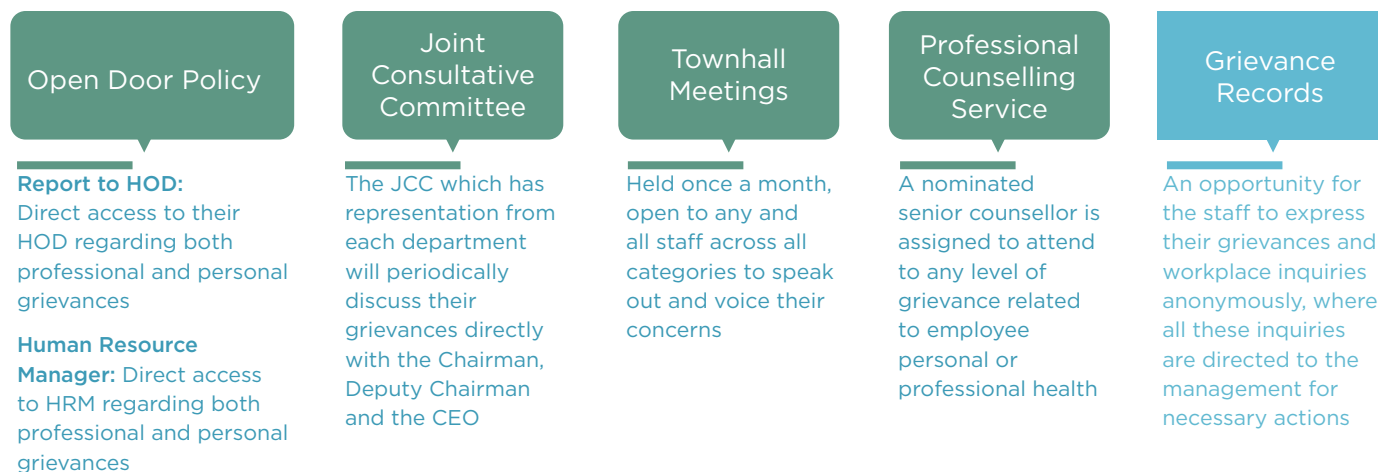


Figure 4: Grievance Mechanism

### Performance Evaluation

Dilmah believes in nurturing a performance-driven culture. Rewards and remuneration, therefore, are based on a well-defined and transparent performance evaluation system – The Employee Performance Management System (EPMS), which evaluates the employee on individual Key Performance Indicators (KPIs), Competencies and Dilmah Values during the assessment period. The EPMS facilitates the evaluation process as one-to-one discussion and provides continuous feedback among the appraisee and the appraiser. Performance is appraised biannually for executives and non-executives through a state-of-the-art HRIS and competency evaluation.

### Remuneration and Benefits

Prior to commencing the performance review process, the Remuneration Committee is tasked to conduct a detailed salary benchmark across the industry to ensure Dilmah retains and attracts the best talent. The results of this benchmark, along with living cost analysis based on national data and results of the performance appraisals, form the key components taken into consideration when determining remuneration. Once defined based on the above approach, salary increments are then submitted by the Committee for the approval of the CEO and the Board.

#### Benefits offered to our permanent cadre

##### Fringe Benefits

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

**Healthcare**

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

**Leisure**

- Sports Club

**A Retirement Plan****Small Entrepreneurship Programme (SEP) for Staff**

Following the core pillar of Kindness, this Plan encourages and provides support to staff at Dilmah, in their livelihood after retirement. Making the company not just a career driver, but also a partner in its employees' journey of life.

- The SEP programme was initiated to support rural communities with little or no access to seed capital, to break the cycle of poverty.
- As part of the staff benefits, this programme has been extended to retired Dilmah staff as a retirement plan to maintain their financial stability.
- The employees are encouraged to come up with their business ideas with a plan for implementation. The business plans are then carefully screened and selected giving priority to the most suited individuals.
- Thus far the programme has identified 15 individuals, catering to their requirements.

**Training and Development****8 Training Clusters**

1. Business and Communication
2. Compliance and System Requirements
3. Finance and Accounting
4. Information Technology
5. Leadership and Management
6. Professional Trainings
7. Food Hygiene and Safety/OHS
8. On the Job trainings / Technical

**Cross Functional Training**

- Information Technology
- Finance
- Quality Assurance
- New Product Development
- Food Technology
- Shipping
- Customer Services
- Tea Department

**330 Employees**

to share the inter departmental process and procedures

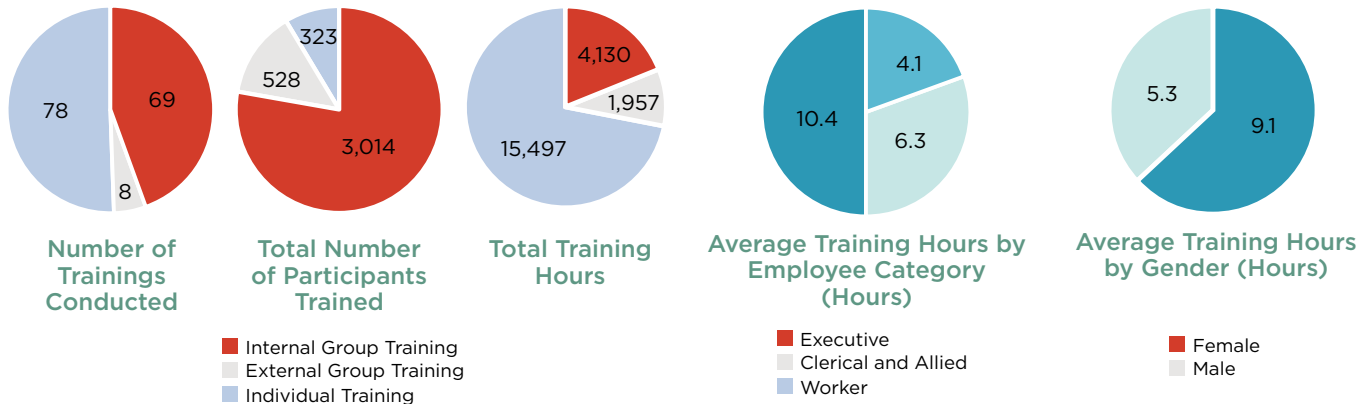
**Technical Competency Development Program****NVQ Level 4 certification for technicians****On the Job Training****250 Production Staff**

to develop and enhance their technical competency

Better Collaboration | Increased Workforce Sustainability |  
Increased Motivation & Efficiency

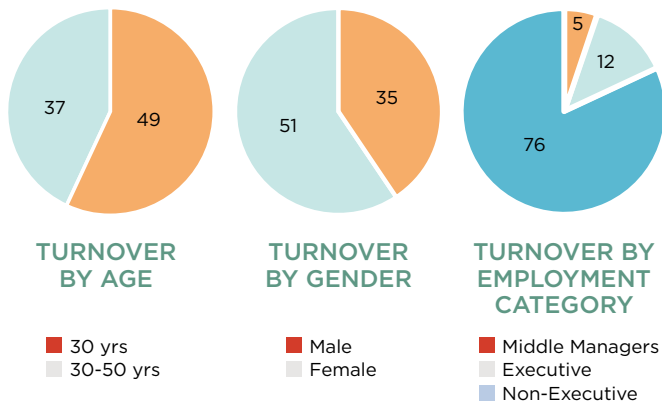
**21,584**  
Total Training Hours

## Human Capital



### Employee Retention

Dilmah's unique employee value proposition characterized by above-average remuneration and dynamic work environment has permitted the company to sustain a retention rate of 85% while maintaining the turnover at a rate of 15% during the year under review. The general staff turnover was 11% whilst the factory staff turnover was recorded at 16%.



### Health and Safety

Dilmah as a manufacturing company is committed to providing employees with a safe working environment focused on eliminating and managing health and safety concerns such as the risk of hazards and injuries.

Adhering to the requirements of the 4 pillars - labour, health and safety, environment and business ethics of Sedex Members Ethical Trade Audit (SMETA)

methodology, Dilmah ensures continuous improvement of Health & Safety in the workplace. The packing and bagging factory situated in Peliyagoda is equipped with a fully-fledged medical facility with medical check-ups conducted every weekend by specialists in the medical field. The Health and Safety committee conducts monthly reviews on the safety and hazardous situations and comprises of worker representation of 25%.

Proving the strength of our Health and Safety policy across the Group, zero injuries and hazards of critical nature have been reported during the year under review.

**25%**  
of the Workers  
Represent the  
H&S Committee

### Salient Points of Our Health and Safety Policy

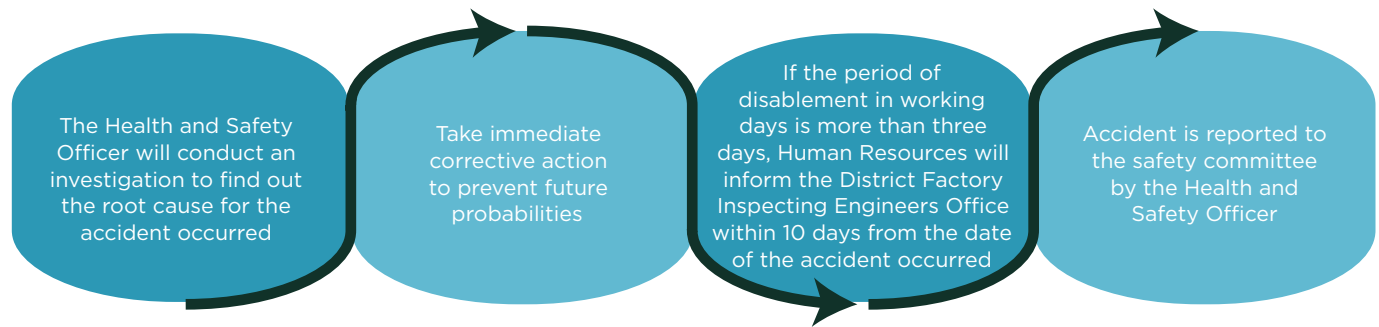
Providing a healthy and safe working environment by focusing on good manufacturing practices and establishing a safety culture, systems and procedures.

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

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



### HR follow up procedure in case of injuries



### New Normal - COVID 19 Response

Amid the Corona virus crisis, Dilmah has stepped up to support its staff, customers and local communities by developing new business processes and practices, and redefining models for collaboration and teamwork.

#### Staff Safety

One proactive business response to COVID-19 is the initiatives taken for staff safety through Sanitization programs and health officer inspections.



#### Staff Welfare

The staff welfare scheme has been furnished with pandemic allowance to address the financial challenges faced by the staff during this period.

### Strengthening the Health Sector and Community Welfare

To strengthen the health sector of Sri Lanka, Dilmah handed over 10,000 testing kits, virus collection swabs and RNA Mini kits to the Ministry of Health, Nutrition and Indigenous Medicine.

As part of the community welfare plan, Dilmah's MJF Charitable Foundation distributed over 3,300 packs of dry ration and hygiene packs to families of staff, beneficiaries and other vulnerable communities in many parts of the country.

Other initiatives conducted over the lockdown period included conducting teletherapy and education services for over 250 children and youth with disabilities using free messaging and communication apps, home-school assignments and catch-up classes for over 400 children and youth, and the counselling of parents and women affected by the lockdown.

#### Mindfulness and Wellbeing

During the crisis, Dilmah managed to maintain healthy customer communications through social media and other communication platforms. Dilmah Conservation launched a virtual campaign to transform household spaces into edible landscapes. An e-publication on 'Eco-Friendly Home Gardening' and a virtual webinar series on edible gardening inspired people restricted to their homes to get involved in organic farming which has shown an upward trending engagement.



## Capital Management Social & Relationship Capital

Proactive and ongoing engagement with our customer base has enabled Dilmah to elevate its brand not only as a beverage, but also as a gastronomical experience. These engagement initiatives are aimed at promoting our products, obtaining customer feedback and acquiring new customers.



**2.8 Bn** Tea cups served each year globally



**941** Suppliers



**108** Distributors



**Over 25,000** beneficiaries in community engagement

### Key Achievements in 2019/20

- Dilmah wins most trusted tea brand in New Zealand for the 5th year in a row - The New Zealand Reader's Digest Trusted Brand Awards 2020.
- Dilmah Founder, Merrill J. Fernando was bestowed with the "Deshamanaya" title at the recent National Honours Ceremony presided by former President Maithripala Sirisena.
- Dilmah handed over 10,000 testing kits, virus collection swabs and RNA Mini Kits to the Ministry of Health, Nutrition and Indigenous Medicine to strengthen the health sector of Sri Lanka during the COVID-19 pandemic situation.
- Dilmah Tea Founder, Merrill J. Fernando, has been capped as a Doctor of Science by Massey University in New Zealand.
- Philip Kotler, modern marketing guru, cites Dilmah Tea as an example of Authenticity in his latest book, "Asian Competitors: Marketing for Competitiveness in the Age of Digital Consumers".
- All Dilmah products are carbon neutral, including all teas and infusions shipped and shelved in Australia.

### Value Delivered

**Rs. 9,538 Mn** payments to Suppliers

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

Investment in community engagement initiatives  
**Rs. 260 million**

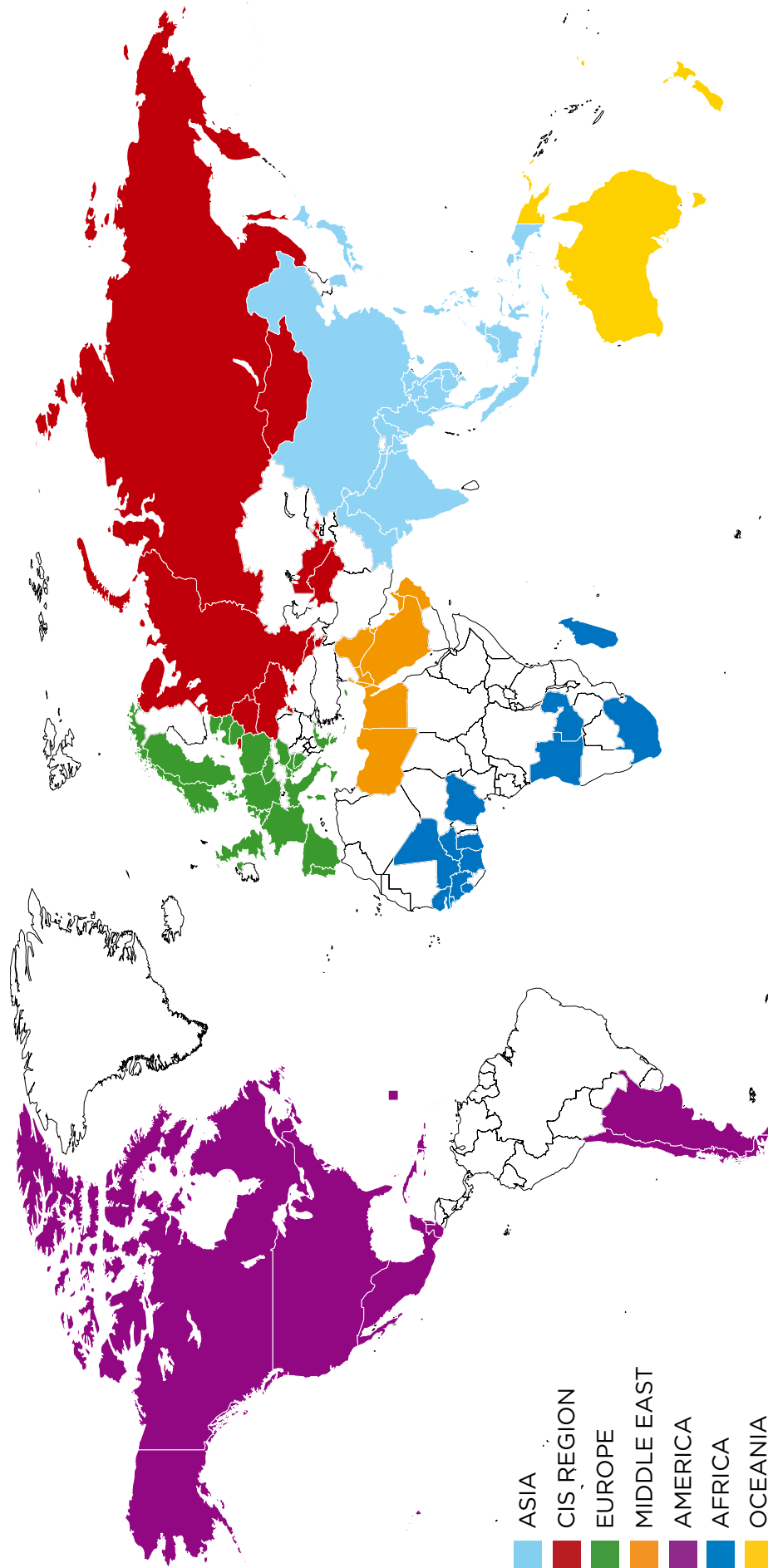
Highest social media reach per month was recorded as **42.5 Mn** with a monthly average of **34.5 Mn**

**25,009 CSR** Beneficiaries supported through island-wide programmes

### Management Approach

With the objective of generating shared corporate and ethical values, Dilmah strives to nurture meaningful and mutually constructive relationships with our diverse stakeholder base of customers, suppliers, business partners and communities.





## Social & Relationship Capital

### Customers

Dilmah offers a single-origin, authentic, natural and ethical tea experience to its valued customers spanning across the globe in over 100 countries across 7 regions.

Retail	Innovation	Quality & Product Responsibility	Engagement
<ul style="list-style-type: none"> <li>• Supermarkets</li> <li>• Hypermarkets</li> <li>• Traditional trade</li> <li>• Convenience stores</li> <li>• Online retail</li> </ul> <p><b>80% sales generated</b></p>	<ul style="list-style-type: none"> <li>• Innovative and exciting products catering to emerging customer requirements</li> <li>• 45 products introduced in 2019/20</li> <li>• Rs 33 Mn investment in R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>• 3 Quality Management Food Safety &amp; Management Certifications</li> <li>• First ISO:17025 accredited Chemical and Microbiological laboratory for the tea industry in Sri Lanka</li> <li>• 3 Organic Certifications</li> <li>• 4 Ethical Sourcing &amp; Responsible Operations related certifications</li> <li>• 1 Environmental Management System Certification</li> </ul>	<ul style="list-style-type: none"> <li>• Numerous customer engagement initiatives, tea promotion events, competitions and publications</li> <li>• Strong social media presence with 2.3 million brand followers</li> <li>• Consumer reached through Tea Radio, specialized apps and e-commerce platforms</li> </ul>
<p><b>HORECA</b></p> <ul style="list-style-type: none"> <li>• Hotel groups</li> <li>• Restaurants</li> <li>• Cafés</li> <li>• Airlines</li> </ul>			

### Quality and Product Responsibility

The end-to-end operations along our value chain ensures adherence to the statutory requirements of the Factories Ordinance, the Tea Control Act and the Group's stringent internal quality standards.

During the year under review there were no instances of non-compliance to any product responsibility / customer health and safety related laws or regulations.

### Engagement

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

**Tea Inspiration for the 21st Century - Ti21** - A tea challenge designed by the Ceylon Tea growing family Dilmah, to express the natural sophistication and taste in fine tea through gastronomy and mixology. It is the evolution of the revolution in tea that Dilmah sparked through its pioneering Real High Tea Challenge. This event involved 710 contestants in 14 countries and challenged dated concepts of afternoon tea. Ti21 continues that spirit in taking the message of great Taste, Natural Goodness and Ethical Purpose in fine tea, to a new generation with 21st century style.





**Tea Inspiration for the 21st Century – Professional**, debuted in Asia with Thailand and Indonesia leading the way. Evolving from The global Dilmah Real High Tea competition, this competition introduces professionals to innovation in tea for the morning, afternoon and evening.



**Tea Inspiration for the 21st Century – Next Gen**, which debuted in Singapore, empowered hospitality students to innovate with tea in a competition setting.



**The 4th Dilmah Tea Mixology Play-Off** competition in Indonesia took place in November of 2019, to showcase the creativity of mixology professionals in producing exceptional cocktails, mocktails and traditional hot beverages using specialty Dilmah tea.



**Afternoon Tea for the 21st Century** held at the Culinary Art Food Expo in Sri Lanka promoted Tea as an ingredient in cooking as well as a beverage, revolutionising the usual high tea experience amongst hospitality professionals.



### Revolutionising the Tea Sharing Experience: The First Carbon Neutral School of Tea

The 70th Dilmah School of Tea in Sri Lanka celebrated 10 years of stirring tea inspiration. Initiated in 2009, at the Institut Paul Bocuse in France, our dissemination of knowledge knows no borders, inspiring tea aficionados in Europe, East Asia and more. With up to 5200 participants in total so far, in 2020 alone 112 participants took part in the only educational course in tea that is accredited by the World Association of Chefs' Societies. In conjunction with these milestones, the 70th session also marked the first ever Carbon Neutral School of Tea.

In order to achieve carbon neutrality, the Dilmah sustainability team calculated international air mileages,



emissions from internal transporting, power and water usage, analysed waste records and reviewed food plans from the conference. Additionally, the event ensured a paperless learning experience, with participants required to download the "Dilmah Tea Inspired App" for all learning material and their examinations.

## Social & Relationship Capital

### Suppliers

At Dilmah, every cup of tea is brewed with carefully selected ingredients handpicked from the tea gardens. The majority of the Group's suppliers are tea smallholders and regional plantation companies through whom tea is procured. Almost 100% of tea is procured from the Colombo Tea Auction in line with the Tea Control Act, and a few specialised varieties of tea such as, Darjeeling and Assam which are not available in Sri Lanka are imported.

Local suppliers and service providers **719**

Foreign suppliers and service providers **222**

Total value created to suppliers **Rs. 9.5 Bn**

A stringent evaluation process for supplier selection based on;

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

### Supplier Code of Conduct

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

### Business Partners

Dilmah ensures its business partners including distributors, service providers and regulators emulate the company's non-negotiable standards on transparent and ethical business practices in their dealings with the company.



### Distributors

- A network of 108 distributors spread across over 100 countries in 7 regions
- Engaged through events, conventions and Partner App



### Service Providers

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

### Catering to Leading Airlines



### Community

The Group's philosophy "Business is a Matter of Human Service" is reflected in its extensive community engagement initiatives, which collectively benefit over 25,000 lives across the country. Philanthropic initiatives are driven through the MJF Charitable Foundation (MJFCF), which is funded entirely by DCTC.

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



### Entrepreneurship

- The Prison Reform & Integrate Programme
- Upliftment of War Widows
- The Local Heroes programme in recognizing unique SMEs
- Grants Programs – providing financial and technical assistance to SMEs
- Community based organisations – supporting natural and organic farming
- Youth and first-time entrepreneurs - provided with mentoring, coaching, tools and other resources as well as start-up capital to set up their own enterprise



### Capacity Building

- Empower Culinary and Hospitality school
- Curtiss Institute of Design – Equipping the youth with IT skills
- Swashakthi Bakery & Tea room – Initiated for enterprising women providing meals at an affordable price
- Women's Development Program – guiding women in dire circumstances with skills and grants.



### Tea Estate Workers

- School bags for plantation children
- Mid-day meal programs for Child Development Centres
- Childcare Development Healthcare for plantation communities



### MJF Kids and Youth

- MJF Kids Peliyagoda - offers educational support
- sessions for mathematics, science, English, commerce and dancing
- Educational trips and sessions on environmental awareness

- Rainbow Centres- free special education, speech and language therapy, occupational therapy and life skills programmes for children with disabilities.



### Changing Lives

- Kytes hospital- Outpatient Department and Administrative Block for the Kayts Base Hospital, in the North of Sri Lanka
- Blind Hospital – encouraging the visually handicapped
- Partnerships – partnering with like-minded organisations and individuals in our re-budding task
- Sustainability agriculture – promoting and funding organic based farming in the North and East
- Empowering Sri Lanka's East – post tsunami reconstruction

Our CSR in numbers	
<b>Investment in CSR (Rs. Mn)</b>	<b>260</b>
Total beneficiaries	25,009
Contribution as a % of profits	15%
MJF Centres	11*
Number of beneficiaries in Centres	8,401
Beneficiaries with Disabilities	683
Beneficiaries - Vocational Training	1,506

*\*Excluding 5 external programmes and Estate sector centres benefitted*

### 5 External programmes

- King's Revival Children's Support Centre
- AIDEX
- Nuffield School – Kaithady
- CLF – Life Through Cricket
- Subhagaya School – Kumbukkana





## Social & Relationship Capital

### MJFCF Activities



1

- Girl Guides camp (2)
- CECT Training Cape Weligama (4)
- Kids Environmental Programme - MJF Kids East (10)
- 5th ECHS Graduation-Dinner in the Garden (5)
- Kite Festival 2019 (9,11)
- Aidex 2019 (7)
- GoGreen4CP CP Day (1,3)
- Annual Concert of Cape Weligama Preschool (6)
- Each for Equality - Celebrating Women's Day at Dilmah (8)



2



3



4



5







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- ANUGA, Germany – October 2019
- Gulf Food, Dubai – February 2020
- Prodexpo, Russia – February 2020

Dilmah Tea has been moulding culinary ambassadors for Sri Lanka since the inception of Bocuse d'Or Sri Lanka in 2010. Established to uplift Sri Lanka's culinary standards as well as share the land's authentic local ingredients.

The t-Lounge by Dilmah is an upscale, elegant place designed around the enjoyment and appreciation of fine tea; complemented by light snacks and tea inspired food and beverages. It offers casual visitors an inspiring ambiance with uniquely healthy and innovative tea based food and drinks; Tea cocktails and mocktails enhance the appeal of fine tea made in the traditional artisanal manner. These are served with cakes, pastries, crêpes and waffles that maintain the Dilmah commitment to nutritious, healthy and sustainable food.





### Brew 1867: A Grab and Go Experience

1867 is the year that Ceylon Coffee gave way to Ceylon Tea, over a century later both are nostalgically reunited at Brew 1867 by Dilmah for the best of both worlds. This café serves exceptional Ceylon Tea & Ceylon Coffee indulgently complemented by sweet and savoury deliciousness in good food, for casual takeaway. Paradise Island's two great beverages along with salads, wraps, bagels, paninis, cakes, cookies, tea-ice creams and more make mornings, afternoons and evenings deliciously indulgent



## Tea Experiences

### Digital Engagement

#### Online Platform



**12,108**  
Orders  
generated

**\$531,611.91**  
Revenue  
generated

#### Tea Inspired Music



**t-Radio**

#### Tea Inspired Through Mobile Apps



1 Brand app  
Tea Inspired  
App

1 B2B app  
Dilmah  
Partners App

1 t-Lounge  
app  
Dilmah  
t-Lounge App

1 Educational  
app  
DC Arboretum  
App

#### Social Media Engagement

- Facebook** - 2.2M Followers
- LinkedIn** - 24,642 Followers
- Twitter** - 4,000 Followers
- YouTube** - 5,010 Subscribers
- Pinterest** - 1,500 Followers
- Instagram** - 108,686 Followers



## Capital Management Intellectual Capital

The company delivers premium quality tea combined with the 21st century culinary innovation, to deliver a superior customer experience. The unparalleled tea expertise of the founding family and the Dilmah team together with other elements of its intellectual capital, such as its vast library of over 300 unique tea standards and value of the Dilmah brand represent key sources of competitive edge and is a critical input to its value creation process. Moreover, at Dilmah we believe in kindness, it is at the heart of everything the company does.






Over 300 Tea standards and over 3,000 products

32 years of brand presence led by the world's most experienced teamaker

Most recognized Sri Lankan owned global brand

The only tea company with 100% carbon neutral products

### Highlights of 2019/20

-  Dilmah's Natural Infusions wins the Australian consumer award for Product of the Year in 2020
-  Dilmah Tea Founder Merrill J. Fernando has been capped as a Doctor of Science by Massey University in New Zealand
-  Philip Kotler, Modern Marketing Guru cites Dilmah Tea as an example of authenticity in his latest book

### Value Delivered

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

**55 R&D projects** on packaging improvements

Launch of **11 new product ranges** of **45 variants**

**Rs. 33 million** investments in R&D efforts

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

### Management Approach

The exceptional organoleptic properties preserved in Dilmah tea expressed through unique recipes of flavour, aroma and taste are carefully formulated, tested and ultimately approved by the Group's Chairman or Chief Executive Officer. This commitment has Dilmah maintaining consistency across its product portfolio, offering the exceptional quality, freshness and authenticity that the brand is renowned for.





## Collection of Tea Standards

The Group's library exceeds over 300 tea standards with approximately 45 new products generated every year. Our range includes specialty gourmet and premium tea, herbal infusions, green teas, fun flavoured teas, spiced chais, organic teas and exclusive Teamaker's Private Reserves among others.

## The Dilmah Brand

Dilmah exists in over 100 countries and is probably the most well-known Sri Lankan brand in the international market. The three core pillars; Taste, Goodness and Purpose underpin the authenticity and innovations that results in the final quality of the product, which is unblended, garden fresh and pure Ceylon Tea. The brand equity is promoted and protected through continuous and targeted promotions, customer engagement initiatives, competitions and numerous publications.



Unique recipes reflecting the Group's unmatched expertise in tea



Promotes the health benefits of tea



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

## Brand Recognition

- Dilmah is voted by New Zealand as their **Most Trusted Tea Brand**
- Dilmah Founder, Merrill J. Fernando was bestowed with the **"Deshamanaya"** title at the recent National Honours Ceremony presided by former President Maithripala Sirisena.
- Dilmah's Natural Infusions wins the **Australian Consumer Award** for Product of the Year 2020
- Dilmah Tea Founder Merrill J. Fernando has been **capped as a Doctor of Science** by Massey University in New Zealand
- Philip Kotler, Modern Marketing Guru cites **Dilmah Tea as an example of authenticity** in his latest book

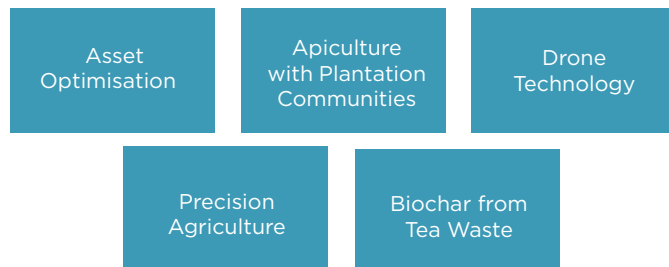


## Intellectual Capital

### Innovation

Dilmah invested and believed in constant innovation since its inception. Having pioneered and actively promoted the concept of Single Origin Tea, the Company has sought to constantly expand its range through exciting and innovative product propositions. At Dilmah, innovations are supported with a much broader structure. The culinary related research and development is facilitated by a dedicated R&D team and a proactive marketing team. The industry related innovations are realised through a special unit dedicated for Business Evolution and Innovations. Dilmah's ability to customise and differentiate its offering based on the requirements of specific customers has enabled the Company to emerge as a leader in the HORECA segment, catering to 06 of the largest international hotel groups.

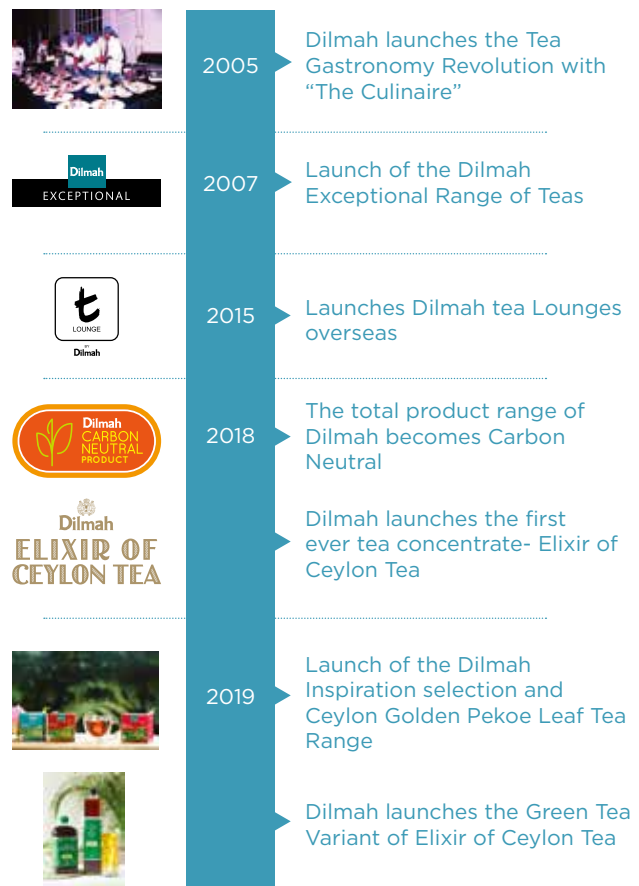
#### Industry innovations through climate smart agriculture



### New Product Development

New product development has been a key strategic priority over the last few years. Within the last 4 years the Group has introduced 220 new products, enhancing the brand's reputation as an industry leader in innovation. Key product development innovations in recent years are given below;

### Dilmah's Product Development Timeline



### Packaging Innovation

Dilmah is currently using minimalist packaging that complies with food safety regulations in its product designs. Further, it is constantly sampling other packaging material with the aim of reducing the non-recyclable content of its packaging. At present, 80% of our tea packs are tear-strip that helps reduce material requirement by weight which is also cost effective while reducing the impact on the environment.

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

Filter Paper  
Related  
**15 Projects**

Foil Pouch  
Related  
**11 Projects**

Overwrapping  
Related  
**3 Projects**

Envelope  
Related  
**14 Projects**

Other  
Materials  
**12 Projects**

On our journey of sustainability, through world-class research, innovation, resources and technology, Dilmah remains committed to eliminating plastics from its product line by 2021. The Company also continues to invest in new technology to reach its projected packaging improvement goals by 2018/23.

### Culinary Innovation

Tea Inspiration for the 21st Century - Ti21 - designed by Dilmah, expresses the natural sophistication and taste in fine tea through gastronomy and mixology. The ensuing section illustrates the culinary innovations that demonstrate the relevance of tea for morning, afternoon & evening beyond the traditional high tea occasion.

#### A Morning Tea Experience

- Tea Infused Vegan Delight
- Tea Inspired Pairing
- Tea Inspired Cocktail - “Kick Me Up”

#### An Afternoon Tea Experience

- Tea Infused Jasmine Green Tea Sauce
- Tea Inspired Pairing
- Tea Inspired Cocktail - “Summer Istanbul”

#### An Evening Tea Experience

- Tea Inspired Dilmah Earl Grey Fused Smoked Duck Breast
- Tea Inspired Food Pairing
- Tea Inspired Cocktail “Earl Grey Sour”

**Ceylon Ginger Tea and Ceylon Cinnamon Spice Tea Infused Oak Barrel with Aged Plantation 20th Anniversary XO (Extra Old) Rum**

**24 hours Infused Baby Tomato with Dilmah Strawberry Fun Tea Salad**



Tea Inspired Cocktail - “Kick Me Up”



Tea Inspired Cocktail - “Summer Istanbul”



Tea Inspired Cocktail “Earl Grey Sour”

## Intellectual Capital

### Certifications and Standards

Our continued commitment towards quality and product responsibility has enabled us to maintain compliance with a range of international certifications as listed below.

#### Quality Management and Food Safety Management Certifications



ISO 9001:2015 Quality Management System Standard



FSSC 22000 - Food Safety System Certification



BRC Global Standard for Food Safety

#### Environmental Management Certification



ISO 14001:2015 Environmental Management System Certification

#### Organic Certifications



Organic Certification to USDA, AMS 7 CFR Part 205, National Organic Program



Organic Certification to Regulation (EC) No 834/2007 and Regulation (EC) No 889/2008



Organic Certification to Japanese Agricultural Standard of Organic Agricultural Products (JAS)

#### Laboratory Accreditation Certification



ISO:17025 Chemical and Microbiology Laboratory Certificate of Accreditation

#### Ethical Sourcing & Responsible Operations Related Certifications



SMETA - SEDEX Members Ethical Trade Audit



Rainforest Alliance Chain of Custody Standard



Carbon Neutral Product Certification



Carbon Neutral Facility Certification





## Capital Management

# Natural Capital

Dilmah Tea has an enduring connection with nature and mutual respect for our environment that guides our everyday business decision making process. Hence, we have a dedicated environmental arm - Dilmah Conservation, to protect environmental assets, and it is very exclusive and in-depth biodiversity within the office premises. With special focus on the biodiversity in the supply chain containing vital components such as, environmental education and propagating best practices in biodiversity conservation, emission management and addressing consequences of climate change.

Additionally, Dilmah has a well-developed environmental management system adopted within the company, aligned with the ISO 14001 certification. Dilmah has taken safeguarding natural capital to the next level by being a corporate leader in environmental conservation and climate change adaptation advocacy.

### Highlights of 2019/20

- Marine Environmental Protection Authority (MEPA) of Sri Lanka recognised Dilmah's dedication to Marine Conservation and Coastal Area protection with an award to the Dilmah Founder, Merrill J Fernando.
- The only Corporate to represent the Blue Carbon Committee in Sri Lanka
- Achieved 100% carbon neutral status up to the market shelves in Australia
- World's First Carbon Neutral School of Tea
- Rs. 29.7 million investments in environmental conservation
- Numerous multi-stakeholder engagement initiatives on biodiversity and climate change
- Increased reliance on renewable energy



**4,576 MWh**  
Energy  
Consumption



**19,000 hectares**  
of tea in subsidiary/  
associated companies



**23,928 m<sup>3</sup>**  
Water  
Consumption



**28,393 tCO<sub>2e</sub>**  
Discharge of  
emissions

### Value Delivered

**90.34%** of total  
waste **recycled /repurposed**

14 publications on environmental  
and heritage conservation

**25%** of production  
waste **turned into  
books**

**398 MWh** renewable  
energy generation  
within premises

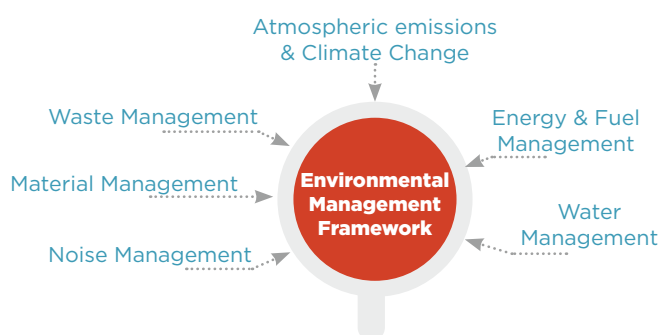
**5 ongoing**  
biodiversity related  
projects



## Environmental Management Approach

Governed by a comprehensive environmental management policy, Dilmah makes every effort to ensure its environmental commitment will continue to be fully compliant with the requirements of ISO 14001:2015 Environmental Management Systems. Below is an illustration addressing different areas of priority of Dilmah's Environmental Management System.

The Company is committed in upholding its environmental management system in a cohesive manner, with every department playing a role towards its environmental agenda. This is done through packaging developments, sustainable energy and waste management through target-setting for waste reduction, monitoring environmental parameters and making improvements where possible. Besides the adopted system, Dilmah's environmental agenda goes far beyond its operations; as realized by Dilmah Conservation through biodiversity conservation, climate research / education and safeguarding the natural capital of the supply chain. It was concluded that there were no instances of non-compliance to any environmental laws / regulations during the year under review.



## Emissions and Climate Change

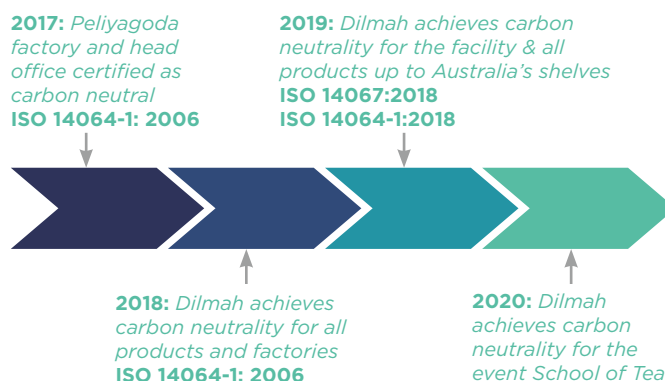
The Group marked a significant milestone in 2018, achieving 100% carbon neutrality for its entire product range being the first Sri Lankan Tea Company to achieve this status. This was achieved following a concerted organisation-wide effort towards reducing the Group's emissions. The Group engages an independent third-party in measuring the carbon footprint, which is

computed based on the GHG Protocol published by the World Resource Institute & World Business Council for Sustainable Development. In addition to reducing dependence on fossil fuel, the Group purchased carbon credits through UN approved Cleaner Development Mechanisms (CDM), thereby offsetting its carbon footprint.



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

All these initiatives have ensured that Dilmah's production facility and its entire range of products are Carbon Neutral since 2018. During the year under review, the scope of carbon neutrality status for Dilmah products has been extended up to its Australian market, demonstrating a significant commitment towards the pledge of being carbon negative by 2030. Today, Dilmah tea shipped to Australia is carbon neutral up to shelf. This was achieved through offsetting its carbon emissions from international shipping, storage and distribution. Moreover, the year under review also saw Dilmah holding its very first Carbon Neutral Event - School of Tea 2020.

## Journey to Carbon Neutrality



## Way forward:

-  Dilmah pledges to be Carbon Negative by 2030
-  Digitalizing Carbon Footprint Calculation mode



## Natural Capital

### Carbon Negative Dilmah

Dilmah has pledged to be Carbon Negative by 2030 which was announced at the first carbon neutral Dilmah School of Tea event in February 2020.

The Company is currently setting the groundwork for the action plan on identifying opportunities to develop GHG emission mitigation strategies in key focus areas such as renewable energy, water, transport and infrastructure

The sustained reduction in emissions was achieved through focus on the four key areas of energy, transport, water and waste. Comprehensive plans detailing goals, milestones and mitigation strategies were identified in order to reduce emissions.

During the year under review, the Group's total carbon footprint of 28,393 tCO<sub>2</sub>e has shown a 9% reduction compared to the previous year which was 31,315 tCO<sub>2</sub>e. Sustainability initiatives such as biochar, solar power and hydropower projects stand as profound contributors to this decrease in the total carbon footprint.

The Group's computation at the initial stages of the carbon neutral journey had been limited to the institutional carbon footprint. During the previous year the company sought to expand the scope of the computation by including the product carbon footprint on a cradle-to-gate basis. As the latest improvement, the scope of product carbon footprint has been expanded from raw material acquisition to finished good manufacturing and distribution up to the local port, and storage and distribution in Australia up to retail stores for the year under review.

**9%↓**

Carbon footprint

### Key initiatives adopted

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

Product Carbon Footprint	2019/20
Material acquisitions & pre-processing (tCO <sub>2</sub> e)	24,870
Production (tCO <sub>2</sub> e)	2,855
Total GHG Emissions (without distribution & storage link to Australia) (tCO <sub>2</sub> e)	27,725
Distribution & storage link to Australia (tCO <sub>2</sub> e)	668
<b>Total GHG Emissions (with distribution &amp; storage link to Australia) (tCO<sub>2</sub>e)</b>	<b>28,393</b>

Organizational Carbon Footprint	2019/20	2018/19	Y-O-Y %
Direct Emissions (tCO <sub>2</sub> e)	705	645	-9%
Indirect Emissions (tCO <sub>2</sub> e)	2183	2177	0%
<b>Total Institutional GHG Emissions (tCO<sub>2</sub>e)</b>	<b>2888</b>	<b>2822</b>	<b>2%</b>

### Safeguarding the Natural Capital of the Supply Chain

Dilmah Conservation, has been keenly engaged in safeguarding 19,000 hectares of tea in subsidiary / associated companies.

By adhering to the Chain of Custody standard of the Rainforest Alliance, Dilmah maintains traceability of its products throughout the supply chain, to support



the mission of improving natural ecosystems of the tea estates. (Please refer page 66, for Quality Certifications and Awards)

### Hydropower

Two hydropower units were established at the Dilmah Queensberry and Craighead Estates with a net capacity of 150 kWh in 2018.

Furthermore, steps have been taken to establish more renewable energy sources including hydropower stations and wind turbines within our plantations.

So far, 110.7 MWh of Hydropower was generated collectively from Craighead and DCCCCRA Nawalapitiya.

Site Name	Location	Capacity (kW)
Craighead	Nawalapitiya (Dolosbage)	70
Queensberry	Nawalapitiya (kolapathana)	50
Queensberry	Nawalapitiya	2

### Biochar Application

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

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

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

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

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

per hectare (picograms of carbon dioxide equivalent per year, per hectare).

### Endana Nature Corridor

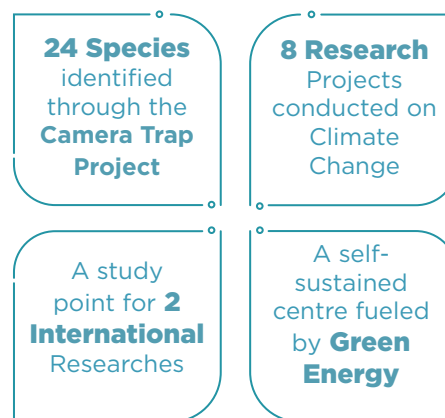
A biological corridor was established to preserve natural habitats and enhance the biodiversity of tea estates.

To this end, tea planting programs were conducted in parallel to a socio-economic survey on community involvement.

### Climate Research and Adaptation

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

In October 2017, as a part of its commitment to contribute to global and national climate change adaptation strategies, Dilmah Conservation inaugurated this research and adaptation centre, the first private sector initiative of its kind. The centre is proactively working towards increasing climate awareness and resilience in communities through education and capacity building, driving novel research and facilitating timely climate interventions.



### Research Hub for the Apiculture project

'Bee a Keeper' is a cross-cutting initiative to promote the sustainable use of bees in agriculture and related ecosystems.

## Natural Capital

Its main goals are monitoring bee decline, addressing the lack of taxonomic information on bees, assessing the economic value and the economic impact of apiculture and conserving bees in Sri Lanka.

### Energy and Fuel Management

The Group will continue to drive its efforts on increasing the reliance on renewable energy while reducing the dependence on fossil fuel. The Group operates 2 hydropower plants with a combined capacity of 122kW and 4 solar plants with a combined capacity of 415kW, resulting in a 40% increase in the renewable energy component compared to last year which collectively accounts for 10% of the Group's total energy consumption.

**40%↑**  
Renewable Energy

	2019/20	2018/19	Y-O-Y Change (%)
<b>Non-renewable Energy</b>			
Grid Electricity GJ	12,475.0	11,332.0	10%
Diesel GJ	2,284	1,021.8	123%
<b>Renewable Energy</b>			
Solar GJ	1,431.10	1220.9	17%
Hydro GJ	283.50		
<b>Total Energy GJ</b>	<b>16,473.17</b>	<b>13,574.8</b>	<b>21%</b>
Total Renewable Energy GJ	1714.60	1220.90	40%
<b>% Reliance on Renewable Energy</b>	<b>10%</b>	<b>9%</b>	

### Water Management

The Group's water consumption is limited to cleaning of manufacturing and operational units, drinking and sanitation requirements of employees - as the Group's core operations of blending and packing is not largely water-intensive. Thus, water is sourced primarily through the National Water Supply and Drainage Board and ground water to a lesser degree. Further details of this distribution are given in the following table.

#### Water Withdrawal by Source

Source	2019/20	2018/19
Municipal Water (m3)	18,453	19,405
Ground Water (Well) (m3)	5475	2,015
Total Water Withdrawal (m3)	23,928	21,420

#### Water Discharge by Quality

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

### Waste Management

The Group's waste is mainly generated in production and packaging operations other than the general activities. To ensure a responsible disposal of waste, Dilmah has adopted the 3R approach of Reduce, Reuse and Recycle along with other methods such as energy recovery, treatment and disposal.

**90.34%**

Total recycled/ repurposed waste

### Waste by Method of Disposal

Waste material	Method of Disposal	Volume (MT)	%
Cardboard and paper	Recycle	94.98	33.10%
Food waste	Animal feed	26.56	9.26%
Packaging waste	Upcycled/reprocessed	0.13	0.05%
Wood waste/ Pallet	Reuse/ Repurposed	27.41	9.55%
Polythene/ Plastic	Recycle	48.02	16.73%
Composite Material	Energy recovery	81.08	28.26%
Tea waste	Reprocessed	7.22	2.52%
Sanitary	Incineration	0.31	0.11%
E-waste	Recycle	1.25	0.44%
Total waste		286.95	
Total re-used		27.41	9.55%
Total recycled/ repurposed		259.23	90.34%

### Tea Waste

generated during the tea packaging process is converted through a biochar kiln, the output of which is used for carbon sequestration.



**‘Dilmah Upcycling’** is a dedicated facility set up to engage in R&D efforts to develop sub-products like notebooks, plant pots and bags from waste material.

The Group distributed **950+** Dilmah upcycled notebooks at the School of Tea events and Asia-Pacific Chapter - Tropical Biology & Conservation (ATBC) Conference, during the year.

Since the establishment of the facility, in the pilot stage, the upcycling percentage of packaging waste was at 3%. During the year under review, this percentage has increased up to 25% showing a remarkable achievement in Dilmah’s drive towards circular economy.

### Materials Management

The primary raw material is tea which is procured via tea auctions and sourced directly from the tea estates affiliated to the group. Packaging material that consists of a range of constituents which include filter paper, inner cartons, envelopes, tags and corrugated outer cartons are procured through different large and SME suppliers. Safety and sustainability of our products are maintained through sourcing the best available packaging materials for our teas while pursuing methods to use recyclable and biodegradable packaging materials. Dilmah’s Luxury Leaf Tea bags are made from corn starch based Polylactic Acid (PLA) material, which is independently tested for safety to meet European Commission regulation EU 10/2011.

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

Material	Quantity (MT)
Cardboard	2,146.87
Paper	1,045.72
Composites	373.09
Herbs	124.32
Polythene	76.92
Wood	55.05
Tin Caddy	49.51
Porcelain	48.82
Thread	37.86
Flavours	30.65
Plastic	13.71
Glue	12.10
Glass	8.02
Metal	5.07
Ceramic	4.64
Aluminium Wire	4.01
Cloth	3.09
Ink	0.56
Rubber	0.05



## Natural Capital

### Biodiversity

Safeguarding Sri Lanka's biodiversity and natural habitats is integral and therefore a key focus area of Dilmah Conservation.

The Group has played an essential role in creating a national-level dialogue on biodiversity by being the corporate leader in environmental conservation advocacy, through the initiation of Biodiversity Sri Lanka, a platform which encourages information and knowledge sharing on environmental conservation among the corporate sector. The platform currently has a membership of 38 patron members, 38 general members, 5 SMEs, 3 associate members and 2 public-private partnerships.

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

#### Joint Activities with Biodiversity Sri Lanka 2019/20

-  Celebration of International Day of Biological Diversity 2019
-  Life project second year's scope of work- multi partner initiative in Kanneliya
-  Participation in the 9th Annual meeting of The Global Partnership for Business and Biodiversity (GPBB) in Madrid, Spain
-  Focus LK- Partnership between Embassy of France -Protecting Sri Lanka's Marine Ecosystem conservation
-  Participation in the Association of Tropical Biology and Conservation - Asia Pacific Chapter (ATBC-AP 2019)

Project	Objectives and Activities	Results
1. Greening Batticaloa	<ul style="list-style-type: none"> <li>Distribution of cashew plants in Sri Lanka's Eastern Coast to increase green cover and provide an alternative livelihood option for local communities</li> </ul>	<ul style="list-style-type: none"> <li>Providing sustainable livelihood opportunities to a community that was affected by conflict and natural disaster</li> </ul>
2. Kayankerni Marine Conservation	<ul style="list-style-type: none"> <li>Establishing the Kayankerni marine sanctuary conservation through a gazette</li> </ul>	<ul style="list-style-type: none"> <li>Kayankerni was gazetted as the 18th marine and marine associated sanctuary in Sri Lanka, on April 2019</li> </ul>
3. Endana Nature Corridor	<ul style="list-style-type: none"> <li>Establishment of a biological corridor to preserve natural habitats and enhance the biodiversity of tea estates</li> </ul>	<ul style="list-style-type: none"> <li>Socio-economic survey completed to analyse the possibility of getting community involved</li> <li>Tree planting programs conducted</li> </ul>
4. Mangrove Restoration	<ul style="list-style-type: none"> <li>To support blue carbon economy and the conservation of marine eco-systems related projects and research</li> </ul>	<ul style="list-style-type: none"> <li>A baseline survey was conducted as a feasibility study</li> </ul>
5. Marine Conservation	<ul style="list-style-type: none"> <li>Marine conservation through coastal cleaning by establishing a Beach Care Taker program</li> </ul>	<ul style="list-style-type: none"> <li>Cleaned 23.2 km of coastal area on a monthly basis and reduced marine pollution by removing 5282kg of waste from the coastal line</li> </ul>
6. Amphibian Conservation	<ul style="list-style-type: none"> <li>Initiative to include Sri Lankan amphibian species into the Global IUCN Red List</li> </ul>	<ul style="list-style-type: none"> <li>Initial assessments conducted showing 72 threatened with extinction and 20 critically endangered species</li> <li>The IUCN portal was updated</li> <li>Created a scientifically valid distribution maps for every extant amphibian species on the island</li> </ul>





Project	Objectives and Activities	Results
7. Elephant Conservation	<ul style="list-style-type: none"><li>Encouraging conservation of elephants through education and awareness programmes conducted through Dilmah Conservation's Elephant Information Centre. While sponsoring two baby elephants at the Elephant Transit Home at the Udawalawe National Park</li></ul>	<ul style="list-style-type: none"><li>Knowledge sharing on elephants with 3000+ individuals, including undergraduates, annually through the information centre of the Transit Home</li></ul>
8. Conservation of Blue Carbon Resources (Upcoming project)	<ul style="list-style-type: none"><li>Dilmah collaborated with governmental entities to initiate a project to establish a blue carbon research and a resource station in the north-west coasts of Sri Lanka, after the declaration in 2019 by Commonwealth Blue Charter - appointing Sri Lanka as the pioneering country for mangrove conservation</li></ul>	<ul style="list-style-type: none"><li>This upcoming station will facilitate both education and research tourism, whilst restoring mangroves and conserving the habitat</li><li>Inspire other businesses to promote blue carbon projects in a similar manner</li></ul>

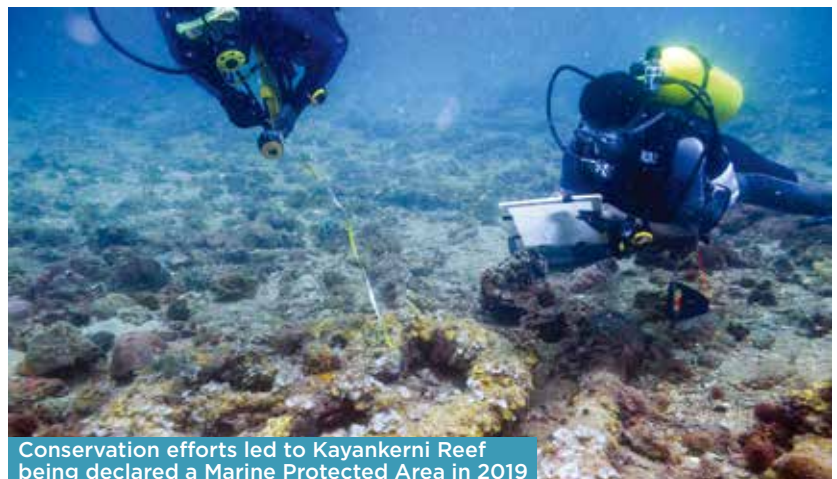
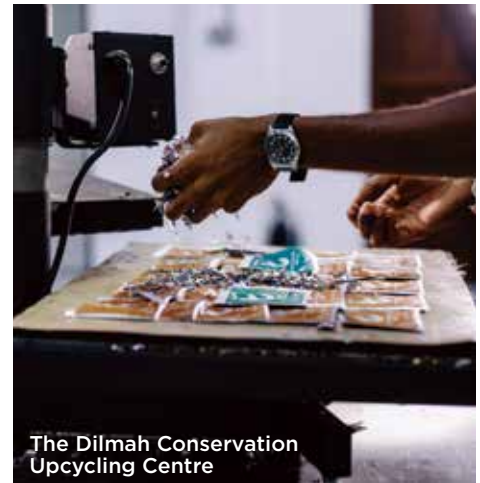
#### Key Events 2019/20

Event	Objectives and Activities	Results
1. Elephant Conservation	<ul style="list-style-type: none"><li>Dilmah was instrumental in introducing Climathon to Sri Lanka which is a global movement and the largest climate action collective of its kind, inspiring the community and citizens to gather and create and implement solutions to address the imperative effects of Climate Change.</li><li>Climathon aims at translating climate action solutions into tangible projects and supporting climate-positive businesses and start-ups as well as addressing local policy changes.</li></ul>	<ul style="list-style-type: none"><li>Over 600 school children, youth and adults were educated on Climate Change over the two-day event.</li></ul>
2. Conservation of Blue Carbon Resources (Upcoming project)	<ul style="list-style-type: none"><li>Dilmah joined hands with the Sri Lankan Navy and the Sri Lankan Land Reclamation</li><li>and Development Corporation for a joint clean-up to commemorate World Wetland Day 2020.</li></ul>	<ul style="list-style-type: none"><li>Stretches of beautiful wetland ecosystems were cleaned up, reflecting Dilmah's commitment to the people and the planet.</li></ul>



## Natural Capital

### Dilmah Conservation projects







A beach cleanup in Panadura with local communities and children



Creating awareness using creative mediums



Dilmah Conservation supports the Elephant Transit Home in Udawalawe



Expanding renewable energy sources



The Sustainable Lifestyle lecture series



A global collaboration to conserve Sri Lankan amphibians









# **CORPORATE GOVERNANCE**



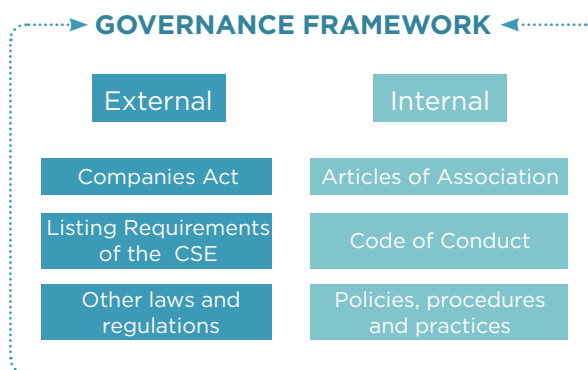
# Corporate Governance

## Our Approach to Corporate Governance

Dilmah Ceylon Tea Company PLC's (DCTC) is listed on the Diri Savi Board of the Colombo Stock Exchange with a public holding of 12.32% as the Company remains largely a family owned business with highly specialized inputs from the family who are passionate about the art of tea making. In the belief that high standards of corporate governance are fundamental to sustainability of the business, the Board has set in place a governance framework and structure that balances the interests of the Company and its stakeholders and ensures effective and ethical decision making within a culture of professionalism, integrity and fair play. This approach to corporate governance has underpinned the Company's success and recognition locally and internationally.

## Framework and Structure

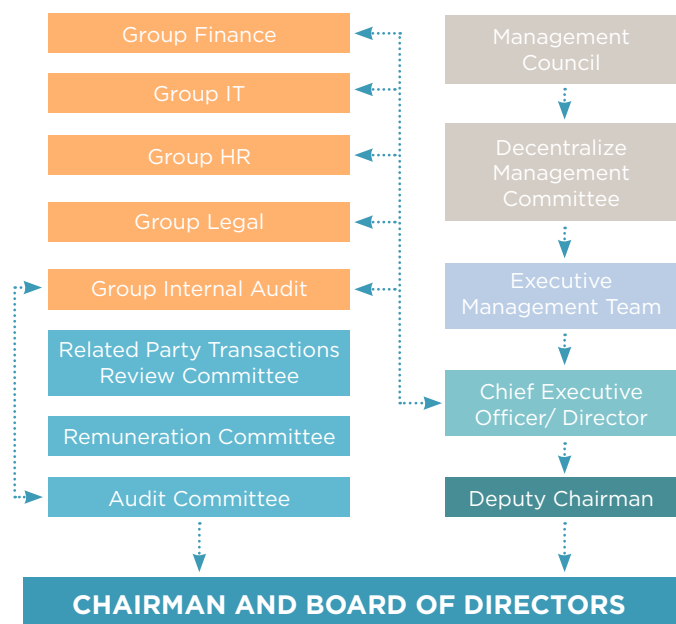
Our Governance framework is bound by external regulations and internally formulated policies that define how we do business.



DCTC's compliance with provisions of the listing rules of the Colombo Stock Exchange (CSE) is disclosed on pages 86 to 88.

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

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



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

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

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

## The Board

### Board Composition

Chairman (Executive)	1
Executive	4
Non-Executive	1
Non-Executive Independent	2

## Composition

The Board comprises of eight (8) members as at March 31, 2020, and Mr. Darshana N Gunasekera was appointed as the Group Finance Director effective 1st October 2020 bringing the Board composition to nine (09). A brief profile of each of the Directors are given on pages 12-14.

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

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

All Directors possess financial acumen and knowledge gained through experience from leading large enterprises. Two directors including the Chairman of the Audit Committee, are finance professionals.

## Directors Independence

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

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Board Committee	Areas of Oversight	Composition	Report Reference
Audit Committee (AC)	Financial Reporting Internal Controls Internal Audit External Audit	2 Non-Executive Independent Directors 1 Non-Executive Director	Page 96
Remuneration Committee (RC)	Formulating Remuneration policy for Directors and Key Management Personnel (KMP) Formulating HR Policy	2 Non-Executive Independent Directors	Page 97
Related Party Transactions Review Committee (RPTRC)	Review of Related Party Transactions	2 Non-Executive Independent Directors 1 Non-Executive Director	Page 98

### Meetings & Minutes

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

I - Independent Director, N - Non-Executive Director and E - Executive Director

Agenda and Board papers are sent 7 days before the meeting, allowing members sufficient time to review the same. The CEO / Director sets the Board Agenda, assisted by the Group Chief Financial Officer and Company Secretary. Board meetings are held on a quarterly basis with the flexibility to arrange additional meetings when required.

All board minutes are circulated to members within two weeks of the meeting being held, and formally approved at the subsequent Board meeting.

Resolutions concerning business matters are passed by circulation, within regulations. However, if a Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Director shall put the resolution to be decided in a meeting.

### Other Business Commitments/ Directors Interests

All Directors allocate sufficient time to enable them to discharge their duties and responsibilities. Directors declare their outside business interests at appointment and annually thereafter. The Company Secretary maintains a Register of Directors' Interests, which is tabled to the Board annually. The Register is available for inspection



## Remuneration

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

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

Directors' remuneration in respect of the Group and the Group for the Financial Year ended 31st March 2020 are disclosed on page 151 of the Financial Statements.

## Risk Management & Internal Control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Group. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. Group Internal Audit supports the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Audit Committee on a regular basis. Further, as required by the certification / accreditation process of the Group, trained internal auditors conduct regular system audits and verifications based on the requirements of certification standards and audit criteria including ISO 9001:2015, ISO 14001:2015, FSSC 22000, BRC Global Standard for Food Safety and Sedex Members Ethical Trade Audit (SMETA). The findings are reported to the management and any noncompliance is attended to immediately.

## Accountability

The Board strives to provide stakeholders with a balanced and comprehensive account of the financial position, performance and prospects of the Group. This is the

Group's second Integrated Annual Report, and it complies with the requirements of widely accepted standards, codes and frameworks which have been voluntarily adopted to ensure corporate reporting is in line with international best practice.

## Major or Material Transactions

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

## Compliance

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

## Shareholder Relations

At the close of the financial year 2019/20, DCTC had 976 shareholders. The Directors directly and indirectly held 88% of shares whilst the Employees Provident Fund, the next largest shareholder held 8%. The Group encourages effective communication with shareholders who are engaged through multiple channels of communication, including the Annual General Meeting (AGM), Annual Report, Interim Financial Statements and announcements to the Colombo Stock Exchange. The Board recognizes its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects. Any queries and concerns to Directors or Management of the Group should be addressed to the Company Secretary who will deal with the matter.

The AGM is the main mechanism for the Board to interact with and account to shareholders and affords an opportunity for shareholders' views to be heard.

It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which include approval of the Annual Report and Financial Statements and appointment of Directors and External Auditors. Board members, Sub-Committee Chairmen,

## Corporate Governance

Key Management Personnel and External Auditors on the request of the Board Chairman, are present and available to answer questions.

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

Our 2019 AGM was well attended and all proposed resolutions passed with the majority of shareholders voting in favour.

### External Auditor

The External Auditor is appointed subject to the provision of the Companies Act. The Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements.

On the recommendation of the Board, the shareholders approved the re-appointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2019/20 at the last AGM. In compliance with the Companies Act, the External Auditors submitted an annual statement confirming their independence in relation to the external audit.

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














Rule No.	Requirement	Disclosure	Compliant
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Annual Report of the Board of Directors	✓
7.10.1(a)	Non-Executive Directors (NED) composition At least two or one third of total Directors, whichever is higher	Composition	✓
7.10.2(a)	Independent Directors Composition Two or one-third of Non-Executive Directors, whichever is higher	Composition	✓
7.10.2(b)	Independence of Directors Each Non-Executive Director should submit a declaration of Independence / Non-Independence	Directors' Independence	✓
7.10.3(a)	Disclosure relating to Directors The names of Independent Directors should be disclosed in the Annual Report	Directorate	✓
7.10.3 (a)/ (b)	Independence of Directors The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Directors' Independence	✓
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director including the Director's areas of expertise.	Board Profiles	✓
7.10.3(d)	Appointment of new Directors Provide a brief resume of any new Director appointed to the Board	Appointment, Re-Election and Resignation	✓



Rule No.	Requirement	Disclosure	Compliant
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee	Remuneration Committee Report	
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors of the Board, for approval	Remuneration Committee Report	
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out; Names of the Directors comprising the Remuneration Committee Statement of Remuneration policy Aggregate remuneration paid to Executive and Non-Executive Directors	Remuneration Committee Report	
7.10.6	Audit Committee A listed company shall have an Audit Committee	Audit Committee Report	
7.10.6(a)	Composition of Audit Committee Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Audit Committee Report	
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10.6(b)	Audit Committee Report	
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee Names of the Directors comprising the Audit Committee Basis for determining the independence of the Auditors Report of the Audit Committee in the prescribed manner	Audit Committee Report	
9.3.2	Related Party Transactions Review Committee Details pertaining to Non-Recurrent Related Party Transactions Details pertaining to Recurrent Related Party Transactions Report of the Related Party Transactions Review Committee Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Related Party Transactions Review Committee Report	
7.6	Contents of the Annual Report		
i)	Names of Directors of the entity	Board Profile	



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Rule No.	Requirement	Disclosure	Compliant
ii)	Principal activities of the entity and its subsidiaries during the year under review	About Us	
iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Investor Information	
iv)	The Public Holding percentage etc.	Investor Information	
v)	Directors and CEO's holding in shares of the entity at the beginning and end of each year	Directors Interest in Shares and Shareholding	
vi)	Information pertaining to material foreseeable risk factors	Risk Management	
vii)	Details of material issues pertaining to employees and industrial relations	Human Capital	
viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Note 4 and 5 to the Financial Statements – Property, Plant and Equipment and Investment Properties, respectively	
xiv)	Number of shares representing the stated capital	Investor Information	
xv)	Distribution schedule of the number of shareholders and the percentage of their total holding	Investor Information	
xvi)	Ratios and market price information	Investor Information	
xvii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Note 4 to the Financial Statements - Property, Plant and Equipment	
xviii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement	N/A	N/A
xiv)	Employee share option / purchase schemes	N/A	N/A
xv)	Corporate Governance Disclosures	Disclosures relating to Directors, Audit Committee and Remuneration Committee	
xvi)	Related Party Transactions	Note 28 to the Financial Statements - Related Party Transactions	

# Report of the Board of Directors

## 1. 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 2020, 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. 7 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. 7 of 2007 on 13th October 2008. The re-registration number of the Company is PQ 209.

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

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

The annual financial statements were reviewed and approved by the Board of Directors on 14th October 2020.

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 2020.

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	113
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 2020	106 to 161
Auditor's report on the financial statements of the Company	Section 168 (1) (c)	Independent Auditors' Report.	102 to 105
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	114
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Directors' Interest in Contracts with the Company	94
		Details of the Directors' shareholdings. - Investor Information There were no changes to the Directors' shareholding during the financial year.	94
Remuneration and other benefits of directors during the accounting period	Section 168 (1) (f)	Note 30.2 to the Financial Statements - Profit/ (Loss) Before Tax	155
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Note 22 to the Financial Statements - Profit/ (Loss) Before Tax	146
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Note 22 to the Financial Statements - Profit/ (Loss) Before Tax	146

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Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
Names of the persons holding office as Directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period	Section 168 (1) (h)	Board Profiles In terms of Article 24 of the Articles of Association of DCTC, Ms. Minette D.A. Perera retires by rotation and being eligible offers herself for re- election	12 - 14
Amounts payable by the company to the Person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided By that person or firm ;	Section 168 (1) (i)	Note 22 to the Financial Statements - Profit/ (Loss) Before Tax	146
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	94 & 95
Signed on behalf of the board by two directors and the Company Secretary	Section 168 (1) (k)		95

## 2. 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.

### 3. 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 39 to 41).

## 4. Future Developments

An overview of the future developments of the Group is given in the Chairman's Message and CEO's Report. (pages 16 to 21).

## 5. 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 Companies

Act No. 7 of 2007. The financial statements of the Company and the Group for the year ended 31st March 2020 duly signed by the General Manager Finance and two Directors of the Company are given in pages 106 to 161.

## 6. 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. 7 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 99.

## 7. 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.



## 8. Group Results and Appropriations

Group results and Appropriations

For the year ended 31st March	2020	2019
	Rs. '000	Rs. '000
Revenue	11,610,062	10,713,364
Profit for the Year	1,559,247	1,590,728
Other Comprehensive Income Net of Tax	(19,861)	20,708
Total Comprehensive Income Net of Tax	1,539,386	1,611,436
Interim Dividend for the current year	414,750	414,750
Proposed final Dividend	103,685	311,063

## 9. Dividends

An interim dividend of Rs. 20/- per share was paid in November 2019. The Directors recommend paying a final dividend of Rs. 5/- per share, resulting in a total dividend of Rs. 25/- per share for the year ended 31st March 2020.

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

## 10. 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. 260 million (2018/2019 Rs. 170 million) to the MJF Charitable Foundation. The activities of the Foundation are given on the pages 56 to 59. Other Donations by the

Company during the year amounted to Rs. 352,645 (2018/19 - Rs. 2,871,922/-).

## 11. Taxation

According to the First Schedule of the Inland Revenue Act No.24 of 2017, with effect from the Year of Assessment 2018/19 concessionary rate of 14% is applicable for the Taxable Income of the Company predominately (80%) engaged in the business of exports. Gains from realization of investment assets shall be taxed at the rate of 10%.

## 12. 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 offer equal career opportunities regardless of gender, race or religion. There were no material issues pertaining to employees and industrial relations of the Company that occurred during the year under review which requires disclosure. As at 31st March 2020, 587 persons were employed by the Company (31st March 2019 - 644)

## 13. 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.

## 14. 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.

## 15. Capital Expenditure

Capital expenditure incurred on acquisition of Property, Plant & Equipment during the year of the Company and Group amounted to Rs. 801 million and Rs. 811 million respectively (2018/19 Company: Rs. 83.7

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## Property, Plant and Equipment (PPE)

## 17. Investments

## 18. Stated Capital

## 19. Shareholding

## 20. Reserves



Company and being eligible offers herself for re-election at the Annual General Meeting.

Mr. Darshana N. Gunasekera who was appointed as the Group Finance Director to the Board of directors on 1st October 2020 will retire in terms of Article 23 (2) of the Articles of Association and being eligible, offer himself for re-election at the Annual General Meeting.

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

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

## 27. Board Sub-Committees

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

Board Committee	Members	
Audit Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty Ms. Minette D. A. Perera	Report of the Audit Committee is given on page 96
Remuneration Committee	Mr. Gritakumar E. Chitty - Chairman Mr. Rajanayagam Asirwatham	Report of the Remuneration Committee is given on page 97
Related Party Transactions Review Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty Ms. Minette D. A. Perera	Report of the Related Party Transaction Review Committee is given on page 98

## 25. Directors of the Subsidiary - MJF Beverages (Pvt)Ltd

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

## 26. Interests Register

The Company maintains an Interests Register as required by the Companies Act No. 7 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. 7 of 2007. The related entries were made in the Interests Register during the year under review 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. 7 of 2007.

## 28. Related Party Transactions

The Related Party Transaction Review Committee is responsible for reviewing the Related Party Transactions of the Company. The Committee Report is given on page 98.



it's 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. 1,044,900/- (2018/19 - Rs. 1,044,900/-) Fees payable for other services rendered Rs. 985,881/- (2018/19 - Rs. 1,012,303/-) Auditors Ernst & Young have expressed their willingness to continue in office. A resolution to reappoint them as Auditors and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

### 33. 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 01.04.2019 to 31.03.2020 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.

### 34. Outstanding Litigation

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

### 35. Notice of Annual General Meeting

The 39th Annual General Meeting of Dilmah Ceylon Tea Company PLC is to be convened on 19th November 2020 at 11.00 a.m. at 111, Negombo Road, Peliyagoda via a virtual platform. Notice of the Annual General Meeting appears on page 170.

### 36. Acknowledgment of the Contents of the Report

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



**Mr. Dilhan C. Fernando**  
Director



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



**Ms. Jayanga Wegodapola**  
Company Secretary

15th October 2020

# Report of the Audit Committee

## Committee Composition

The Audit Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of two Non-Executive Directors, both of whom are 'Independent' as per the Listing Rules of the Colombo Stock Exchange and one Non-Executive Director. The members of the Committee during the year under review were Mr. Rajan Asirwatham (Chairman) and Mr. Gritakumar E. Chitty. Ms. Minette Perera was appointed to the Committee on 12th February 2020. The Chairman of the Audit Committee is a qualified Chartered Accountant.

## Committee Meetings

The Committee held four meetings during the financial year under review. Mr. Rajan Asirwatham attended all four meetings whilst Mr. Gritakumar E. Chitty attended three. Ms. Minette D.A. Perera Non- Executive Director, Chief Financial Officer and the Company Secretary attended the meetings of the Committee by invitation.

## Role of the Committee

The primary function of the Committee is to assist the Board in fulfilling its responsibilities, overseeing 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. 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 2021 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 judgmental areas and material audit judgments.



**Mr. Rajan Asirwatham**  
Chairman - Audit Committee

15th October 2020

# Report of the Remuneration Committee

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

## Committee Composition

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

## Committee Meetings

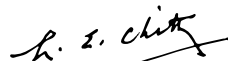
The Committee held two meetings during the year under review and both committee members attended both meetings. Chief Financial Officer and Ms. Minette D. A. Perera a Non-Executive Director attended the meeting of the Committee by invitation.

## Policy

The remuneration policy of the company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimize long term shareholder value creation.

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

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



**Mr. Gritakumar E. Chitty**

Chairman - Remuneration Committee

15th October 2020



# Report of the Related Party Transactions Review Committee

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

The objective of the Committee is to review all related party transactions other than those transactions explicitly exempted by the Code.

## Committee Composition

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

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

## Purpose of the Committee

The purpose of the Committee as set out 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 meetings during the year under review. Mr. Rajan Asirwatham (Chairman) and Ms. Minette D. A. Perera attended all four meetings whilst Mr. Gritakumar E. Chitty attended three. The Chief Financial Officer attended the meetings by invitation.

- The Committee reviews in advance all related party transactions of the Company except those explicitly exempted in the Code.
- The Committee ensures that written policies and procedures of the Company are in conformity with rules and regulations governing related party transactions.
- The Committee communicates their observations on the related party transactions if any to the Board of Directors.
- The Committee also ensures that immediate market disclosure of any related party transaction is made in accordance with the Code to the Colombo Stock Exchange.
- The Committee identifies persons who shall be considered as “Key Management Personnel” of the Company and self-declarations are obtained from each such person for the purpose of identifying related parties to them. Based on the information furnished on these declarations, the Company has

developed a system that enables the Company to retrieve data on related party transactions.

### Related Party Transactions during the year 2019/20.

The Committee has reviewed the related party transactions during the financial year 2019/20 and has communicated their comments/ observations to the Board. It was also observed that there were no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. The company is therefore compliant with the said Rules on related party transactions. Details of other related party transactions entered into by the Company during the period under review is disclosed in note 30 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.

**Mr. Rajan Asirwatham**

Chairman - Related Party Transactions  
Review Committee

15th October 2020





## 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 102 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 the end of the financial year and the financial performance for the year. The Directors are also responsible to ensure that proper accounting books and records are maintained to prepare the Financial Statements with reasonable accuracy.

The Financial Statements comprise of the statement of financial position as at 31st March 2020, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended together with the notes thereto.

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

- The state of affairs of the Company as at 31st March 2020
- The profit or loss of the Company and its subsidiary for the financial year then ended

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

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

The Directors consider that in preparing the Financial Statements exhibited on pages 106 to 161 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgment, assumptions and estimates.

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

The Directors confirm that the Auditors of the Company, Messrs. Ernst & Young were provided every opportunity to undertake whatever inspections they considered necessary to enable them to form their opinion on the Financial Statements.

Messrs. Ernst & Young have

examined the Financial Statements made available, together with all other financial records, minutes of Shareholders' and Directors' meetings and related information, and have expressed their opinion which appears on page 102 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 authorized distribution of dividends upon being satisfied that the Company satisfies the solvency test immediately after such distributions are made in accordance with Section 57 of the Companies Act No. 07 of 2007 and as required by Section 56 (2) of the said Companies Act, have obtained solvency certificates from the Auditor, prior to authorizing interim dividends for this year.

The Directors are of the opinion that the Financial Statements presented in the report from pages 106 to 161 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

15th October 2020

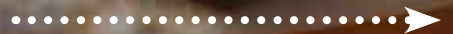








# FINANCIAL REPORTS



# Independent Auditor's Report



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

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

WRHDS/NM/EDA

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DILMAH CEYLON TEA COMPANY PLC

Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Dilmah Ceylon Tea Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

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

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

### Key audit matters

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

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

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA M L N A De Silva FCA M Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V R N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudan ACA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



Key audit matter	How our audit addressed the key audit matter
<b>Implementation of SLFRS 16</b>	
<p>The Group adopted SLFRS 16 'Leases', effective from 1 April 2019 which results in a significant change on the accounting policy for operating lease agreements entered into by the Group.</p> <p>Consequently, the Group recognized Right of Use Assets amounting to Rs. 1.18Bn and a Lease Liability of Rs. 1.18Bn on transition which represents a significant impact in the context of the Group's financial statements.</p> <p>The adoption also required management to apply significant judgments in evaluating whether the option to extend the lease is reasonably certain and in determining incremental borrowing rate ("IBR") towards establishing the lease liability.</p> <p>Such has been accordingly identified as a Key Audit Matter.</p>	<p>Our audit approach included the following;</p> <ul style="list-style-type: none"> <li>⊙ We obtained an understanding of the Group's adoption of SLFRS 16 and identified the internal controls including entity level controls adopted by the company for the accounting, processes and systems under the new accounting standard.</li> <li>⊙ We checked the completeness of the lease data by testing the reconciliation of the company's lease liability to operating lease commitments disclosed in the 2019 financial statements and by considering if we had knowledge of any other contracts which may contain a lease; and</li> <li>⊙ We verified the accuracy of the underlying lease data by agreeing all the leases to original contracts or other supporting information and assessed the integrity and mathematical accuracy of the SLFRS 16 calculations for each lease sampled through recalculation of the expected SLFRS 16 adjustment.</li> <li>⊙ We assessed the reasonableness of judgments applied by the Group towards estimating the lease term of contracts entered and the incremental borrowing rate applied in determining the lease liabilities.</li> </ul> <p>In addition, we also assessed the adequacy of the related financial statement disclosures in Notes 7 to the financial statements.</p>
<b>Impairment of trade receivables</b>	
<p>As at 31 March 2020, the Group held Rs. 4.8Bn of trade receivables which contributed to 30% of the Group's total assets.</p> <p>As disclosed in Note 11, these amounts are receivable from customers across the globe and a majority of these trade receivables are not secured.</p> <p>The determination of whether trade receivables will be realized at the stated amounts, especially considering the Covid 19 outbreak requires management to exercise judgement and apply assumptions relating to expectations of recovery from past due customers also considering the market in which the customers operate due to which this matter was considered as a key audit matter.</p>	<p>Our audit approach included the following;</p> <ul style="list-style-type: none"> <li>⊙ We assessed the management's process, systems and controls implemented over the identification of past due receivables and the assessment of impairment of doubtful debts thereon.</li> <li>⊙ We verified the subsequent receipts of money for outstanding invoices on a sample basis, in ascertaining whether an increased credit risk is identified with regard to the Groups trade dues.</li> <li>⊙ For past due customers, we inquired reasons for being long overdue, and assessed whether the resultant credit risk has been considered by management in their impairment assessment.</li> </ul> <p>We also assessed the adequacy of disclosures made in relation to impairment of trade receivables in Note 11 to the financial statements.</p>





up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

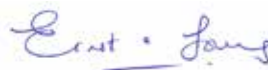
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and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

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

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

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

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



15th October 2020  
Colombo



# Statement Of Financial Position

As at 31 March 2020	Note	GROUP		COMPANY	
		2020	2019	2020	2019
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	3,245,976	2,994,583	3,188,118	2,943,485
Investment Property	5	658,528	640,838	658,528	640,838
Intangible Assets	6	195,979	308,601	195,979	308,601
Right of Use Asset	7	1,156,133	-	1,144,619	-
Other Non-Current Financial Assets	9	469,709	512,294	469,709	512,294
Total Non-Current Assets		5,726,325	4,456,316	5,656,953	4,405,218
Current Assets					
Inventories	10	1,351,607	1,074,127	1,335,427	1,064,627
Trade and Other Receivables	11	4,930,503	4,091,504	4,904,140	4,046,498
Advances and Prepayments		451,144	376,335	447,643	365,857
Amounts Due from Related Party	12	-	-	88,987	97,368
Cash and Cash Equivalents	13	4,845,500	2,807,177	4,837,295	2,802,927
Total Current Assets		11,578,754	8,349,143	11,613,492	8,377,277
Total Assets		17,305,079	12,805,459	17,270,445	12,782,495
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	14	642,500	642,500	642,500	642,500
Other Components of Equity		229,999	272,584	229,999	272,584
Retained Earnings		11,463,554	10,607,395	11,456,887	10,600,343
Total Equity		12,336,053	11,522,479	12,329,386	11,515,427
Non-Current Liabilities					
Lease Liability	7	1,082,572	-	1,071,934	-
Deferred Tax Liabilities	23	254,531	161,865	250,257	158,106
Retirement Benefit Obligations	15	234,340	242,043	229,392	237,076
		1,571,443	403,908	1,551,583	395,182
Current Liabilities					
Trade and Other Payables	16	516,414	338,928	514,642	335,593
Provisions and Accrued Expenses		619,048	482,244	613,592	478,334
Lease Liability	7	111,569	-	110,321	-
Short Term Loans	17	1,895,000	-	1,895,000	-
Income Tax Payable	23	255,552	57,900	255,921	57,959
		3,397,583	879,072	3,389,476	871,886
Total Liabilities		4,969,026	1,282,980	4,941,059	1,267,068
Total Equity and Liabilities		17,305,079	12,805,459	17,270,445	12,782,495

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



**R. N. Malinga**

General Manager Finance

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



**Dilhan C Fernando**

Director/Chief Executive Officer



**Darshana Gunasekera**

Group Finance Director

The accounting policies and notes on pages 113 through 161 form an integral part of these financial statements.

15th October 2020



# Statement Of Profit or Loss

Year ended 31 March 2020	Note	GROUP		COMPANY	
		2020	2019	2020	2019
		Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000
Revenue	18	11,610,062	10,713,364	11,555,335	10,676,761
Cost of Sales		(6,242,264)	(6,018,659)	(6,186,086)	(5,962,985)
Gross Profit		5,367,798	4,694,705	5,369,249	4,713,776
Other Income	19	14,879	31,492	14,133	19,429
Administrative Expenses		(1,620,400)	(1,520,780)	(1,621,623)	(1,527,109)
Selling and Distribution Costs		(2,181,006)	(2,353,652)	(2,180,510)	(2,353,124)
Foreign Exchange Gain		408,812	762,093	407,407	760,885
Finance Costs	20	(183,357)	(14,454)	(181,925)	(14,451)
Finance Income	21	182,161	95,047	182,156	95,046
Profit Before tax	22	1,988,887	1,694,451	1,988,887	1,694,452
Income Tax Expense	23	(429,640)	(103,723)	(429,143)	(110,638)
Profit for the year		1,559,247	1,590,728	1,559,744	1,583,814
Earnings per Share (Rs.)	24	75.19	76.71	75.21	76.37
Dividend per Share (Rs.)	25	35.00	20.00		

The accounting policies and notes on pages 113 through 161 form an integral part of these financial statements.

## Statement of Comprehensive Income

		GROUP		COMPANY	
Year ended 31 March 2020	Note	2020	2019	2020	2019
		Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000
<b>Profit for the year</b>		<b>1,559,247</b>	<b>1,590,728</b>	<b>1,559,744</b>	<b>1,583,814</b>
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;					
Gain/(Loss) on equity instruments designated at fair value through OCI	9	(42,585)	8,448	(42,585)	8,448
<b>Net Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;</b>		<b>(42,585)</b>	<b>8,448</b>	<b>(42,585)</b>	<b>8,448</b>
Other Comprehensive Income not to be classified to profit or loss in subsequent periods;					
Re-measurement Gain on Employee Retirement Benefit Obligation	15	26,423	14,148	26,293	13,988
Deferred Tax attributable to re-measurement Gain on Employee Retirement Benefit Obligation	23	(3,699)	(1,888)	(3,681)	(1,866)
<b>Net Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent periods;</b>		<b>22,724</b>	<b>12,260</b>	<b>22,612</b>	<b>12,122</b>
Other Comprehensive Income for the year, Net of Tax		(19,861)	20,708	(19,973)	20,570
<b>Total Comprehensive Income for the year, Net of Tax</b>		<b>1,539,386</b>	<b>1,611,436</b>	<b>1,539,771</b>	<b>1,604,384</b>

The accounting policies and notes on pages 113 through 161 form an integral part of these financial statements.

# Statement Of Changes In Equity - Group

Year ended 31 March 2020	Note	Other Components of Equity				Total Rs.'000
		Stated Capital Rs.'000	Available for Sale Reserve Rs.'000	FVOCI Reserve Rs.'000	Retained Earnings Rs.'000	
As at 01 April 2018		642,500	264,136	-	9,419,157	10,325,793
Impact of adoption of SLFRS 9 As at 01 April 2018			(264,136)	264,136	-	-
Profit for the Year		-	-	-	1,590,728	1,590,728
Other Comprehensive Income		-	-	8,448	12,260	20,708
Total Comprehensive Income for the year		-	-	272,584	1,602,988	1,611,436
Interim Dividend - 2018/19	25	-	-	-	(414,750)	(414,750)
As at 31 March 2019		642,500	-	272,584	10,607,395	11,522,479
Profit for the Year		-	-	-	1,559,247	1,559,247
Other Comprehensive Income		-	-	(42,585)	22,724	(19,861)
Total Comprehensive Income for the year		-	-	(42,585)	1,581,971	1,539,386
Interim Dividend - 2019/20	25	-	-	-	(414,750)	(414,750)
Final Dividend - 2018/19	25	-	-	-	(311,062)	(311,062)
As at 31 March 2020		642,500	-	229,999	11,463,554	12,336,053



## Statement Of Changes In Equity - Company

Year ended 31 March 2020	Note	Other Components of Equity				
		Stated Capital	Available for Sale Reserve	FVOCI Reserve	Retained Earnings	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>As at 01 April 2018</b>		<b>642,500</b>	<b>264,136</b>	<b>-</b>	<b>9,419,157</b>	<b>10,325,793</b>
<b>Impact of adoption of SLFRS 9 As at 01 April 2018</b>			<b>(264,136)</b>	<b>264,136</b>	<b>-</b>	<b>-</b>
Profit for the Year		-	-	-	1,583,814	1,583,814
Other Comprehensive Income, Net of Tax		-	-	8,448	12,122	20,570
Total Comprehensive Income for the year		-	-	272,584	1,595,936	1,604,384
Interim Dividend - 2018/19	25	-	-	-	(414,750)	(414,750)
<b>As at 31 March 2019</b>		<b>642,500</b>	<b>-</b>	<b>272,584</b>	<b>10,600,343</b>	<b>11,515,427</b>
Profit for the Year		-	-	-	1,559,744	1,559,744
Other Comprehensive Income, Net of Tax		-	-	(42,585)	22,612	(19,973)
Total Comprehensive Income for the year		-	-	(42,585)	1,582,356	1,539,771
Interim Dividend - 2019/20	25	-	-	-	(414,750)	(414,750)
Final Dividend - 2018/19	25	-	-	-	(311,062)	(311,062)
<b>As at 31 March 2020</b>		<b>642,500</b>	<b>-</b>	<b>229,999</b>	<b>11,456,887</b>	<b>12,329,386</b>

The accounting policies and notes on pages 113 through 161 form an integral part of these financial statements.



# Statement of Cash Flows

Year ended 31 March 2020	Note	GROUP		COMPANY	
		2020	2019	2020	2019
		Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000
<b>Cash Flows From / (Used in) Operating Activities</b>					
Profit before Income Tax Expense		1,988,887	1,694,451	1,988,887	1,694,452
<b>Adjustments for</b>					
Depreciation	22	285,545	283,348	282,886	267,915
Amortisation of Intangible Assets	22	109,532	217,082	109,533	217,082
Depreciation on Right of Use Asset	7	29,805	-	29,349	-
Interest Expense on Lease Liability	20	142,719	-	141,287	-
Unrealised Foreign Exchange (Gain) / Loss		(176,307)	28,914	(175,726)	30,120
Interest Expenses	20	183,357	14,454	181,925	14,451
Dividend Income	19	(75)	(123)	(75)	(123)
Interest Income	21	(182,161)	(95,047)	(182,156)	(95,046)
Loss/(Profit) on disposal of Property, Plant and Equipment	19	2,758	(7,934)	2,758	(7,336)
Profit on disposal of Investment		-	(145)	-	(145)
Provision for Defined Benefit Plans	15	45,866	41,041	44,861	40,151
Impairment Loss on Amounts due from Related Party	22	-	-	3,178	8,098
<b>Operating Profit before Working Capital Changes</b>		<b>2,429,926</b>	<b>2,176,041</b>	<b>2,426,707</b>	<b>2,169,619</b>
<b>Working Capital Changes:</b>					
Inventories		(277,480)	120,499	(270,800)	126,159
Trade and Other Receivables		(761,276)	(353,054)	(780,268)	(329,094)
Advances and Prepayments		(74,807)	(227,387)	(81,786)	(217,604)
Amounts Due from Related Party		-	-	5,203	(24,004)
Trade and Other Payables		174,925	(100,615)	176,511	(103,381)
Provisions and Accrued Expenses		136,802	70,703	135,257	68,058
<b>Cash Flows from Operations</b>		<b>1,628,090</b>	<b>1,686,187</b>	<b>1,610,824</b>	<b>1,689,753</b>
Retirement Benefit Obligation Paid	15	(27,145)	(8,087)	(26,252)	(8,029)
Interest Paid		(183,357)	(14,455)	(181,925)	(14,451)
Income Tax Paid		(143,021)	(55,298)	(142,711)	(55,255)
<b>Net Cash Flows from Operating Activities</b>		<b>1,274,567</b>	<b>1,608,347</b>	<b>1,259,936</b>	<b>1,612,018</b>

## Statement of Cash Flows

Year ended 31 March 2020	Note	GROUP		COMPANY	
		2020	2019	2020	2019
		Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000	Rs. Rs.'000
Investing Activities					
Acquisition of Property, Plant and Equipment		(545,051)	(180,329)	(535,630)	(178,735)
Acquisition of Investment Properties		(19,459)	(124,764)	(19,459)	(124,764)
Acquisition of Intangible Assets		(5,336)	(82,754)	(5,336)	(82,754)
Proceeds from disposal of Property, Plant and Equipment		15,120	8,209	15,120	7,603
Proceed of Investment		-	146	-	146
Dividend Received		75	123	75	123
Interest Received		182,161	95,047	182,156	95,046
Net Cash Flows used in Investing Activities		(372,490)	(284,322)	(363,074)	(283,335)
Financing Activities					
Rent Paid		(134,517)	-	(133,001)	-
Dividend Paid		(725,812)	(414,750)	(725,812)	(414,750)
Proceeds from Interest Bearing Loans and Borrowings		1,895,000	1,536,176	1,895,000	1,536,176
Repayments of Interest Bearing Loans and Borrowings		-	(1,536,176)	-	(1,536,176)
Net Cash Flows from/ used in Financing Activities		1,034,671	(414,750)	1,036,187	(414,750)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		101,575	(39,181)	101,319	(39,808)
Net Increase in Cash and Cash Equivalents		2,038,323	870,094	2,034,368	874,125
Cash and Cash Equivalents at the beginning of the year		2,807,177	1,937,083	2,802,927	1,928,802
Cash and Cash Equivalents at the end of the year	13	4,845,500	2,807,177	4,837,295	2,802,927

The accounting policies and notes on pages 113 through 161 form an integral part of these financial statements

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

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

### 1.2 Principal Activities and Nature of Operations

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

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

### 1.3 Parent Entity and Ultimate Parent Entity

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

### 1.4 Date of Authorization for Issue

The Financial Statements of the Group as at and for the year ended 31 March 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 14th October 2020.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of Compliance

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

following the accrual basis of accounting.

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

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

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

### 2.2 Basis of Preparation

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

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

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

### 2.3 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is also the Group’s functional currency and all values are rounded to the nearest thousand (Rs. 000), except when otherwise indicated.

### 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:



## Notes to the Financial Statements

- ⊙ 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	
		2020	2019
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

New and amended standards and interpretations

#### 2.6.1 SLFRS 16 Leases

The Group applied SLFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore,



SLFRS 16 did not have an impact for leases where the Company is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Company 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.

Upon adoption of SLRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The effect of adoption SLFRS 16 as at 1 April 2019 is, as follows:

	Group	Company
	Rs. '000	Rs. '000
<b>Assets</b>		
Right-of-use assets	1,185,939	1,173,968
<b>Total assets</b>	<b>1,185,939</b>	<b>1,173,968</b>
<b>Liabilities</b>		
Lease Liability	1,185,939	1,173,968
<b>Total liabilities</b>	<b>1,185,939</b>	<b>1,173,968</b>

The weighted average incremental borrowing rate applied to the lease liability is 12% (p.a.).

The lease liabilities as at 1 April 2019 can be

reconciled to the operating lease commitments as of 31 March 2019, as follows:

	Group
	Rs. '000
<b>Assets</b>	
Operating lease commitments as at 31 March 2019	40,191
Weighted average incremental borrowing rate as at 1 April 2019	12%
Discounted operating lease commitments as at 1 April 2019	11,971
<b>Lease liabilities as at 1 April 2019</b>	<b>11,971</b>

#### SLFRS 16 Leases - Accounting Policy

##### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows,

Right-of-Use Assets – 40 Years (approximated)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option,

## Lease liabilities

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ⊙ Whether an entity considers uncertain tax treatments separately
- ⊙ The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ⊙ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ⊙ How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company.

### 2.6.3 Amendments to SLFRS 9

**Prepayment Features with Negative Compensation**  
Under SLFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to SLFRS 9 clarify that a financial asset passes the SPPI

criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

### 2.6.4 Amendments to LKAS 19: Plan Amendment, Curtailment or Settlement

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the financial statements of the company as it did not have any plan amendments, curtailments, or settlements during the period.

Due to the transition methods chosen by the company in applying these standards and interpretations, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

Apart from the changes mentioned above, the accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'



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foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

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

## 2.9 Property, Plant and Equipment

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment when

events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

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

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

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

### 2.9.1 Capital Work-in-Progress

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

### 2.10 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both,

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.

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.

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 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.

## 2.13 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.

## 2.14 Financial Instruments

Initial recognition of Financial Assets and Financial Liabilities

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

### Measurement of Financial Assets

A financial asset be measured at amortised cost if both of the following conditions are met:

- a. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value unless it is measured at amortised cost in accordance with above criteria. The Group measures Trade and Other Receivables at amortised cost and fair value through other comprehensive income at Fair value and fair value changes recognized to other comprehensive income.

### Fair value through other comprehensive income

If both of the following conditions are met,

- a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial essential assets
- b. the contractual terms of the financial asset give



## Notes to the Financial Statements

rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding

## Derecognition of Financial Assets

The Group derecognise a financial asset when and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset as and the transfer qualifies for derecognition.

A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial asset is derecognised, impaired or reclassified in accordance and through the amortisation process.

## Financial Liabilities Recognition

The Group measured the financial liability at fair value, including the costs of the transaction which can be directly assigned financial liability, when these are designated at their fair value in the profit and loss account.

The Group assessed that the fair value of loans and borrowings, bank overdrafts, and trade and other payables.

The Group has the following non-derivative financial liabilities loans and borrowings, bank overdrafts, and trade and other payables.

### Financial Liabilities Subsequent Measurement

All financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss.

## Derecognition of Financial Liabilities

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when its contractual obligations are discharged or cancelled or expire.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship be recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

## Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## Cash and Cash Equivalents

Cash and Cash Equivalents in the Statement of Financial Position comprise cash on hand and at banks and short-term deposits which are subject to an insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand and at banks and short-term deposits with a maturity of three months or less.

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





## **Impairment**

### **Financial Assets**

#### **Impairment - Recognition of expected credit losses**

The Group recognise a loss allowance for expected credit losses on a Trade Receivables to which the impairment requirements apply.

At each reporting date, the Group measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial 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:

- a. 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
- b. 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.

## **2.15 Retirement Benefit Obligations**

### **Defined Benefit Plans - Retirement Gratuity**

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in the Statement of Comprehensive Income. The Group is liable to pay gratuity in terms of the relevant statute. 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.

## **2.16 Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

## **2.17 Revenue from Contracts with Customers**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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

## Notes to the Financial Statements

discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue:

**a) Goods transferred at a point in time**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. In relation to sales with local customers, this point is generally the delivery of goods, exports also take in to account the term related to each shipment of goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

**b) Services transferred over time**

The Group determines, at contract inception, whether it satisfies the performance obligation over time or at appointment. For each performance obligation satisfied over time, the Group recognises revenue over time, by using an output method to measure progress towards complete satisfaction of that performance obligation.

In determining the transaction price for the sale of goods and the services the Group considers the effects of variable consideration the existence of significant financing, non-cash considerations and consideration payable to customer (if any). However,

- ⦿ The Group does not offer discounts, warranties or incentives to its customers
- ⦿ The Group does not receive long-term advances from its customers for the services which entails a financing element
- ⦿ The period between the transfer of the promised service to the customer and when the customer pays for that good will be one year or less

### c) Presentation and disclosure requirements

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how

the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 18 for the disclosure on disaggregated revenue.

## Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of other non-current assets, are accounted in the Statement of Profit or Loss, after deducting the carrying amount from proceeds on disposal of such assets and the related selling expenses.

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

## Interest Income

Interest income is recognized 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 recognized on an accrual basis.

## 2.18 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 recognized on an accrual basis.

### **2.19 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.

According to the First Schedule of the Inland Revenue Act No. 24 of 2017, with effect from the Year of Assessment 2018/19 concessionary rate of 14% is applicable for the Taxable Income of the company predominately (80%) engaged in the business of exports. Gains from realization of investment assets shall be taxed at the rate of 10%.

#### **Subsidiary**

MJF Beverages (Private) Limited has entered into an agreement registered under the terms of section 17 (2) of the Board of Investment Law No. 4 of 1978

with the Board of Investment Sri Lanka, under which the subsidiary’s profit and income are exempted from Income Tax for a period of 8 years from the year in which the subsidiary commences to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations or production whichever is earlier. Accordingly, the said exemption period commences from the Y/A 2010/2011.

#### **Deferred Taxation**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all temporary differences, except:

- ⊙ Where the deferred tax liability arises from an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

Deferred tax assets are recognized for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- ⊙ Where the deferred tax assets relating to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor the taxable profit.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.



## Notes to the Financial Statements

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in the Statement of Profit or Loss or Statement of Comprehensive Income.

## Turnover Based Taxes

Turnover based taxes include Value Added Tax, Nation Building Tax and Economic Service Charge. The Company and its subsidiary pay such taxes in accordance with the respective statutes.

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

All other assets are classified as non-current.

A liability is current when:

- ⊙ it is expected to be settled in normal operating cycle
- ⊙ It is held primarily for the purpose of trading
- ⊙ It is due to be settled within twelve months after the reporting period, or
- ⊙ There is no right to defer the settlement of the

liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

## 2.21 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 Chairmen include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 2.3 Earnings Per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.





### 3. 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.

#### 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 amortized cost and FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk for trade receivables the Group applies the simplified approach permitted by SLFRS 9 which requires expected lifetime losses to be recognize from initial recognition of the receivables.

At the reporting date, gross trade receivables of the Group were Rs. 4,792 million (2019 - Rs. 3,926 million) with allowance for impairment of trade receivables amounting to Rs. 102 million (2019 - 30 million) and gross trade receivables of the Company were Rs. 4,770 million (2019 - Rs. 3,903 million) with allowance for impairment of trade receivables amounting to Rs. 102 million (2019 - 30 million).

#### Employee Defined Benefit Plan – Gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. Management reviews all assumptions at each reporting date and revised assumptions where appropriate.

#### Deferred Taxes

Deferred tax asset of Rs. 6.4 million (2019 - Rs. 5.8 million) as at 31 March 2020 has not been recognized on the carried forward tax losses of the Subsidiary of the Group as it is unable to assess with reasonable certainty that taxable profits would be available to recover the deferred tax asset in the foreseeable future. If the Group recognize deferred tax asset, profit and equity would have increased by Rs. 6.4 million (2019 - Rs. 5.8 million) for the year ended 31 March 2020.



## Notes to the Financial Statements

## Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis. In March 2020, each company evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios , relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook to the Board, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

In determining the above significant management judgements, estimates and assumptions the impact of the COVID 19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.



## 4. PROPERTY, PLANT AND EQUIPMENT

### 4.1 Group

	Balance As at 01.04.2019 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2020 Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Land	702,444	-	-	702,444
Buildings on Leasehold Land	67,474		-	67,474
Plant and Machinery	3,249,408	74,843	(39,439)	3,284,812
Factory Equipment	6,859	4,530	-	11,389
Furniture and Fittings	13,994	45,056	-	59,050
Office and Store Equipment	116,820	2,920	(1,161)	118,579
Computer Hardware	89,724	29,028	(3,522)	115,230
Motor Vehicle	242,715	10,588	(20,670)	232,633
<b>Total Value of Depreciable Assets</b>	<b>4,489,438</b>	<b>166,965</b>	<b>(64,792)</b>	<b>4,591,611</b>
<b>In the Course of Construction</b>				
Capital Work In Progress	592,621	386,082	-	978,703
	592,621	386,082	-	978,703
<b>Total Gross Carrying Amount</b>	<b>5,082,059</b>	<b>553,047</b>	<b>(64,792)</b>	<b>5,570,314</b>
	Balance As at 01.04.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
<b>Accumulated Depreciation</b>				
<b>At Cost</b>				
Buildings on Leasehold Land	18,683	1,824	-	20,507
Plant and Machinery	1,743,287	227,900	(21,732)	1,949,455
Factory Equipment	6,537	221	-	6,758
Furniture and Fittings	9,164	4,373	-	13,537
Office and Store Equipment	55,392	16,037	(990)	70,439
Computer Hardware	75,011	11,850	(3,522)	83,339
Motor Vehicle	179,402	21,571	(20,670)	180,303
<b>Total Depreciation</b>	<b>2,087,476</b>	<b>283,776</b>	<b>(46,914)</b>	<b>2,324,338</b>

## Notes to the Financial Statements

	2020	2019
	Rs.'000	Rs.'000
<b>Net Carrying Amounts</b>		
Land	702,444	702,444
Buildings on Leasehold Land	46,967	48,791
Plant and Machinery	1,335,357	1,506,121
Factory Equipment	4,631	322
Furniture and Fittings	45,513	4,830
Office and Store Equipment	48,140	61,428
Computer Hardware	31,891	14,713
Motor Vehicle	52,330	63,313
	2,267,273	2,401,962
<b>Capital Work In Progress</b>	978,703	592,621
	978,703	592,621
<b>Total Net Carrying Amount</b>	<b>3,245,976</b>	<b>2,994,583</b>

- 4.1.1** During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 553,046,237/- (2019 - Rs.85,364,244/-). Cash payments amounting to Rs 543,281,500/- (2019 - Rs. 85,364,244/-) 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. 607,011,646/- (2019 - Rs. 592,990,149/-) and continue to be in used by the Group.
- 4.1.3** The Subsidiary of the Group has entered in to a long-term operating lease agreement with Kahawatte Plantations PLC from 01 January 2006 to 14 June 2045 for the use of land situated at Rilhena Estate. Buildings on leasehold land as reflected above represent buildings constructed by the Subsidiary of the Group on the said leased land.
- 4.1.4** Details of Group's land and buildings stated at cost are indicated below:

## Land

Location	Extent
111,167 & 179, Negombo Road, Peliyagoda	279 P

## Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01
Rilhena, Palmadulla, Rathnapura	01

**4.2 Company**

	Balance As at 01.04.2019 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.03.2020 Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Land	702,444	-	-	702,444
Plant and Machinery	3,078,732	67,055	(39,439)	3,106,348
Furniture and Fittings	13,548	45,056	-	58,604
Office and Stores Equipment	116,016	5,818	(1,161)	120,673
Computer Hardware	89,277	29,028	(3,522)	114,783
Motor Vehicles	242,719	10,588	(20,670)	232,637
<b>Total Value of Depreciable Assets</b>	<b>4,242,736</b>	<b>157,545</b>	<b>(64,792)</b>	<b>4,335,489</b>
<b>In the Course of Construction</b>				
Capital Work In Progress	592,621	386,082	-	978,703
	592,621	386,082	-	978,703
<b>Total Gross Carrying Amount</b>	<b>4,835,357</b>	<b>543,627</b>	<b>(64,792)</b>	<b>5,314,192</b>
	Balance As at 01.04.2019 Rs.	Charge for the year Rs.	Disposals Rs.	Balance As at 31.03.2020 Rs.
<b>Accumulated Depreciation</b>				
<b>At Cost</b>				
Plant and Machinery	1,574,286	227,351	(21,732)	1,779,905
Furniture and Fittings	8,756	4,366	-	13,122
Office and Stores Equipment	54,850	15,983	(990)	69,843
Computer Hardware	74,574	11,845	(3,522)	82,897
Motor Vehicles	179,406	21,571	(20,670)	180,307
<b>Total Depreciation</b>	<b>1,891,872</b>	<b>281,116</b>	<b>(46,914)</b>	<b>2,126,074</b>



	2020	2019
	Rs.'000	Rs.'000
<b>Net Carrying Amounts</b>		
Land	702,444	702,444
Plant and Machinery	1,326,443	1,504,446
Furniture and Fittings	45,482	4,792
Office and Stores Equipment	50,830	61,166
Computer Hardware	31,886	14,703
Motor Vehicles	52,330	63,313
	2,209,415	2,350,864
Capital Work In Progress	978,703	592,621
	978,703	592,621
<b>Total Net Carrying Amount</b>	<b>3,188,118</b>	<b>2,943,485</b>

**4.2.1** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 543,626,319/- (2019 - Rs. 83,796,647/-). Cash payments amounting to Rs. 535,630,816/- (2019 - Rs. 83,769,647/-) 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. 431,765,632/- (2019 - Rs. 423,932,368/-) which are still in use.

**4.2.3** Details of Company's land and buildings stated at valuation are indicated below;

## Land

Location	Extent
111,167 & 179, Negombo Road, Peliyagoda	279 P

## Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01



## 5. INVESTMENT PROPERTY

### Group/Company

Group/Company	Balance			Balance
	As at	Additions/	Disposals/	As at
	01.04.2019	Transfers	Transfers	31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Gross Carrying Amounts</b>				
<b>At Cost</b>				
Land	234,064	-	-	234,064
Building	-	426,233	-	426,233
<b>Total Value of Investment Property</b>	<b>234,064</b>	<b>426,233</b>	<b>-</b>	<b>660,297</b>
<b>In the Course of Construction</b>				
Capital Work In Progress	406,774	19,459	(426,233)	-
	406,774	19,459	(426,233)	-
<b>Total Gross Carrying Amount</b>	<b>640,838</b>	<b>445,692</b>	<b>(426,233)</b>	<b>660,297</b>
	Balance			Balance
	As at	Charge for	Disposals	As at
	01.04.2019	the year		31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Accumulated Depreciation</b>				
<b>At Cost</b>				
Building	-	1,769	-	1,769
<b>Total Depreciation</b>	<b>-</b>	<b>1,769</b>	<b>-</b>	<b>1,769</b>

	GROUP/COMPANY	
	2020	2019
	Rs.'000	Rs.'000
Land	234,064	234,064
Building	424,464	-
	658,528	234,064
Capital Work In Progress	-	406,774
	-	406,774
<b>Total Net Carrying Amount</b>	<b>658,528</b>	<b>640,838</b>

- ## 6. INTANGIBLE ASSETS

**6.1** During the financial year, the Group/Company acquired Intangible Assets to the aggregate value of Rs.217,791,566/- (2019- Rs.82,754,668/-). Cash payments amounting to Rs. 5,336,179/- (2019- Rs 82,175,169/-) were made by the Group/Company during the year for purchase of Intangible Assets.

## 7. INITIAL APPLICATION OF SLFRS 16 - LEASES

The Company as a lessee has applied SLFRS 16 as initial application with effect from 01st April 2019 using the modified retrospective approach (Cumulative Catchup - Transition Method) and therefore the comparative information has not been restated and continues to be reported under LKAS 17. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease 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 Company assesses whether:

- ⊙ the contract involves the use of an identified asset
- ⊙ the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- ⊙ the Company has the right to direct the use of the asset

the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use assets of the Company consist of land, buildings & installations, part and machinery and vehicles taken on rent which were previously recognised as operating leases under LKAS 17.

### 7.1 Right of Use Asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the Company's incremental borrowing rate) adjusted for any lease payments made at or before the initial application date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the initial application date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of Use Lease assets of the Company is as follows;

The weighted average incremental borrowing rate applied to the lease liability is 12% (p.a.).

#### 7.1.1 Group

	Balance As at 01.04.2019 Rs.'000	Additions Rs.'000	Advance Payment for Leases Rs.'000	Balance As at 31.03.2020 Rs.'000
<b>At Gross Value</b>				
Land	797,358	-	-	797,358
Buildings and installations	388,581	-	-	388,581
	1,185,939	-	-	1,185,939
	Balance As at 01.04.2019 Rs.'000	Charge for the year Rs.'000	De- Recognition Rs.'000	Balance As at 31.03.2020 Rs.'000
<b>Depreciation</b>				
Land	-	19,934	-	19,934
Buildings and installations	-	9,872	-	9,872
	-	29,806	-	29,806

	2020	2019
	Rs.'000	Rs.'000
Net book values		
Land	777,424	-
Building	378,709	-
	1,156,133	-

### 7.1.2 Company

	Balance As at 01.04.2019 Rs.'000	Additions Rs.'000	Advance Payment for Leases Rs.'000	Balance As at 31.03.2020 Rs.'000
<b>At Gross Value</b>				
Land	797,358	-	-	797,358
Buildings and installations	376,610	-	-	376,610
	1,173,968	-	-	1,173,968

	Balance As at 01.04.2019 Rs.'000	Charge for the year Rs.'000	De- Recognition Rs.'000	Balance As at 31.03.2020 Rs.'000
Depreciation				
Land	-	19,934	-	19,934
Buildings and installations	-	9,415	-	9,415
	-	29,349	-	29,349

	2020	2019
	Rs.'000	Rs.'000
Net book values		
Land	777,424	-
Building	367,195	-
	1,144,619	-





## 7.2 Lease Liability/Lease Creditor

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is as follows;

### 7.2.1 Group

	Balance As at 01.04.2019	Additions	Accretion of Interest	Repayment During the Year	Balance As at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	797,358	-	95,962	(90,341)	802,979
Buildings and installations	388,581	-	46,757	(44,176)	391,162
	1,185,939	-	142,719	(134,517)	1,194,141
			Amount repayable within 1 year Rs.'000	Amount repayable after 1 year Rs.'000	Total Rs.'000
Lease Liability/Lease Creditor			111,569	1,082,572	1,194,141
			111,569	1,082,572	1,194,141

### 7.2.2 Company

	Balance As at 01.04.2019	Additions	Accretion of Interest	Repayment During the Year	Balance As at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	797,358	-	95,962	(90,341)	802,979
Buildings and installations	376,610	-	45,326	(42,660)	379,276
	1,173,968	-	141,288	(133,001)	1,182,255
			Amount repayable within 1 year Rs.'000	Amount repayable after 1 year Rs.'000	Total Rs.'000
Lease Liability/Lease Creditor			110,321	1,071,934	1,182,255
			110,321	1,071,934	1,182,255

	Group		Company	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Payable within one year</b>				
Gross liability	134,040	-	132,540	-
Finance cost allocated to future periods	(22,471)	-	(22,219)	-
Net liability transferred to current liabilities	111,569	-	110,321	-
<b>Payable within two to five years</b>				
Gross liability	549,546	-	543,546	-
Finance cost allocated to future periods	(207,645)	-	(205,384)	-
Net liability	341,901	-	338,162	-
<b>Payable after five years</b>				
Gross liability	5,638,299	-	5,607,925	-
Finance cost allocated to future periods	(4,897,628)	-	(4,874,153)	-
Net liability	740,671	-	733,772	-
Net liability payable after one year	1,082,572	-	1,071,934	-

	Group	Company
	Rs.'000	Rs.'000
Payable within one year		
Gross liability	6,321,885	6,284,010
Finance cost allocated to future periods	(5,127,744)	(5,101,755)
Net liability transferred to current liabilities	1,194,141	1,182,255

## 8. INVESTMENT IN SUBSIDIARY

	Holding %		Company	
	%	%	Value	Value
	2020	2019	2020	2019
			Rs. '000	Rs. '000
Non-quoted				
MJF Beverages (Private) Limited	100%	100%	300,750	300,750
Provision for Impairment of Investment in Subsidiary			(300,750)	(300,750)
			-	-

- 8.1** 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 2020. Based on that assessment, the investment has been fully provided for as at 31 March 2020.

## 9. OTHER NON-CURRENT FINANCIAL ASSETS

	Quoted Investments		Unquoted Investments		Total	
	Value	Value	Value	Value	Value	Value
	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group/Company						
Equity Securities designated as FVOCI						
At the beginning of the year	494,917	486,469	17,377	17,377	512,294	503,846
Gain/(Loss) on Change in Fair Value	(42,585)	8,448	-	-	(42,585)	8,448
At the end of the year	452,332	494,917	17,377	17,377	469,709	512,294

### 9.1 Quoted Investments

	No. of Shares			
	2020	2019	2020	2019
			Rs. '000	Rs. '000
Kahawatte Plantation PLC	12,571,800	12,571,800	448,813	490,300
Renuka City Hotels PLC	17,500	17,500	3,343	4,375
John Keells Holdings PLC	1,476	1,476	170	230
Maskeliya Plantation PLC	800	800	5	9
Hapugastenna Plantation PLC	100	100	1	2
			452,332	494,916





## 11. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
		2020	2019	2020	2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Debtors	Related Party (Note 11.1)	2,420,165	1,488,555	2,407,332	1,478,033
	Others	2,269,852	2,407,555	2,260,271	2,395,581
		4,690,017	3,896,110	4,667,603	3,873,614
Other Receivables	Related Party (Note 11.2)	29,833	27,551	29,833	27,551
	Others	210,653	167,843	206,704	145,333
		240,486	195,394	236,537	172,884
		4,930,503	4,091,504	4,904,140	4,046,498
<b>11.1 Trade Receivables - Related Party</b>	<b>Relationship</b>				
Dilmah Australia (Pty) Ltd.	Fellow Subsidiary	2,317,812	1,488,555	2,305,721	1,478,033
MJF Group Europe BV	Fellow Subsidiary	102,353	-	101,611	-
		2,420,165	1,488,555	2,407,332	1,478,033
<b>11.2 Other Receivables - Related Party</b>	<b>Relationship</b>				
MJF Exports Ltd. - India	Fellow Subsidiary	29,833	27,551	29,833	27,551
		29,833	27,551	29,833	27,551

As at reporting date, trade receivables of the Group/Company at nominal value of Rs. 102,164,064 (2019 - Rs. 29,663,814/-) were impaired.

As at reporting date, the ageing of unimpaired trade receivables is as follows:

	Total Rs.'000	Neither past due nor Impaired Rs.'000	Past due but not Impaired Rs.'000
<b>Group</b>			
2020	4,690,017	2,532,154	2,157,863
2019	3,896,110	3,354,432	541,678
<b>Company</b>			
2020	4,667,603	2,521,886	2,145,717
2019	3,873,614	3,331,937	541,677



	2020	2019
	Rs. '000	Rs. '000
Company		
MJF Beverages (Private) Limited	155,815	161,018
Provision for Impairment of Amounts due from Related Party	(66,828)	(63,650)
	88,987	97,368

Cash and cash equivalents included in the Statement of Cash Flows include the following Statement of Financial Position amounts:

## 14. STATED CAPITAL

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## 15. RETIREMENT BENEFIT OBLIGATION

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	242,043	223,238	237,076	218,942
Current Service Cost	19,329	18,802	18,783	18,341
Interest Cost	26,536	22,238	26,078	21,810
Actuarial Gain	(26,423)	(14,148)	(26,293)	(13,988)
Benefits Paid	(27,145)	(8,087)	(26,252)	(8,029)
As at 31 March	234,340	242,043	229,392	237,076

The employee retirement benefit liability of the Group/Company is based on the actuarial valuation carried out by Smiles Global (Private) Limited (2019 - Smiles Global (Private) Limited), Independent actuarial specialists as at 31 March 2020. The principal assumptions used are as follows:

	GROUP/COMPANY	
	2020	2019
Discount Rate	9.5%	11%
Future Salary Increment rate	10%	10%
Expected future working life time	4 - 7 Years	5 - 6 Years

### Sensitivity of Principal Assumptions used

A one percentage change in the assumptions would have the following effects:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1% increase	(6,438)	(8,724)	(6,242)	(8,514)
1% decrease	6,932	8,213	6,715	8,019
<b>Salary Increment Rate</b>				
1% increase	5,656	7,108	5,473	6,931
1% decrease	(5,334)	(7,685)	(5,168)	(7,490)



		GROUP		COMPANY	
		2020	2019	2020	2019
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables	Related Party (Note 16.1)	88,483	60,822	88,483	60,822
	Other	369,161	209,787	367,639	209,617
		457,644	270,609	456,122	270,439
Other Payable		58,770	68,319	58,520	65,154
		516,414	338,928	514,642	335,593

	Relationship				
Printcare Universal (Private) Limited	Affiliate Company	20,581	14,101	20,581	14,101
Packages Lanka (Private) Limited	Affiliate Company	24,949	6,556	24,949	6,556
Timber Concepts (Private) Limited	Fellow Subsidiary	20,176	7,508	20,176	7,508
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	5,270	13,673	5,270	13,673
Print Care PLC	Affiliate Company	8,318	10,110	8,318	10,110
PCL Solutions (Private) Limited	Fellow Subsidiary	5,990	5,529	5,990	5,529
Dilmah Australia (Pty) Limited	Fellow Subsidiary	2,449	3,345	2,449	3,345
MJF Holdings Limited	Ultimate Parent	1	-	1	-
Forbes and Walkers Warehouse (Private) Limited	Fellow Subsidiary	348	-	348	-
Dilmah SEA Pte Limited	Fellow Subsidiary	278	-	278	-
Cape Weligama (Private) Limited	Fellow Subsidiary	123	-	123	-
		88,483	60,822	88,483	60,822

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Short Term Loan - Citibank	1,895,000	-	1,895,000	-
	1,895,000	-	1,895,000	-

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>18. REVENUE</b>				
Export Sales	11,607,899	10,711,448	11,555,335	10,676,761
Local Sales	2,163	1,916	-	-
	11,610,062	10,713,364	11,555,335	10,676,761
<b>19. OTHER INCOME</b>				
Profit on Disposal of Property, Plant and Equipment	-	7,934	-	7,336
Income on Hire of Vehicles	3,588	3,464	3,588	3,464
Dividend from Equity Securities	75	123	75	123
Sundry Income	9,140	17,284	8,394	5,819
Service Fees	2,076	2,687	2,076	2,687
	14,879	31,492	14,133	19,429
<b>20. FINANCE COSTS</b>				
Interest Expense on Short Term Loans	40,428	14,081	40,428	14,081
Interest Expense on Early Settlements	210	373	210	370
Interest Expense on Lease Liability	142,719	-	141,287	-
	183,357	14,454	181,925	14,451
<b>21. FINANCE INCOME</b>				
Interest on Deposits and Saving Accounts	181,841	94,547	181,836	94,546
Other Interest	320	500	320	500
	182,161	95,047	182,156	95,046



Profit before tax is stated after charging all expenses including the following:

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## 23. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Statement of Profit or Loss</b>				
Current Income Tax				
Current Income Tax Expense	341,893	162,343	341,893	162,343
Over Provision of Current Income Tax in respect of prior years	(1,220)	-	(1,220)	-
	340,673	162,343	340,673	162,343
<b>Deferred Income Tax</b>				
Deferred Taxation Charge (Reversed)	88,967	(58,620)	88,470	(51,705)
<b>Income Tax Expense recognised in Statement of Profit or Loss</b>	<b>429,640</b>	<b>103,723</b>	<b>429,143</b>	<b>110,638</b>
<b>Statement of Comprehensive Income</b>				
Deferred Tax attributable to re-measurement Gain on Employee Defined Benefit Liabilities	3,699	1,888	3,681	1,866
<b>Deferred Tax Charge recognised in Statement of Comprehensive Income</b>	<b>3,699</b>	<b>1,888</b>	<b>3,681</b>	<b>1,866</b>

### 23.1 Reconciliation between Current Tax Expense and Accounting Profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 March are as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before Tax	1,988,887	1,694,451	1,988,887	1,694,451
Intra-group Eliminations	(1,006)	(8,098)	-	-
	1,987,881	1,686,353	1,988,887	1,694,451
Disallowable Expenses	928,630	808,690	924,966	791,952
Allowable Expenses	(261,095)	(439,117)	(253,403)	(433,782)
Allowable Income	(358,544)	(159)	(357,957)	(159)
<b>Taxable Profit</b>	<b>2,296,872</b>	<b>2,055,767</b>	<b>2,302,493</b>	<b>2,052,462</b>



## Notes to the Financial Statements

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Taxable Income at 14%</b>				
Business profit	2,302,493	2,055,767	2,302,493	2,052,462
Interest Income	182,161	95,047	182,156	95,046
Allowable Income	(43,801)	-	(43,797)	-
Taxable Other Income at 24%	(1,743)	-	(1,742)	-
Tax Losses Brought Forward and Utilised	-	(991,218)	-	(987,912)
	2,439,110	1,159,596	2,439,110	1,159,596
Taxable Other Income at 24%	1,743	-	1,742	-
Investment income (Excluding FCBU interest)	1,743	-	1,742	-
Income Tax at 14% on Taxable income	341,475	162,343	341,475	162,343
Income Tax at 24% on Taxable Other income	418	-	418	-
Current Income Tax Expense	341,893	162,343	341,893	162,343
	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Income Tax (Receivable) / Payable</b>				
At the beginning of the year	57,900	(41,323)	57,959	(41,308)
Income tax on current year profit	340,673	162,343	340,673	162,343
Income tax paid / Set off	(143,021)	(63,120)	(142,711)	(63,076)
At the end of the year	255,552	57,900	255,921	57,959
Income tax Payable	255,552	57,900	255,921	57,959
	255,552	57,900	255,921	57,959
<b>Tax Losses</b>				
At the beginning of the year	35,497	1,026,715	-	987,912
Adjustment for tax losses brought forward	3,898	-	-	-
Loss incurred during the year	7,421	-	-	-
Loss set-off for the current year	-	(991,218)	-	(987,912)
At the end of the year	46,816	35,497	-	-

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF COMPREHENSIVE INCOME	
	2020	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Group</b>						
Deferred Tax Liability						
Accelerated Depreciation for Tax Purposes	292,660	195,844	96,816	(68,313)	-	-
Deferred Tax Assets						
Unclaimed Right of Use Asset Rentals	(5,321)	-	(5,321)	-	-	-
Defined Benefit Plans	(32,808)	(33,979)	(2,528)	(4,012)	3,699	1,888
	-	-			-	-
Tax Losses				13,705		
Deferred Income Tax Charge			88,967	(58,620)	3,699	1,888
Net Deferred Tax Liability	254,531	161,865				
<b>Company</b>						
Deferred Tax Liability						
Accelerated Depreciation for Tax Purposes	287,641	191,389	96,252	(60,913)	-	-
Deferred Tax Assets						
Unclaimed Right of Use Asset Rentals	(5,269)	-	(5,269)	-		
Defined Benefit Plans	(32,115)	(33,283)	(2,513)	(4,497)	3,681	1,866
Tax Losses	-	-	-	13,705	-	-
Deferred Income Tax Charge			88,470	(51,705)	3,681	1,866
Net Deferred Tax Liability	250,257	158,106				



## 24. EARNINGS PER SHARE

Given below is the computation of earning per share:

	2020	2019
	Rs. '000	Rs. '000
<b>Amount Used as the Numerator:</b>		
Profit for the year	1,559,247	1,590,728
	Number	Number
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares *	20,738	20,738

	2020	2019
	Rs. '000	Rs. '000
<b>Amount Used as the Numerator:</b>		
Profit for the year	1,559,744	1,583,814
	Number	Number
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares*	20,738	20,738

	GROUP/COMPANY	
	2020	2019
	Rs. '000	Rs. '000
<b>Dividend paid on Ordinary Shares during the year</b>		
Final Dividend for 2019 - Rs. 15.00 per share	311,062	-
Interim Dividend for 2020 - Rs. 20.00 per share (2019-Rs. 20/- per share)	414,750	414,750
	725,812	414,750
<b>Dividend per Share (Rs.)*</b>	35.00	20.00

\*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.

## 26. SEGMENTAL INFORMATION

The Group does not have separately distinguishable components within the enterprise that is engaged in providing individual products or services or a group of related products or services that is subject to risk and returns that are different from those of other business segments.

For management purposes, the Group monitors the sales and the costs associated with the different product types offered in evaluating the profitability of the same as follows;

### 26.1 Business Segment - Group

	Tea Bags		Tea Packets		Other*		Total	
	2020	2019	2019	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	9,652,276	8,935,734	1,782,363	1,611,194	175,423	166,436	11,610,062	10,713,364
Cost of Sales	(5,161,405)	(4,989,567)	(959,699)	(897,913)	(121,160)	(131,179)	(6,242,264)	(6,018,659)
Segment Gross Profit	4,490,871	3,946,167	822,664	713,281	54,263	35,257	5,367,798	4,694,705

### 26.2 Business Segment - Company

	Tea Bags		Tea Packets		Other*		Total	
	2020	2019	2019	2019	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	9,652,276	8,935,734	1,782,363	1,611,194	120,696	129,833	11,555,335	10,676,761
Cost of Sales	(5,161,405)	(4,989,567)	(959,699)	(897,913)	(64,982)	(75,505)	(6,186,086)	(5,962,985)
Segment Gross Profit	4,490,871	3,946,167	822,664	713,281	55,714	54,328	5,369,249	4,713,776

\*Other Sales include Bulk Tea and Other Value Added Teas.

Management considers that there is no suitable basis for allocating assets, related liabilities and operating expenses to business segments. Accordingly, segment assets, segment liabilities, segment operating expenses and other segment information by business segment is not disclosed.

## 27. CONTINGENCIES AND COMMITMENTS

As at reporting date, the Group and Company has following commitments and contingencies arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.





## Notes to the Financial Statements

			GROUP/COMPANY	
			2020	2019
			Rs. '000	Rs. '000
<b>27.1</b>	<b>Capital Expenditure Commitments</b>			
	Estimated capital expenditure contracted but not provided for;			
	Factory Buildings and Warehouses		-	47,000
	Tea Bagging Machines		224,040	380,616
	Factory Automation Project		334,670	-
			558,710	427,616
<b>27.2</b>	<b>Contingencies</b>			
<b>27.2.1</b>	The company capital commitment as at the reporting date			
	Guarantees		-	10,235
<b>27.2.2</b>	The company has given corporate guarantees to the following Affiliate and Subsidiary company			
	<b>Company in favour</b>	<b>Relationship</b>	<b>Bank</b>	
	Cape Weligama Pvt Ltd	Fellow Subsidiary	Hongkong and Shanghai Banking Corporation	1,815,420
				-
	<b>Operating Lease Commitments</b>			
	Buildings under operating lease agreements:			
	Within one year		-	1,531
	After one year but not more than five years		-	6,124
	More than five years		-	32,536
			-	40,191

## 28. ASSETS PLEDGED

There are no material assets pledged as at the reporting date.

## 29. EVENTS OCCURRING AFTER THE REPORTING DATE

After satisfying the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors recommended the payment of a final dividend of Rs. 5/- per ordinary share for the year ended 31 March 2020. However, in accordance with LKAS 10 - Events After the reporting period of the Sri Lanka Accounting Standards, the proposed final dividend has not been recognized as a liability as at 31 March 2020. This would result in a total outflow of Rs. 103,687,500/- subject to approval at the forthcoming Annual General Meeting.

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

### 30. RELATED PARTY DISCLOSURES

Related parties represent the shareholders, key management personnel of the Company, close family members of key management personnel and entities controlled or jointly controlled by such parties Pricing policies and terms of transactions with these related parties are approved by the Group/Company's management.

#### 30.1 Related Party Transactions

Transactions with related parties are as follows:

Group	Transaction Value				
	2020		2019		
	Rs. '000	Rs. '000			
Recurrent Transactions exceeds 10% of Revenue					
Name of the Company	Relationship	Nature of Transaction	Terms		
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)		
As a % of revenue				30% 24%	
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on commercial terms.					
Recurrent Transactions not exceeds 10% of Revenue					
Name of the Company	Relationship	Nature of Transaction			
MJF Teas (Private) Limited	Parent Company	Rent Expenses		41,103 19,181	
MJF Exports (Private) Limited	Fellow Subsidiary	Local Sales		2,163 1,916	
		Transfer of Tea and Packing Materials		364,979 458,283	
		Vehicles Hire Income		1,358 1,543	
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials		(341,514) (292,160)	
Printcare PLC	Affiliate Company	Purchase of Packing Materials		(207,214) (170,778)	
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(103,700) (87,966)	
		Vehicles Hire Income		82 34	
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(34,786) (41,651)	
		Vehicles Hire Income		128 258	
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials		(352,306) (342,326)	
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses		(91,898) (74,140)	
Kahawatte Plantations PLC	Fellow Subsidiary	Rent Expenses		(1,515) (1,531)	
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		960 960	
MJF Tea Gardens (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		306 307	
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income		- 7	
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income		209 65	
		Donations		(260,000) (170,000)	

## Notes to the Financial Statements

Company	Transaction Value			
	2020		2019	
	Rs. '000	Rs. '000		
Recurrent Transactions exceeds 10% of Revenue				
Name of the Company	Relationship	Nature of Transaction	Terms	
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	3,466,209 2,621,135
As a % of revenue				30% 24%
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on commercial terms.				
Recurrent Transactions not exceeds 10% of Revenue				
Name of the Company	Relationship	Nature of Transaction		
MJF Teas (Private) Limited	Parent Company	Rent Expenses		41,103 19,181
MJF Exports (Private) Limited	Fellow Subsidiary	Transfer of Tea and Packing Materials		364,979 458,283
		Vehicles Hire Income		1,358 1,543
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials		(341,514) (292,160)
Print care PLC	Affiliate Company	Purchase of Packing Materials		(207,214) (170,778)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(103,700) (87,966)
		Vehicles Hire Income		82 34
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(34,786) (41,651)
		Vehicles Hire Income		128 258
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials		(352,306) (342,326)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses		(91,898) (74,140)
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		960 960
MJF Tea Gardens (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		306 307
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income		- 7
MJF Charitable Foundation	Affiliate Organisation	Vehicles Hire Income		209 65
		Donations		(260,000) (170,000)

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 11, 12 and 16.

### 30.2 Transactions with Key Management Personnel of the entity or parent

Key Management Personnel include the Board of Directors of the Company and its Subsidiary.

	GROUP/COMPANY	
	2020	2019
	Rs. '000	Rs. '000
Key Management Personnel Compensation		
Short-term Employee Benefits	120,042	110,860
Post Employment Benefits	8,932	7,230
	128,974	118,090

Material transactions have taken place during the year with the parties/entities in which key management personnel or their close family members have control or jointly control, which require disclosure in these Financial Statements other than those disclosed under 30.1.

## 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

Short-term deposits of the Group include an amount of Rs. 3,584 million (2019 - Rs. 1,987 Mn) and the Company include an amount of Rs. 3,584 million (2019 - Rs. 1,987 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.



The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollars exchange rates by 5%, with all other variables held constant, of the Group's/Company's profit due to changes in the fair value of monetary assets and liabilities held as at reporting date. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown.

	GROUP		COMPANY	
	Effect on Profit for the year		Effect on Profit for the year	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollars	316,702	225,545	315,948	224,846
Australian Dollars	142,491	92,481	141,886	91,955
Other	16,394	10,416	16,304	10,410
	475,587	328,442	474,138	327,211

#### 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. 17 Mn (2019 - Rs. 17 Mn). The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2020 and potential returns expected through its future operations.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	GROUP/COMPANY			
	Change in Equity Price	Effect on Equity	Change in Equity Price	Effect on Equity
	2020	2020	2019	2019
	Rs. '000		Rs. '000	
Fair Value Through Other Comprehensive Income Investments				
Quoted Investments	+10%	45,233	+10%	49,492

#### 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.

## Notes to the Financial Statements

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 31st March 2020 short term deposits and bank balances comprise 100% (2019 - 100%) for the Group and Company were rated 'A' or better.

With respect to credit risk arising from the deposits with banks, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these assets in the Statement of Financial Position. Exposures are considered of good credit standing and management believes there is a minimal risk of default thus, expected credit loss is insignificant but being monitored for significant changes in credit risk.

The credit risk arising from the financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial instruments as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Receivables	2,269,852	2,407,555	2,260,271	2,395,581
Other Receivables	210,652	167,844	206,704	145,334
Amounts due from Related Parties	2,449,998	1,516,106	2,437,165	1,505,584
Short-term Deposits	3,584,393	1,987,500	3,584,393	1,987,500
Bank Balances	1,260,241	819,132	1,252,193	815,017
	9,775,136	6,898,137	9,740,726	6,849,016

Management has assessed the existing and anticipated effect of COVID-19 on recoverability of trade and other receivable and concluded that Company and its subsidiaries don't have significant doubt on recoverability of trade and other receivable. Therefore, no incremental impairment allowance has been recognised.

## Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or destructing the Group's operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of the Group's own reserves, funds from the shareholders and bank facilities.

The table below summarises the maturity profile of the Group's financial liabilities as at reporting date, based on contractual undiscounted payments.

	On Demand	Less than 3 Months	3 to 12 Months	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>As at 31st March 2020</b>				
<b>Group</b>				
Trade Payables	1,522	207,428	160,212	369,162
Amounts due to Related Parties	2,365	86,117		88,482
Interest Bearing Loans and Borrowings	-	1,895,000	-	1,895,000
Other Payables	9,112	14,871	34,787	58,770
	12,999	2,203,416	194,999	2,411,414
<b>Company</b>				
Trade Payables	-	207,428	160,212	367,640
Amounts due to Related Parties	2,365	86,117	-	88,482
Interest Bearing Loans and Borrowings	-	1,895,000	-	1,895,000
Other Payables	8,862	14,871	34,787	58,520
	11,227	2,203,416	194,999	2,409,642
<b>As at 31st March 2019</b>				
<b>Group</b>				
Trade Payables	-	209,788	-	209,788
Amounts due to Related Parties	-	60,821	-	60,821
Interest Bearing Loans and Borrowings	-	-	-	-
Other Payables	-	68,319	-	68,319
	-	338,928	-	338,928
<b>Company</b>				
Trade Payables	-	209,617	-	209,617
Amounts due to Related Parties	-	60,821	-	60,821
Interest Bearing Loans and Borrowings	-	-	-	-
Other Payables	-	65,154	-	65,154
	-	335,592	-	335,592

Management has assessed the existing and anticipated effect of COVID-19 on liquidity of the Company and its subsidiaries to settle liabilities when it is due and management are satisfied that the Company and its subsidiaries don't have significant concerns relating to the Group's liquidity.

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.

Capital, which includes stated capital, fair value through other comprehensive income reserve and retained earnings of the Group is measured at Rs. 12,336 million as at 31 March 2020 (2019 - Rs. 11,522 million) and the Company is measured at Rs. 12,329 million as at 31 March 2020 (2019 - Rs. 11,515 million).

Financial liabilities consist of trade payables, amounts due to related parties, interest bearing loans and borrowings and other payables.

The following table provides the fair value measurement hierarchy of the Group's assets which are stated at Fair value.

		GROUP/COMPANY FAIR VALUE MEASUREMENT USING			
		Total 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 2020</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2020	452,332	452,332	-	-
Unquoted Investments	31 March 2020	17,377	-	-	17,377
<b>Fair Value Through Other Comprehensive Income Investments as at 31 March 2020</b>		<b>469,709</b>	<b>452,332</b>	<b>-</b>	<b>17,377</b>
<b>As at 31 March 2019</b>					
<b>Fair Value Through Other Comprehensive Income Investments</b>					
Quoted Investments	31 March 2019	494,916	494,916	-	-
Unquoted Investments	31 March 2019	17,377	-	-	17,377
<b>Fair Value Through Other Comprehensive Income Investments as at 31 March 2019</b>		<b>512,293</b>	<b>494,916</b>	<b>-</b>	<b>17,377</b>

The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2020 and potential returns expected through its future operations.

During the reporting period ending 31 March 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The fair values of other financial instruments are not materially different from their carrying values.





## Five Year Summary - Company

	2020	2019	2018	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>TRADING RESULTS</b>					
Turnover	11,555,335	10,676,761	9,177,758	7,288,357	7,219,883
Operating Expenses	9,988,219	9,843,218	8,427,774	6,924,578	6,380,504
Other Income	603,696	875,360	554,531	619,712	970,808
Interest Expense	181,925	14,451	34,417	19,325	11
Profit before Income Tax	1,988,887	1,694,452	1,270,098	964,166	1,810,176
Income Tax on Profits	429,143	110,638	77,219	136,664	194,804
Profit for the Year	1,559,744	1,583,814	1,192,879	827,502	1,615,372
<b>SHAREHOLDERS' FUNDS</b>					
Stated Capital	642,500	642,500	642,500	200,000	200,000
Reserves	11,686,886	10,872,927	9,683,293	9,881,216	9,485,067
<b>NET ASSETS</b>	<b>12,329,386</b>	<b>11,515,427</b>	<b>10,325,793</b>	<b>10,081,216</b>	<b>9,685,067</b>
<b>ASSETS (Rs.000)</b>					
Property , Plant & Equipment	3,188,118	2,943,485	3,032,933	2,326,180	1,944,210
Investment Property	658,528	640,838	516,074	234,064	234,064
Intangible Assets	195,978	308,601	442,928	444,684	388,111
Right of Use Assets	1,144,619	-	-	-	-
Other Financial Assets / Investments	469,709	512,294	503,846	523,444	565,030
Current Assets	11,613,492	8,377,277	7,107,235	9,125,302	7,341,839
<b>LIABILITIES</b>					
Non-current Liabilities	1,551,583	395,182	426,887	316,206	218,433
Current Liabilities	3,389,476	871,886	850,336	2,256,252	569,754
<b>NET ASSETS</b>	<b>12,329,386</b>	<b>11,515,427</b>	<b>10,325,793</b>	<b>10,081,216</b>	<b>9,685,067</b>
Market Price Per Share (Rs.)	531.00	619.90	554.90	599.90	616.50
Dividend Per Share (Rs.)	25.00	35.00	45.00	15.00	30.00
Total Dividend Rs. 000s (Gross)	518,438	725,813	933,188	300,000	600,000
No of Shares	20,737,500	20,737,500	20,737,500	20,000,000	20,000,000
<b>RATIOS</b>					
Return on Average Shareholders Funds (%)	13.08	14.50	11.55	8.37	17.65
Earnings Per Share (Rs)	75.21	76.37	58.74	41.37	80.77
Dividend Cover (times)	3.01	2.18	1.28	2.76	2.69
Liquidity (times)	3.43	9.61	8.36	4.04	12.89



# Information to Investors

31st March 2020

## 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	873	63,736	0.31%
1,001	- 5,000	58	152,190	0.73%
5,001	- 10,000	16	114,784	0.55%
10,001	- 50,000	24	533,708	2.57%
50,001	- 100,000	1	69,700	0.34%
100,001	- 500,000	1	156,019	0.75%
500,001	- 1,000,000	-	-	0.00%
1,000,001	- Over	3	19,647,363	94.74%
Total		976	20,737,500	100.00%

## 3. ORDINARY SHAREHOLDERS

Number of Shares		Number of Shareholders	Total Holding	% Holding
Individuals		933	916,273	4.42%
Institutions		43	19,821,227	95.58%
Total		976	20,737,500	100.00%

Number of Public Shareholders as at 31st March 2020 was 965

2,554,022 (12.32%) shares were held by the public as at 31st March 2020

The float adjusted market capitalisation is Rs. 1,356,630,660/-

## 4. SHARE TRADING

Number of Shares	2020	2019	2018	2017	2016
No of Transactions	532	319	780	277	117
No of Shares Traded	16,553	18,317	43,847	40,955	4,487
Value of Shares Traded	9,258,053	11,001,198	24,890,630	29,939,882	3,075,208

## 5. DIVIDENDS

Number of Shares	2020	2019	2018	2017	2016
Interim	20/-	20/-	Rs. 15/-	-	Rs. 17/50
Final	5/-	15/-	Rs. 30/-	Rs. 15/-	Rs. 12/50
Amount (Rs.000's) Gross	518,437	725,813	933,187	300,000	600,000



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## 6. EARNINGS

Number of Shares	2020	2019	2018	2017	2016
Earnings/share Rs.	75.19	76.71	57.48	41.37	80.77
P/E Ratio	7.06	8.08	9.65	14.15	7.63

## 7. MARKET VALUES (RS.)

Number of Shares	2020	2019	2018	2017	2016
Highest	605.00	630.00	600.00	850.00	800.00
Lowest	480.00	530.00	520.00	565.00	550.10
Year End	531.00	619.90	554.90	599.90	616.50

The weighted average trading price for the year was Rs. 559.27

## 8. MARKET CAPITALISATION (RS.MILLION)

Number of Shares	2020	2019	2018	2017	2016
Capital & Reserves	12,329	11,312	10,326	10,112	9,685
Market Capitalisation	11,012	12,855	11,507	11,998	12,330

## 9. TOP 20 SHAREHOLDINGS AS AT 31ST MARCH

SHAREHOLDER NAME	31.03.2020		31.03.2019	
	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	156,019	0.75%	156,019	0.75%
GF Capital Global Limited	69,700	0.34%	69,700	0.34%
Mrs. S.T.F.Ortiz	42,854	0.21%	42,854	0.21%
Mr. A.W.Athukorala	36,750	0.18%	36,750	0.18%
Mr. M.W.De Silva	34,830	0.17%	34,830	0.17%
Mr. H.A. Van Starrex	32,850	0.16%	33,308	0.16%
Mr. J.W.Burton	32,270	0.16%	32,270	0.16%
Merrill J Fernando & Sons (Pvt) Ltd	25,300	0.12%	25,300	0.12%
Mrs. A.S.Fernando	24,284	0.12%	24,284	0.12%
Mr. M.J.Fernando	24,200	0.12%	24,200	0.12%
Mr. D.C.Fernando	24,200	0.12%	24,200	0.12%
Dr. K.Poologasundram	23,808	0.11%	23,808	0.11%
Mr. H.S.Ranaweera	22,984	0.11%	22,984	0.11%
Ms. N.Harnam	22,265	0.11%	22,265	0.11%
Mr. H.R.Peries	21,200	0.10%	21,200	0.10%
Mr.H.D.A.D.Perera	20,467	0.10%	20,467	0.10%
Miss. L.R.Jayasundera	18,000	0.09%	18,000	0.09%
Total	20,279,344	97.79%	20,279,802	97.79%

# GRI Context Index

GRI Standard	Disclosure	Page number	Omission
"GRI 101: Foundation 2016 (does not include any disclosures)"			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	8	
	102-2 Activities, brands, products and services	8	
	102-3 Location of headquarters	113	
	102-4 Location of operations	113	
	102-5 Ownership and legal form	113	
	102-6 Markets served	53, 54, 56	
	102-7 Scale of the organisation	6, 7	
	102-8 Information on employees and other workers	44, 45	
	102-9 Supply chain	56	
	102-10 Significant changes to the organisation and supply chain	56	
	102-11 Precautionary principle	26	
	102-12 External initiatives	28	
	102-13 Membership of associations	30 - 32	
	102-14 Statement from senior decision maker	17	
	102-16 Values, principles, norms and standards of behaviour	1, 22, 23, 84	
	102-18 Governance Structure	80	
	102-40 List of stakeholder groups	30, 31	
	102-41 Collective bargaining agreements	7	
	102-42 Identifying and selecting stakeholders	24, 29	
	102-43 Approach to stakeholder engagement	29, 30	
	102-44 Key topics and concerns raised	44, 52, 54, 80	
	102-45 Entities included in the consolidated financial statements	113	
	102-46 Defining report content and topic boundary	5, 24	
	102-47 Material topics	24	
	102-48 Restatement of information	114	
	102-49 Changes in reporting	4	
	102-50 Reporting period	4	

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GRI Standard	Disclosure	Page number	Omission
	102-51 Date of most recent report	4	
	102-52 Reporting cycle	4	
	102-53 Contact point for questions regarding Report	5	
	102-54 Claims of reporting in accordance with GRI Standards	5	
	102-55 GRI context index	165	
	102-56 External assurance	5	
Material topics			
Procurement practices			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	52 - 61	
	103-2 The Management Approach and its components	52 - 61	
	103- 3 Evaluation of the Management Approach	52 - 61	
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	7, 56	
Materials			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	73	
	103-2 The Management Approach and its components	73	
	103-3 Evaluation of the Management Approach	73	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	73	
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	72	
	103-2 The Management Approach and its components	72	
	103-3 Evaluation of the Management Approach	72	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	7	
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	69	
	103-2 The Management Approach and its components	69	
	103-3 Evaluation of the Management Approach	69	
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	7, 70	
	305-2 Energy indirect greenhouse gas (GHG) emissions	7, 70	



GRI Standard	Disclosure	Page number	Omission
	305-3 Other indirect greenhouse gas (GHG) emissions	7, 70	
	305-4 GHG emission intensity	70	
<b>Effluents and Waste</b>			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	68	
	103-2 The Management Approach and its components	68 - 75	
	103-3 Evaluation of the Management Approach	68 - 75	
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	69	
<b>Environmental Compliance</b>			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	66	
	103-2 The Management Approach and its components	66-73	
	103-3 Evaluation of the Management Approach	66-73	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	67	
<b>Employment</b>			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	44	
	103-2 The Management Approach and its components	44, 45	
	103-3 Evaluation of the Management Approach	4, 45	
GRI 401: Employment 2016	401-1 Employee hires and turnover	7, 45, 50	
	401-2 Benefits provided to full time employees that are not provided to temporary or part-time employees	48, 49	
	401-3 Parental leave	48	
<b>Training and education</b>			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	49	
	103-2 The Management Approach and its components	49, 50	
	103-3 Evaluation of the Management Approach	49, 50	
GRI 404: Training and education 2016	404-2 Programs for upgrading skills and transition assistance programmes	49	
	404-3 Percentage of employees receiving regular performance and career development reviews	44	
<b>Local Communities</b>			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	56, 57	



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GRI Standard	Disclosure	Page number	Omission
	103-2 The Management Approach and its components	56, 57	
	103-3 Evaluation of the Management Approach	56, 57	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	56, 57	
Customer health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	54	
	103-2 The Management Approach and its components	54	
	103-3 Evaluation of the Management Approach	54	
GRI 416: Customer health and safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	54	
Marketing and labelling			
GRI 103: Management Approach 2016	103-1 Explanation of material topics and its boundaries	62	
	103-2 The Management Approach and its components	62	
	103-3 Evaluation of the Management Approach	63	
GRI 417: Marketing and labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	54	



# Notice of Meeting

Notice is hereby given that the 39th Annual General Meeting of Dilmah Ceylon Tea Company PLC to be convened on 19th November 2020 at 11.00 a.m. to be held at 111, Negombo Road, Peliyagoda via a virtual platform to take the matters under the agenda of the meeting as follows;

1. Read the notice convening the meeting
2. To pass the ordinary resolution set out below to re-elect Mr. Merrill J. Fernando who is 90 years of age, as a Director of the Company.  

"IT IS HEREBY RESOLVED that Mr. Merrill J. Fernando who is 90 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act. No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. Merrill J. Fernando"
3. To pass the ordinary resolution set out below to re-elect Mr. Himendra S. Ranaweera who is 73 years of age, as a Director of the Company.  

"IT IS HEREBY RESOLVED that Mr. Himendra S. Ranaweera who is 73 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act. No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. Himendra S. Ranaweera"
4. To pass the ordinary resolution set out below to re-elect Mr. Gritakumar E. Chitty who is 81 years of age, as a Director of the Company.  

"IT IS HEREBY RESOLVED that Mr. Gritakumar E. Chitty who is 81 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act. No. 7 of 2007 that the age limit of 70 years referred to in Section 210 of the said Companies Act shall not apply to Mr. Gritakumar E. Chitty"
5. To pass the ordinary resolution set out below to re-elect Mr. Rajanayagam Asirwatham who is 77 years of age, as a Director of the Company.  

"IT IS HEREBY RESOLVED that Mr. Rajanayagam Asirwatham who is 77 years of age be and is hereby re-elected a Director of the Company and it is

hereby declared as provided for in section 211 of the Companies Act. No. 7 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Rajanayagam Asirwatham"

6. To re-elect as a Director, Ms. Minette D. A. Perera who retires by rotation under Article 24 of the Articles of Association.
7. To re-elect as a Director Mr. Darshana Gunasekera who retires in terms of Article 23 (2) of the Articles of Association.
8. 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 2020 along with the Report of the Auditors thereon.
9. To declare a final dividend of Rs. 5/- per share as recommended by the Board of Directors.
10. To re-appoint retiring Auditors Messer. Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.
11. To authorize the Directors to determine and make donations and contributions to charities.

By order of the Board,

**DILMAH CEYLON TEA COMPANY PLC**



**Ms. Jayanga Wegodapola**  
Company Secretary

At Colombo

15th October 2020

## Notes:

- A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
- A Proxy need not be a shareholder of the Company.
- A Form of Proxy accompanies this Notice.
- The completed Proxy should be delivered to Registered Office of the Company, Dilmah Ceylon Tea Company PLC, No.111, Negombo Road, Peliyagoda or duly signed, scanned and emailed to info@dilmahtea.com 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. Merrill Joseph Fernando of Colombo or failing him

Mr. Malik Joseph Fernando of Colombo or failing him

Mr. Dilhan Chrishantha Fernando of Colombo or failing him

Mr. Himendra Somasiri Ranaweera of Colombo or failing him

Ms. Minette Delicia Anne Perera of Colombo or failing her

Mr. Roshan Conrad Tissaarachy of Colombo or failing him

Mr. Rajanayagam Nalliah Asirwatham of Colombo or failing him

Mr. Gritakumar Edmund Chitty of Colombo or failing him

Mr. Darshana Gunasekera of Colombo

As my / our Proxy to attend and vote for me / us on my / our behalf at the Thirty Ninth Annual General Meeting of the Company to be held on the 19th November 2020 at 11.00 a.m. and any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

- |                                                                                                                                                                                                            | For                      | Against                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1. To pass the ordinary resolution set out under item 2 of the Notice of Meeting for the re-appointment of Mr. Merrill Joseph Fernando, who is 90 years of age, as a Director of the Company.              | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To pass the ordinary resolution set out under item 3 of the Notice of Meeting for the re-appointment of Mr. Himendra S. Ranaweera who is 73 years of age, as a Director of the Company.                 | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To pass the ordinary resolution set out under item 4 of the Notice of Meeting to for the re-apportionment of Mr. Gritakumar E. Chitty who is 81 years of age, as a Director of the Company.             | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To pass the ordinary resolution set out under item 5 of the Notice of Meeting to for the re-apportionment of Mr. Rajanayagam Asirwatham who is 77 years of age, as a Director of the Company            | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To pass the ordinary resolution set out under item 6 of the Notice of Meeting to re-elect as a Director, Ms. Minette D A Perera who retires by rotation under section 24 of the Articles of Association | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To pass the ordinary resolution set out under item 7 of the Notice of Meeting to re-elect as a Director Mr. Darshana Gunasekera who retires in terms of Article 23 (2) of the Articles of Association.  | <input type="checkbox"/> | <input type="checkbox"/> |





## Form of Proxy

- | For                      | Against                  |
|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> |

As Witness my hand / our hands this ..... day ..... of 2020

Signature: .....

- N.B.** 1. Please delete the inappropriate words  
2. Instructions as to completion are given below  
3. A Proxy need not be a member of the Company

### Instructions as to Completion

1. Kindly perfect the Proxy by filling legibly your full name and address and by signing in the space provided and filling in the date of signature.
2. In the case of corporate members, the proxy form must be under the seal or hand of an authorized officer or attorney.
3. If the proxy form is signed by an attorney, the relevant Power of Attorney should accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
4. The completed proxy form should be deposited at the registered office of the Company at the address given below not less than 48 hours before the time appointed for the Meeting.

Dilmah Ceylon Tea Company PLC  
111, Negombo Road  
Peliyagoda

1. Kindly perfect the Proxy by filling legibly your full name and address and by signing in the space provided and filling in the date of signature.
2. In the case of corporate members, the proxy form must be under the seal or hand of an authorized officer or attorney.
3. If the proxy form is signed by an attorney, the relevant Power of Attorney should accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.
4. The completed proxy form should be deposited at the registered office of the Company at the address given below not less than 48 hours before the time appointed for the Meeting.

Dilmah Ceylon Tea Company PLC  
111, Negombo Road  
Peliyagoda

# Corporate Information

## Legal Form

Quoted Public Company with Limited Liability Incorporated in Sri Lanka in 1981

## Company Registration Number

PQ 209

## Registered Office

111, Negombo Road, Peliyagoda, Sri Lanka.

**Telephone:** (94 11) 4 822000

**Facsimile:** (94 11) 4 822001

**E-mail :** info@dilmahtea.com

**Website :** www.dilmahtea.com

## Stock Exchange Listing

The Ordinary Shares are listed on the Colombo Stock Exchange

## Subsidiary

MJF Beverages (Private) Limited

## Board of Directors

**Chairman -** Merrill J. Fernando

**Deputy Chairman -** Himendra S. Ranaweera

**Chief Executive Officer/Director -** Dilhan C. Fernando - B.Sc.

### Directors

Malik J. Fernando - *B.Sc.*

Roshan Tissaaratchy - *B.A, MBA, DipM, FCIM*

Minette Perera - *FCA, FCMA, FCCA*

Rajan Asirwatham - *FCA*

Gritakumar E. Chitty - *Attorney at Law*

Darshana Gunasekera - *FCMA, FCCA, B.Sc.*

**Secretary -** Jayanga Wegodapola - *Attorney at Law*

## Bankers

Bank of Ceylon

Cargills Bank Limited

Citibank N. A.

Commercial Bank of Ceylon PLC

DFCC Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Standard Chartered Bank Limited

The Hongkong & Shanghai Banking Corporation Limited

## Auditors

Ernst & Young

201, De Saram Place,

Colombo 10.



Dilmah Ceylon Tea Company PLC. 111 Negombo Road, Peliyagoda, Sri Lanka

☎ 011 4822000 [info@dilmahtea.com](mailto:info@dilmahtea.com) [www.dilmahtea.com](http://www.dilmahtea.com)



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