

From the Ground Up





From the Ground Up

While the year under review was mired with challenges, we were not deterred, and like branches reaching up towards the sun, we continued our growth, both in resilience and in momentum to make the best of what lay in our path. Not only did we navigate successfully, the rocky road that impacted almost every aspect of our business, we were rewarded for our efforts and for our continued dedication by achieving above and beyond our expectations for the Company. With a prudent, thoughtful and most importantly sustainable game plan mapping out our every move, coupled with fortuitous circumstances that maintained our progress, our formula for success has continued, taking root and flourishing under every circumstance. Moreover, we continued our efforts in championing the goals of the nation, carrying on our alliances in creating a cleaner, healthier and better Sri Lanka for all its citizens. Building upon our strengths and maintaining our focus, we will continue to be exceptional, supporting every strata of the nation, from the ground up.



YEAR AT A GLANCE

Number



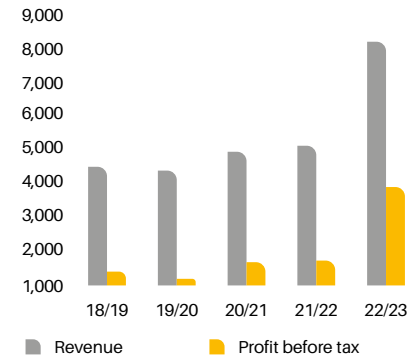
Plantation Company in Sri Lanka

Rs. 3,285 Mn
PBT
Highest Ever Profit



Revenue Vs. Profit Before Tax

Rs. Mn



Our ESG Rating Score

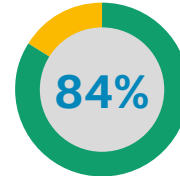
**A**

Grade company on ESG Rating by IdealRatings®

IdealRatings®

(It's platform that provides environmental, social, and governance (ESG) data and analysis for investors and companies.)

Our ESG Ranking

CSRHUB®
Consensus ESG Ratings

ESG Ranking (%) by CSRHUB

**4.4%**

GHG Emission Reduction

**Rs. 138.6 Mn**

Invested in Health and Nutrition

**03**

Company Owned Newly formed Board Sub Committees

37

Awards and recognitions

97%

Employees Satisfaction rate and Certified by GPTW Sri Lanka

**6**

New Products introduced

3.2%

Energy reduction in 2022/23

Rs. 19

Dividend per share



Achieved Eco label Certification from National Cleaner Production Center, validating our commitment to sustainable tea production practices.

AWARDS & RECOGNITIONS



Reporting, Governance & Transparency

- R1.** GOLD – Asia's Best Integrated Report (CEO Message) -AIRA
- R2.** GOLD –Asia's Best Integrated Report (Integrated Thinking) -AIRA
- R3.** GOLD – Asia's Best Integrated Report (Value Creation) -AIRA
- R4.** GOLD – Asia's Best Stakeholder Reporting - ASRA
- R5.** SILVER - Asia's Best Integrated Report (Governance) - AIRA
- R6.** SILVER – Asia's Best Materiality Reporting - ASRA
- R7.** BRONZE – Asia's Best Integrated Report (Large Company) -AIRA
- R8.** SILVER – CA Annual Report (TAGS) Awards 2022
- R9.** WINNER – ACCA Sri Lanka Sustainability Reporting Awards 2022 (Retail & Trading)
- R10.** WINNER – CMA Excellence in Integrated Reports Awards
- R11.** SPECIAL AWARD – Best Disclosure on Materiality (CMA)
- R12.** One of the Best Five Excellent Integrated Reports (CMA)
- R13.** SILVER – Best Presented Annual Report Awards & SAARC Anniversary Awards 2022
- R14.** Hallbars Sustainability Report Awards 2022 – WINNER – Integrated Annual Report 2021/22 (Under Category of Asia without China, India & Japan)

Business Excellence

- O1.** World Business Outlook Awards 2022 – WINNER (Leading Tea Plantations in Sri Lanka)
- O2.** World Business Outlook Awards 2022 – WINNER (Best Quality Ceylon Tea Producer in Sri Lanka)
- O3.** World Business Outlook Awards 2022 – WINNER (Best Environmental & Sustainability Initiatives Sri Lanka)
- O4.** WINNER – Asia's Best Company of the Year Awards 2022
- O5.** CNCI Achiever Awards 2022 – MERIT in the National Level Manufacturing Sector – Extra Large Category)
- O6.** Talawakelle Tea Estates PLC selected for LMD Top 100 Second Board

Special Awards

- SA1.** Our Director/ CEO Mr. Senaka Alawattagama won the Best CEO of Plantation & Agribusiness Sector for the Year of 2022.

Sustainability

- S1.** Best Corporate Citizen Sustainability Awards 2022 – WINNER (Corporate Environmental Commitment Category)
- S2.** Best Corporate Citizen Sustainability Awards 2022 – One of the 10 Best Corporate Citizens.
- S3.** Best Corporate Citizen Sustainability Awards 2022 – 1ST RUNNERUP (Less than 15bn Turnover Category)
- S4.** Best Corporate Citizen Sustainability Awards 2022 – WINNER (Agriculture Sector Award)
- S5.** World Sustainability Awards 2022 –TTE PLC Shortlisted for PROFIT WITH PURPOSE AWARD – Revenue Share Model – Way Forward
- S6.** Presidential Environment Awards – Somerset – SILVER
- S7.** Presidential Environment Awards – Radella – MERIT

Quality & Productivity

- Q1.** Green Productivity Awards 2022 – Somerset - Bronze
- Q2.** Green Productivity Awards 2022 -Radella – MERIT
- Q3.** Second World Black Tea Quality Evaluation Competition Somerset – SILVER
- Q4.** Second World Black Tea Quality Evaluation Competition Somerset – GRAND GOLD
- Q5.** Second World Black Tea Quality Evaluation Competition Dessford – SILVER
- Q6.** Second World Black Tea Quality Evaluation Competition Mattakelle – SILVER

Projects

- P1.** Chairman's Awards – WINNER (Bearwell – Quality & Lean Management Category – Eco – Friendly Green Leaf Zip Line)

Human Resource

- H1.** WINNER – Work – Life Harmony in Asia Award 2022

Recognitions

- RG1.** Eco System Restoration Project selected as Special recognized Project in the North American Tea Conference.

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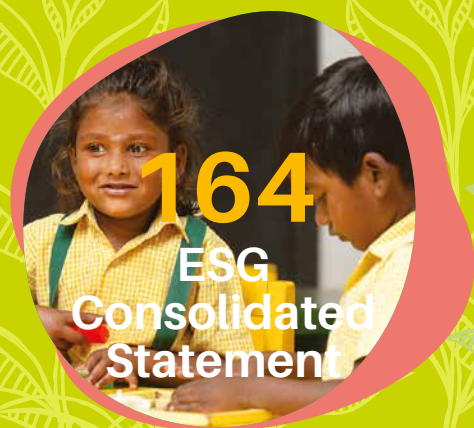
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ABOUT THE REPORT

GRI 2-2, 3, 4 & 5

Talawakelle Tea Estates PLC (hereinafter referred to as "TTE" or the "Company") prepares and publishes its annual report to inform stakeholders of the Company's performance and prospects for a given financial year.

Since 2013, TTE has published an integrated annual report. The latest report, which is the Company's 9th integrated report covers the period 01st April 2022 to 31st March 2023 and coincides with the Company's financial reporting cycle.

This report and all other previous integrated reports including the most recent past report for FY 2021/22 are available for viewing and download on our corporate website.

www.talawakelleteas.com

SCOPE AND BOUNDARY

The overall boundary of this report encompasses TTE's operations at the

Company's 16 estates and 15 factories as well as the regional offices and the corporate office in Colombo.

The report covers both financial and non-financial data along with information pertaining to TTE's strategy, business model, risk, governance, and ESG initiatives that may be of interest to stakeholders of the Company. In reporting on non-financial data, the report also makes reference to TTE's Subsidiaries operating hydropower energy generation.

MATERIALITY AND THE PRECAUTIONARY PRINCIPLE

Our rigorous reporting process ensures that we focus on the most significant material issues that drive our value creation. We prioritize stakeholder engagement (pages

46 to 49), discussions within the TTE Board, Management, and ESEG steering Committee, and the enterprise risk and opportunity management process (Page 44). By analyzing material issues (page 51) raised through these channels, we determine the content that forms the basis of our comprehensive reporting.

It should be noted that, in the case of social and environmental topics, the Company also applies the precautionary principle as defined by The Rio Declaration on Environment and Development. The reason for the adoption of the precautionary principle is to highlight TTE's desire to address the impact on society and the environment caused by its operations and to engage appropriate corrective action to mitigate any potential negative impacts.

Material Themes



Environment and climate aspect



Socio-economic prosperity



Governance and Ethics



Operating Context dynamics



Agile Business model

We encompass within our Integrated Report boundary the following aspects: risks, opportunities, and outcomes that emerge from our operations



OPERATING ENVIRONMENT

Refer pages
40 to 43



BUSINESS MODEL

Refer pages
38 to 39



Winning with the Customer



Nurturing Our People



Operational Excellence



Environmental Stewardship & Climate Action



Business Diversification



Financial Capital



Manufactured Capital



Intellectual Capital



Social & Relationship Capital



Human Capital



Natural Capital



Investors



Customers



Employees



Suppliers



Community and Environment



Government and Regulatory

Finance Reporting Boundary

TTE Group

Talawakelle Tea Estates PLC

(16 Tea Estates 15 Tea Factories Head office and Area Office)

Subsidiaries

TTEL Hydro Power Company (Pvt) Ltd
TTEL Somerset Hydro Power (Pvt) Ltd

TALAWAKELLE TEA ESTATES PLC REPORTING SUITE FOR FINANCIAL YEAR 2022/23

9th Integrated Annual Report



Reporting Frameworks

Integrated Reporting

- The International Integrated Reporting <IR> Framework
- "A Preparer's Guide to Integrated Reporting" issued by The Institute of Chartered Accountants of Sri Lanka
- The guidelines for presentation of Annual Reports 2022 (CA Sri Lanka)

Financial Reporting

- Sri Lanka Accounting Standards
- Auditing Standards Act No. 15 of 1995 issued by the Institute of Chartered Accountants of Sri Lanka
- The Companies Act no. 7 of 2007
- Sri Lanka Financial Reporting Standards
- Listing Requirements of the Colombo Stock Exchange

Governance, Compliance And Risk Reporting

- Code of Best Practice issued by the Institute of Chartered Accountants of Sri Lanka
- Listing Rules of the Colombo Stock Exchange
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)
- ISO 31000:2018 Integrated Risk Management Framework by International Organization for Standardization

ESG & Sustainability Reporting

- Global Reporting Initiative (GRI) Universal Standards - In Accordance
- GRI 13 Agriculture, Aquaculture and Fishing Sectors 2022
- Sustainability Accounting Standards Board (SASB)
- UNGC 10 Principles
- United Nations Sustainable Development Goals (SDG's)
- Guidance on ESG Reporting by the Colombo Stock Exchange

Climate-related Disclosures

- Task Force on Climate-related Financial Disclosure (TCFD)
- ISO 14064-1:2018 Organization level GHG emissions/ removals reporting standard
- GHG Protocol by (WRI & WBCSD)
- Science Based Target Initiatives (SBTi)

● Mandatory Reporting Frameworks

● Volunteer reporting Frameworks and Guidelines

ABOUT THE REPORT

INDEPENDENT ASSURANCE

We have adopted the combined assurance approach where information obtained from both internal and external sources have been verified by the Hayleys Group Internal Audit team and further validated by the Board and Audit Committee to confirm accuracy and completeness.

Integrated Report: 3rd Party Verification

Our Integrated Report was developed by senior management team according to a defined mandate. It involved systems, procedures, controls, board verification, and Independent Assurance from Messrs. Ernst & Young, Chartered Accountants. Pages 257-258

Financial Statement 3rd Party Verification

The Financial Statements of the Company and the Group is prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) as required by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, comply with the requirements of the Companies Act, and were audited by Messrs. Ernst & Young, Chartered Accountants independent assurance opinion on the financial statements are provided. Pages 176 to 179

ESG Consolidated Statement & Sustainability Disclosures 3rd Party Verification

The ESEG steering committee and management team conducted verification of the measurement processes for all Environment, Social, and Governance (ESG) data, ensuring their accuracy and providing assurance. The information was acquired following the company's combined assurance model and Independent Assurance from Messrs. Ernst & Young, Chartered Accountants. Also, they have independently reviewed and assured the Company's sustainability performance to verify compliance with the GRI Standards as well. Pages 170-171

GHG Emission Quantification and Management Related Disclosures

3rd Party Verification

The ESEG steering committee takes accountability for accurately calculating and reporting GHG emissions, employing the most suitable methodology to quantify and manage the company's emissions. The information was obtained in accordance with the company's combined assurance model and independently validated by Messrs. Sri Lanka Climate Fund. Page 256

RESTATEMENT

The presentation and classification of the financial statements of the previous year have been amended, where relevant for the better presentation and to be comparable with those of the current year.

Notable Improvements in the Integrated Annual Report FY 2022/23

Aligned with the increasing focus on ESG principles globally, TTE released its inaugural "ESG Report" in 2022/23 (Refer - www.talawakelleteas.com). Demonstrating adherence to best practices in corporate reporting, TTE incorporated a consolidated statement into its Integrated Annual Report 2022/23.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with regard to TTE's, financial position, strategic objectives and growth prospects. Such statements by their very nature, are often associated with risk and uncertainty as they relate to events that may or may not occur in the future. Therefore, readers are cautioned that actual results or outcomes may differ materially from what was expressed or implied by forward-looking statements.

Disclaimer - The Company considers all forward-looking statements contained herein to be applicable only as at the date of publication of this annual report and as such does not accept any obligation to revise or in any way update information expressed in such forward-looking statements.

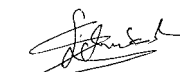
BOARD RESPONSIBILITY STATEMENT

The Board of Directors of Talawakelle Tea Estates PLC takes full responsibility for the authenticity and transparency of this integrated annual report. The Board assures all stakeholders that the report is an accurate representation of the performance and prospects of the Company for the FY 2022/23.

Signed for and on behalf of the Board



Chairman - Board of Director



Chairman - Audit Committee



Chief Executive Officer

Feedback and Queries

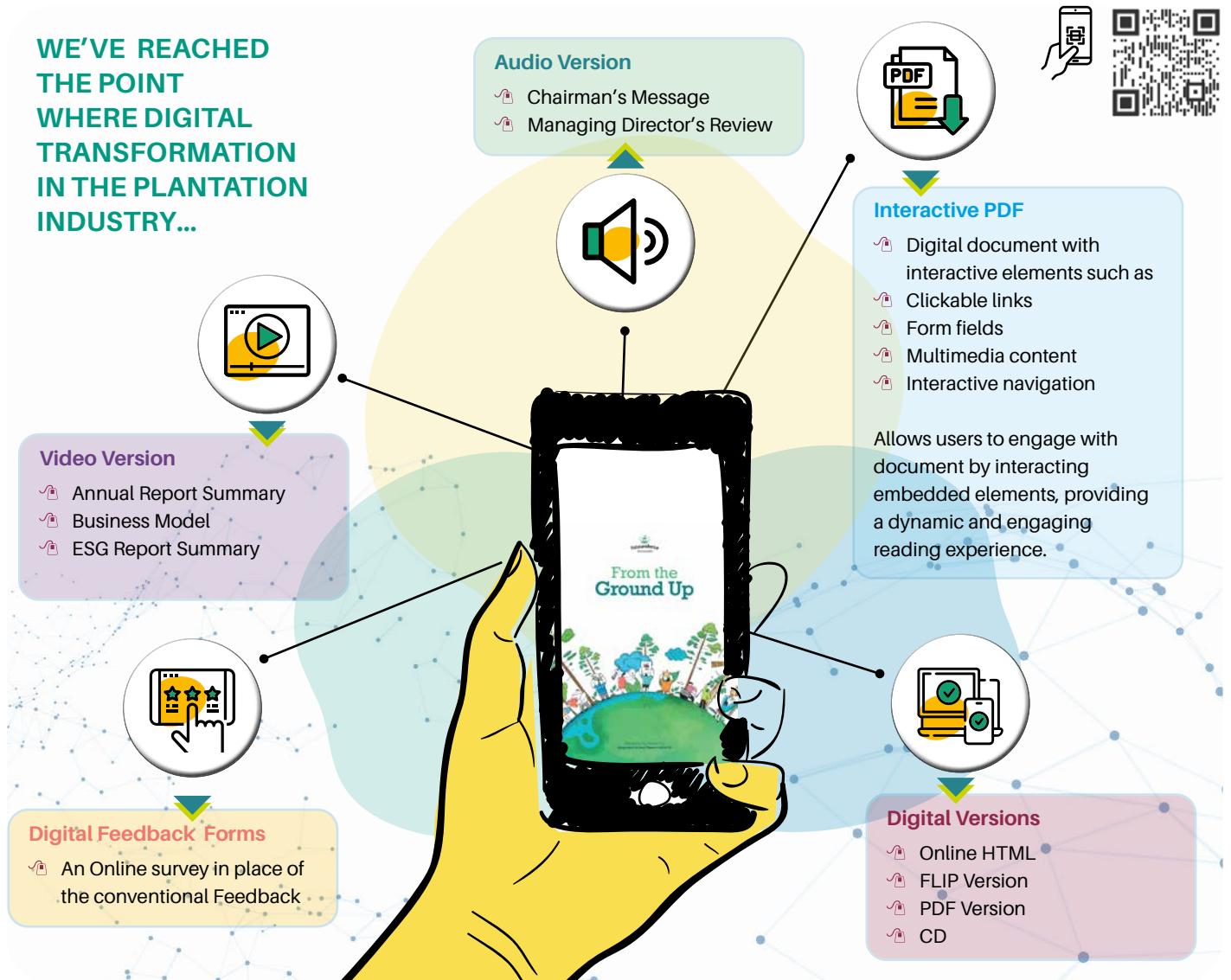
TTE welcomes feedback and queries regarding this report and encourages readers to direct their responses to; Suggestions to;

Director - Finance
Talawakelle Tea Estates PLC
400, Deans Road, Colombo 10
Tel: +94 11 2627774
Email: tpl.tea@ttl.hayleys.com



Online Feedback form:

OUR REPORTING SUITE



REPORTING BEST PRACTICES




Trilingual Financial & Non Financial Summary

To ensure that all parties within our diverse portfolio of stakeholders have equal access & understanding about the company's overall performance, we provide the financial and non financial summary of the report in **English, Sinhala & Tamil**.



Better Navigation with Fold Out Icons Index



In order to ensure easy navigation and improved readability of the report, we have included a fold-out page indicating the full list of navigation icons.

 Refer end page



External Reports

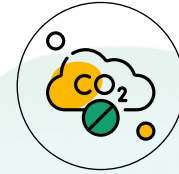
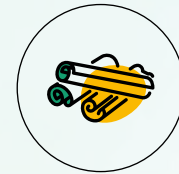
In our perpetual journey to better deliver on our stakeholders' necessity for more transparent, accurate & comprehensive reporting, this year in tandem with our main report, we also produce the following additional reports.

-  3rd Party Verified GHG Report
-  ESG Report

FINANCIAL HIGHLIGHTS

| | | | |
|--|-----------------------|--|---|
| Revenue (Rs.'Mn) 2022/23 2021/22 8,131 4,663 | Change 74% | Why is this a KPI? Revenue refers to the complete amount of products that have been sold. In other words, it represents the total value addition during the year. | 2022/23 Performance Highest ever revenue achieved on account of the higher tea prices. |
| Interest Income (Rs.Mn) 2022/23 2021/22 630.3 84.8 | Change 643% | Why is this a KPI? The Company has invested more than 1/3 of its assets in Financial assets. | 2022/23 Performance Recorded benchmark return on investment due to efficient treasury Management and high interest rate regime prevailed. |
| Gross Profit Margin (%) 2022/23 2021/22 35% 19% | Change 16% | Why is this a KPI? GP Margin shows the percentage of gross profit, the Company is making after paying off cost of sales as to revenue. | 2022/23 Performance Gross profit margin is high at 35% despite rising inflation and as a result of increased tea prices. |
| Net Profit Margin (%) 2022/23 2021/22 31% 17% | Change 14% | Why is this a KPI? NP Margin is used to calculate the percentage of profit a company produces from its total revenue. It measures the amount of net profit the Company obtained per rupee of revenue earned. | 2022/23 Performance Margin stood at 31.61%, higher than the previous year figure of 17.58%. |
| Return on Capital Employed (%) 2022/23 2021/22 42% 17% | Change 25% | Why is this a KPI? Return on Capital Employed provides a measure of all the efficient and effective use of capital in operations of the Company. | 2022/23 Performance Higher earnings before interest and tax, despite increase in capital employed led ROCE to moved up to 42.7 %, compared to 17.1% in the previous year. |
| Return on Equity (%) 2022/23 2021/22 42% 19% | Change 23% | Why is this a KPI? Return on Equity is a measure of the Company's annual return (profit after tax) divided by the value of its total shareholders' equity, expressed as a percentage. | 2022/23 Performance An Increase in profit led to a growth in ROE to 42.87%, which is higher than the previous year figure of 19.12%. |
| Earnings Per Share (Rs.) 2022/23 2021/22 54.11 17.26 | Change 213% | Why is this a KPI? Earnings per share (EPS) measures the portion of the company's profit allocated to each share of equity. | 2022/23 Performance The Company recorded EPS of Rs 54.11 during 2022/23 compared to Rs. 17.26 in the previous year. |
| Dividend Per Share (Rs.) 2022/23 2021/22 19 2.15 | Change 783% | Why is this a KPI? Dividend per share (DPS) is the sum of dividends, including both interim and final declared by the Company for every outstanding share. | 2022/23 Performance Rs. 19, is the highest ever dividend per share paid during a year. |
| Net Asset Per Share (Rs.) 2022/23 2021/22 126.24 90.27 | Change 40% | Why is this a KPI? Net asset per share shows the Book value of a share | 2022/23 Performance Due to higher profitability Net asset per share impressively increased by 40% |
| Market Price Per Share (Rs.) 2022/23 2021/22 82.50 42.50 | Change 94% | Why is this a KPI? The market price of Company's share indicates how investors valued our performance. | 2022/23 Performance TTE's share price increased by 94% during the year when the ASPI grew only by 10% |

ESG HIGHLIGHTS

**9,370 KL**Water Withdrawal
decreased by 8%**Rs. 159.7 Mn**Investment on
Community Development
increased by 288%**7,418 tCO₂e**GHG Emissions
decreased by 4.4%**5,530 Kgs**Solid Waste Recycled
Decreased by 8%**50%**of the Board is
Independent**46.91 Hectares**

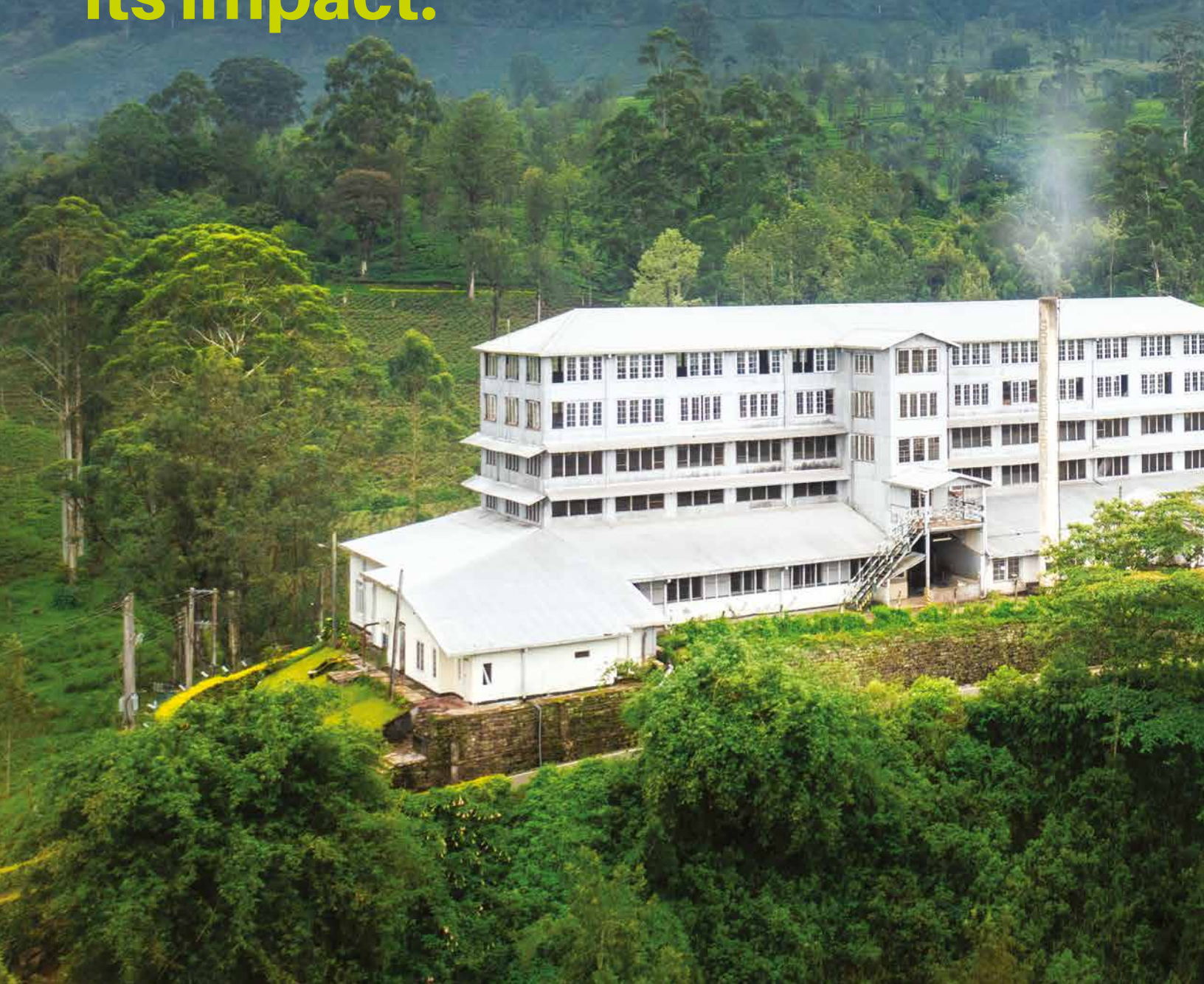
Cinnamon Cultivated

**6,836 tCO₂e**GHG Saving
from renewable electricity
generation Increased by 5%**86**Women Team Leaders
Empowered through Study
Tour**27 Hectares**

Tea replanted

**Rs. 48.8 Mn**Investment in
Environmental
Management**8.6%**Average Employee
Turnover**5.20 MN kWh**Electricity Consumption
Reduced by 10%

We harness the power of integration, creating a seamless, and comprehensive workflow that is not only positive but transformative in its impact.





CHAIRMAN'S MESSAGE



“Sustainability has always been part of our ethos, as we have remained true to our commitment to deliver shared and responsible value through innovation, environmental stewardship and strong governance”



Against this backdrop, I am delighted to report that TTE demonstrated its characteristic agility and strategic foresight to deliver a near three-fold growth in post-tax profits to Rs. 2.57 Bn.

Dear Shareholder,

It is my pleasure to present to you the 9th Integrated Annual Report and Financial Statements of Talawakelle Tea Estates PLC (TTE) for the year ended 31st March 2023. Sri Lanka witnessed a year of extreme uncertainty and turbulence, as the country experienced the most acute economic crisis since independence, leading to political instability, social unrest and severe hardships for businesses and households. For TTE, the year was the ultimate test of resilience and adaptability, as our teams were called upon to respond to rapidly evolving challenges at an accelerated pace. Against this backdrop, I am delighted to report that TTE demonstrated its characteristic agility and strategic foresight to deliver a near three-fold growth in post-tax profits to Rs. 2.57 Bn.

I believe there is only one word that can aptly describe TTE's financial performance in these turbulent times - outstanding. Revenue nearly doubled to Rs. 8.13 Bn (2021/22: Rs. 4.66 Bn), reflecting strong prices at the Colombo Tea Auction as well as the Company's stellar reputation for quality and sustainability, which enabled it to yet again emerge as the highest price taker at the Auction. In addition to its impressive financial performance, I am humbled to see TTE asserting its leadership in other critical areas of the business, driving shared value creation across its operations. The Great Place to Work Survey 2023 ranked TTE among Sri Lanka's best employers while our relentless efforts to embed sustainability into all aspects of our business was recognised through numerous local and international awards.

CONTEXT TO PERFORMANCE

The operating landscape during the year was dominated by the country's deepening macro-economic vulnerabilities, which resulted in Sri Lanka experiencing severe political and socio-economic stress. The country's economy contracted by

7.8% in 2022 as long-standing structural economic imbalances were exacerbated by pandemic-led disruptions and global headwinds, which resulted in a balance of payments crisis and ultimately a sovereign debt default. Dwindling foreign currency reserves resulted in shortages in essential items, triggering an acute energy crisis that led to fuel shortages, prolonged power cuts and soaring inflation. The Government and Central Bank engaged in a series of policy interventions to restore macro-economic stability, which included unprecedented tightening of monetary policy which led to a sharp increase in interest rates. The Government also imposed restrictions on certain imports in a bid to limit the outflow of valuable foreign exchange. Inflation surged during the year, due to the combined effects of the Rupee depreciation, shortage in essential items and adjustments to administrative prices, resulting in the Colombo Consumer Price Index (CCPI) increasing by 50.3% during the year.

Meanwhile, as described in further detail in the Managing Director's Review on page 18, Sri Lanka's Tea industry experienced mixed fortunes during the year. While production declined during the year, the industry benefitted from favourable pricing with auction prices nearly doubling during the calendar year 2022.

THREE DECADES OF SHARED VALUE CREATION

As we mark our 30th year of operations, we have much to be proud of. Shared value creation is embedded in our DNA and over the past decades we have demonstrated our commitment to driving the socio-economic empowerment of our ecosystem of employees including estate workers and their families. We have also focused relentlessly on driving Sri Lanka's Tea industry forward through innovation, sustainability and ethical business.

Premium quality Teas from our High-Grown and Low-Grown estates are amongst the

most sought-after Tea in the world, giving Sri Lanka much needed visibility in the global Tea supply chain. Indirectly, our Tea also brings in valuable foreign exchange by contributing 2% to the national Tea production.

With a 4,825-strong estate workforce, TTE also stands among the largest direct employers in the plantation sector. Given the macro-economic vulnerabilities that prevailed, we were acutely aware of the challenges faced by our team in maintaining living standards. Against this backdrop, swift interventions were made to ensure the financial and food security and well-being of not just our employees but over 42,000-estate communities residing in our estates. Total payments to employees thereby reached a record-high of Rs. 2.9 Bn during the year. Our most recent endeavour to support the financial empowerment of our estate workers is the revenue-share model introduced at the onset of the pandemic in 2020. In addition to developing micro-entrepreneurs within our estates, the revenue-share model is expected to contribute towards addressing the critical issue of labour-shortages within the plantation sector, thereby aiding labour retention through offering increased dignity of labour.

Meanwhile, the womb-to-tomb proposition we offer includes capacity building, improving living standards, providing access to education and healthcare systems and protecting human rights of the larger communities who reside on our estates.

CHAIRMAN'S MESSAGE

RESPONSIVE LEADERSHIP

The conditions that prevailed during the year have brought to light the critical importance of agile, responsive and ethical leadership. As part of the Hayleys Group, TTE benefits from the multi-faceted leadership capabilities, robust governance standards and comprehensive policies of the Group. During the year, we relied heavily on these strengths to help reframe our responses to the current crisis. The Group Management Committee swiftly increased the frequency and scope of its meetings, dedicating adequate time to understand and respond to the rapidly changing operating landscape and implement necessary safeguards to preserve the Company's value creation. Having previously relied on Group Board Committees, TTE's governance structure was strengthened during the year, with the appointment of a dedicated Remuneration Committee, Related Party Transaction Review Committee and Nomination Committee which will provide more focused oversight on key matters. The Company has zero tolerance for corruption and together with the Board of Directors remain committed to ensuring that the Company has in place the required governance structures and internal controls to mitigate the risk of corruption. During the year, the Company was also fully compliant to all relevant laws and

regulations, including those pertaining to anti-corruption.

STRATEGIC ESG INTEGRATION



Sustainability has always been part of our ethos, as we have remained true to our commitment to deliver shared and responsible value through innovation, environmental stewardship and strong governance. These fundamentals have shaped the way we manage our estates, use natural resources in manufacturing Tea and how we safeguard the rights of our people and communities. As a participant of the United Nations Global Compact (UNGC), we have also committed to the 10 principles. During the year, we achieved a major milestone in our sustainability and ESG journey by formalizing and launching our ESG Framework, clearly articulating our social, environmental and governance aspirations, targets and action plans. The Framework drives our 'Regenerative Business Agenda 2030' at the front and center of its ambitious aspirations, which will serve as both a vision and tool in revitalizing relationships between ecosystems, soil, humans and crops. Broadly aligned to the aspirations of the Hayleys Lifecode, the Regenerative agenda is expected to transform TTE's business in the medium-to-long term through rewiring strategy, decision-making and operational processes.

The Company also strengthened its sustainability and ESG governance with the appointment of a new Environmental, Social, Economic and Governance (ESEG) Steering Committee, which will provide strategic oversight in rolling out the new ESG agenda. The Committee is chaired by TTE's Chief Executive Officer and comprises a cross functional team from diverse disciplines including environmental, operations, sustainable practices, legal, investor relations, corporate governance, and human capital.

SHAREHOLDER VALUE CREATION

The Company delivered exceptional shareholder value during the year; with three interim dividends totaling Rs. 14 per share and a proposed fourth dividend of Rs. 17.35. Accordingly, the Company's dividend per share for the year 2022-23 clocked in at Rs. 31.35 the highest in the Company's operating history.

WAY FORWARD

The approval of an Extended Fund Facility by the International Monetary Fund (IMF) coupled with coordinated policy interventions to restore macro-economic stability have set Sri Lanka's economy on the road to recovery. We are cognizant of short-term challenges but remain cautiously optimistic that the economy will gain momentum over the medium-term. Interest rates are expected to record a gradual decline towards the latter part of 2023, while the Sri Lankan Rupee is anticipated to gradually stabilise reflecting improved market sentiments and gradual restoration of macro-economic stability. While Tea production levels are expected to recover in 2023, high input costs remain a critical concern as consistently high prices could affect the country's competitiveness in the international Tea market. Meanwhile global economic and geo-political dynamics in major

“For TTE, the year was the ultimate test of resilience and adaptability, as our teams were called upon to respond to rapidly evolving challenges at an accelerated pace.”

Tea-buying markets have rendered the outlook on demand and pricing extremely unpredictable over the short-term.

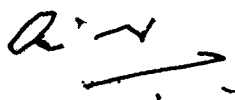
TTE's strategy will be consistent with the approach adopted in recent years as it seeks to leverage its competitive strengths in quality and sustainability to drive consistent improvements in production volumes, yields and profitability. As the Company pursues the next phase of its growth, ESEG considerations will feature quite prominently. I remain confident that this approach will not only strengthen our social license to operate, but also strengthen the resilience, efficiency and competitiveness of our business, thereby delivering positive outcomes across our stakeholder universe.

The Company launched its new Corporate Purpose during the year, articulating its reason for being and its long-term aspirations in driving triple bottom line value creation. The Purpose - "Brewing a Better Future" will galvanise our teams to drive innovation and improvement coupled with a disciplined approach to business in order to create new and sustainable products or services and support the empowerment of local communities, while striving towards regenerating the natural environment. In short, we will strive to articulate the true meaning word "brewing" by progressively renewing our commitment to the process of growth and regeneration so that we may shape a better future for all.

APPRECIATION

I wish to take this opportunity to express my sincere appreciation to my fellow Board Members, whose wise counsel and encouragement continue be a key source of strength to TTE. I also thank TTE's executive teams led by Dr. Roshan Rajadurai for the tenacity with which they

have managed to steer the Company even in the toughest of times. A special word of thanks to our estate and factory teams for the dedication and commitment they have shown in working towards the Company's common goals. Finally, I would like to thank our shareholders and all stakeholders for placing their trust in the Company and its leadership. I seek your continued support in the future as well, as TTE embarks on its bold new growth trajectory in the coming years.



Mohan Pandithage
Chairman

Talawakelle Tea Estates PLC

11th May 2023

MANAGING DIRECTOR'S REVIEW



" I am pleased to report that Talawakelle Tea Estates PLC (TTE) has yet again demonstrated its resilience, recording outstanding triple bottom line performance, having overcome what many thought would be insurmountable challenges."



Our Tea production volumes reached 5.1 Mn/kg in the year under review

As we embarked on 2022, we were optimistic that we could finally put the trials and tribulations of the last few years behind us and move firmly forward. It was therefore extremely disconcerting to see Sri Lanka engulfed by an unprecedented economic crisis with the resultant socio-economic and political upheaval challenging all sectors of the economy.

Against this backdrop, I am pleased to report that Talawakelle Tea Estates PLC (TTE) has yet again demonstrated its resilience, recording outstanding triple bottom line performance, having overcome what many thought would be insurmountable challenges.

I would like to take this opportunity to summarise a few key highlights. TTE was yet again Ranked No. 1 overall in the National Sales Average (NSA) amongst the Regional Plantation Companies (RPCs) at the Colombo Tea Auctions. Our Tea production volumes reached 5.1 Mn kg in the year under review, denoting a 14% contraction over the previous financial year, while Revenue surpassed all expected targets, growing from Rs. 4.66 Bn in the previous financial year to Rs. 8.13 Bn in the current financial year, reflecting a phenomenal 74.37% growth year on year. This was achieved through focusing primarily on high-quality premium Teas that command a Rs 102.78 premium over the National Sales Average. Meanwhile, despite substantial cost escalations, healthy margins together with higher interest income enabled a near four-fold increase in PBT to Rs. 3.29 Bn in Financial Year 2022/23 from the Rs. 833 Mn tabled the year before.

STRATEGIC REORIENTATION

As the economic crisis in the country began to unfold, it was abundantly clear that all our operations will be impacted in one way or the other. This understanding motivated our teams to work together and address emerging challenges with agility and determination. Seeking the support and guidance of the Group Management

Committee, we formulated and executed contingency plans for all mission critical activities with a view to improving our preparedness against unforeseen business disruptions. We were thus able to ensure adequate fuel reserves and availability of other essentials to maintain continuity of operations year-round. The fact that no lost days were recorded in the current financial year, I believe, is a clear testament to our foresight and commitment to stay focused on the continuity of our business. Equally importantly it was also a huge morale booster for our workforce in these uncertain times.

Driving productivity and efficiency improvements were key strategic imperatives during the year, with precision agriculture techniques introduced to optimise agricultural inputs, maximise yields and improve land productivity.

I am also very pleased to see construction work on the new state-of-the-art Kiruwanaganga factory nearing completion. The new factory represents a relocation of the previous facility and features modern machinery and advanced infrastructure which will enable the highly efficient production of superior quality produce. The factory is expected to be completed in the 2nd half of 2023 and has the capacity to produce 800,000 kg of Made Tea annually.

While further sharpening our core competencies, our crop diversification efforts also gathered momentum. First initiated over a decade ago as part of a broad-based effort to develop alternative revenue streams, TTE has focused on investing in less labour intensive crops such as coconut and cinnamon. In total 35.24 hectares of Coconut and 46.91 hectares of cinnamon have been cultivated to date.

SHARING THE BURDEN OF PEOPLE AND COMMUNITIES

Going beyond the call of duty we supported people throughout the crisis. To combat the impact of fuel scarcity, additional resources were allocated to ensure food stocks and provisions for a minimum of 2 months were available on-site at all our estates to meet the needs of our workforce and the wider estate communities. We also actively encouraged employees to participate in the revenue share model to supplement their livelihoods. The revenue share model was later opened up to non-employees as well.

A special home gardening project was rolled out across all estates to motivate the wider community to undertake growing activities to alleviate concerns regarding food security.

“I am indeed pleased to announce that TTE’s progress on all fronts continues to be endorsed by esteemed awarding bodies both locally and internationally.”

MANAGING DIRECTOR'S REVIEW

We continued to offer educational support to children in the community. Aside from our routine capacity building interventions, we arranged special transport services to be provided for students to travel to and from examination centers during the fuel shortage.

Meanwhile, with labour migration becoming a major challenge in the current year, we initiated multi-pronged approaches to secure the loyalty and commitment of the estate workforce. The existing attendance incentive scheme applicable for the estate workforce was revamped through a new tiered rewards scheme. The "Best Harvester Programme" was also aggressively promoted along with early morning and evening plucking to enable pluckers to supplement their regular income. Both the "Revenue Share Model" and the "Weed Buy Back" scheme also proved to be key tools in helping the workforce to increase their earning capacity.

Rs.165 Mn was invested in TTE's flagship programme, "A Home for Every Plantation Worker" towards the socio-economic development of its estate communities through the four pillars of 'Improving the Living Environment', 'Community Capacity Building', 'Health and Nutrition' and 'Youth Empowerment'. Continuing to support the wellbeing of our estate community.

The "Mother and Child-friendly Tea Plantations" is the other major umbrella project by Hayleys Plantations to which TTE has made a firm commitment in promoting maternal health, child nutrition and protection of child rights. Amidst the prevailing economic crisis, we tightened monitoring of childhood development indicators, especially malnutrition and infant mortality.

DEEPENING OUR FOCUS ON SUSTAINABILITY

For TTE sustainability means putting into practice, our core principles as a plantation Company to preserve and protect the environment. TTE's estates operate under the RA™ certification and Ecolabel-Tea certification while our factories are certified under the ISO 14001:2015 Environmental Management Standards, ISO 50001:2018 Energy Management System, ISO 14064:1-2018 Greenhouse Gas Emission Management System, which have enabled us to implement industry-leading systems and standards to manage the environmental and climate related impacts of our business operations, encompassing soil nutrition to water, effluents energy and emissions.

Unwilling to rely solely on these conventional approaches, we have always been emphatic about broadening our outlook to see how we can go beyond traditional sustainability practices to focus on creating systems that not only sustain, but also restore and regenerate natural resources. It is this collective conscience that led to the roll out of our 2030 Regenerative Agenda, through which we aim to promote sustainability and regenerative practices across all aspects of our business. Moving swiftly to implement our 2030 Regenerative Agenda, our organic soil enrichment programme was further strengthened with a view to improving the efficacy of compost distribution using slow release techniques to preserve long-term soil health. With the technique widely applied across estates in the current year, we are now seeing an improvement in the soil nutrient retention levels on our tea fields.

As part of the soil health management strategy, TTE also partnered with the University of Kelaniya in a pilot project to explore the feasibility of introducing Bio-Char to improve the fertiliser absorption

levels across our tea fields which would ultimately reduce the volume of fertiliser applied and improve overall soil health over time. Research & Development activities were also accelerated with special emphasis on developing drought and pest resistant Tea cultivar.

Apart from this, TTE has always been actively involved in high impact biodiversity conservation initiatives. The St. Clair's Falls Ecosystem Restoration Project is one such ongoing initiative that TTE has been committed to for the past 05 years. Since 2021, we act as the project leader in the Hayleys Group flagship biodiversity conservation initiative 'KIRULU', which focuses on restoring biological ecosystems and preserving natural habitats within High Conservation Value Areas (HCVA).

TTE remains a keen advocate of the Wildlife Nature Protection Society PLANT (WNPS PLANT) project, a collaborative effort between the Wildlife and Nature Protection Society and Preserving Land and Nature (Guarantee) Ltd to establish bio diversity corridors and preserve forest ecosystems to safeguard Sri Lanka's unique biodiversity. As part of its commitment to the WNPS PLANT project, the Hayleys Plantation sector, including TTE and its sister companies have made a zero deforestation undertaking across its estates. All three companies together have also assigned over 2,500 acres of plantation land to WNPS PLANT for the creation of biodiversity corridors.

TTE has been a member of the United Nations Global Compact (UNGC) since 2016, aligning its business strategies with the ten principles set forth by the UNGC. This commitment ensures a strong dedication to advancing the United Nations Sustainable Development Goals and driving sustainable impact.

AWARDS AND ACCOLADES

I am indeed pleased to announce that TTE's progress on all fronts continues to be endorsed by esteemed awarding bodies both locally and internationally. On the business side, our Somerset, Dessford and Mattakelle estates were recognised at the second World Black Tea Quality Evaluation Competition by China Tea Marketing Association, where Somerset clinched the Grand Gold for its Sunny Blooms Specialty Tea and Award of Excellence for its FBOP. Dessford received the Award of Excellence for its Abbotsford Special Tea and Mattakelle secured the Silver award for its Golden Curls.

We are the forefront of sustainability in Sri Lanka's Tea industry and our commitment to continues to be recognised during the year. At the Best Corporate Citizen Sustainability Awards 2022 organised by the Ceylon Chamber of Commerce, TTE secured a total of 4 awards including overall 2nd place winner of "less than Rs. 15 Bn turnover category" and become the first plantation Company to reach this level. At the ACCA Sri Lanka Sustainability Reporting Awards 2022, TTE was declared the Winner in the Retail & Trading (Including Plantations sector). At the Hallbars Sustainability Reports Awards 2022 TTE received winner in the Category of Asia. Our project on the "Way Forward: Revenue Share Model" was selected among the Top Finalists at the World Sustainability Awards 2022 by organization of Sustainability Leaders. TTE also won the Gold award for Asia's Best Stakeholder Reporting and the Silver for Asia's Best Materiality Reporting at the Asia Sustainability Reporting Awards 2022.

I am also very pleased to announce that The Great Place to Work Survey 2023 reaffirmed TTE's standing among the top employer brands in Sri Lanka with a 97% employee satisfaction score.

Our Annual Report continues to receive repeated recognition at many forums here in Sri Lanka and internationally. At the CMA Integrated Annual Report Awards 2022, in addition to ranking among one of the overall 5 Best Annual Reports, TTE swept the board with 3 awards, including the highly coveted Winner of the Best Integrated Report (Plantation Sector). TTE also clinched the Silver in the Plantation Sector category awards for reporting excellence at the TAGS Awards 2022 conducted by the CA Sri Lanka. At the Asia Integrated Reporting Awards 2022, TTE secured the Overall Bronze award along with Gold awards in 3 categories.

WAY FORWARD

Our ability to generate extraordinary results in which was undoubtedly a challenging time, stands testament to TTE's adaptability to embrace any challenge. That said, let me reiterate that we are by no means content as we feel there is much room for improvement.

In the coming year, we expect to see a decline in global Tea prices as consumer priorities shift on the back of weakening economic prospects. Amidst this backdrop I expect competitive pressure to intensify significantly, which would call for a more precision-driven approach to differentiation in order to stay ahead of the curve.

TTE for its part is already in the process of putting in place a robust 5-pillar strategy that we hope will boost competencies across every aspect of the company's value chain from plot, plant to product, processes and people. We are also looking to go beyond sustainability to integrate ESG factors more deeply into our 5-pillar strategy, which we hope will strengthen business resilience and enable the Company to sharpen its competitive edge in the coming years.

APPRECIATIONS

Before I conclude, I would like to express my appreciation to every single one of TTE's employees. I am profoundly grateful for your commitment towards the Company in what has been one of the most challenging periods in our 30 year history.

I also wish to place on record my appreciation to our Corporate Management Team for going above and beyond to change the narrative in the face of adversity. I am indeed proud to serve alongside you.

Let me take this opportunity to thank the Chairman, the Board of Directors and the Group Management Committee for their tireless efforts that were instrumental in steering TTE through the challenges of this past year.

Finally to our loyal shareholders, thank you for staying on this journey with TTE. We have big plans for the future and your support is crucial to achieving the ambitious targets that have been set for the Company in the years ahead.



Dr. Roshan Rajadurai
Managing Director

Talawakelle Tea Estates PLC

11th May 2023

ABOUT US

Talawakelle Tea Estates PLC (TTE) stands as a beacon of excellence, driven by a passion for perfection and a commitment to crafting the finest teas in the world. With 16 estates spanning over 6,491 hectares of prime tea-growing land, from lush lowlands to misty highlands, we are blessed with ideal weather and fertile soil. Our journey began in 1992 as Talawakelle Plantation Limited Company and joined the renowned Hayleys Group in 1998 through the acquisition of controlling interest by Hayleys Plantations Services (Pvt) Ltd. In 2000, we became Talawakelle Tea Estates PLC and listed on the CSE.

At TTE, visionary leadership and a remarkable corporate culture shape our pursuit of Excellence, Innovation, Sustainability, Quality and Social responsibility. Our teas are not just products; they are stories that embody tradition, craftsmanship, and connection, transcending time and borders to create unforgettable tea experiences.

Sustainability is ingrained in our legacy, as we continually raise the bar on sustainable

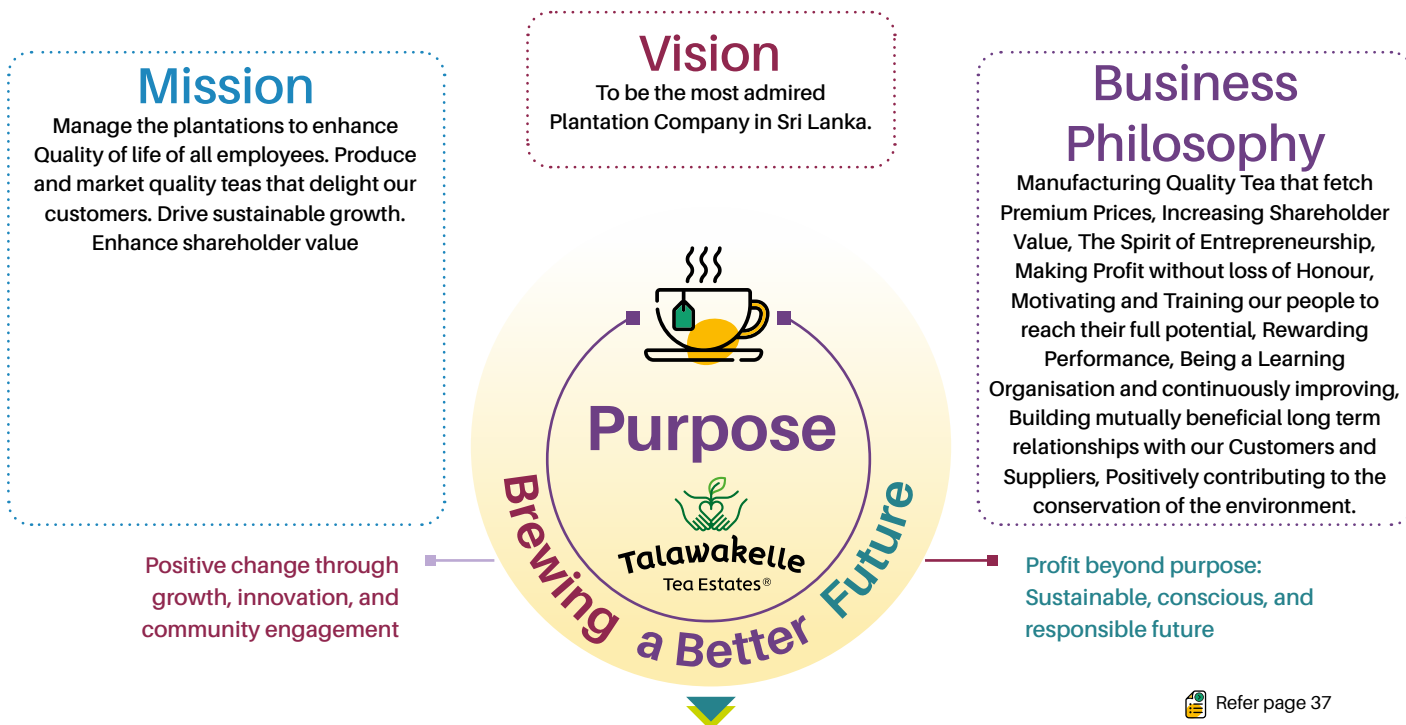
growth. We actively engage in industry discussions and take business action to promote sustainable agricultural practices, environmental conservation, and the welfare of communities.

Our customer-oriented culture, grounded in professionalism and a commitment to excellence, drives us to serve our communities. Through various initiatives in childcare, education, healthcare, elderly care, religious events, and sports, we strive to achieve sustainable community development.

In recognition of our achievements, Talawakelle Tea Estates PLC was honored as the Overall Winner at the National Business Excellence Awards in 2018, making us the first agriculture-based company in the country to receive this accolade. In 2021, we achieved another milestone as the first regional plantation company to be certified as a "Great Place to Work," underscoring our commitment to excellence.

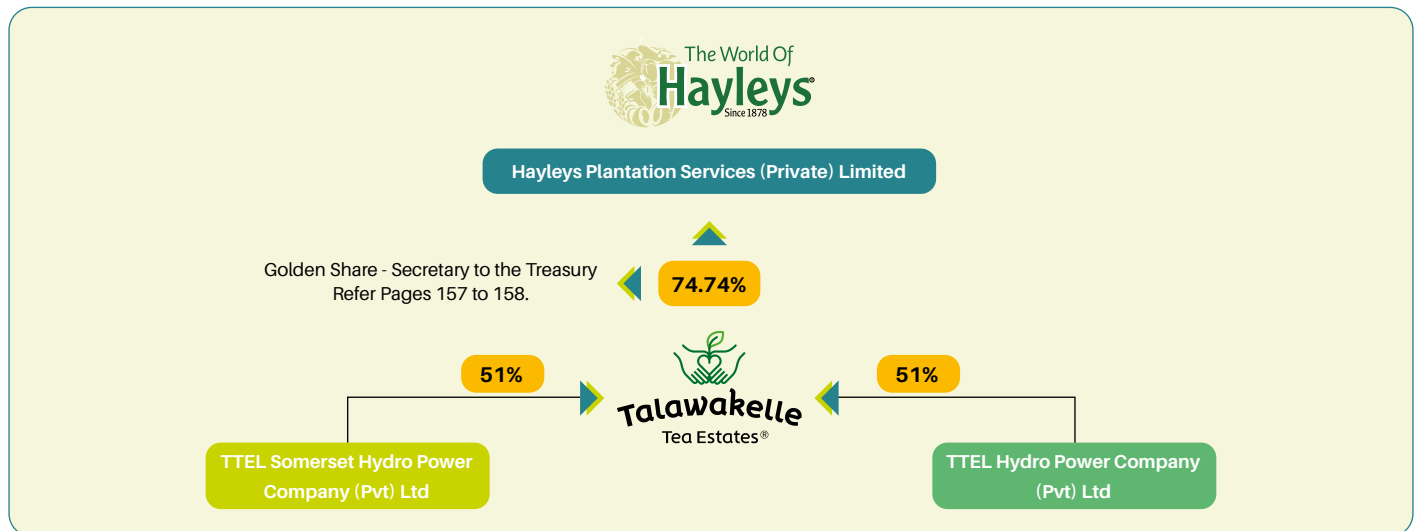
Our commitment to quality is deeply rooted in our rich heritage. Since our inception, we have consistently produced unparalleled Ceylon tea. We have pioneered industry ventures and received numerous certifications and awards as a testament to our dedication. Our Great Western Estate was the first in Sri Lanka to obtain the Hazard Analysis and Critical Control Points (HACCP) certification in 2001. Kiruwanaganga Estate achieved ISO 22000:2005 certification as the first tea factory in 2006. In 2011, our tea estates proudly acquired the Rainforest Alliance certification, further solidifying our commitment to sustainability. Notably, Great Western Estate obtained ISO 9001:2015 and ISO 14001:2015 certifications in 2017, while Holyrood Tea Factory became the first in the country to achieve ISO 50001:2018 certification in 2020.

Our remarkable history, courageous pioneers, esteemed leadership, and groundbreaking corporate culture have shaped our legacy and positioned us as synonymous with the highest quality Ceylon tea.



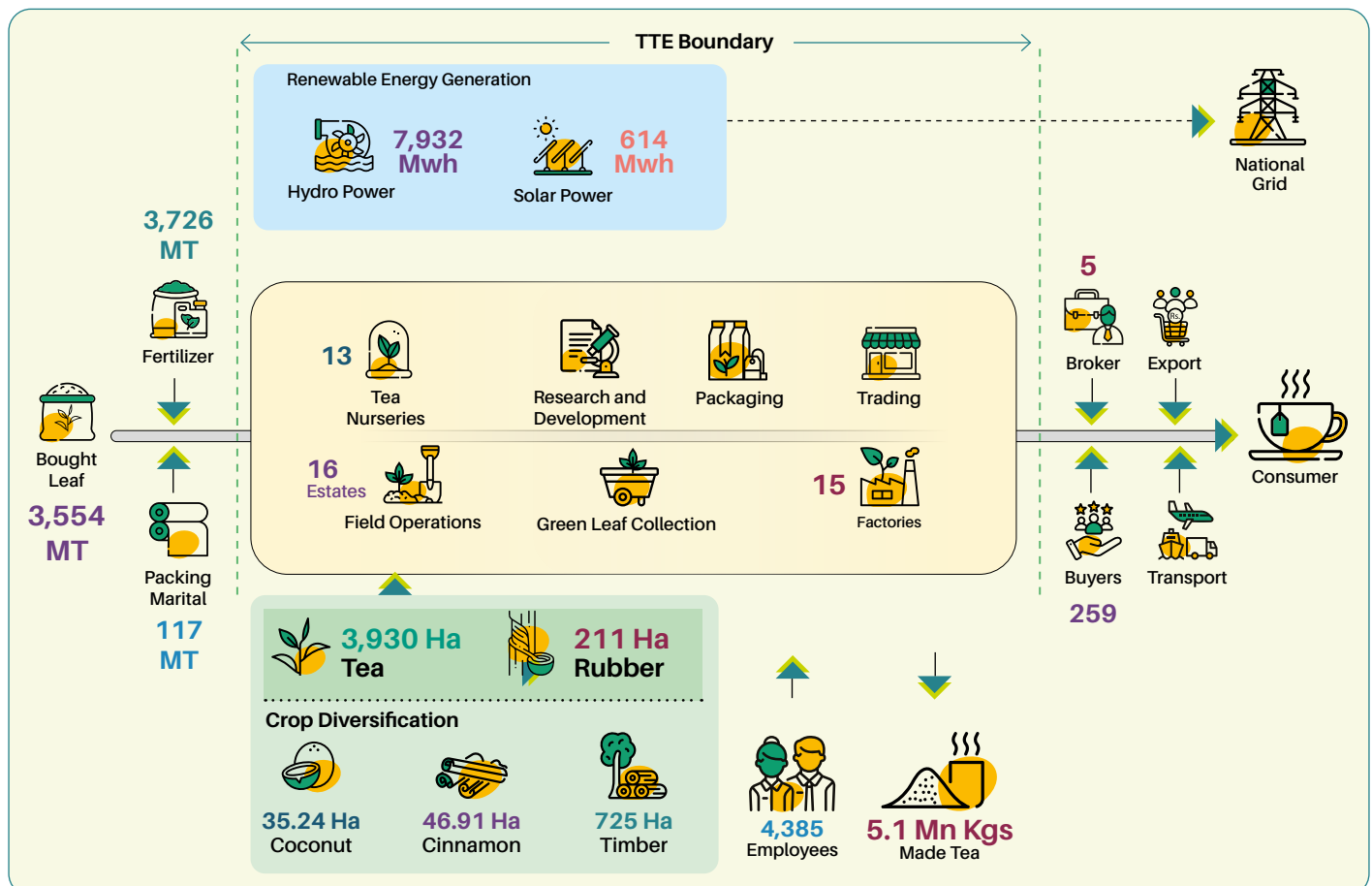
In a momentous step forward, we made an official adoption of a transformative purpose statement, signifying a profound shift towards becoming a purpose-driven organization. This purpose statement is not just a mere proclamation but has been seamlessly woven into the very fabric of our core business model and strategic imperatives. It serves as the compass that directs our actions, propelling us to make a tangible and meaningful impact in everything we do.

ORGANISATION STRUCTURE



OUR POSITION WITHING THE VALUE CHAIN

GRI 2-6



ABOUT US

OUR ESTATES



Bearwell Estate
Talawakelle Agro Climatic District

Located in the midst of lush Sri Lankan Tea country, Bearwell Estate comprises of four divisions - Bearwell, Belgravia, Fairfield and Walaha was established in 1895.

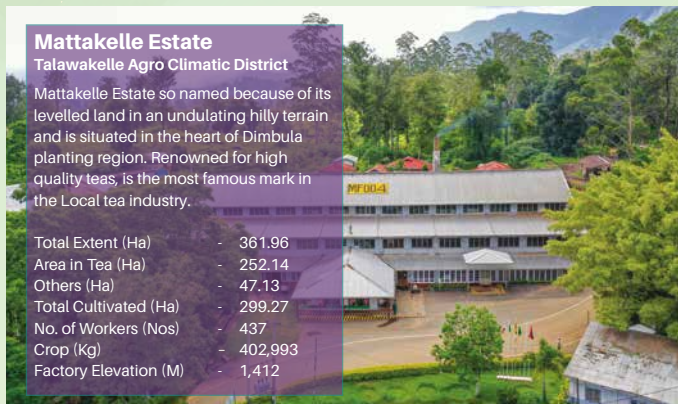
| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 423.41 |
| Area in Tea (Ha) | - | 317.13 |
| Others (Ha) | - | 54.32 |
| Total Cultivated (Ha) | - | 371.45 |
| No. of Workers (Nos) | - | 309 |
| Crop (Kg) | - | 398,636 |
| Factory Elevation (M) | - | 1,230 |



Great Western Estate
Talawakelle Agro Climatic District

Great Western Estate established in 1865 is situated in the foothills of the majestic Great Western mountain range consists of the sixth highest peak in Sri Lanka at 2215m. Renowned for exceptional quality teas, was the first factory to be HACCP certified in 2001.

| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 628.48 |
| Area in Tea (Ha) | - | 398.60 |
| Others (Ha) | - | 87.52 |
| Total Cultivated (Ha) | - | 486.12 |
| No. of Workers (Nos) | - | 363 |
| Crop (Kg) | - | 462,899 |
| Factory Elevation (M) | - | 1,337 |



Mattakelle Estate
Talawakelle Agro Climatic District

Mattakelle Estate so named because of its levelled land in an undulating hilly terrain and is situated in the heart of Dimbula planting region. Renowned for high quality teas, is the most famous mark in the Local tea industry.

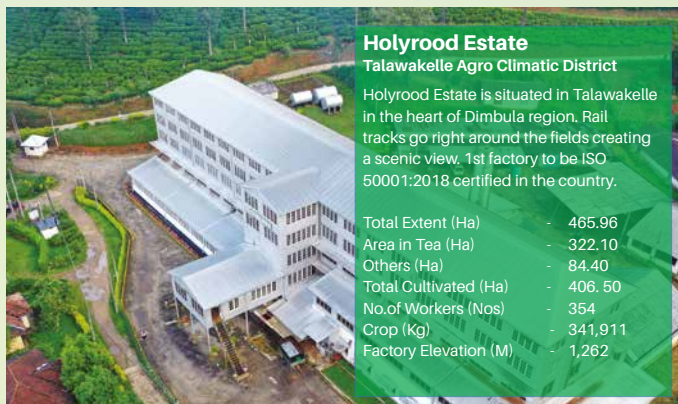
| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 361.96 |
| Area in Tea (Ha) | - | 252.14 |
| Others (Ha) | - | 47.13 |
| Total Cultivated (Ha) | - | 299.27 |
| No. of Workers (Nos) | - | 437 |
| Crop (Kg) | - | 402,993 |
| Factory Elevation (M) | - | 1,412 |



Wattegoda Estate
Talawakelle Agro Climatic District

Wattegoda Estate is situated boarder in the Great Western mountain range, has for decades been synonymous with high quality tea production.

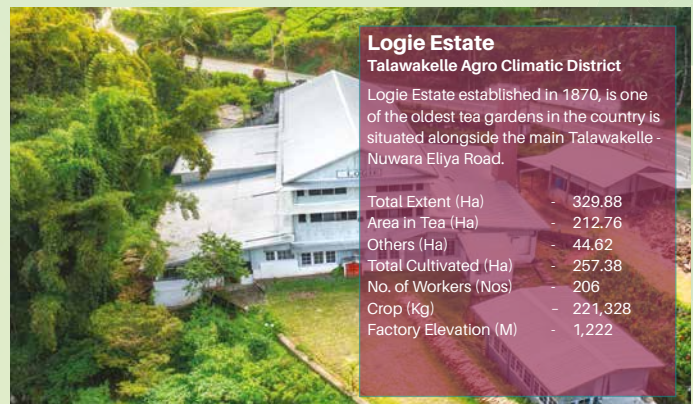
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|-----------------------|---|---------|
| Total Extent (Ha) | - | 529.89 |
| Area in Tea (Ha) | - | 310.15 |
| Others (Ha) | - | 104.15 |
| Total Cultivated (Ha) | - | 414.30 |
| No. of Workers (Nos) | - | 379 |
| Crop (Kg) | - | 415,845 |
| Factory Elevation (M) | - | 1,245 |



Holyrood Estate
Talawakelle Agro Climatic District

Holyrood Estate is situated in Talawakelle in the heart of Dimbula region. Rail tracks go right around the fields creating a scenic view. 1st factory to be ISO 50001:2018 certified in the country.

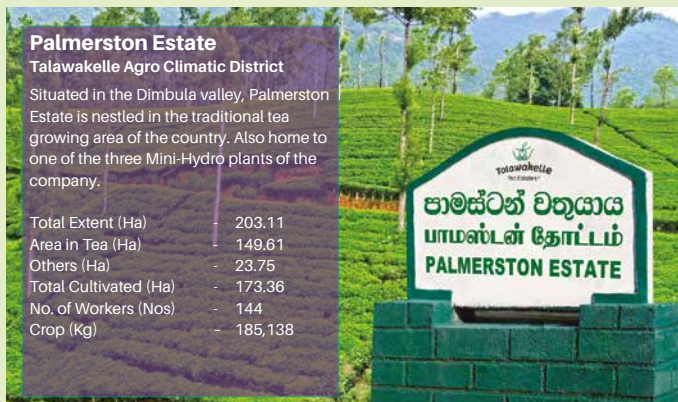
| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 465.96 |
| Area in Tea (Ha) | - | 322.10 |
| Others (Ha) | - | 84.40 |
| Total Cultivated (Ha) | - | 406.50 |
| No. of Workers (Nos) | - | 354 |
| Crop (Kg) | - | 341,911 |
| Factory Elevation (M) | - | 1,262 |



Logie Estate
Talawakelle Agro Climatic District

Logie Estate established in 1870, is one of the oldest tea gardens in the country is situated alongside the main Talawakelle - Nuwara Eliya Road.

| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 329.88 |
| Area in Tea (Ha) | - | 212.76 |
| Others (Ha) | - | 44.62 |
| Total Cultivated (Ha) | - | 257.38 |
| No. of Workers (Nos) | - | 206 |
| Crop (Kg) | - | 221,328 |
| Factory Elevation (M) | - | 1,222 |



Palmerston Estate
Talawakelle Agro Climatic District

Situated in the Dimbula valley, Palmerston Estate is nestled in the traditional tea growing area of the country. Also home to one of the three Mini-Hydro plants of the company.

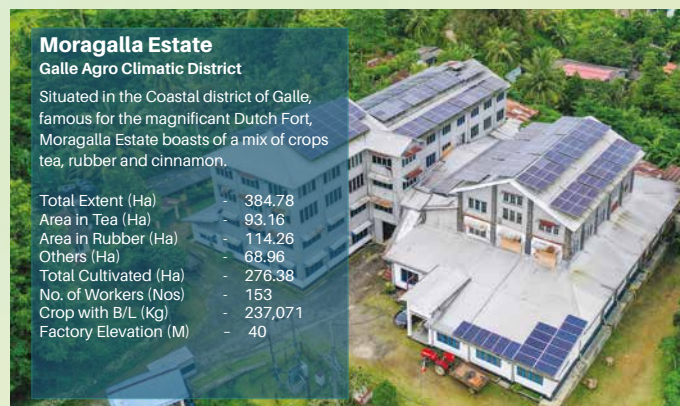
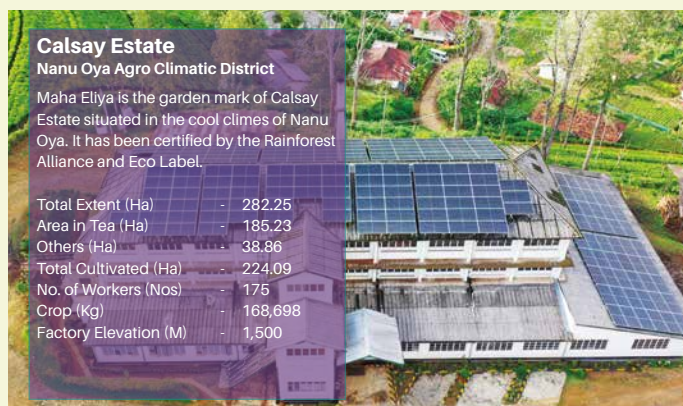
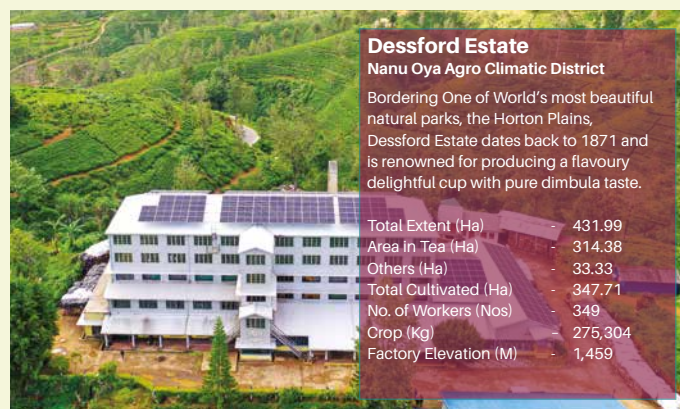
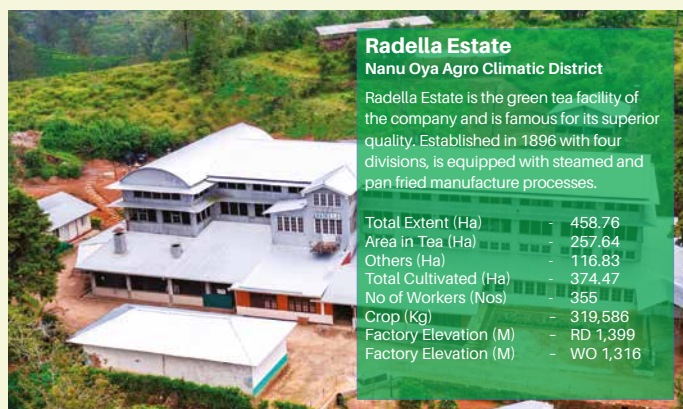
| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 203.11 |
| Area in Tea (Ha) | - | 149.61 |
| Others (Ha) | - | 23.75 |
| Total Cultivated (Ha) | - | 173.36 |
| No. of Workers (Nos) | - | 144 |
| Crop (Kg) | - | 185,138 |



Somerset Estate
Nanu Oya Agro Climatic District

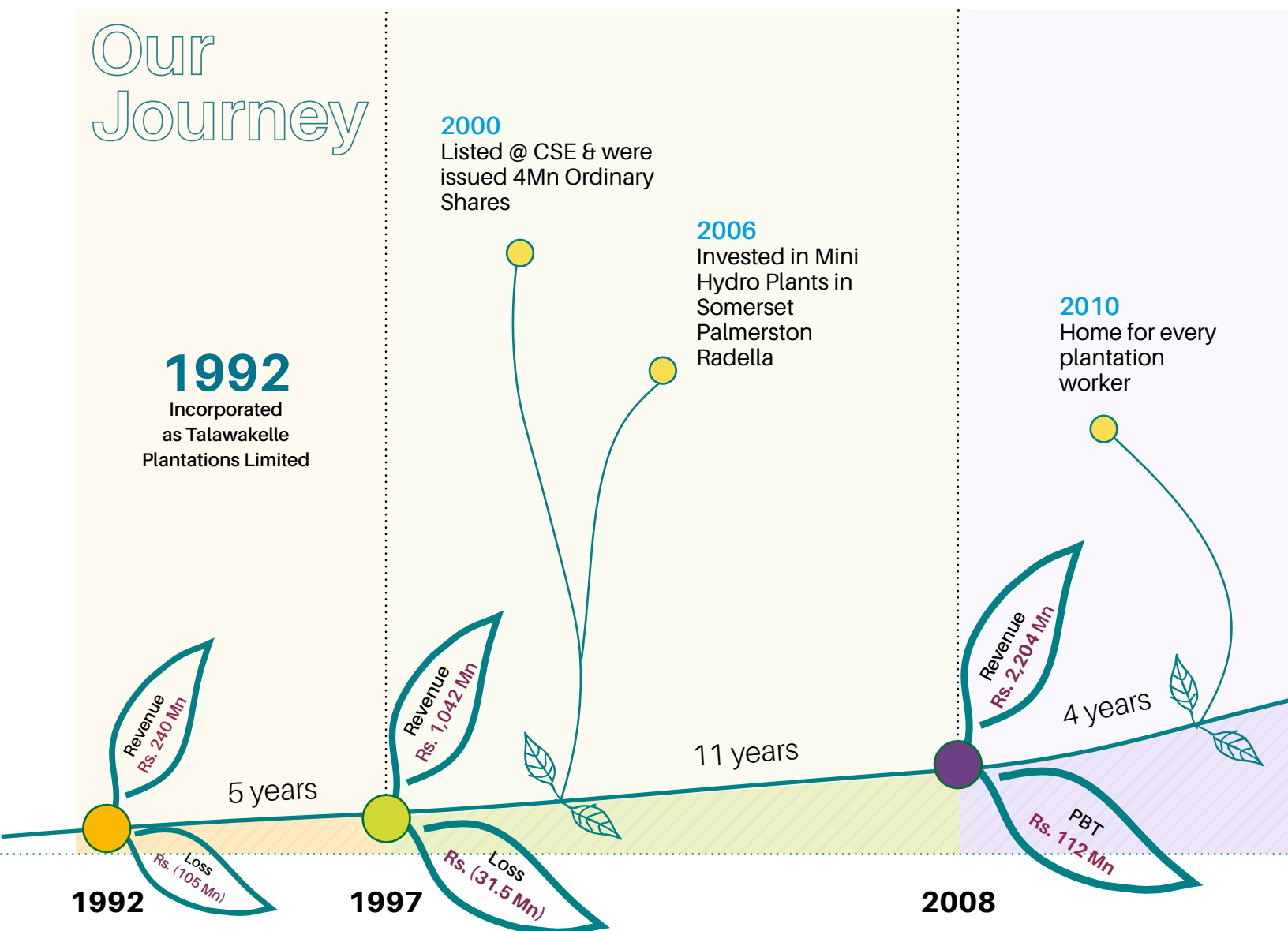
Somerset Estate is situated in the Dimbula valley on the western slopes of the central hills of Sri Lanka. Frequently visited by foreign and local buyers, is one of the most famous marks producing the finest quality Dimbula Teas, were tea was 1st grown around the 1880s.

| | | |
|-----------------------|---|---------|
| Total Extent (Ha) | - | 456.64 |
| Area in Tea (Ha) | - | 330.90 |
| Others (Ha) | - | 48.47 |
| Total Cultivated (Ha) | - | 379.37 |
| No. of Workers (Nos) | - | 484 |
| Crop (Kg) | - | 433,827 |
| Factory Elevation (M) | - | 1,377 |



ABOUT US

Our Journey



Commence

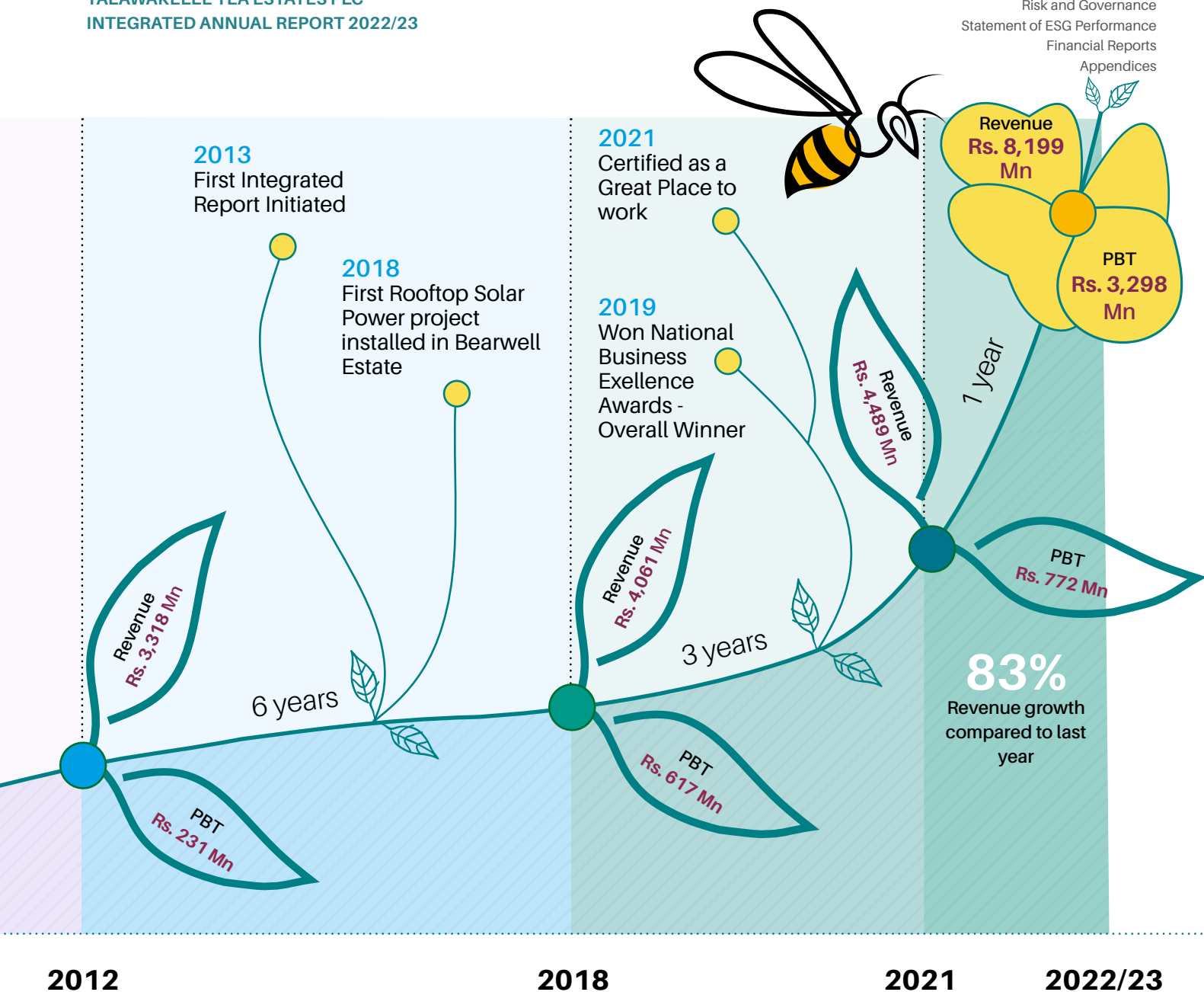
In 1992, our company was incorporated as a Regional Plantation Company.

Stabilizing

Later in 1998, Hayleys Plantations Services (Pvt) Ltd acquired controlling interest, bringing a new wave of possibilities. Notably, debentures were converted into 3.75 million additional shares, boosting our financial stability. This marked the beginning of a transformative journey driven by resilience and innovation. We achieved stability through groundbreaking measures. We became industry trailblazers by securing HACCP certification in 2001, setting a new standard for food safety. Our proactive approach included transitioning to renewable biomass in 2004, reducing carbon footprint and embracing sustainability. Recognizing changing consumer preferences, we ventured into Green Tea production at the Radella Estate in 2008, diversifying our offerings and ensuring long-term success. These strategic moves solidified our stability and leading position.

Thriving

Environmental and social stewardship was evident with Rainforest Alliance certification in 2011. The Presidential award recognized our exceptional replanting program and commitment to sustainable land management. These actions propelled our growth, strengthened workforce support, preserved ecosystems, and solidified path to become industry leader.



2012

2018

2021

2022/23

Advancing

We were advancing our journey through transformative initiatives. In late 2013, we embarked on an ambitious "One Million Tree Planting" project, demonstrating our proactive approach towards environmental conservation. By employing advanced technology, we introduced electronic weighing scales and a web-based performance monitoring system in 2015, enhancing efficiency and ensuring accurate measurements. Our commitment to responsible business practices led to our enrollment in the United Nations Global Compact principles (UNGC), solidifying our dedication to sustainability. In 2018, we implemented the first Rooftop Solar Power project in the Hayleys Plantation sector, contributing to the renewable energy landscape. These advancements propel us towards a sustainable future, integrating technology and environmental stewardship into our journey.

Elevate

We elevate our journey through exceptional practices and innovation at Talawakelle Tea Estates. Our remarkable achievements include winning the prestigious National Business Excellence Awards in 2019, making us the first agriculture-based company to claim the overall victory. We prioritize shareholder value by disbursing the highest dividend in our history, rewarding investors for their trust and support. Introducing the Block Management concept, we optimize operational efficiency and streamline processes, showcasing our commitment to innovative management practices.

Unparalleled

We set new standards for sustainable value creation, surpassing conventional norms. With unwavering commitment to sustainability, we drive positive change, ensuring stakeholder well-being. Our exceptional performance as Sri Lanka's leading regional plantation company showcases our dedication to excellence and a sustainable future.

BOARD OF DIRECTORS



Mr A M Pandithage
Chairman- Executive Director

Appointed to the Board of Talawakelle Tea Estates PLC in July 2009

Mr Mohan Pandithage currently serves as the Chairman and Chief Executive of Hayleys PLC, a position he has held since his appointment in July 2009.

As an accomplished industry veteran and respected leader in the field of transportation and logistics, he was honoured with the prestigious 'Best Shipping Personality' Award by the Institute of Chartered Shipbrokers, in recognition of his outstanding contributions to the industry. Additionally, he was presented with a Lifetime Achievement Award by the Seatrade-Sri Lanka Ports, Trade and Logistics (SLPTL). He was the first Sri Lankan to be awarded the Pinnacle Lifetime Award by the Chartered Institute of Logistics and Transport (CILT). He was also inducted as a 'Legend of Logistics' by the Sri Lanka Logistics and Freight Forwarding Association, in acknowledgment of his invaluable services to Sri Lanka's logistics industry.

Mr Mohan Pandithage serves as Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. He is a Fellow of the Chartered Institute of Logistics and Transport (UK) and a Member of the Advisory Council of the Ceylon Association of Shipping Agents (CASA). He also serves as a Council Member of the Employers' Federation of Ceylon. As an Executive Chairman of multiple companies within the Hayleys Group, Mr Pandithage possesses extensive leadership experience across a broad spectrum of industries.

He holds the position of Executive Chairman of Public Limited Companies in the group:

| |
|--------------------------------|
| Hayleys PLC |
| Haycarb PLC |
| Hayleys Leisure PLC |
| Dipped Products PLC |
| Hayleys Fibre PLC |
| Alumex PLC |
| Hayleys Fabric PLC |
| Singer(Sri Lanka) PLC |
| The Kingsbury PLC |
| Kelani Valley Plantations PLC |
| Horana Plantations PLC |
| Regnis (Lanka) PLC |
| Singer Industries (Ceylon) PLC |
| Unisyst Engineering PLC |

He serves as Chairman of our two subsidiary companies:

| |
|---|
| TTEL Hydro Power Company (Pvt) Ltd |
| TTEL Somerset Hydro Power Company (Pvt) Ltd |

He also serves as Non-Executive Director on the Board:

| |
|--------------------------------|
| Diesel & Motor Engineering PLC |
|--------------------------------|



Dr W G Roshan Rajadurai
Managing Director/Executive Director

Appointed to the Board in 2013

Dr. Roshan Rajadurai joined Hayleys Group in 2013 as a member of Management Committee for Plantations Sector.

He joined the Plantation Sector in 1983, and served in the Janatha Estates Development Board (JEDB) till privatization of Plantations in 1992 and counts over 40 years of planting experience. He joined Kahawatta Plantations of Dilmah as General Manager and was Director/CEO from 2008 to 2012.

He had been the Chairman of the Planters' Association of Ceylon, Board Member of the Sri Lanka Tea Board, Tea Research Institute, Rubber Research Board, Tea Small Holdings Development Authority and the Tea Council of Sri Lanka. He serves as a member of the Tea Research Board Consultative Committee on Research and the Board of Study in the Faculty of Agriculture and Plantation Management at Wayamba University, Board of Academic Affairs of the National Institute of Plantation Management. He served as Chairman of the Plantations Group in the Council for Agriculture Research and Policy (CARP). He serves in the Standing Committee on Agriculture of University Grants Commission and also, as a member of Public Expenditure Review Committee (PERC) on Ministry of Plantations.

He holds a B.Sc Honours in Plantation Management, M.Sc. (OB), an MBA and an M.Sc. In Agriculture and Plantation Crops from the Post Graduate Institute of Agriculture, University of Peradeniya. He has a Ph.D in Management and a D.Sc in Agriculture.

He is the Chairman of

| |
|--|
| Sustainability Group of Sri Lanka Tea Road Map Strategy 2030 |
| Tea Research Board Consultative Committee on Estates and Advisory Services |

He hold the Position of Managing Director at

| |
|-------------------------------|
| Talawakelle Tea Estates PLC |
| Horana Plantations PLC |
| Kelani Valley Plantations PLC |

He also serves as a Director of our two subsidiary companies;

| |
|---|
| TTEL Hydro Power Company (Pvt) Ltd |
| TTEL Somerset Hydro Power Company (Pvt) Ltd |



Mr Merrill J Fernando
Non-Executive Director

Appointed to the Board in 1998

Mr. Merrill J. Fernando is the Chairman of MJF Group of Companies and one of Sri Lanka's first tea tasters in the then British-dominated trade. He is the founder of "DILMAH TEA" brand name which re-launched, redefined and re-established the quality of Ceylon tea. DILMAH is a well-known global brand, renowned for its quality and the philosophy of caring and sharing behind the brand. Having established the brand on the unique philosophy of making business a matter of human service, Mr. Merrill J Fernando's 'MJF Charitable Foundation' and Dilmah Conservation fulfill this pledge by diverting a minimum of 15% of pre-tax profits from the sale of Dilmah Tea towards direct humanitarian and environmental interventions.

Mr. Merrill J. Fernando was honoured for his service towards humanity with the Oslo Business for Peace Award in 2015 by a committee of Nobel Peace laureates, he

received the First Award for Responsible Capitalism in 2016 and 2019 an Honorary Doctorate from New Zealand's Massey University and the title of Deshamanya at Sri Lanka's National Honors.

He serves as a Director of our two subsidiary companies;

| |
|---|
| TTEL Hydro Power Company (Pvt) Ltd |
| TTEL Somerset Hydro Power Company (Pvt) Ltd |



Mr Malik J Fernando
Non-Executive Director

Appointed to the Board in 1998

Mr. Fernando is a Director of MJF Group of Companies and the CEO of MJF Leisure (Private) Limited. Established by Mr. Merrill J. Fernando; Dilmah, named after his two sons Dilhan and Malik, was the first producer owned tea brand, offering tea 'picked, perfected and packed' at origin. Dilmah is founded on a passionate commitment to quality and authenticity in tea, it is also a part of a philosophy that goes beyond commerce in seeing business as a matter of human service.

He serves on the boards of following companies

| |
|--------------------------------------|
| MJF Group of Companies |
| Resplendent Ceylon (Private) Limited |
| MJF Leisure (Private) Limited |

He also serves as a Director of our two subsidiary companies

| |
|---|
| TTEL Hydro Power Company (Pvt) Ltd |
| TTEL Somerset Hydro Power Company (Pvt) Ltd |

He is the Managing Director of Resplendent Ceylon (Private) Limited, the first Sri Lankan luxury resort brand. Resplendent Ceylon is developing a collection of small, luxury resorts offer discriminating travelers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities & the environment through the 'MJF Charitable Foundation' & Dilmah Conservation. After the Easter Sunday outrage, Mr Fernando spearheaded the Sri Lanka Tourism Alliance to mobilize the private tourism sector to act swiftly and strategically, with one voice under the Love Sri Lanka banner.

He has a B.Sc. in Business Management from Babson College in the US.

BOARD OF DIRECTORS

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

Appointed to the Board in 2012



Ms. Minette Perera was the Group Finance Director of the MJF Group, which comprises several tea growing and tea packing/exporting companies, supplying the 'Dilmah Tea' brand around the world.

Ms. Perera is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. She has over 40 years working experience as a Finance Professional having worked in leading local and international companies as an Executive Director.

Ms Perera currently serves on the Boards and Audit Committees of a number of Public Quoted Companies.

**Dr N T Bogahalande***Independent Non-Executive Director*

Appointed to the Board in 2013



Dr Bogahalande counts over 30 years of Managerial experience in Plantation, Manufacturing, Trading and Financial sectors.

He is a Member of the Institute of Certified Management Accountants Australia and the Chartered Institute of Personnel Management (Inc) Sri Lanka and received his Ph.D. from Management and Science University, Malaysia. During his illustrious career, has won many national and international accolades including the most prestigious 'Pride of HR Profession' award by the World HRD Congress in 2010 and the 'Lifetime Gold Medal' awarded by the Chartered Institute of Personnel Management (Inc) in 2019.

As a researcher and author, he published many scholarly articles in international refereed journals and conference proceedings in addition to being appointed as reviewer of leading scholarly journals. Currently, he also functions as a member of the "Happiness Planet Research Team" of Hitachi Corporation Ltd., Japan.

Having received the approval of the "Committee for High Posts" by the Parliament of Sri Lanka, Dr. Bogahalande has functioned as the Chairman and Board Director of many state and private sector organizations.

**Mr S L Athukorala***Independent Non-Executive Director*

Appointed to the Board in 2016



Mr Athukorala is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Fellow of Chartered Institute of Management Accountants, UK. Master of Business Administration, University of Warwickshire, UK, Certified Management Accountant, Australia.

He counts over forty years' experience in the fields of Management, Human Resources, Accountancy, Auditing, Consultancy and Finance. Retired international staff member of the Asian Development Bank, Manila, Philippines. Worked in a number of countries mainly in the Asian region.

Mr Athukorala who is the Audit committee chairman of TTE PLC is also serves as the Audit Committee Chairman of Hayleys Consumer Products Ltd, David Peiris Group of Companies and Asset line Finance Ltd.

He also serves as the Chairman of the Oversight Advisory Committee of the United Nations Industrial Development Organization.

**Mr D C Fernando***Non-Executive Director
(Alternate to Mr Merrill J Fernando)*

Appointed as Alternate Director to Mr. Merrill J Fernando in 2021

Mr. Dilhan C. Fernando is the younger son of Dilmah Founder Mr. Merrill J. Fernando. He has a B.Sc (Hons) in Economics from the London School of Economics. Mr. Fernando is a Director of MJF Group of Companies and the CEO of Dilmah Ceylon Tea Company PLC, as Trustee of the Merrill J. Fernando Charitable Foundation, and Director of Dilmah Conservation he directs the fulfillment of his father's unique commitment to serving humanity and environment through business.

He serves on the board of following companies;

- MJF Group of Companies
- Dilmah Ceylon Tea Company PLC

His efforts have focused on bringing tea to a new generation with innovations like tea gastronomy, t-Lounges and by enhancing knowledge in tea through the Dilmah School of Tea.

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

BOARD OF DIRECTORS

**Mr M H Jamaldeen***Independent Non-Executive Director*

Appointed to the Board in 2017

Mr Jamaldeen has extensive experience in relation to accounting, corporate finance, acquisition and disposals, restructuring, strategic business development & partnerships and business planning. His experience spans across a range of industries including real estate, retail, leisure, manufacturing, agriculture, industrial solutions, power & energy, plantations, transportation and logistics. Given his deep level expertise in multiple industries, he is recognized as a sector specialist in a multitude of industries and provides vital support towards Board level decision making.

He serves on the board of following Companies;

| |
|--------------------------------|
| Hayleys PLC |
| Singer Sri Lanka PLC |
| Lanka Realty Investments PLC |
| Steradian Capital Investments |
| Singer Industries (Ceylon) PLC |
| Haycarb PLC |
| On'ally Holdings PLC |
| Regnis (Lanka) PLC |

Mr Jamaldeen brings forth both local and global expertise having worked as the Finance Director at Newbridge Capital Investments Limited, a property investment and development company, transacting directly into UK commercial and London residential property. He has been extensively involved in all aspects of property investment especially in transactional analysis, financing, refinancing debt structures and tax assemblies. He was instrumental in transactions involving real estate assets exceeding USD 1.6 billion during his career. His international exposure and real estate experience was gained whilst at

Freeman & Partners accountancy practice (UK) and subsequently at Barclays Capital (a British multinational investment Bank).

He has the distinction of being the founder Managing Director of Steradian Capital Investments, an exclusive real estate advisory and consultancy firm with both global and local clientele who seek exposure and asset management services for real estate investment into Sri Lanka. His key responsibilities include acquisitions, structuring debt financing, and corporate structures. Mr Jamaldeen is the key contact point for all existing foreign investors spread across Europe, East Asia and South East Asia. He has been instrumental in growing the Assets under Management to over LKR 18 billion within a short span of time. In 2020, Mr Jamaldeen was recognized by Echelon as a trail blazer and disruptor in the investments sector for his contribution towards the sector.

He was a former director of People's Bank, Aromatic Energy Board (Director) and a Member of the Interim Committee for Sri Lanka Cricket. He is the current Treasurer at Moors Sports Club.

He is a Fellow of the Association of Certified Chartered Accountants, UK and holds a degree in Engineering and Business from the University of Warwick, UK.

**Mr S B Alawattagama***Chief Executive Officer/Executive Director*

Appointed to the Board in 2020

Mr. Alawattagama has 37 years of experience in the Plantation Sector. He joined Sri Lanka State Plantations Corporation as an Assistant Superintendent and after privatisation of the Estates, has been with Talawakelle Tea Estates PLC from its inception. He has held the positions of Group Manager, Visiting Agent, Deputy General Manager, Senior Regional General Manager, General Manager - Plantations in the company and was the Director - Plantations prior to taking over as Director/CEO, in February 2020. He holds a MBA from the London Metropolitan University, UK.

He serves as

- ✔ Chairman of - Planters' Association of Ceylon
- ✔ Deputy Chairman of - Colombo Tea Traders Association
- ✔ Board Member of - Sri Lanka Tea board, Rubber Research Institute
- ✔ Committee Member of - Estate Staffs' Provident Society
- ✔ Member of the Ceylon Tea Road Map 2030 committee

**Lt Col J M Kariapperuma***Independent Non-Executive Director*

Appointed to the Board in 2020

Lt Col J M Kariapperuma was in continuous service for 36 years in the Plantation Industry of which 30 years in the Senior Management capacity in the Corporate Sector till his retirement in 2020. He was the Director/Chief Executive Officer of Horana Plantations PLC since December 2013 to March 2020. He had functioned as the Head of Produce/Marketing at Hapugastenna Plantations PLC and Udapussellawa Plantations PLC managed by Finlays Tea Estates Lanka Ltd., as well as the Manufacturing Advisor of Balangoda Plantations PLC.

He Served in the Board of Directors of Vallibel Plantation Management Ltd., Uni-Dil Packaging Ltd and Plantation Human Development Trust.

He currently serves as a Consultant at Sri Lanka Cricket for National Women's Cricket Development, Operations - International & Domestic. He is commissioned as Lieutenant Colonel in the Sri Lanka Army Volunteer Force as a Professional Officer. He has successfully completed a course in General Management Programme conducted by the Business School of National University of Singapore.

CORPORATE MANAGEMENT



1. **Mr. N P Abeysinghe** - Director - Plantations
2. **Mr. M T D Rodrigo** - Director - Strategic Performance Management
3. **Mrs. V A Perera** - Director - Finance
4. **Mr. L A E A Perera** - General Manager - Marketing
5. **Mr. M E Suraweera** - Senior Manager - Management Information Systems
6. **Ms. S K Dharmasekara** - Senior Manager - Human Resource
7. **Mr. Krishna Ranagala** - Manager - Sustainability & Quality Systems Development
8. **Mrs. Dilukshi Mendis** - Manager - Accounts
9. **Mr. Sanoj Yapa** - Manager - Marketing

ESTATE MANAGEMENT



1. **Mr. P G G Jayathilake** - Regional General Manager - Kiruwanaganga Estate
2. **Mr. G K Wijesekara** - Regional General Manager - Somerset Estate
3. **Mr. E S B A Egodawela** - Senior Deputy General Manager - Bearwell Estate
4. **Mr. D M A S Dissanayake** - Group Manager - Holyrood Estate
5. **Mr. A G R M S Ranaweera** - Group Manager - Great Western Estate
6. **Mr. S G N N Kumara** - Senior Manager - Wattegoda Estate
7. **Mr. D W A Jayathilake** - Senior Manager - Mattakelle Estate
8. **Mr. W D Jayasinghe** - Manager - Wangi Oya Re-Processing Centre
9. **Mr. U B Udawatte** - Manager - Clarendon Estate

ESTATE MANAGEMENT



1. **Mr. K M N Prasan** - Manager - Deniyaya Estate
2. **Mr. V P Pelpola** - Manager - Dessford Estate
3. **Mr. I S I Mohamed** - Manager - Radella Estate
4. **Mr. T H D Hulangamuwa** - Manager - Logie Estate
5. **Mr. J S Vajiranath** - Deputy Manager - Pitiyagoda Re-Processing Centre
6. **Mr. P A R R Pathiraja** - Deputy Manager (In-charge) - Indola Estate
7. **Mr. D I N I De Silva** - Deputy Manager (In-charge) - Moragalla Estate
8. **Mr. V S Kanna** - Deputy Manager (In-charge) - Palmerston Estate
9. **Mr. A B Kodagoda** - Deputy Manager (In-charge) - Calsay Estate
10. **Mr. D M G B Dassanayake** - Senior Manager - Agro Forestry and Projects
11. **Mr. M M K Bandara** - Senior Manager - Sustainability & Quality Systems Development
12. **Mr. S Ramar** - Manager - Human Resource Development

OUR APPROACH TO INTEGRATED THINKING AND VALUE CREATION

As a purpose-led organization, our unwavering commitment is to fulfill our mission. To achieve this, we recognize the vital role of a robust business model and an agile, forward-looking strategy. We firmly believe that surpassing the status quo necessitates an integrated approach that consistently creates value in new and impactful ways.

OUR VISION

To be the most admired Plantation Company in Sri Lanka.

OUR PURPOSE

"Brewing a Better Future"

ReGen Agenda 2030

Our approach goes beyond sustainability by not only focusing on avoiding negative impact but also making a greater positive difference. We believe in creating a net positive impact, going above and beyond the conventional sustainability practices. By actively seeking opportunities to contribute positively, we strive to leave a lasting and meaningful footprint in all that we do. Page 60

OUR ESG FRAMEWORK

The ESG framework drives our ReGen agenda, encompassing the pillars of Environment, Social, and Governance. With well-defined goals under each pillar, we strive for positive impact and sustainable change. Our focus is on environmental stewardship, social responsibility, and strong governance practices. Page 61

OUR CULTURE

Our Business Philosophy

Manufacturing Quality Tea that fetch Premium
Prices Increasing Shareholder Value the Spirit of
Entrepreneurship Making Profit without loss of Honour
Motivating and Training our people to reach their full
potential Rewarding Performance Being a Learning
Organisation and continuously improving Building
mutually beneficial long term relationships with our
Customers and Suppliers Positively contributing to the
conservation of the environment.



TTE's Value Creation

We committed to creating value for ourselves and our stakeholders through integrated decision-making and actions. We prioritize maintaining interconnectivity within the company to foster synergy and drive collective success.

Our Context

Operating Context

Operating in the global tea industry, our context involves agriculture, community engagement, and responsible resource use for positive, sustainable operations. Page 40

Stakeholder Engagement

We prioritize stakeholder engagement to make a positive returns and sustainable impact. Page 46

Risk and Opportunities

We identify and manage risks for mitigation while harnessing opportunities. Page 44

Material Matter

Our integrated approach involves identifying material matters through stakeholder and double materiality assessments, enabling us to navigate strategic imperatives effectively.

Integrated Strategy

Informed by stakeholder and double materiality assessments, our strategies are crafted to address identified material matters. By aligning our actions with strategic imperatives, we effectively respond to both internal and external priorities, ensuring our approach is focused and impactful.

ReGen Goals - Page 61

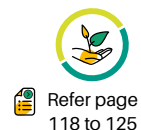
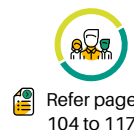
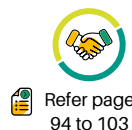
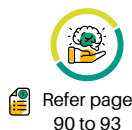
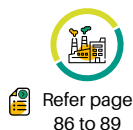
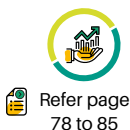
Strategic Initiative - Page 56



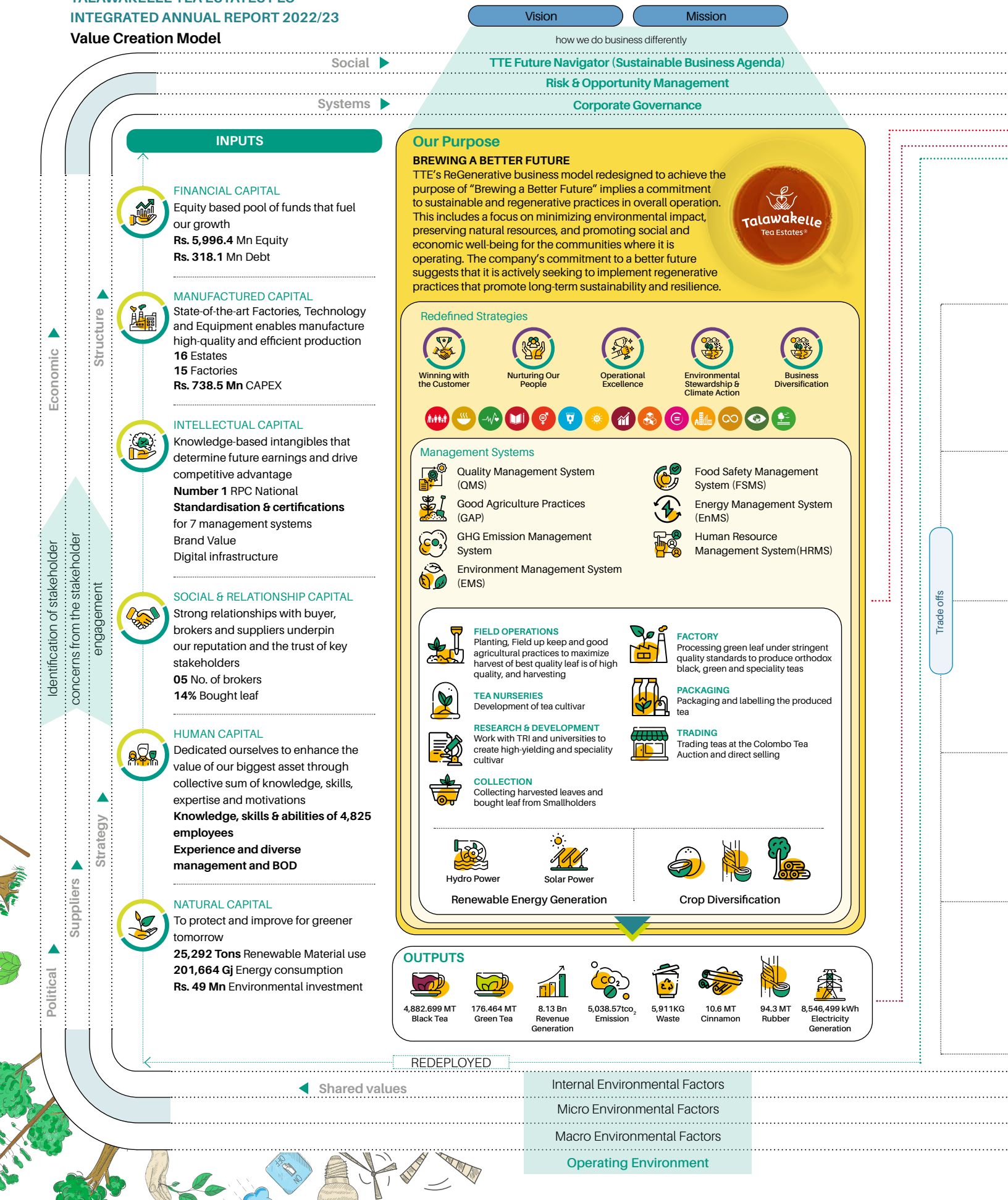
Our Business Model

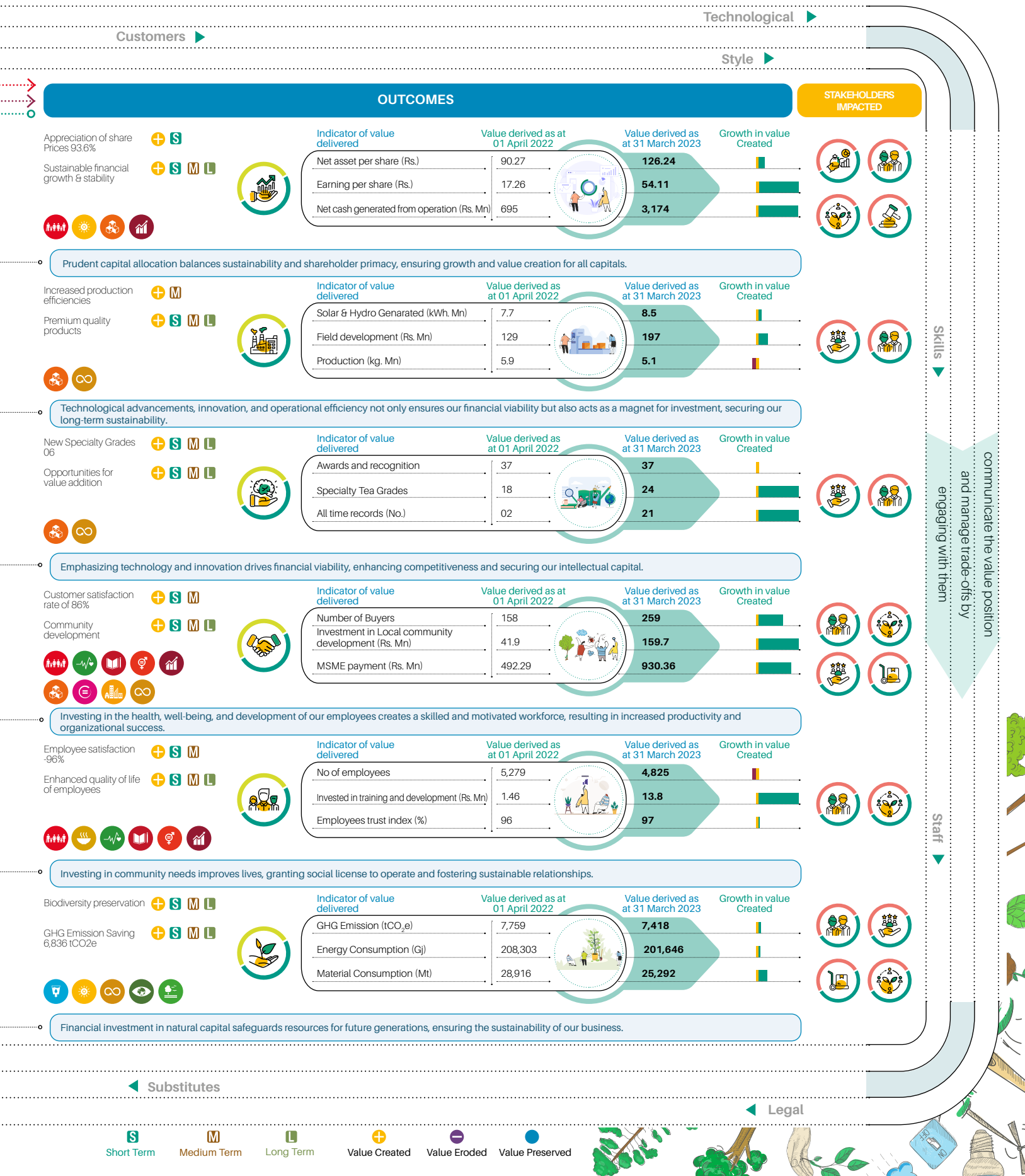
Our business model is designed to address identified material matters. By integrating these priorities into our strategic imperatives, we align our actions with the needs of our stakeholders and maximize our positive impact. This approach drives our sustainable business model, ensuring long-term value creation and resilience. Page 38

Management of our Six Capitals



Value Creation Model





OPERATING ENVIRONMENT

Political Instability

Global Geopolitics

The continuation of the Russia / Ukraine war began to have a serious impact on the economic activity in the Russian and European regions. With these regions heading into recessionary conditions, consumer demand declined notably. Further, tensions in the middle east affected global trade patterns.

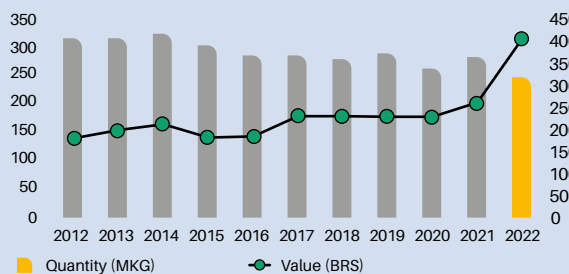
| Country Name | 2021 | 2022 | Variance | |
|--------------|------------|------------|--------------|--------|
| | | | QTY | % |
| RUSSIA | 27,356,852 | 24,733,188 | (2,623,664) | -9.6% |
| TURKEY | 29,741,561 | 15,595,068 | (14,146,493) | -47.6% |
| IRAN | 15,833,588 | 13,059,829 | (2,773,759) | -17.5% |
| SYRIA | 7,779,229 | 6,153,518 | (1,625,711) | -20.9% |
| JORDAN | 5,223,724 | 3,930,721 | (1,293,003) | -24.8% |
| UKRAINE | 4,280,587 | 2,416,544 | (1,864,043) | -43.5% |
| EGYPT | 2,425,140 | 1,971,427 | (453,713) | -18.7% |

Source: Forbes & Walker Research, 2022

Political Upheaval in Sri Lanka

In 2022, the Country went through major political upheaval with a new regime established in the midst of the economic crisis. The new government announced its intention suspend foreign debt servicing commitments, which led to the downgrade of the Country's sovereign rating by global rating agencies.

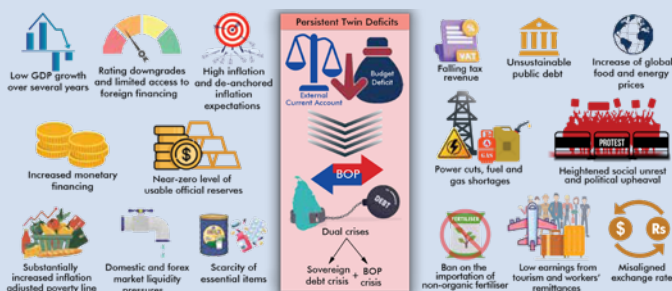
Sri Lanka Tea Export 2012 to 2022



Source: Source: Forbes & Walker Research, 2022

IMF- EFF Facility

Negotiations with the IMF resulted in a staff level agreement being reached in September 2022, followed by a formal agreement for an Extended Funding Facility (EFF) to manage the Country's long debt sustainability.



Source: Central Bank Of Sri Lanka, 2022

Potential Impact on TTE:

Demand contraction from traditional markets in the Russian block as well the middle east

Risk: R1

Inflation 2022
8.7%

Opportunity: O1, O2

Tea Export Revenue
Increase by
156%

Potential Impact on TTE: Loss of confidence

in Sri Lanka as an international trading partner, resulting in global tea buyers shifting to alternative origins / tightening trading terms that proved to be disadvantageous for tea exports from Sri Lanka as resulting the lowest tea export volumes in more than a decade.

Risk: R2

Tea Production
Decrease by 16%
2021 - 299.47 Mn.Kg
2022 - 251.49 Mn.Kg

Opportunity: O1, O2

Tea Prices Increase by
200%

Potential Impact on TTE: Improved investor confidence will pave the way for better trading prospects in the future

Risk: R2



Opportunity: O4

Smart Farming

Political Instability

Outlook 2023-24

The baseline forecast predicts global growth to decline from 3.4% in 2022 to 2.8% in 2023, with advanced economies experiencing a significant slowdown. In an alternative scenario with financial sector stress, global growth could drop to around 2.5% in 2023, with advanced economy growth below 1%. Global inflation is expected to decrease from 8.7% in 2022 to 7.0% in 2023. The natural rate of interest is crucial for monetary and fiscal policy, while public debt remains elevated. Supply-chain disruptions and geopolitical tensions highlight the risks and benefits of geoeconomic fragmentation.

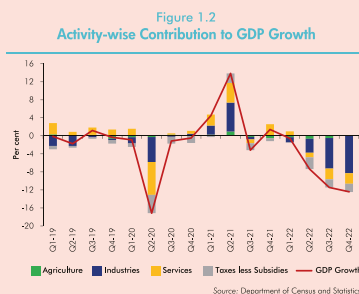
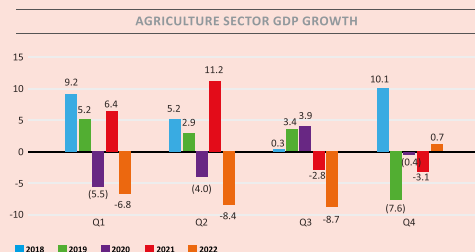
Source: IMF World Economic outlook, 2023

Economic Uncertainty

GDP Contraction

Real GDP contracted by 7.8% in 2022, compared to the growth of 3.5% in 2021. The agriculture sector contracted by 4.6% in 2022 mainly due to the severe shortages in chemical fertiliser and other agrochemicals, increased cost of raw materials, as well as the disruptions of supply networks.

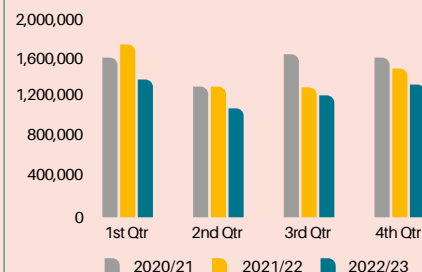
Agriculture Sector Performance



Source: Central Bank Of Sri Lanka, 2022

Potential Impact on TTE:

Reflecting the challenges faced by the agriculture sectors, TTE's yield per hectare declined in the current financial year. Consequently, production volumes also declined compared to the previous financial year.

TTE Tea Production Quarterly (In Kgs)
2020 To 2022

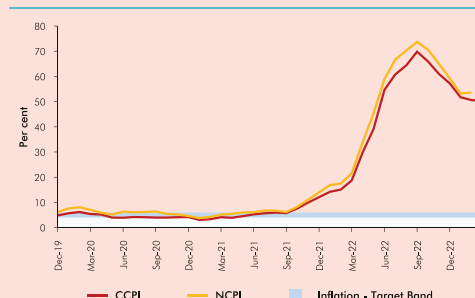
Risk: R1

Opportunity: O4

Inflationary Pressure

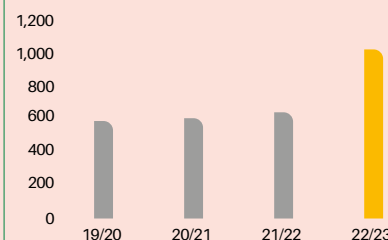
Year-on-year headline inflation, as measured by the Colombo Consumer Price Index (CCPI, 2013=100) which was 12.1 % at the end of 2021, accelerated to 69.8% in September 2022, before moderating to 57.2% by December 2022.

Figure 1.5
Headline Inflation (Year-on-Year) (a)



Source: Central Bank of Sri Lanka, 2022

Potential Impact on TTE: Threefold increase in the price agrochemical inputs resulting in high cost of production.

COP
(Rs. Mn)

Risk: R6

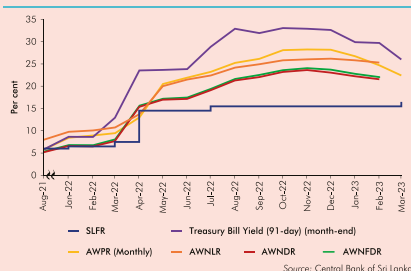
Opportunity: O1

Economic Uncertainty

Rising Interest Rates

The unprecedented upward adjustment of policy interest rates by 700 basis points in April 2022 was followed by frequent rate hikes until end 2022.

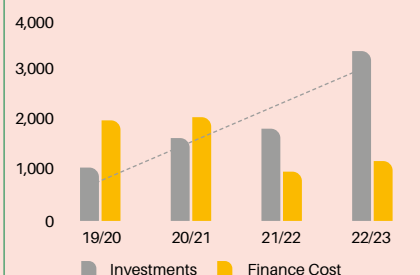
Figure 1.10
Movements in the Standing Lending Facility Rate
and Selected Market Interest Rates



Source: Central Bank of Sri Lanka, 2022

Potential Impact on TTE: Rising cost of borrowing leading to severe margin pressure and financial income of investment.

Finance Cost Vs Investment (Rs. Mn)



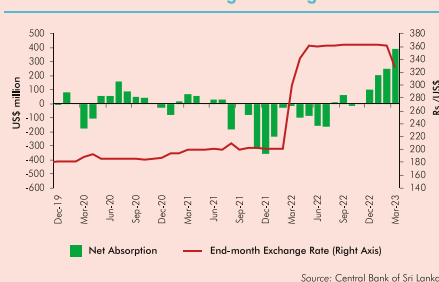
Risk: R7

Opportunity: O4

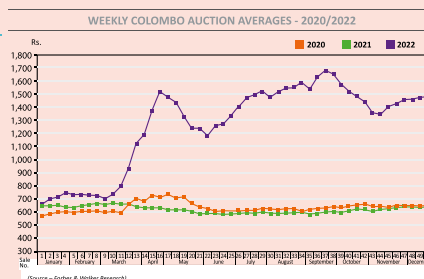
Exchange Rate

The Sri Lanka rupee depreciated substantially by 41.4% against the US dollar by end April 2022.

Figure 1.7
Exchange Rate and Central Bank Intervention
in the Domestic Foreign Exchange Market

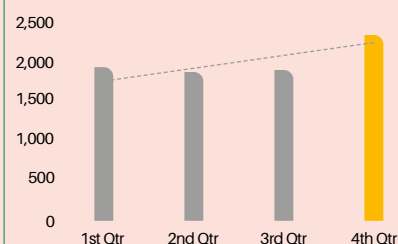


Source: Central Bank of Sri Lanka, 2022 Source: Forbes & Walker Research, 2022



Potential Impact on TTE: Highly beneficial impact on the translating into strong revenue results.

Revenue FY 2022/23 (Rs. Mn)



Risk: R6

Opportunity: O4

Outlook 2023-24

Sri Lanka's political economy shows signs of improvement with reduced industrial production decline and higher PMIs. Remittances grew significantly, supporting private spending. The government delayed the debt restructuring plan, crucial for IMF funds and debt relief. Inflation eased sharply in April, 2023 due to a stronger currency, expected to favor further this year alongside commodity prices and fiscal-monetary policy.

Source: Focus Economics, 2023

| | |
|--|---|
| Social Factors | |
| Labour Migration <p>With the ongoing economic crisis, overseas labour migration trend became a major issue. As per the statistics of the Sri Lanka Bureau of Foreign Employment (SLBFE), the total number of registered departures for foreign employment has increased by more than 37% in 2022.</p> | Potential Impact on TTE: Increased labour attrition among both unskilled and skilled workforces at estate level Risk: R5 Opportunity: O4 |
| Social Unrest <p>In tandem with the economic crisis, the Country experienced major social unrest with widespread protests lasting several months.</p> | Potential Impact on TTE: Supply chain disruptions impacting the availability of key raw materials such as bought leaf Risk: R1 Opportunity: O1, O3 |
| Outlook 2023-24 <p>In a developing economy, retaining manual labor becomes challenging as younger generations aspire for higher-level knowledge and skills, rather than manual work. Besides mechanization, one solution is to offer opportunities for young people to acquire valuable human capital, enabling them to contribute in areas requiring such expertise. Sri Lanka's plantations are exploring out-grower systems, providing workers with land to independently cultivate and supply green leaf to factories. This approach can address moral hazard issues linked to hired labor.</p> <p><i>Source: Development Asia, 2022</i></p> | |
| Technological Trends | |
| Mechanisation and Automation <p>The adoption of mechanized plucking and automated weighing is gaining popularity among tea-growing nations worldwide. The integration of new technologies to reduce labor costs is a significant factor in the tea industry.</p> | Potential Impact on TTE: Early investments in digital weighing systems continue to contribute towards improving accuracy. Risk: R9 Opportunity: O1, O3 |
| Outlook 2023-24 <p>Key challenges include rising input costs, increasing production costs, yield decline, aging tea bushes, high labor costs, mandatory certifications, food safety protocols, market penetration, and climate change impacts. Addressing these challenges with technological solution, will be crucial for the sector's sustainable growth and competitiveness in the global market.</p> <p><i>Source: Development Asia, 2022</i></p> | |
| Legal / Regulatory Developments | |
| Changes of Tea Factory Registration and Licensing Process <p>In 2022, the Central Environment Authority revised its gazette for environmental protection licensing processes. Additionally, the Tea Board implemented mandatory third-party certification for ensuring food safety in tea factories.</p> | Potential Impact on TTE: The administrative process for obtaining tea factory licensing has undergone changes, including additional phases in the tea factory registration process. Risk: R10 Opportunity: O4 |
| Outlook 2023-24 <p>The future of Sri Lanka's plantation sector hinges on adapting to changing buyer interests, addressing health and environmental concerns, and complying with stringent regulations. Balancing productivity, market conditions, and sustainability will be crucial for its success.</p> <p><i>Source: Development Asia, 2022</i></p> | |
| Environmental Sustainability | |
| Climate Change Impact and Environment Concern by Customer End <p>The tea industry is witnessing an increasing trend towards cultivating climate-resistant tea varieties to mitigate the impact of climate change. There is also a growing environmental consciousness among customers, emphasizing the importance of sustainable tea products. At a global level, efforts are being made to combat greenwashing practices and ensure genuine environmental commitments.</p> | Potential Impact on TTE: Ongoing research to develop high yielding drought resistant tea cultivar and Risk: R4 Opportunity: O1, O2 |
| Outlook 2023-24 <p>The plantation industry has a substantial impact on the environment, particularly in terms of soil and water. As a result, there is a growing effort to reduce greenhouse gas emissions and implement eco-friendly practices. These initiatives not only address environmental concerns but also contribute to the increasing demand for sustainably produced goods in the global market.</p> <p><i>Source: Development Asia, 2022</i></p> | |

RISK AND OPPORTUNITY MANAGEMENT

KEY DEVELOPMENTS IN 2022/23

- Reviewed and updated key risk & opportunity related policies through risk and Opportunity registers.
- Effective, robust and stringent framework for Controlling risks.
- Adequate resources and systems infrastructure for grabbing opportunities.
- Management system optimisation.
- Implement manged programmes.

Refer : Risk and Opportunity Management Report on Pages 129 to 136

Key Risk Factors

- R1. Country Risk
- R2. Business Disruption Risk
- R3. Competitor Risk
- R4. Climate Change Risk
- R5. Labour and Talent Migration Risk
- R6. Inflation Risk
- R7. Interest Rate Risk
- R8. Fraud Risk
- R9. IT Risk
- R10. Compliance Risk

How to Mitigate Key Risks

- Based on the risk identified , the Board of Directors, Managing Director & Chief Executive Officer together with the member of ESEG Steering Committee initiates risk response strategies developed to manage risk by accepting, mitigating, transferring or avoiding it.
- Based on risk response selected, gaps in Risk Management Capabilities are re-examined and adjusted with expert advice.
- The Risk Management Process is executed by TTE's Corporate Management Committee under the stewardship of the TTE Board and the Audit Committee. The Internal and External Audit Committee play a vital role in providing independent verification and assurance regarding the efficacy of the Risk Management Process.

Key Opportunity Factors

- O1. Growing global demand for black Teas and specialty Teas
- O2. Diversification in to less labour intensive crops
- O3. Growing global demand for organic/ sustainable teas
- O4. Productivity optimisation through technology

How to Grab Key Opportunities

- Based on the opportunity realizing, the Board of Directors, Managing Director & Chief Executive Officer together with the members of ESEG Steering Committee initiates strategies to grab the opportunities by pursue, explore, or accept.
- Commitment to the strategy
 - Aligning strategy with organizational structure & culture
 - Creating an environment where strategy succeeds
 - Setting realistic targets for delivery across a set time period

KEY RISK PREDICTED IN 2023/24

- Volatile Energy Prices
- Rising Labour Costs and Shortage of Labour
- Currency Fluctuation Risk
- Climate Risks
- Increased Competition and Dynamics of Market

Risk Assesment

The four different yet connected elements of TTE's risk management process—risk identification, risk assessment, risk mitigation, and risk monitoring create an ecosystem that safeguards the company from both present and potential hazards.

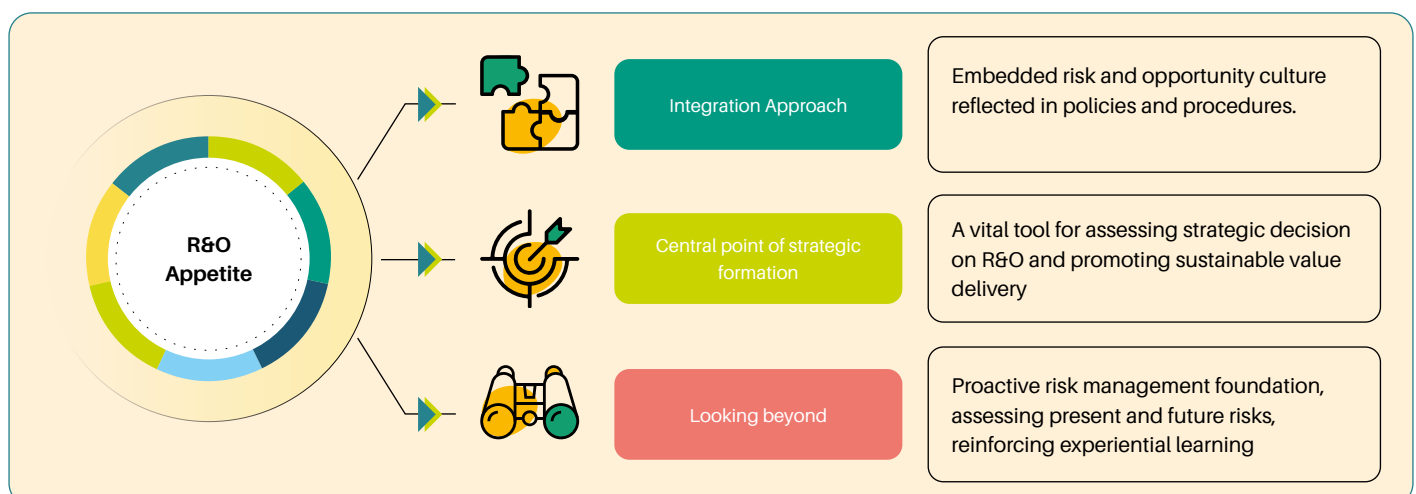
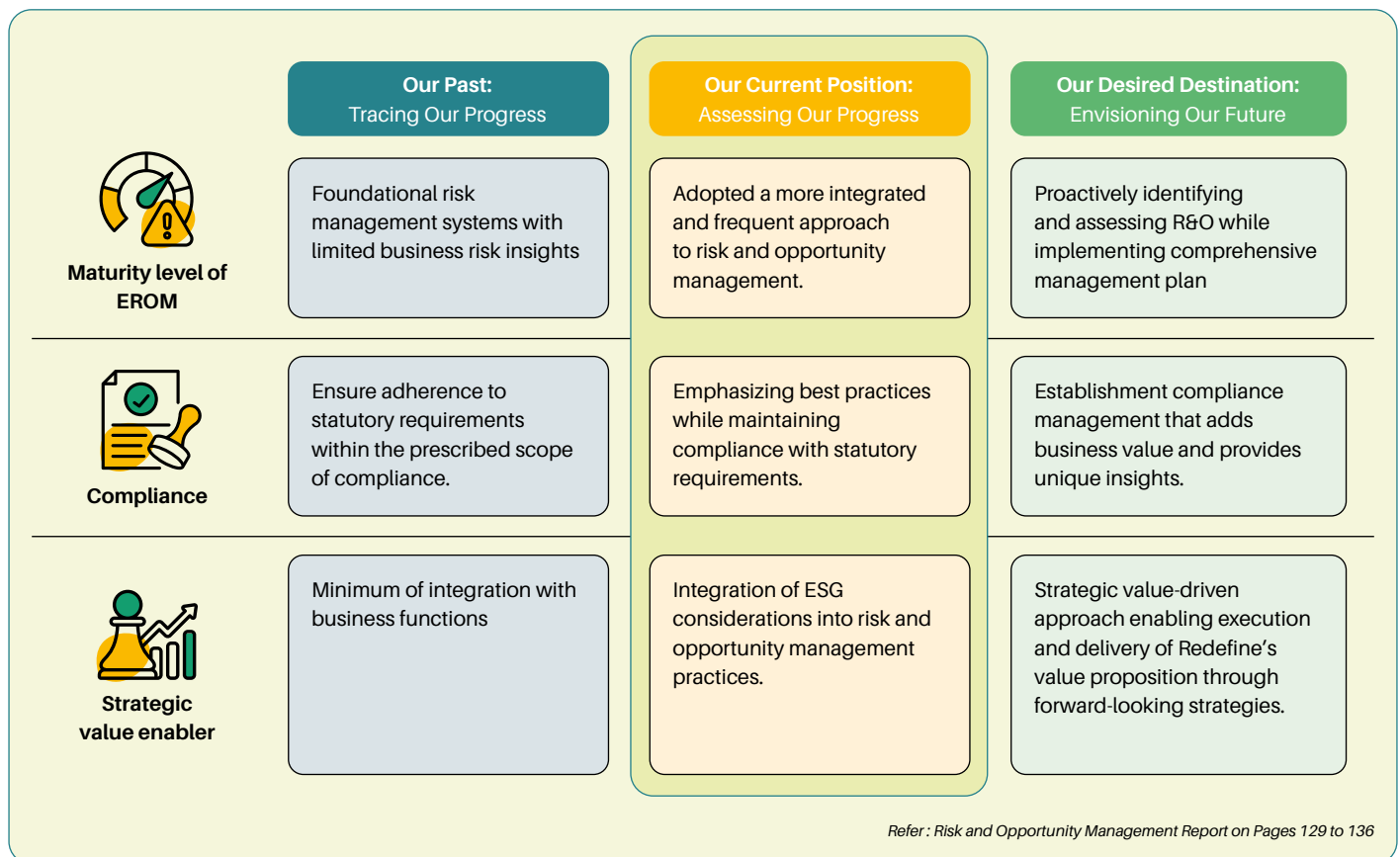
Opportunities Assessment

The process of managing opportunities also revolves around a 4-step process that begins with the identification and recording of opportunities in the Opportunity Register, followed by the evaluation of the opportunity, and to establish the final opportunity factor rating.

EVALUATING OUR EROM JOURNEY: CURRENT STATE AND FUTURE VISION

GRI 2-27

At TTE, we are committed to continuously improving our risk and opportunity management practices as a vital part of our journey towards greater strategic resilience. We understand that this journey is essential for enabling sustained value creation within the framework of Environmental, Social, and Governance (ESG) principles without limiting to economical aspect. By embracing this journey, we aim to enhance our organization's ability to navigate challenges, capitalize on opportunities, and drive positive impact in a rapidly evolving business landscape.



STAKEHOLDER ENGAGEMENT



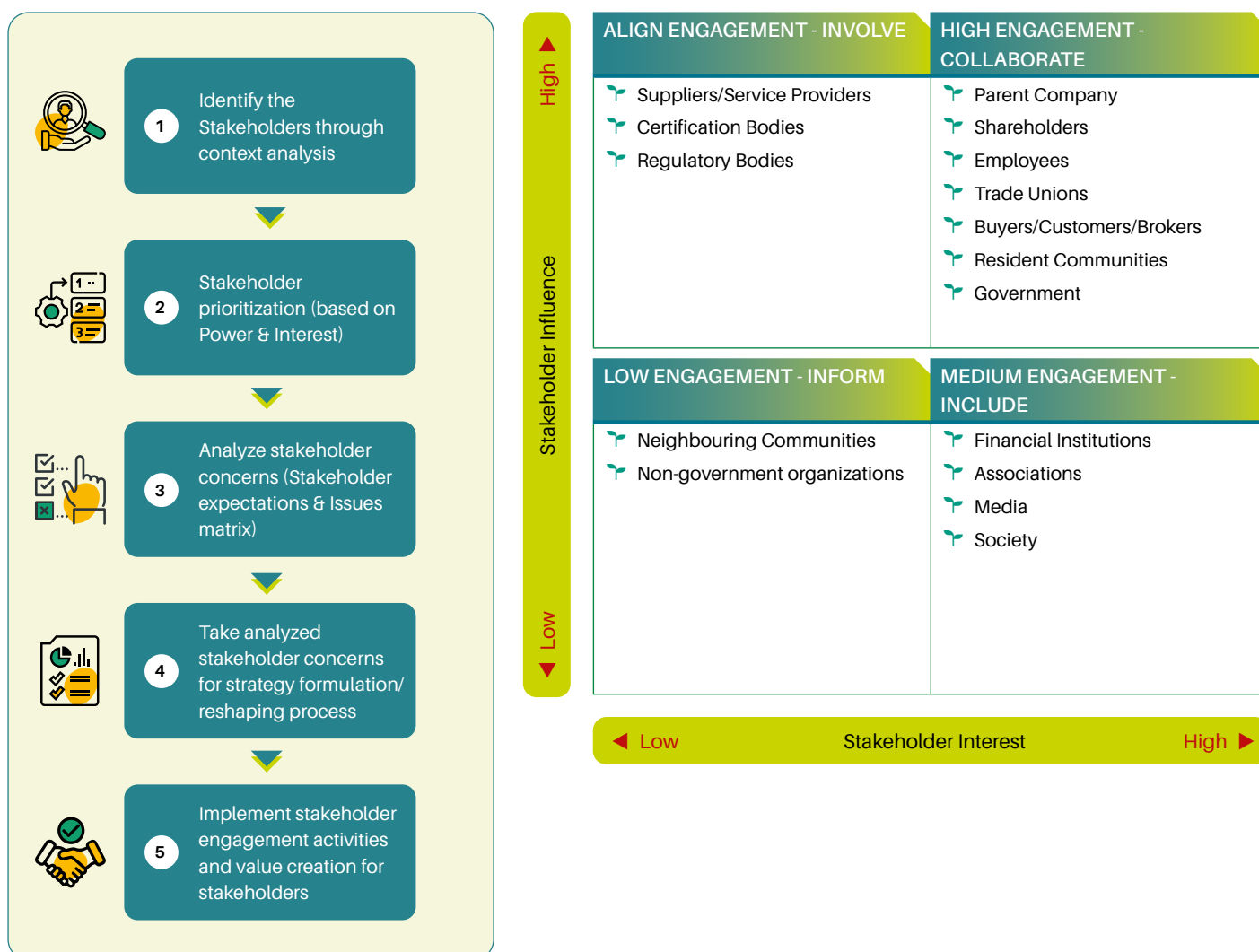
INTEGRATED STAKEHOLDER ENGAGEMENT

As a Company with a large number of stakeholders, TTE aims to respond to stakeholders' abiding interests and changing needs more effectively and efficiently. To facilitate this, we have adopted a disciplined approach to ensure consistent and timely communication with each stakeholder group. Our ultimate objective is to establish meaningful connections with stakeholders, enabling us to gain a comprehensive understanding of their expectations and effectively address their concerns. By incorporating their input into our strategy and decision-making processes, we aim to foster the creation of shared sustainable value.

A comprehensive Stakeholder Management Process is in place to ensure we derive the best possible engagement from stakeholder engagement to ensure positive impacts.

PROCESS OF STAKEHOLDER MANAGEMENT PROCESS

We use a stakeholder mapping tool to systematically identify and prioritize key stakeholders based on their power and interest in our organization. We prioritize and closely engage with high-power, high-interest stakeholders.



| | | | |
|---|---|---|--|
|  | Parent Company: Hayleys PLC Shareholders & Investors: 14,215 Financial Institutions: Banks | Capital Impacted:  | SDGs:  |
| | | R&O: R1, R2, R7, R8, R10, O4 | Quality of relationship: Method: Investor survey |
| Value Offering: We strategically allocate capital and manage funding for delivering sustained income and capital growth to our investors | Relevance: Our growth is funded by shareholders and financial institutions who provide the necessary capital | Method of Engagement: <ul style="list-style-type: none">Quarterly financial statementsAnnual reportAnnual General MeetingPress releasesCSE announcementsRegular meetings with bankers | Key Issues Raised: <ul style="list-style-type: none">Profit and growthStable returnsClimate change and crop productionSustainability considerationsResponsible corporate managementRegulatory and legal compliance |
| | | | |
| Our Strategic Response: <ul style="list-style-type: none">Implement a pragmatic strategy and closely monitor performance indicators.Invest in sustainable agriculture and manufacturing practices.Disciplined financial management and good corporate governance.Social and environmentally responsible corporate practices.Timely disclosures of corporate information.Meeting our financial obligations in a timely manner. | | | Value shared & Relevant Strategic focus: <ul style="list-style-type: none">Revenue: Rs. 8,132 MnROE: 42.86%Dividends paid: Rs. 902.5 MnEarnings per share: Rs. 54.11 |

| | | | |
|--|--|---|--|
|  | Employees: 4,825 Trade Unions: 17 | Capital Impacted:  | SDGs:  |
| | | R&O: R2, R5, O4 | Quality of relationship: Method: Employee survey |
| Value Offering: We foster an employee community contribute for positive change, We acknowledge that when our people flourish, our business flourishes. | Relevance: 90% of our employees live on our estates, our responsibility extend to offering total care package | Method of Engagement: <ul style="list-style-type: none">Daily Forums/Regular dialogue with the managementWeekly HR cluster meetings and initiativesMonthly meetings with union representativesMonthly Health and safety committeesComplaint registers maintained | Key Issues Raised: <ul style="list-style-type: none">Commensurate remunerationResponsible corporate managementEstate infrastructureOccupational health and safetyEmployee social and welfareEmployee development opportunities |
| | | | |
| Our Strategic Response: <ul style="list-style-type: none">Uphold good labour practices and nurture a progressive workplace culture.Regular dialogue with trade unions at company and industry level.Industry aligned compensation and benefits.Comprehensive health and safety programme with staff representation.Extend training opportunities to all staff grades.Rewards and recognition based on performance. | | | Value shared & Relevant Strategic focus: <ul style="list-style-type: none">Employee retention rate: 61.2%Salaries & benefits: Rs. 2,888 MnTraining investment: Rs. 13.8 Mn |

STAKEHOLDER ENGAGEMENT

| | | | |
|---|---------------------------|---|---|
| | Brokers: 5 Buyers: 101 | Capital Impacted: | SDGs: |
| | | R&O: R2, R3, O1, O3, O4 | Quality of relationship: Method: Supplier assesment |
| Value Offering: We are committed to providing high-quality products at the best value, all the while ensuring ethical and sustainable operations and sourcing. | | Method of Engagement: <ul style="list-style-type: none">Regular meetingsVisits to EstatesInternational trade fairs and road showsTrade association meetings | Key Issues Raised: <ul style="list-style-type: none">Product quality and food safetyCompliance with local and international standards and regulationsGreen and ethical productsCompetitive priceClimate change and crop production |
| Relevance: Around 90% of our tea is marketed through brokers at the Colombo Tea Auctions, while the remaining portion is directly sold to buyers. Additionally, our other products are sold directly. | | | |
| Our Strategic Response: <ul style="list-style-type: none">Good agricultural and manufacturing practices to maintain quality standards.Adopt and maintain internationally accepted certification guidelines and standards.Organised buyer familiarisation tours to estates and tea factories.Invested in research and development for value addition and product innovation. | | | Value shared & Relevant Strategic focus: <ul style="list-style-type: none">Customer satisfaction rate: 86%Rejection and complaints: 6 |

| | | | |
|--|---|---|---|
| | Resident community: 42,000 NGO's: Tea Field Org, Save the Children | Capital Impacted: | SDGs: |
| | | R&O: R1, R2, R5, O2 | Quality of relationship: Method: Commiunity disscution |
| Value Offering: Collaboratively, we partner with the government and other relevant agenesis to support the socio-economic advancement of residents within our estates. | | Method of Engagement: <ul style="list-style-type: none">Weekly community meetings'Home for every plantation worker' programmeEstate events and festivalsSports and recreational activitiesTraining and awareness building programmes | Key Issues Raised: <ul style="list-style-type: none">Housing and estate infrastructureWater and sanitationHealth and nutritionCapacity building and educationEmployment opportunities |
| Relevance: The estate management holds the responsibility of fostering and supporting the resident community within the estate, ensuring their well-being and addressing their needs. | | | |
| Our Strategic Response: <ul style="list-style-type: none">"Home for every Plantation Worker" – a comprehensive community development and wellbeing programme | | | Value shared & Relevant Strategic focus: <ul style="list-style-type: none">Investment on living environment development: Rs. 5.7 MnInvestment on health & nutrition: Rs. 138.6 MnInvestment on community capacity building: Rs. 159.7 MnInvestment on youth empowerment: Rs. 1 Mn |

| | | | |
|---|---|--|---|
|  | Bought leaf suppliers: 3,875 | Capital Impacted:  | SDGs:  |
| | | R&O: R1, R2, R3, R10, O1, O4 | Quality of relationship: Method: Supplier assesment |
| Value Offering: We engage in collaborative efforts with our suppliers to positive impact. By supporting them in delivering seamless services, we ensure equitable value sharing. | Relevance: 30% of tea leaves processed in our factories are purchased from small holders | Method of Engagement: <ul style="list-style-type: none"> Visits to ensure standards of raw material are maintained and compliance levels Regular dialogue and interaction | Key Issues Raised: <ul style="list-style-type: none"> Price and profitability Credit period Availability of raw materials Climate change |
| Our Strategic Response: <ul style="list-style-type: none"> Maintain good supplier relationships with regular dialogue and fair pricing. Advocate best practices in social and environmental responsibility. Closely monitor supplier businesses to ensure compliance with laws and regulations. | | | Value shared & Relevant Strategic focus: <ul style="list-style-type: none"> Payments to suppliers: Rs. 930.96 Mn |

| | | | |
|---|---|--|--|
|  | Government: Government of Sri Lanka Regulatory Bodies: TRI, RRI, SLTB & Certification bodies Society: Media, Association, | Capital Impacted:  | SDGs:  |
| | | R&O: R1, R2, R10, O1, O2, O4 | Quality of relationship: Method: Feedback survey |
| Value Offering: We engage in collaborative efforts with our suppliers to positive impact. By supporting them in delivering seamless services, we ensure equitable value sharing. | Relevance: We fulfill our tax obligations to the government, in alignment with our values of sharing. We collaborate with certification bodies to promote standardization and ensure integrity. Our commitment to society for upholding ethical practices. | Method of Engagement: <ul style="list-style-type: none"> Meetings when required Published accounts Annual report Press Releases Annual estate and factory audits Training Meetings | Key Issues Raised: <ul style="list-style-type: none"> Reliability and reputation Responsible corporate management Climate change and crop management |
| Our Strategic Response: <ul style="list-style-type: none"> Uphold sustainable operations and disciplined financial management Timely disclosures of corporate information Lobby for progressive plantation sector policies Comply with certification requirements and standards. Cooperate with certification audits. Ensure timely reporting on compliance. | | | Value shared & Relevant Strategic focus: <ul style="list-style-type: none"> Taxes paid: Rs. 192.1 Mn Collaborative investments in Research & Development Sharing expert knowledge |



MATERIALITY ASSESSMENT

GRI 3-1 & 2

INTRODUCTION

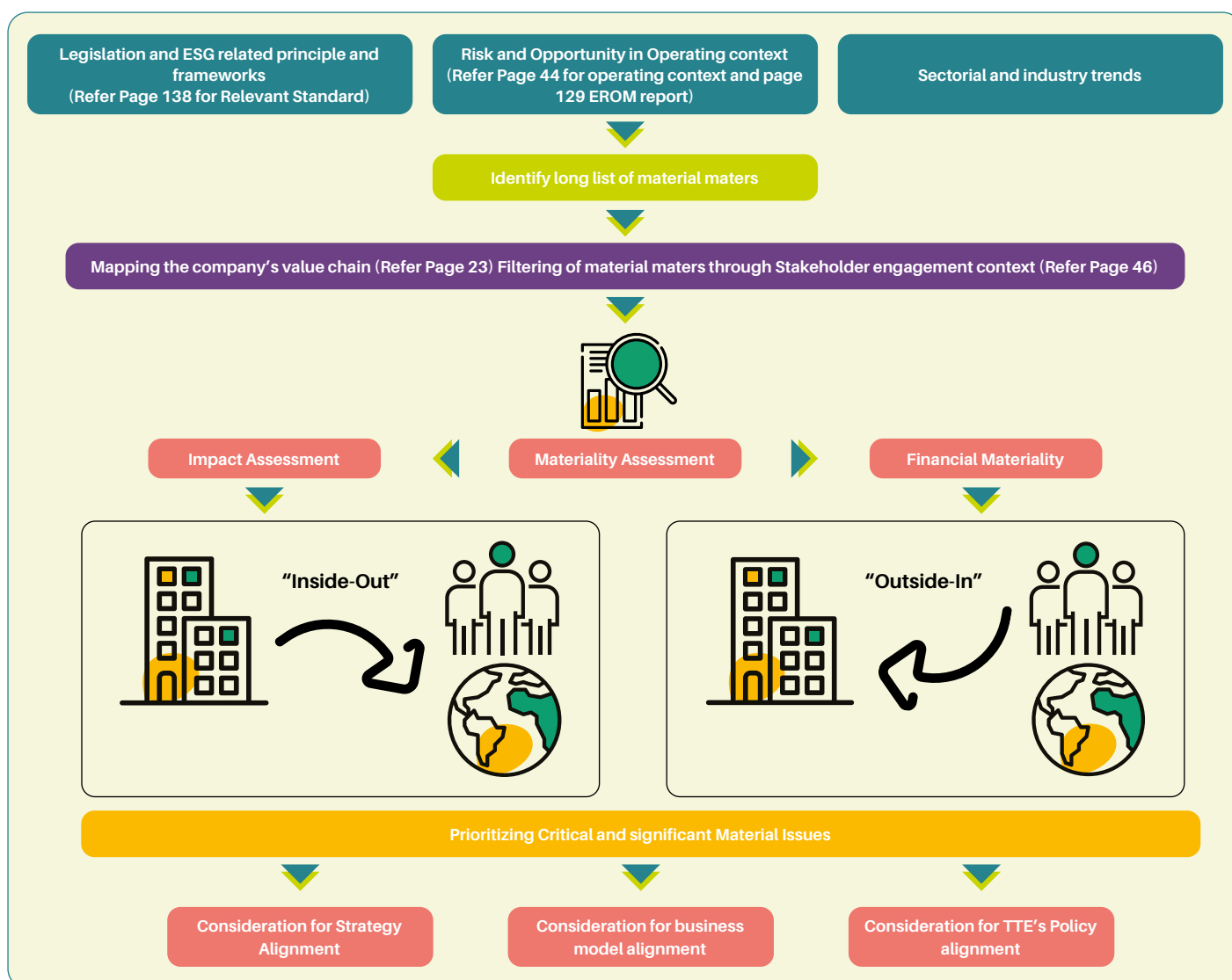
Materiality determination plays a crucial role in developing TTE's strategy and business plans. By identifying the critical and significant material issues, which represent our most significant impacts on the economy, social, environment, people, and human rights with those material impact from those aspects to TTE, we are able to prioritise our actions based on these material issues to support our "ReGen" goals. ReGen is the acronym we use for our new "Regenerative business

agenda-2030" purpose that is driving TTE to go beyond the current sustainability-based business model to embed the principle of regeneration as the basis of value creation in the short, medium, and long term.

OUR MATERIALITY PROCESS

At TTE, assessing materiality is an ongoing process, where we take a 360-degree view of our business to consider our operations and how they impact economic activity, the wellbeing of our people, business partners and the wider community as

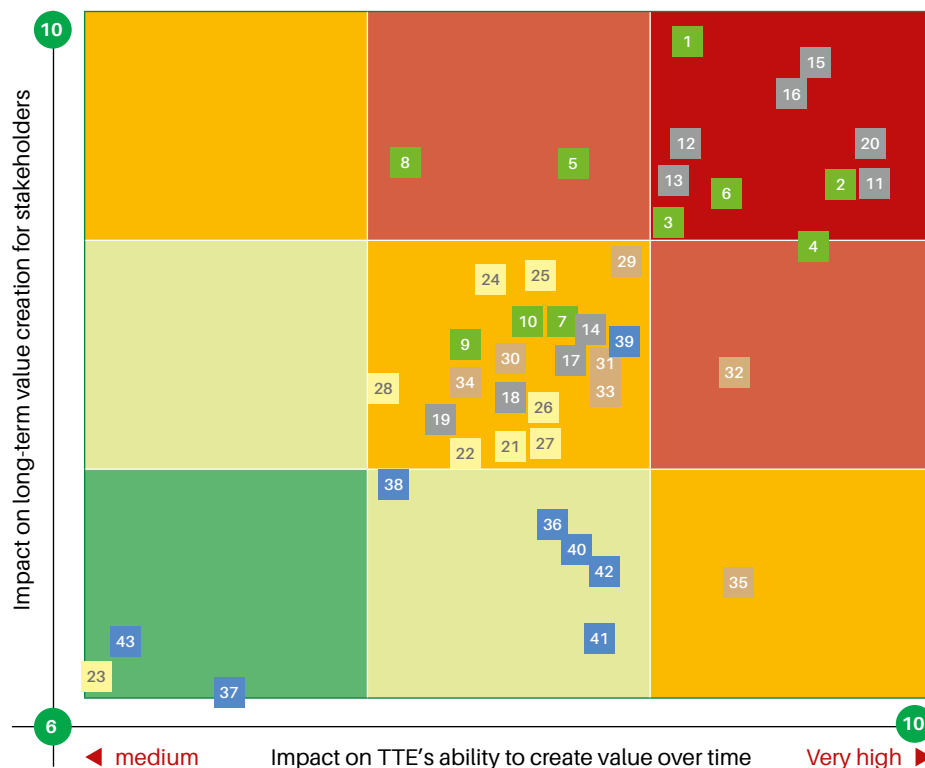
well as the environment. This involves examining the environmental, socio-economic, and governance concerns in our operating environment and the corresponding risks and opportunities that impact our Company. Annually, we perform a comprehensive materiality assessment to guide strategical resource allocation for value creation. We review and update Material Matters based on stakeholder significance and changing operational environments, following Hayleys Group guidelines.



MATERIALITY ASSESSMENT


Materiality Matrix

Recent volatile events, including the spillover effects of the pandemic, the economic crisis, fuel and energy shortages and widespread policy uncertainty prompted deeper introspection into our Material Matters in the current financial year. Apart from this we further broadened the examination of our Material Matters in the context of the new GRI 13 Agriculture, Aquaculture and Fishing Sector Standard that was released in 2022. Influenced by these aspects, several new Material Matters were included in FY 2022/23. These are: Product Quality, Customer Relationships, Supply Chain Traceability, Soil Health, Pesticide Use and Natural Ecosystem Conservation, Livelihood Development and Food Security.









MATERIAL THEME


The identified material matters are categorized under specific themes as outlined below.



Operating Context dynamics: Adapting to the evolving factors and conditions within TTE’s operational environment to drive sustainable success.




Materiality and Response: Adapting to evolving factors and conditions is vital for TTE. By understanding and responding to these dynamics, TTE ensures long-term sustainability, aligns strategies with market trends, regulatory changes, and societal expectations, and creates value for stakeholders, driving business success.







| R&O | Time line | Related stakeholders | Strategic Imperatives |
|------------|--------------------|--|---|
| R2, R3, O1 | Short to Long term |    |    |














Governance and Ethics: To ensure transparency, accountability under various challenges to the governance system.

Materiality and Response: By prioritizing these principles, TTE can maintain integrity, build trust, and navigate effectively through governance-related obstacles for sustainable success.


































































































































































































































































| R&O | Time line | Related stakeholders | Strategic Imperatives |
|-------------------|-----------------------|--|---|
| R1, R2, R3, O1,O3 | Medium to medium term |   |  |

|  | Agile Business model: Flexibility, adaptability, and responsiveness in the rapidly changing business landscape. Materiality and Response: TTE effectively navigate market dynamics, anticipate and address emerging trends, and seize opportunities for sustainable growth and competitive advantage. This enables TTE to stay resilient, innovative, and future-ready in the evolving plantation industry. | | |
|---|--|--|---|
| R&O | Time line | Related stakeholders | Strategic Imperatives |
| R2, R3, O1, O3, O4 | Short to medium term |    |   |

|  | Socio-economic concerns: It acknowledges the importance of addressing social and economic aspects in its operations. Materiality and Response: TTE recognizes its role in promoting inclusive growth, community development, and addressing socioeconomic challenges. By prioritizing socioeconomic concerns, TTE aims to contribute to the well-being of local communities, enhance livelihoods, promote fair labor practices, and foster sustainable economic development in the regions where it operates. This approach aligns with TTE's commitment to social responsibility and sustainable business practices, ultimately creating positive social impact and fostering long-term stakeholder relationships. | | |
|---|--|--|---|
| R&O | Time line | Related stakeholders | Strategic Imperatives |
| R2, R5, O1, O4 | Short to long term |    |  |

|  | Environment and climate aspect: Importance of environmental stewardship and addressing climate change challenges. Materiality and Response: By prioritizing environmental sustainability, TTE aims to contribute to ecosystem preservation, promote sustainable land and water management practices, and minimize adverse environmental impacts. Commitment to environmental responsibility, sustainable agriculture, and climate resilience, ultimately ensuring the long-term viability of its operations and contributing to a greener and more sustainable future. | | |
|---|---|--|---|
| R&O | Time line | Related stakeholders | Strategic Imperatives |
| R4, O1 | Short to long term |    |   |

MATERIALITY ASSESSMENT

| # | GRI No. | Material Theme | SDG | Material Topic | Impact Materiality 2022/23 | Financial Materiality 2022/23 | Doble Materiality 2022/23 | Capital/ Section |
|----|---------|---|---|---|---|--|---|--|
| 1 | 302 |  |    | Energy |    |    |    | Natural, Pg. 118 |
| 2 | 305 | |    | Emissions |    |    |    | Natural, Pg. 118 |
| 3 | 13.4 | |   | Natural ecosystem conversion |    |    |    | Natural, Pg. 118 |
| 4 | 13.5 | |  | Soil health |    |    |    | Natural, Pg. 118 |
| 5 | 303 | |   | Water and Effluents |    |    |    | Natural, Pg. 118 |
| 6 | 304 | |  | Biodiversity |    |    |    | Natural, Pg. 118 |
| 7 | 301 | |  | Materials |    |    |    | Natural, Pg. 118 |
| 8 | 306 | |   | Waste |    |    |    | Natural, Pg. 118 |
| 9 | 308 | |   | Supplier Environmental Assessment |    |    |    | Social & Relationship, Pg. 94 |
| 10 | 13.6 | |   | Pesticides use |    |    |    | Natural, Pg. 118 |
| 11 | 201 |  |   | Economic performance |    |    |    | Financial, Pg. 78 & Human, Pg. 104, Natural, Pg. 118 |
| 12 | 403 | |  | Occupational health & safety (Employee wellbeing) |    |    |    | Human, Pg. 104 |
| 13 | 13.21 | |    | Living income and living wage |    |    |    | Human, Pg. 104 |
| 14 | 203 | |   | Indirect economic impacts |    |    |    | Financial, Pg. 78 & Human, Pg. 104 |
| 15 | 401 | |      | Employment |    |    |    | Human, Pg. 104 |
| 16 | 402 | |  | Labour/Management relations |    |    |    | Human, Pg. 104 |
| 17 | 404 | |   | Training and education |    |    |    | Human, Pg.104 |
| 18 | 413 | |       | Local communities |    |    |    | Social & Relationship, Pg. 94 |
| 19 | 414 | |  | Supplier social assessment |    |    |    | Social & Relationship, Pg. 94 |
| 20 | N/A | |    | Livelihood development |    |    |    | Social & Relationship, Pg. 94 |
| 21 | 406 |  |   | Non-discrimination |    |    |    | Human, Pg. 104 |
| 22 | 407 | |  | Freedom of association and collective bargaining |    |    |    | Human, Pg. 014 |
| 23 | 13.9 | |  | Food security |    |    |    | Social & Relationship, Pg. 94 |

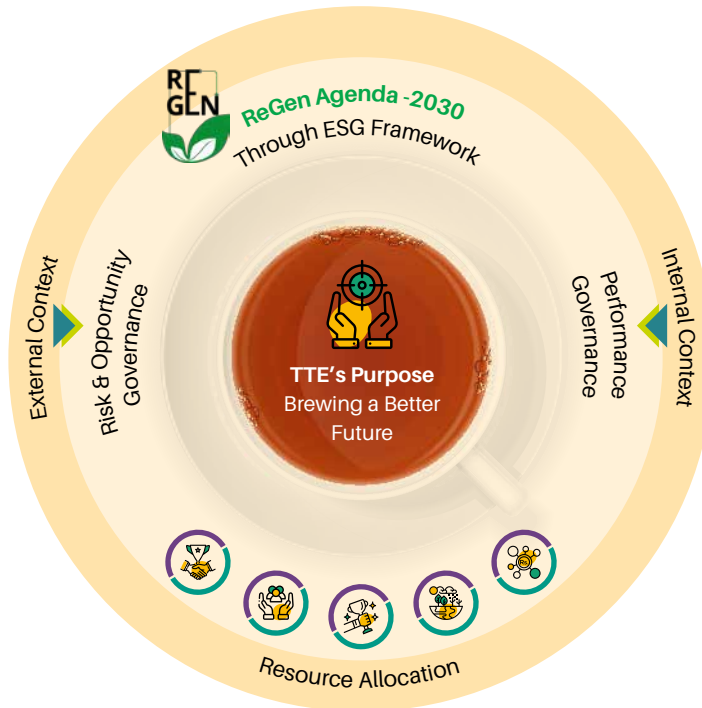
| # | GRI No. | Material Theme | SDG | Material Topic | Impact Materiality 2022/23 | Financial Materiality 2022/23 | Doble Materiality 2022/23 | Capital/ Section |
|----|---------|----------------|-----|-----------------------------------|----------------------------|-------------------------------|---------------------------|---|
| 24 | 13.20 | | | Employment practices | | | | Human, Pg. 104 |
| 25 | 408 | | | Child labour | | | | Human, Pg.104 |
| 26 | 405 | | | Diversity and equal opportunity | | | | Human, Pg.104 |
| 27 | 409 | | | Forced or compulsory labour | | | | Human, Pg.104 |
| 28 | N/A | | | Technology | | | | Interlectual, Pg. 90 |
| 29 | N/A | | | Principal relationships | | | | Social & Relationship, Pg. 94 |
| 30 | N/A | | | Brain drain & Labour Outmigration | | | | Social & Relationship, Pg. 94 |
| 31 | 207 | | | Tax | | | | Financial, Pg. 78 |
| 32 | 204 | | | Procurement practices | | | | Relationship, Pg. 94 & Manufactured, Pg. 86 |
| 33 | 202 | | | Market presence | | | | Business Operations Review, Pg. 69 |
| 34 | 13.23 | | | Supply chain traceability | | | | Social & Relationship, Pg. 94 |
| 35 | N/A | | | Pandemic-led disruptions | | | | Social & Relationship, Pg. 94 |
| 36 | N/A | | | Customer satisfaction | | | | Social & Relationship, Pg. 94 |
| 37 | N/A | | | Operational efficiency | | | | Manufactured, Pg. 86 |
| 38 | N/A | | | Agriculture sector productivity | | | | Manufactured, Pg. 86 |
| 39 | 416 | | | Customer health and safety | | | | Social & Relationship, Pg. 94 |
| 40 | 417 | | | Marketing and labelling | | | | Social & Relationship, Pg. 94 |
| 41 | N/A | | | R&D | | | | Interlectual, Pg. 90 |
| 42 | N/A | | | Product Quality | | | | Social & Relationship, Pg. 94 |

Materiality level

| | | | |
|--|--|--|--------|
| | | | High |
| | | | Medium |
| | | | Low |











STRATEGY AND RESOURCE ALLOCATION










Our strategy stems from the TTE's purpose of "Brewing a Better Future". In order to realise this aspiration, our current strategy is framed by four strategic imperatives that underpin our resource allocation decisions across the various forms of capital.





























BASIS OF RESOURCE ALLOCATION















|  | WINNING WITH THE CUSTOMER: | Stakeholder Impact | | | | | | | | | | | | | | | | | |
|--|--|---|---|---|-----|---------|---------|---------------------------|--------|-------|-----------------------------|------|------|--------------------|-----|----|-----------------------------|--------|--------|
| | "We are devoted to growing every customer and delighting every consumer ", our unwavering dedication is to nurture the growth of each customer and bring delight to every consumer we serve. |  |  |  | | | | | | | | | | | | | | | |
| Identified Risks and Opportunities | | TTE's Strategic Response | | | | | | | | | | | | | | | | | |
| Risks: Stiff competition from local and global tea manufacturers in traditional markets | | 04 new customer relationships in several non-traditional markets such as Japan and Australia | | | | | | | | | | | | | | | | | |
| Opportunities: Penetrate niche markets through specialised premium value products | | 03 green tea and other special gardens in several of its estates as chemical free fields, with minimum agrochemical applications | | | | | | | | | | | | | | | | | |
| Resources Allocation: | | <table><tr><th>KPI</th><th>2022/23</th><th>2021/22</th></tr><tr><td>Increase NSA (Rs. per kg)</td><td>384.42</td><td>44.83</td></tr><tr><td>reputation of Selling marks</td><td>High</td><td>High</td></tr><tr><td>Acquire New buyers</td><td>101</td><td>67</td></tr><tr><td>Specialty tea revenue (Rs.)</td><td>115.55</td><td>100.62</td></tr></table> | | | KPI | 2022/23 | 2021/22 | Increase NSA (Rs. per kg) | 384.42 | 44.83 | reputation of Selling marks | High | High | Acquire New buyers | 101 | 67 | Specialty tea revenue (Rs.) | 115.55 | 100.62 |
| KPI | 2022/23 | 2021/22 | | | | | | | | | | | | | | | | | |
| Increase NSA (Rs. per kg) | 384.42 | 44.83 | | | | | | | | | | | | | | | | | |
| reputation of Selling marks | High | High | | | | | | | | | | | | | | | | | |
| Acquire New buyers | 101 | 67 | | | | | | | | | | | | | | | | | |
| Specialty tea revenue (Rs.) | 115.55 | 100.62 | | | | | | | | | | | | | | | | | |
| Ongoing Commitment | | Outcome | | | | | | | | | | | | | | | | | |
| Field Development Programme: Manufactured Capital Report - Page 86 | | 100% RA Certificates Coverage | | | | | | | | | | | | | | | | | |
|  RA ™ certified field management practices | | 86% product on quality, ethical and environment friendly practices | | | | | | | | | | | | | | | | | |
|  Maintain the field with minimum agro chemical used | | | | | | | | | | | | | | | | | | | |
| Product Stewardship: Social and Relationship Capital Report - Page 94 | | ZERO - incidents of non-compliance related to health and safety impacts of products | | | | | | | | | | | | | | | | | |
|  ZERO Tolerance of non-compliance | | ZERO - rejections in any product category | | | | | | | | | | | | | | | | | |
|  ISO 22000:2018 Food Safety Management Standards | | ZERO - monetary claims for products | | | | | | | | | | | | | | | | | |
|  ISO 9001:2015 Quality Management System Standard | | | | | | | | | | | | | | | | | | | |
|  MRL Assurance Process | | | | | | | | | | | | | | | | | | | |







| | | |
|---|--|---|
| Communication and Engagement: Social and Relationship Capital Report - Page 94 | |   |
|  Weekly tea tasting sessions  Monthly broker review meetings | | |
| Supply Chain Sustainability: Social and Relationship Capital Report - Page 94 | |   |
|  Supplier Audits to assess their ability to align the RA™ certification and other ESG related matters | | |
| Future Focus | Medium: Develop a branded product line of speciality tea grades |   |
| | Long: Invest in sustainable field practices and in automated solutions to improve factory processes.in addition further investment in research and development to increase the value-added product range | |















|  | OPERATIONAL EXCELLENCE: | | Stakeholder Impact | | | | | | | | | | | | | | | | | |
|---|---|---------|---|--|--|-----|---------|---------|---------------------|----|----|------------------|-------|-------|---------------------------|------|------|-----------------------------------|-------|------|
| | “We strive for unparalleled performance”, our relentless pursuit is for unmatched performance, setting the bar higher and reaching new heights of excellence. | |      | | | | | | | | | | | | | | | | | |
| Identified Risks and Opportunities | | | TTE’s Strategic Response | | | | | | | | | | | | | | | | | |
| Risks: Use of the latest innovative tea manufacturing technology by new and emerging layers | | | Invested to date to construct a state-of-the-art factory at Kiruwanaganaga | | | | | | | | | | | | | | | | | |
| Opportunities: Produce high yielding tea cultivator and adopt technological solution for manufacturing productivity | | | Research partnership with the TRI to develop cultivar that are adaptable to climate change and resistant to pest and disease | | | | | | | | | | | | | | | | | |
| Resources Allocation: | | | <table><tr><th>KPI</th><th>2022/23</th><th>2021/22</th></tr><tr><td>Increase Production</td><td>7%</td><td>5%</td></tr><tr><td>Made tea Outturn</td><td>23.1%</td><td>23.9%</td></tr><tr><td>Labour productivity Ratio</td><td>2.37</td><td>3.02</td></tr><tr><td>Energy intensity MJ/Made tea (kG)</td><td>34.96</td><td>33.3</td></tr></table> | | | KPI | 2022/23 | 2021/22 | Increase Production | 7% | 5% | Made tea Outturn | 23.1% | 23.9% | Labour productivity Ratio | 2.37 | 3.02 | Energy intensity MJ/Made tea (kG) | 34.96 | 33.3 |
| KPI | 2022/23 | 2021/22 | | | | | | | | | | | | | | | | | | |
| Increase Production | 7% | 5% | | | | | | | | | | | | | | | | | | |
| Made tea Outturn | 23.1% | 23.9% | | | | | | | | | | | | | | | | | | |
| Labour productivity Ratio | 2.37 | 3.02 | | | | | | | | | | | | | | | | | | |
| Energy intensity MJ/Made tea (kG) | 34.96 | 33.3 | | | | | | | | | | | | | | | | | | |
|  Replanted 27 hectares of tea | | | | | | | | | | | | | | | | | | | | |
|  Engage with UNIDO and NCPC to improve capacity of energy management teams | | | | | | | | | | | | | | | | | | | | |
|  Stated construction Kiruwanaganaga New tea factory, cost Rs. 560 Mn | | | | | | | | | | | | | | | | | | | | |
| Ongoing commitment | | | Outcome | | | | | | | | | | | | | | | | | |
| Field Development Programme: Manufactured Capital Report - Page 86 | | |  13.8% decrease in yield-per-hectare  11% improvement in average daily harvester output  0.1% reduction in lost days  ROE - 42.86% | | | | | | | | | | | | | | | | | |
|  Optimising harvesting schedules | | | | | | | | | | | | | | | | | | | | |
|  Rs. 197.4 Mn spent of field development activities | | | | | | | | | | | | | | | | | | | | |
| Upgrading Estate Infrastructure: Manufactured Capital Report - Page 86 | | | | | | | | | | | | | | | | | | | | |
|  35,870 training hours to develop skills and boost morale of employees | | | | | | | | | | | | | | | | | | | | |
| Training and Development: Human Capital Report- Page 104 | | | | | | | | | | | | | | | | | | | | |
|  35,870 training hours to develop skills and boost morale of employees | | | | | | | | | | | | | | | | | | | | |
| Maintenance of Factory Infrastructure: Manufactured Capital Report- Page 86 | | |  63% average factory capacity utilisation  Reduction of factory downtime | | | | | | | | | | | | | | | | | |
|  Rs. 49 Mn amount invested in new machinery and equipments | | | | | | | | | | | | | | | | | | | | |
|  Rs. 78.2 Mn incurred on maintenance of machinery and equipment at factories | | | | | | | | | | | | | | | | | | | | |
| Future Focus | Medium: Invest in mechanised harvesting | |      | | | | | | | | | | | | | | | | | |
| | Long: Climate smart agriculture practices with IoT related solution | | | | | | | | | | | | | | | | | | | |

STRATEGY AND RESOURCE ALLOCATION

|  | NURTURING OUR PEOPLE: “We believe in our people, and nurture passionate and empowered teams”, at the core of our belief lies the power of our people. We foster an environment that cultivates passion and empowerment, nurturing teams that drive our success. | Stakeholder Impact   | | | | | | | | | | | | | | | | | | |
|--|--|---|-----|---------|---------|-----------------------------|------|------|--------------------------|-------|-------|-----------------|-------|-------|---------------------|-----|-----|-----------------------------|-------|-------|
| Identified Risks and Opportunities | TTE's Strategic Response | | | | | | | | | | | | | | | | | | | |
| Risks: Labour out migration due to the economic crisis | Roll out of the non-wage across all estates | | | | | | | | | | | | | | | | | | | |
| Opportunities: Strengthen position as an employer of choice | Women Team Leaders Study Tour for 86 female Harvesters | | | | | | | | | | | | | | | | | | | |
| Resources Allocation: <ul style="list-style-type: none"> Land allocation for block plucking under the Revenue Share Model Extended 4,965 hours of training on occupational health and safety aspects Total Community care initiative (Home for Every plantation worker) Obtained NVQ Certification for 72 employees Extended 35,870 hours of training to employees in all grades Extended 26,894 hours of training to the to improve productivity | <table border="1"> <thead> <tr> <th>KPI</th><th>2022/23</th><th>2021/22</th></tr> </thead> <tbody> <tr> <td>Training hours per employee</td><td>2.44</td><td>2.05</td></tr> <tr> <td>Plucking average per day</td><td>20.58</td><td>18.54</td></tr> <tr> <td>Retention Ratio</td><td>91.4%</td><td>90.7%</td></tr> <tr> <td>Employee attendance</td><td>87%</td><td>86%</td></tr> <tr> <td>Social Development (Rs. Mn)</td><td>165.4</td><td>107.4</td></tr> </tbody> </table> | | KPI | 2022/23 | 2021/22 | Training hours per employee | 2.44 | 2.05 | Plucking average per day | 20.58 | 18.54 | Retention Ratio | 91.4% | 90.7% | Employee attendance | 87% | 86% | Social Development (Rs. Mn) | 165.4 | 107.4 |
| KPI | 2022/23 | 2021/22 | | | | | | | | | | | | | | | | | | |
| Training hours per employee | 2.44 | 2.05 | | | | | | | | | | | | | | | | | | |
| Plucking average per day | 20.58 | 18.54 | | | | | | | | | | | | | | | | | | |
| Retention Ratio | 91.4% | 90.7% | | | | | | | | | | | | | | | | | | |
| Employee attendance | 87% | 86% | | | | | | | | | | | | | | | | | | |
| Social Development (Rs. Mn) | 165.4 | 107.4 | | | | | | | | | | | | | | | | | | |
| Ongoing Commitment | Outcome | | | | | | | | | | | | | | | | | | | |
| Remuneration and Benefits: Human Capital Report - Page 104 <ul style="list-style-type: none"> Industry competitive remuneration in compliance with all regulatory standards Introduction of the non-wage model Electronic weighing systems for 100% accurate remuneration | <ul style="list-style-type: none"> Rs. 2,888 Mn paid to employees as fair remuneration 435 new Block Managers appointed under the non-wage model 97% employee satisfaction | | | | | | | | | | | | | | | | | | | |
| Recognition and Rewards: Human Capital Report - Page 104 <ul style="list-style-type: none"> Performance evaluation for employees Best Tea Harvester competition | <ul style="list-style-type: none"> 28 employees promoted 16 employees recognised under the Best Tea Harvester competition | | | | | | | | | | | | | | | | | | | |
| Occupational Health and Safety: Human Capital Report - Page 104 <ul style="list-style-type: none"> 4,965 hours of safety training | <ul style="list-style-type: none"> 86 minor injuries | | | | | | | | | | | | | | | | | | | |
| Communication and Engagement Human Capital Report - Page 104 <ul style="list-style-type: none"> Regular and ongoing interactions between the Company's HR team and union representatives | <ul style="list-style-type: none"> Zero formal employee grievances | | | | | | | | | | | | | | | | | | | |
| Wellbeing of Resident Communities: Social and Relationship Capital Report - Page 94 <ul style="list-style-type: none"> Rs. 165.4 Mn spent on the “Home for every plantation worker” Focus on creating “Mother and Child-friendly Tea Plantations” Rs. 138.6Mn incurred on strengthening community healthcare & Nutrition | <ul style="list-style-type: none"> Zero Maternal Malnutrition & Under Nutrition Zero Underweight Children | | | | | | | | | | | | | | | | | | | |
| Future Focus | Medium: Increased emphasis on women's empowerment Long: Promote equitable value sharing among resident communities |       | | | | | | | | | | | | | | | | | | |

|  | ENVIRONMENTAL STEWARDSHIP AND CLIMATE ACTION: “Encouraging environment friendly business solutions”, we champion the adoption of environmentally friendly business solutions, promoting practices that harmonize with nature and contribute to a sustainable future. | Stakeholder Impact   | | | | | | | | | | | | | | | |
|---|---|--|-----|---------|---------|---------------------------------------|------|------|--------------------------------------|-----|-----|----------------------|-----|-----|---------------|------|-------|
| Identified Risks and Opportunities | TTE's Strategic Response | | | | | | | | | | | | | | | | |
| Risks: Impact of adverse weather on growing capability leading to lower estate output and poor leaf quality | Invest in expanding crop diversification while improving permaculture practices | | | | | | | | | | | | | | | | |
| Opportunities: Improve soil health | Integrated soil health management plan | | | | | | | | | | | | | | | | |
| Resources Allocation: <ul style="list-style-type: none"> Rs. 48.8 Mn of environment conservation and preservation related good agriculture practices Land allocation for ecosystem restoration 6,320 training head hours on environment management system Conducted periodical management reviews of environment management system | <table border="1"> <thead> <tr> <th>KPI</th><th>2022/23</th><th>2021/22</th></tr> </thead> <tbody> <tr> <td>Share of renewable material use (Ton)</td><td>22.2</td><td>25.7</td></tr> <tr> <td>Renewable energy generation (Kwh-mn)</td><td>8.5</td><td>8.1</td></tr> <tr> <td>Agro input intensity</td><td>57%</td><td>59%</td></tr> <tr> <td>GHG Reduction</td><td>4.4%</td><td>37.1%</td></tr> </tbody> </table> | | KPI | 2022/23 | 2021/22 | Share of renewable material use (Ton) | 22.2 | 25.7 | Renewable energy generation (Kwh-mn) | 8.5 | 8.1 | Agro input intensity | 57% | 59% | GHG Reduction | 4.4% | 37.1% |
| KPI | 2022/23 | 2021/22 | | | | | | | | | | | | | | | |
| Share of renewable material use (Ton) | 22.2 | 25.7 | | | | | | | | | | | | | | | |
| Renewable energy generation (Kwh-mn) | 8.5 | 8.1 | | | | | | | | | | | | | | | |
| Agro input intensity | 57% | 59% | | | | | | | | | | | | | | | |
| GHG Reduction | 4.4% | 37.1% | | | | | | | | | | | | | | | |

| Ongoing Commitment | | Outcome |
|--|--|---|
| Natural Resources management: Natural Capital Report - Page 118 88% use of renewable material Improve use efficiency of agrochemical inputs Rain water harvesting and waste water management practices | | ZERO incidents of non-compliance 5% reduction in agrochemical use 37.5% increase in energy intensity at factories |
| Renewable energy generation & GHG emission reduction: Natural Capital Report - Page 118 Focus of renewable energy generation and consumption Science Based Target commitment Increase Sustainable fuelwood planting | | 4.4% GHG emission reduction 163% renewable energy generation on total electricity consumption |
| Ecosystem restoration and biodiversity conservation Natural Capital Report - Page 118 Signed MOU with wildlife nature protection society for existing forest conservation and forest regeneration | | Increase partnership and collaboration for ecosystem restoration and conservation |
| Future Focus | Medium: Invest in Climate SMART agri-technology to improve the efficacy of agriculture practices Long: Transition to regenerative agriculture practices |       |

| | | | | |
|---|---|--|---|--|
|  | BUSINESS DIVERSIFICATION: | | Stakeholder Impact | |
| | “We expand business portfolio to unlock the unique opportunities”, we constantly broaden our business portfolio, unlocking unique opportunities that enable us to grow and thrive in diverse markets. | |     | |
| Identified Risks and Opportunities | | | TTE’s Strategic Response | |
| Risks: Lack of awareness market regarding products | | | Participation in global food expo events in key regions around the world | |
| Opportunities: Secure first mover advantage in key global markets | | | Conduct research to develop new innovative and market leading products | |
| Resources Allocation: | | | | |
|  Planted an area of 46.91 hectares of cinnamon, 35.24 hectares of coconut as part of the crop diversification programme  Expensed Rs.16.6 Mn are on fuel wood and timber | | | KPI | |
| | | | 2022/23 | |
| | | | 2021/22 | |
| | | | Revenue from diversification (Rs.Mn) | |
| | | | 35.4 | |
| | | | 4.5 | |
| | | | Number of Specialty tea gardens | |
| | | | 8 | |
| | | | 8 | |
| Ongoing Commitment | | | Outcome | |
| Field Development Programme: Manufactured Capital Report - Page 86 | | |  Rs. 46.5 Mn allocated to plant other crops including cinnamon and commercial timber | |
| Expanding the extent of fuel wood, timber and other identified crops | | | | |
| Product Diversification: Review of Business Operations - Page 69 | | |  Exported 900 Kg’s of Green Tea | |
| Increasing production and export of Green Tea and the Specialty Tea range | | |  Exported 50 Kg’s of Specialty Tea | |
| Revenue Diversification: Social and Relationship Capital - Page 94 | | |  Invested Rs. 6.4Mn to develop the Somerset Estate to attract tourists | |
| Create alternative revenue streams | | | | |
| Future Focus | Medium: Increase the investment in crop diversification | |    | |
| | Long: Pursue value adding partnerships to develop and market a branded range of specialty teas | | | |

TTE 2030: REGENERATIVE AGENDA THROUGH ESG FRAMEWORK

Our 2030 Regenerative Agenda, is a comprehensive roadmap to promote sustainability and regenerative practices across all aspects of our business. Our aspirations center on integrating ESG (Environmental, Social, and Governance) to our business with the aim create a more sustainable and resilient future while delivering long-term value to all stakeholders.

The concept of regenerative business extends beyond conventional sustainability by focusing on building systems that not only sustain, but also restore and regenerate natural resources. As such, TTE is reshaping its sustainability agendas to adopt regenerative practices that promote environmental and social well-being and improve business resilience. TTE has always been at the forefront of progressive sustainability and Environmental, Social, and Governance (ESG) practices. However, the company is taking this commitment to the

next level by adopting regenerative practices. The concept of regenerative business is not just about sustaining the environment, but also restoring and regenerating the world.

To achieve this, TTE adopts a holistic ESG framework that enables us to measure and report on sustainability and regenerative practices. The ESG framework aims to provides a comprehensive and systematic approach to evaluating the company's environmental and social risks and impacts, its social responsibility, and governance

practices thereby allowing us to identify areas for improvement and prioritize actions to achieve regenerative business goals.

In reshaping our sustainability agenda to embrace regenerative practices, TTE is redefining its strategic imperatives to align with a more sustainable and regenerative future. This involves a transformation of our business models, operations, value chain management, and employee engagement practices by adopting regenerative practices within an ESG framework, TTE aims to promote a more sustainable and equitable future. The company anticipates benefits such as improved risk management, access to new markets, and efficiencies/cost savings, delivering long-term value to stakeholders.



STRATEGIC IMPERATIVE

This year we also redefined our key strategic imperatives to align with the 2030 Regenerative agenda.



Winning with the customer: TTE's "Winning with the customer" strategy delivers value through a regenerative business model that promotes sustainability. This approach combines customer-centricity with regenerative practices, creating a virtuous cycle of value creation and sustainability, supported by loyal customers.



Nurturing Our People: TTE's "Nurturing Our People" strategy integrates a regenerative business model, investing in employee development and well-being while promoting sustainability. By prioritizing a people-centric approach, TTE aims to create a supportive work environment that encourages innovation, productivity, and sustainable practices.



Business Diversification: TTE's Business Diversification strategy adopts a regenerative model to expand sustainable offerings, reduce environmental impact, and increase resilience. The aim is a sustainable and diverse product range, adapting to changing markets and customer demand.



Environmental stewardship & climate action: TTE's Environmental Stewardship strategy integrates a regenerative business model, prioritizing the planet's well-being while promoting success. The aim is a sustainable future, mitigating climate change's effects.



Operational Excellence: TTE's Operational Excellence strategy integrates a regenerative business model that optimizes operations, reduces waste and promotes sustainability. The approach recognizes the interdependence of efficiency, waste reduction, business success, and environmental sustainability.

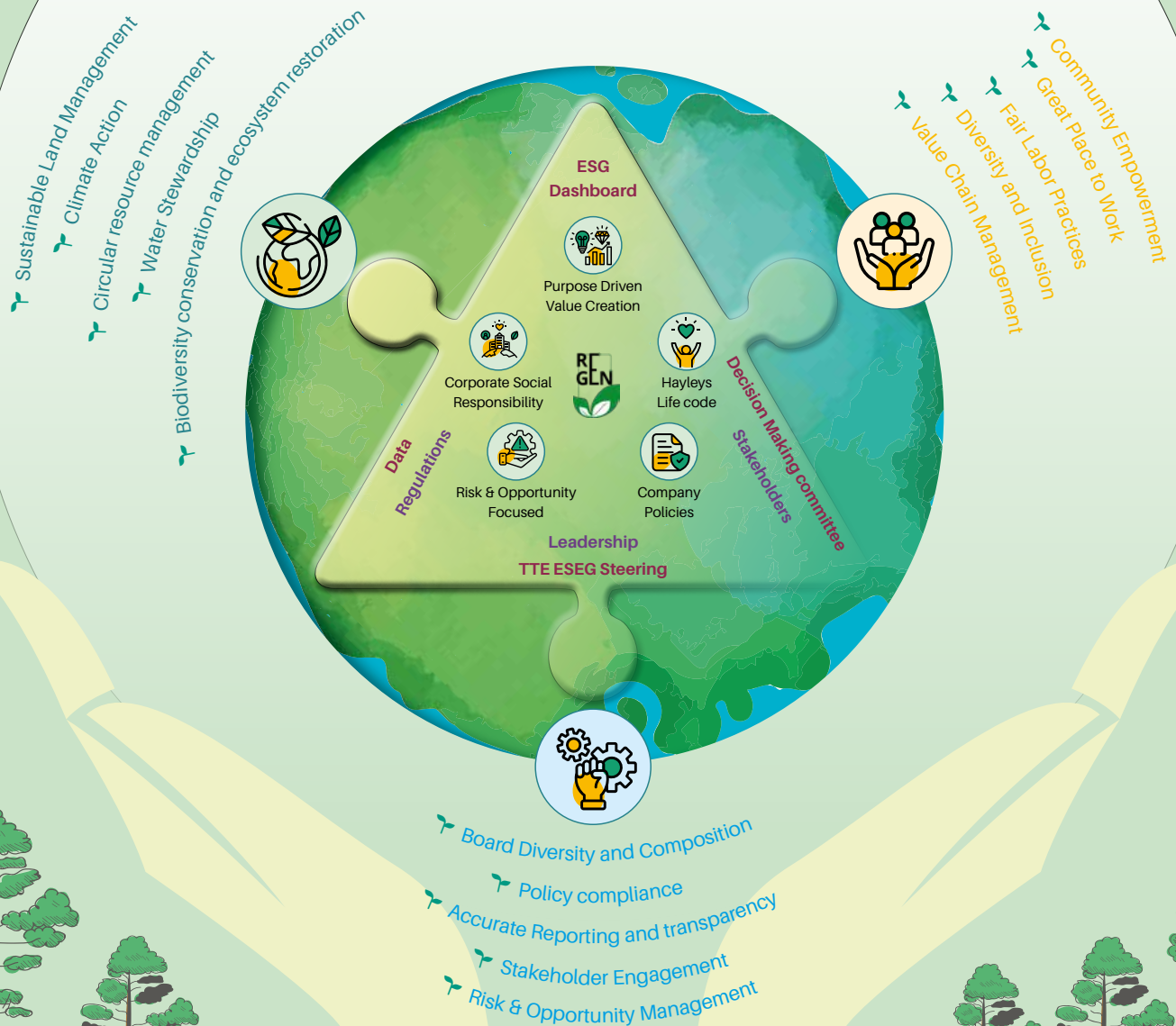


Please scan the QR code to access the ESG report



TTE ESG FRAMEWORK

This year we also redefined our key strategic imperatives to align with the 2030 Regenerative agenda.



TTE 2030 REGENERATIVE AGENDA THROUGH ESG FRAMEWORK

ENVIRONMENT

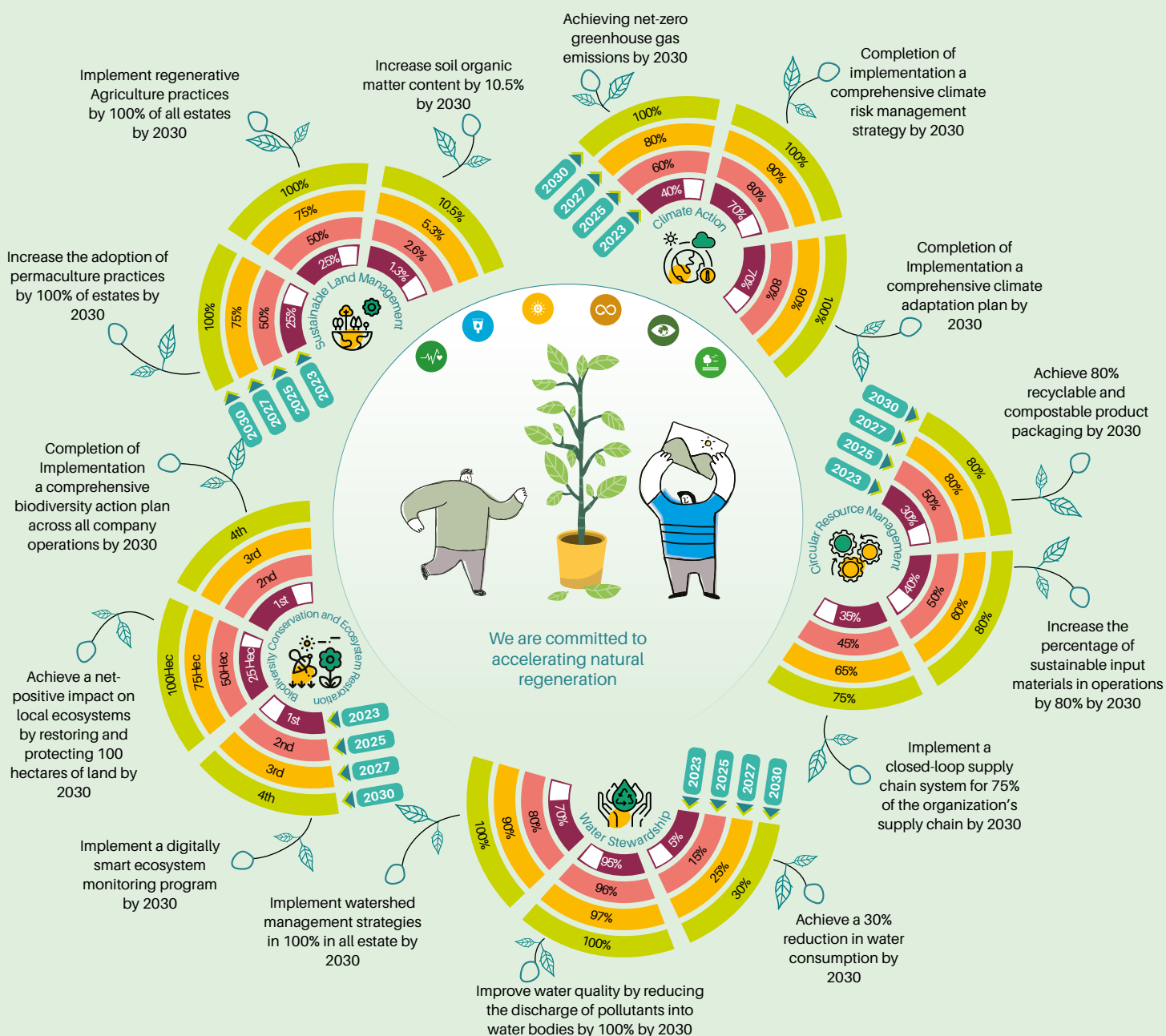


Regenerative Business

▶ for environment

BREWING A NET-POSITIVE IMPACT

We strive to go beyond reducing environmental harm to creating positive impacts on the natural environment by regenerating ecosystems, improving soil health, restoring biodiversity, and reducing carbon emissions. Our aspirations also involve implementing circular economy principles, reducing waste and pollution, and sourcing sustainable materials and energy.



SOCIAL

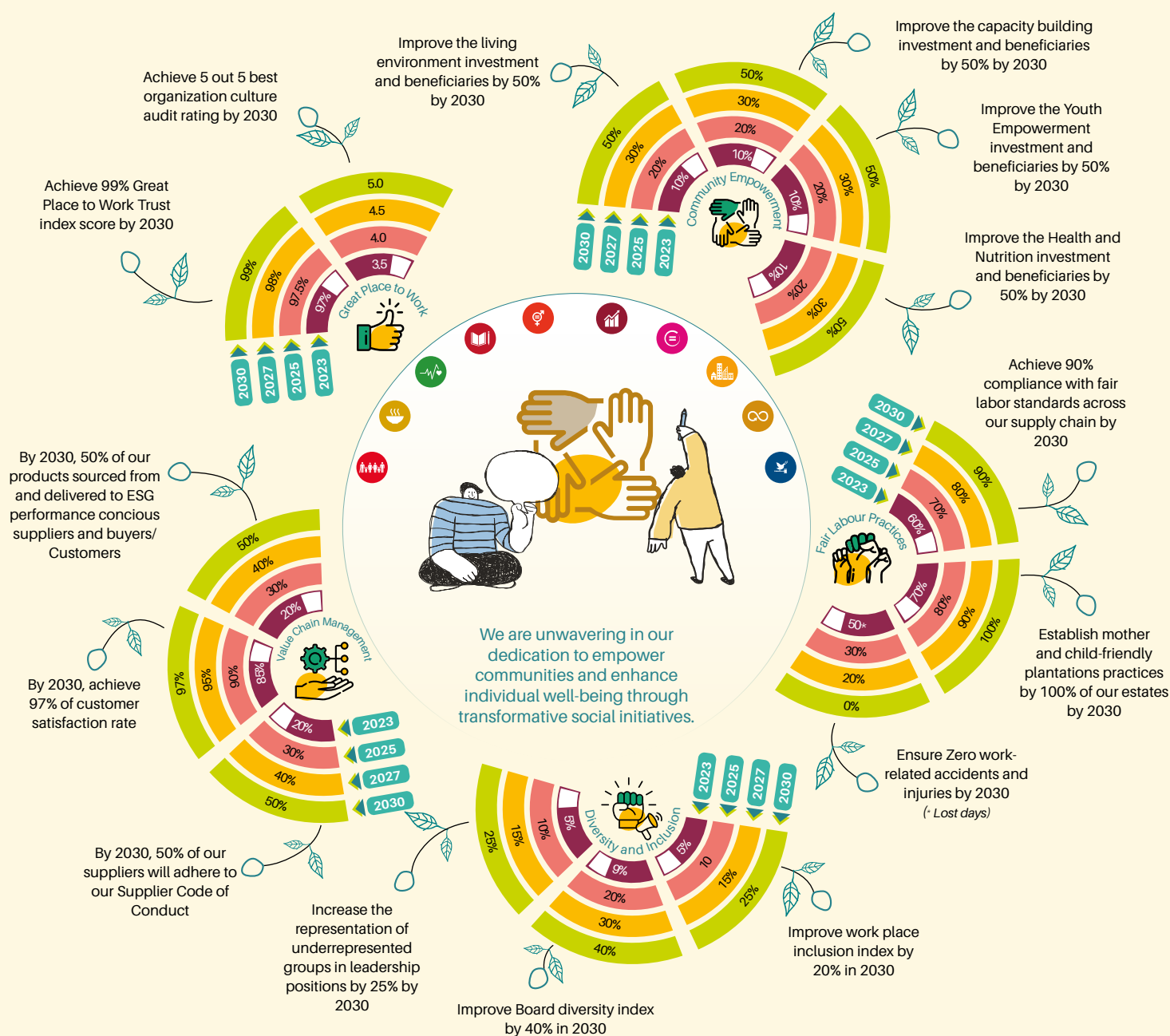


Regenerative Business

for socioeconomic

BUILDING RESILIENT AND INCLUSIVE COMMUNITIES

Building resilient and inclusive communities is a holistic target that aligns with the regenerative business model by prioritizing the well-being of communities and ecosystems. A regenerative business model focuses on creating value for all stakeholders and encourages social and economic inclusivity. This target promotes community engagement, collaboration, and investment in local communities to build resilience and promote social cohesion. It also emphasizes the need to support marginalized and vulnerable groups to ensure that all members of society benefit from economic growth and development.



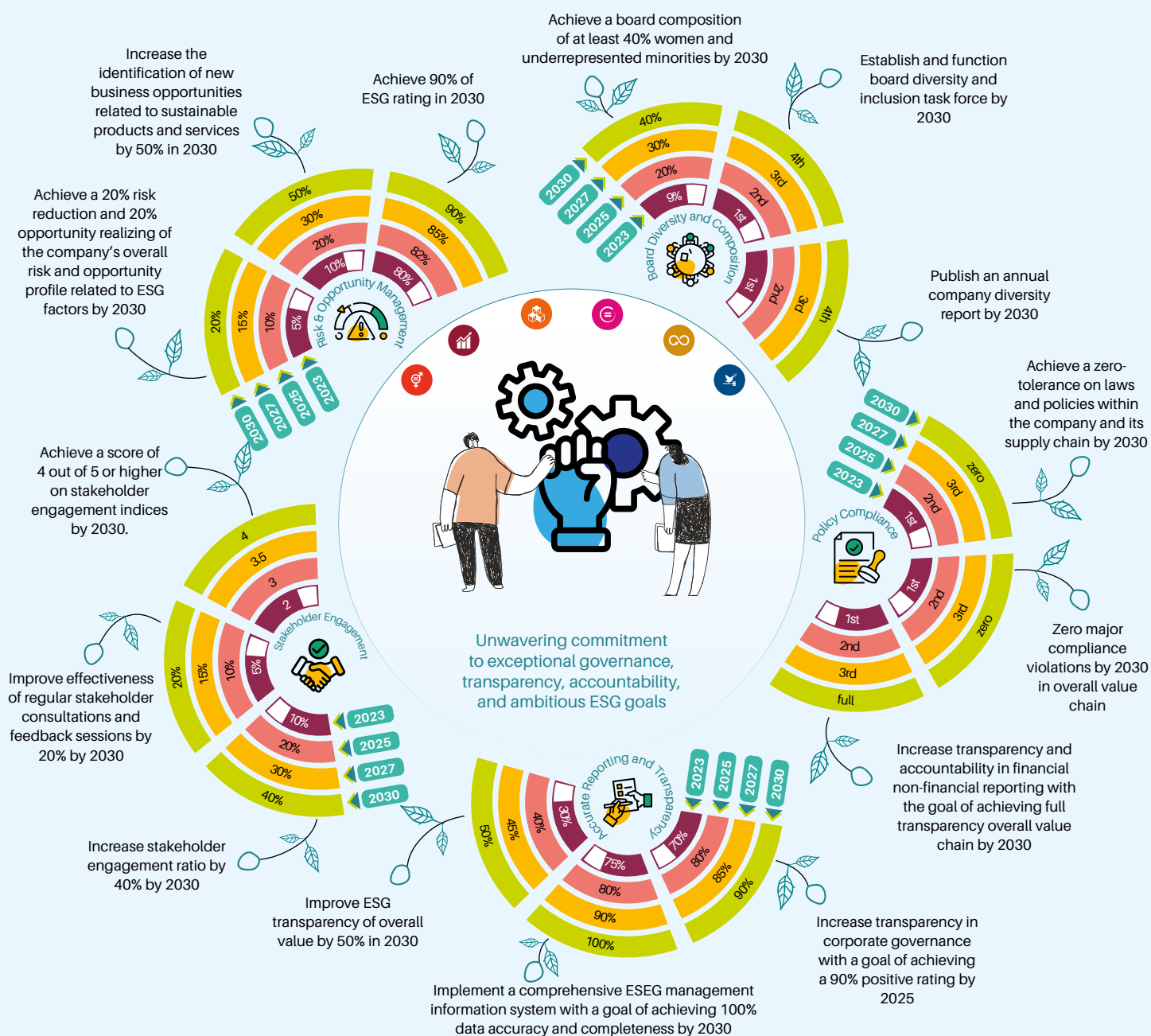
GOVERNANCE

Regenerative
Business

by excel governance

ETHICAL AND RESPONSIBLE GOVERNANCE

This involves fostering a culture of responsible and responsive behavior through propagating anti-corruption practices, whistleblower protection, and transparency in decision-making. It also involves engaging with stakeholders and communities to ensure their voices are heard and their needs are considered in decision-making processes. Ultimately, this approach can lead to greater trust and credibility for the company, as well as improved risk management and long-term sustainability.



TRADE OFFS

OUR TRADE-OFFS

Our guiding principle is to manage trade-off, balancing short-term performance expectation and long-term value creation.

Balancing short-term performance expectations and long-term value creation. Navigating short-term performance expectations against long-term value creation remains our overarching trade-off. This primary trade-off is considered in many of the critical decisions we make. Here, we present illustrative examples of key material decisions that exemplify our commitment and strategic focus. These decisions serve as tangible demonstrations of our dedication to balancing short-term performance expectations with long-term value creation, reflecting our overarching principles in action.



Winning
with the
Customer

Our “winning with customer” strategy focuses on maintaining a high-quality product without compromising on cost. By hand-picking tea leaves, we ensure premium quality while carefully balancing labor costs. This approach, combined with a commitment to quality in our manufacturing process, has earned us a strong brand reputation and consistent customer satisfaction.
Page 94



Nurturing
Our
People

Our people are our most valuable asset at TTE. We are committed to investing in their growth, skills, and earning potential. While these initiatives entail significant financial outflows, they result in enhanced contributions, increased earnings, and sustainable growth for our company in the long run.
Page 104



Operational
Excellence

By intensifying our efforts in mechanized harvesting, productivity-based models, and energy-efficient technologies, we allocate funds in the short term. Although these processes may temporarily impact the unique quality of our product, they position the company for long-term benefits. This strategic approach leads to enhanced consistency in product quality, lower costs, and increased earnings, driving substantial growth in our financial capital.
Page 86



Environmental
Stewardship
& Climate
Action

As we prioritize environmental stewardship and take action against climate change, we invest heavily in enhancing our regenerative agriculture practices and expanding renewable and clean energy generation. These commitments necessitate significant financial allocations and the development of employees’ skills and competencies, which require additional short-term resources. However, these investments ensure our long-term resilience as a sustainable business, enabling us to make a greater positive impact on the environment and future generations.
Page 118



Business
Diversification

Being a plantation company heavily reliant on tea as our primary crop, we have taken into account market dynamics, operating context, and stakeholder considerations. Based on these factors, we have made the strategic decision to diversify our business. This entails significant changes to our business model, including land use modifications, company restructuring, and substantial financial allocations in the short and medium term. However, this strategic shift positions us for long-term business growth while minimizing risks associated with market dynamics. By embracing diversification, we ensure our resilience and adaptability in an ever-changing business environment.
Page 69, 86





**We care for our strongest
and most cherished assets
by providing necessary
infrastructure that sustains
and supports their needs.**



*We believe in unlocking the
true potential of our people by
recognising and empowering them
to reach their aspirations as well as
those of their loved ones.*



REVIEW OF BUSINESS OPERATIONS

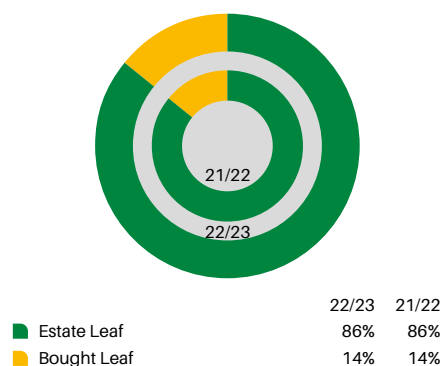
TEA

TTE's Tea Operations remain the mainstay of our business, contributing as much as 97% to the Company's total revenue for FY 2022/23. On a revenue / profit basis, the tea operations declared exceptional results in the year under review. Main contributory factor for the extraordinary result was the high sales averages gained on the back of the Rupee devaluation. TTE's superior product quality meant the gains were substantially greater and ended up achieving a higher price difference above the National average.

Yields dropped YOY as a result of the Government's decision to ban the use of fertilizer and agro chemicals. Fertilizer applications were severely disrupted for a good 18 months from the time the ban was in effect from mid-2020. However, the ban was revoked in late 2021 but the ill effects continued in to 2022 / 23.

Overall tea production was down to 5.1Mn kg compared to 5.9 Mn kg in the previous year. TTE's drop of 14% was on the back of a National reduction of 16%. Raw material supply from TTE estates for Tea production stood at 86% while the remainder was sourced from Smallholders.

Estate Leaf & Bought Leaf



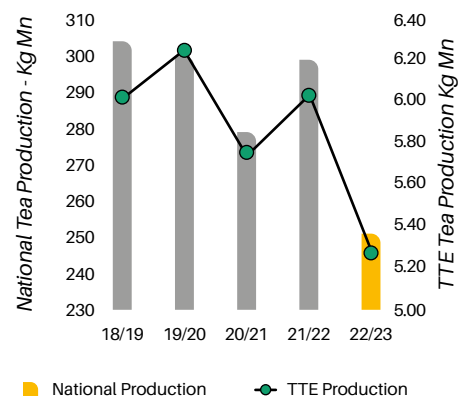
Highlights for 2022/23

- Overall Rank No.01 - for the 5th consecutive year amongst RPCs
- Low Grown Rank No.01 - for the 18th consecutive year amongst RPCs
- National GSA - Highest ever difference over National GSA Rs. 102.78 - **01st RPC to achieve over Rs.100/-**
- High Grown - Highest ever difference over Elevation average Rs. 130.63
- Low Grown - Highest ever difference over Elevation average Rs. 197.41 - **01st RPC to breach Rs. 1,500/- barrier with a GSA of Rs.1,537.28**
- 211 Top Prices
- 21 All Time Records

With the industry as a whole experiencing record prices due to the rapid LKR devaluation against the USD from March 2022 onwards, TTE's elevational averages hit record highs, establishing new benchmarks during the year. The Company recorded a total of 211 top prices and unprecedented 21 all time records for the year 2022, while TTE's Gross Sales Average (GSA) rose to Rs. 1,336.88/kg from

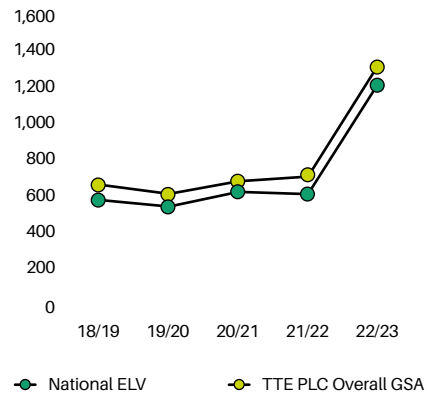
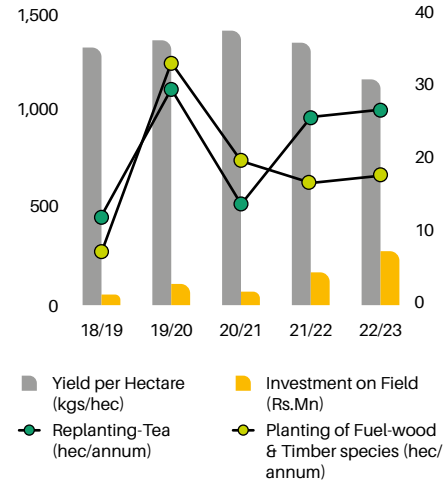
the Rs. 713.38/kg recorded in the previous year denoting a massive Rs. 623.50/kg improvement, which was the highest GSA increase amongst all RPCs. TTE's GSA was the highest amongst RPCs and consolidated its position as the Number 1 ranked RPC for the 5th consecutive year and also significantly above the National Average of Rs.1,234.54/kg. It was the first time an RPC achieving a margin of over Rs.100/kg. Domination in the Low grown elevations amongst all RPCs continued to the 18th year with TTE being the only RPC to breach the 1,500 barrier achieving Rs.1,537.28/kg in 2022.

Tea Production - National Vs TTE

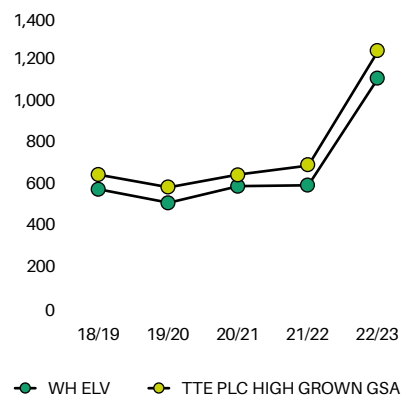
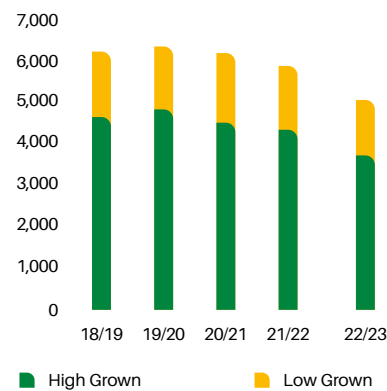


REVIEW OF BUSINESS OPERATIONS

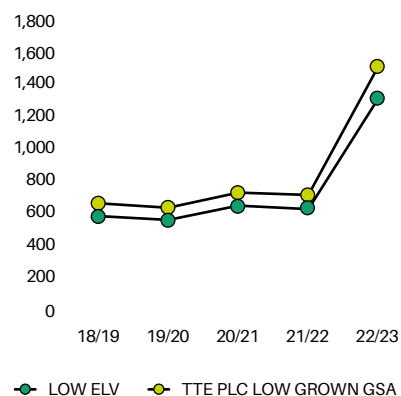
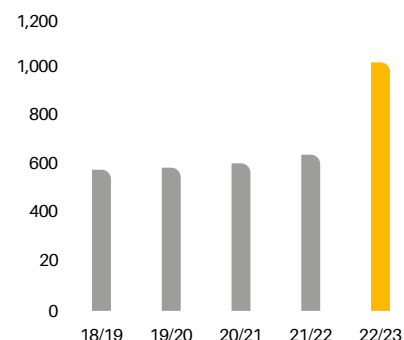
TTE Overall GSA Vs National Elevation

Replanting Tea, Planting Timber/
Fuelwood, Yield & Field Development

TTE High Grown GSA Vs WHG Elevation

Crop
(Kg'000)

TTE PLC Low Grown GSA Vs LG Elevation

Cost of Production/kg
(Rs. Mn)

Bolstered by record prices, TTE's topline improved by 112.71% YOY even though sales volumes for FY 2022/23 reflected a 18.43% drop over the previous year. Average sales volumes at the Colombo Tea auctions declined visibly owing to the ill-advised fertilizer ban and subsequent restricted applications due to price escalations.

Meanwhile cost of production increased substantially to Rs. 1,033.48/kg owing to inflationary conditions induced by the Rupee devaluation. (2021/22 - Rs. 649.06/kg) In particular, the cost of imported fertilizer escalated 20 folds compared to the previous year. The withdrawal of fertilizer subsidy by the government influenced the prices of fertilizer. Cost of packing materials, fuel, electricity, transport cost also increases by 2-4 folds. Bought leaf COP increased significantly to Rs. 1,526.98 in 2022/23 by 110% (2021/22 - Rs. 725.56/kg) with the high sales averages as the formula is based on Elevational GSA.

Nonetheless, the buffer created by the strong improvement in the topline helped TTE to safeguard margins, despite cost pressures. Steps taken to expand the non-wage model also showed promising results in terms of contributing to overall cost efficiencies.

SPECIALITY TEAS

TTE Tea produces premium specialty teas for niche markets around the world. The company expanded its portfolio to 24 varieties during the year. Sunny Blooms manufactured at Somerset won the Grand Gold award in the 2nd World Black Tea Quality Evaluation Competition in December 2022 while three other varieties won "Award of Excellence" amplifying the superior quality of the range of teas offered. Besides the regular sales to Exporting companies based in Sri Lanka, the specialty teas were directly exported to markets in Australia and Japan.

TTE also ventured in to producing chemical free teas for some segments in the market. The Company has carved out

selected fields from several of its estates as “chemical free fields”, with minimum agrochemical applications.

Green tea is produced in Radella. The factory is equipped with both types of manufacture, steamed and pan fired Green teas.

RUBBER

Rubber operations continued to experience shortfalls as a result of adverse weather conditions and waves of the pandemic. Production was down to 94,278kg from 143,379kg the previous year. As a direct consequence of fluctuating global demand for natural rubber products, auction prices remained volatile. However, due the Rupee devaluation, revenue decline stood at 13.6% compared to last year with a loss of Rs. 8.96 Mn.



CROP DIVERSIFICATION

The company continues to diversify crops to generate revenue in high grown & low grown estates. The main focus is to maximize land utilization thereby improve profits per land unit.

- ✎ Cinnamon total Extent - 46.91 Hectares covered in Moragalla, Deniyaya & Indola Cinnamon production improved by 265% to 10,617kg and revenue generated improved almost 4 fold to Rs. 35.4 Mn. Mainly C4 & C5 quills are produced and sold to exporters while Premium quality Alba and C5 are packed and marketed locally.
- ✎ Coconut - 35.24 Hectares covered in Moragalla, Deniyaya & Indola Regular harvests are sold in bulk to local dealers.

COMMERCIAL FORESTRY

TTE has cultivated commercial forestry with a total biological asset value of Rs. 484 Mn as at the end of FY 2022/23. Profits from sale of trees amounted to Rs. 27 Mn during the year (2021/22 - Rs. 31 Mn) While enhancing our revenue streams, we invest in cultivation of forestry as a part of our drive towards sustainable agricultural practices and land optimization. Eucalyptus, Grandis are the primary trees that we cover, and the area covered in 2022/23 is 18 hectares.

We have taken action to increase the use of our self-grown agroforestry fuel wood from the current consumption of 25% to 50% in the next 5 years.



REVIEW OF BUSINESS OPERATIONS

SOLAR ENERGY

We have reinforced our commitment to renewable energy sources and supported the national initiative under guidance & supervision of the Ministry of Power and Renewable Energy & Business Development. Our projects were implemented in Bearwell, Moragalla, Deniyaya, Calsay and Dessford factories.

All projects are commissioned under net metering method.

The total income from solar energy is Rs. 13.7 Mn during the year (2021/22 - Rs. 7.1 Mn).



GLOBAL ECONOMIC OUTLOOK

- ✎ Risks to the growth outlook are tilted to the downside, Global growth is expected to decelerate sharply to 1.7% in 2023 down from 3.2% last year, largely reflecting more aggressive monetary policy tightening, deteriorating financial conditions, and declining confidence.
- ✎ Global trade is also expected to slow sharply alongside global growth deceleration, despite support from a continued recovery in services trade.
- ✎ Growth projections have been downgraded for almost all advanced economies and about two-thirds of EMDEs in 2023. Growth in Europe & Central Asia (ECA) is forecast to grow by a modest 2.1% in 2023, while Growth in Middle East and North Africa is anticipated to decelerate from 5.7% last year to 3.5% in 2023 and to 2.7% in 2024.

Source: Global Economic Prospects 2023
(World Bank)

SRI LANKA'S ECONOMIC OUTLOOK

- ✎ The Sri Lankan economy is poised to recover gradually from the deep economic contraction witnessed in 2022 buoyed by the macroeconomic adjustment programme under the IMF-EFF arrangement.
- ✎ The Government is envisaged to continue its commitment towards fiscal consolidation and economic reform programme with the aim of achieving the medium term fiscal targets set out under the IMF-EFF supported programme.
- ✎ Global headwinds, stemming from broad-based slowdown in global economic growth in 2023 will have an adverse impact on the purposes of the Sri Lankan economy.
- ✎ Inflation is expected to stabilise at the targeted levels over the medium term, supported by subdued aggregate demand, tight monetary and fiscal policies and abating supply disruptions both globally and domestically.
- ✎ With monetary policy focused on ensuring price stability over the medium term, interest rates are expected to see a gradual decline.
- ✎ LKR is also expected to reach greater stability by mid-2023.

Source: CBSL AR 2022

TEA INDUSTRY OVERVIEW

- ✎ After experiencing a worldwide decline in 2022, global tea production is expected to increase in 2023.
- ✎ Sri Lanka tea production could be affected by rising input costs that could potentially dampen average yields.
- ✎ The recent reduction in freight costs are likely to favour importers of 'Ceylon Tea', tendency of a strengthening of the Sri Lankan Rupee could result in lower Colombo Auction prices.

- ✎ Demand for tea is expected to vary between regions stemming from Russia-Ukraine war, slow recovery in Syria and Turkey following the devastating earthquakes and the volatility in the Middle East. European Union is expected to tighten the MRL's on use of Chemicals in agriculture by early 2024, which could result in weakened demand.

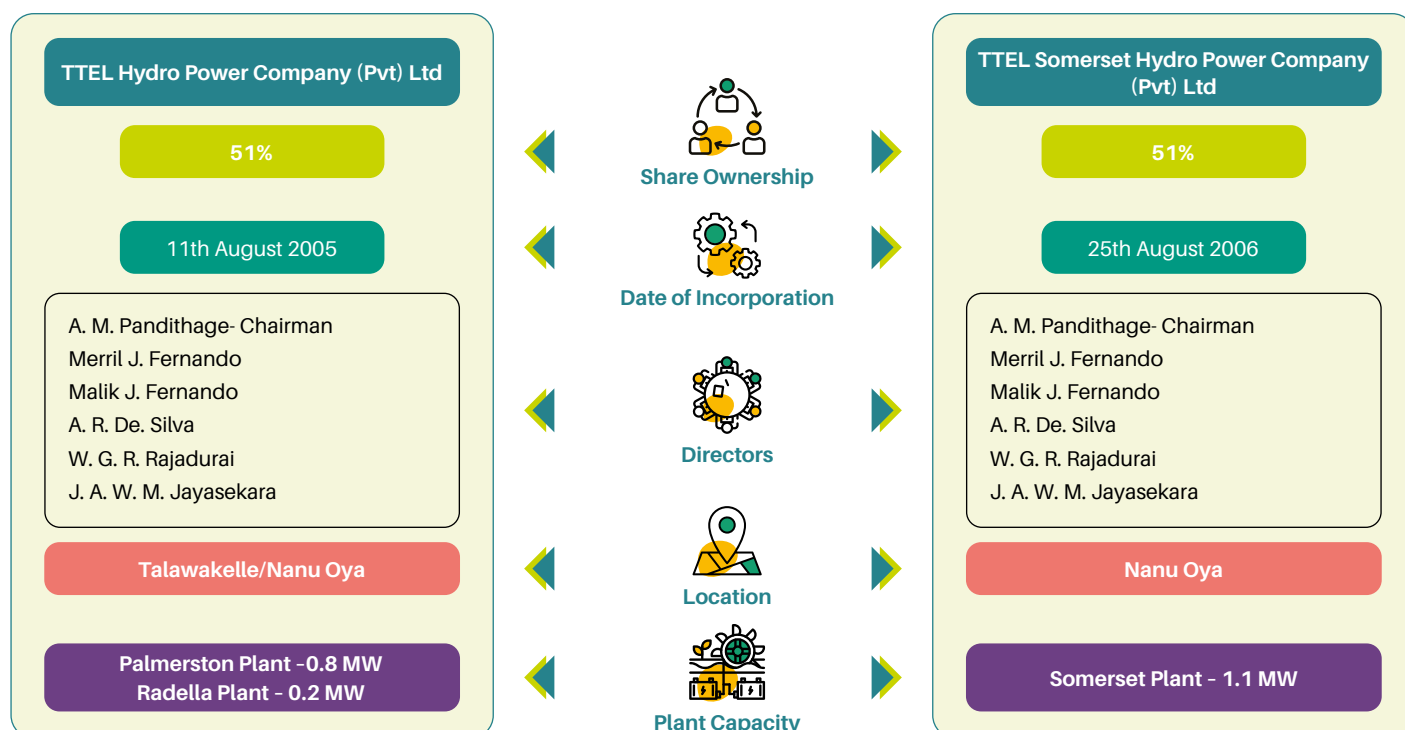
WAY FORWARD FOR TTE

TTE will look to scale up operations with a view to improving tea production volumes. Towards this end, we expect to significantly expand the non-wage model across all our estates, while working in parallel to improve our own yield ratios. Similarly, we will continue to work with our bought leaf suppliers as well. As always, quality will remain a top priority as we aim to retain our position as Industry leaders. TTE has achieved the highest National Average for an RPC in the last five years, consolidating its position.

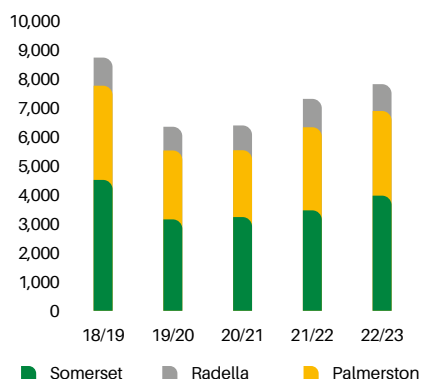
As a long term de-risking measure, TTE is systematically increasing our investment in crop diversification, focusing mainly on less labour intensive crops such as coconut, cinnamon and coffee. We are also strategically moving forward to maximize revenue generation.

SUBSIDIARY REVIEW

Hydro Power arm of TTE consists with three Mini-Hydro Power plants namely Radella, Palmerstone and Somerset recorded 6.1% growth in Revenue from Rs. 63.9 Mn to Rs. 67.8 Mn in 2022/23 with the slight increase of hydropower generation from Units 7.4 Mn Kilo-watt hours in 2021/22 to Units 7.9 Mn Kilo-watt hours in 2022/23. Despite rising inflation during the year, effective cost management enabled, the sector to close the year with a 24% increase in bottom line profit after tax, from Rs. 6.1 Mn in 2021/22 to Rs. 7.6 Mn in 2022/23.



Generation (Mwh)



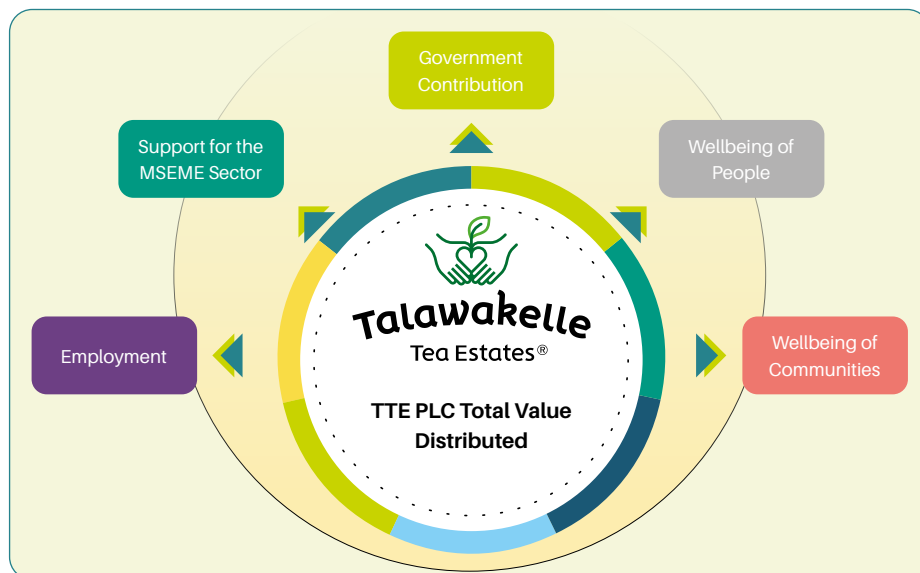
| Rs. '000 | TTEL Somerset Hydro Power (Pvt) Ltd | | TTEL Hydro Power Company (Pvt) Ltd | | Combined | |
|-------------------|-------------------------------------|---------|------------------------------------|---------|----------|---------|
| | 22/23 | 21/22 | 22/23 | 21/22 | 22/23 | 21/22 |
| Revenue | 32,465 | 28,950 | 35,380 | 35,011 | 67,845 | 63,961 |
| Profit Before Tax | 6,587 | 5,563 | 5,514 | 6,982 | 12,101 | 12,545 |
| Profit After Tax | 3,712 | 3,742 | 3,924 | 2,391 | 7,636 | 6,133 |
| Total Assets | 150,871 | 137,426 | 198,964 | 187,934 | 349,835 | 325,360 |
| Total Liabilities | 14,718 | 4,984 | 29,557 | 22,451 | 44,275 | 27,435 |

SOCIO ECONOMIC IMPACT

GRI 201-1

As a top tier regional plantation company, we are well placed to significantly add value to the economy. The brand well renowned for consistent product quality, support of Hayleys group and the synergies therein have set a solid platform for the Company to reach out with sustainable value to meet stakeholder expectations.

Economic impact of the entire business both direct and indirect is significant trajectory.



PRODUCTION AND REVENUE

Tea is the nation's largest Agriculture based export. We were able to contribute 2% of the national tea production by producing 5.1 Mn kg of made tea amid the ban on fertilizers and agrochemicals. On the back of high quality tea production and prevailed favourable market conditions because of Rupee devaluation, we earned Rs 7.9 Bn from black tea and green tea, in turn contributing to the much needed foreign exchange.

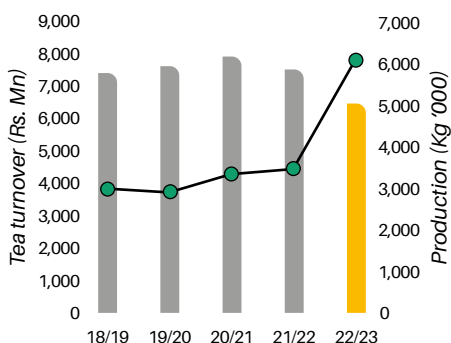
CONTRIBUTION TO EMPLOYEE EARNINGS

TTE's biggest asset is its People. Our work force strength consist of 4,825 employees across 16 estates in High-grown and Low-grown estates. They were paid Rs 2889 Mn during the year, which was an increase of Rs 270 Mn compared to the last year.

CONTRIBUTION TO BOUGHT LEAF (BL) SUPPLIERS

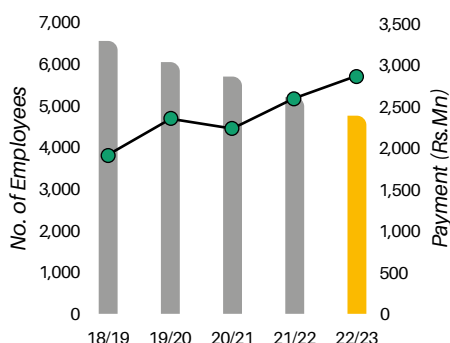
Our bought leaf operation provides an opportunity to the local community of smallholders and helps to sustain their businesses, providing a livelihood and contributing to their economic empowerment. Due to good market conditions and high-quality tea production, TTE purchased tea smallholder's leaf to the value of Rs. 934 Mn during the year, which is almost double as compared to year before. Our supplier base consists of 1,688 smallholders as at the end of the year.

Tea Production Volumes Vs. Turnover



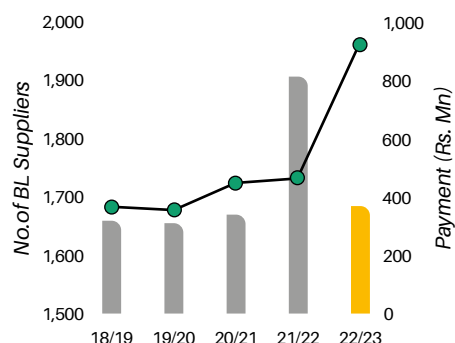
Tea Production Volumes — Turnover

No. of Employees Vs. Payments to Employees



No. of employees — Payments to employees

No. of Bought Leaf Suppliers Vs. Payments to BL Suppliers



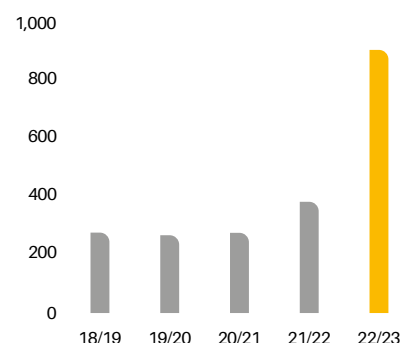
No. of bought leaf suppliers — Payments to bought leaf suppliers

PROCUREMENT VOLUME

Rs 913 Mn of our value creation have been shared with our suppliers by purchasing their products and services during the year. It was an increase of 236% compared to the preceding year.

Procurement Volumes

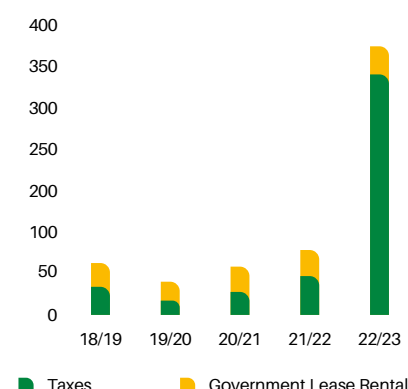
(Rs. Mn)

**CONTRIBUTION TO GOVERNMENT**

With higher profitability and increased tax structure, our total amount paid to the government was Rs 373 Mn that consist of tax and lease payments.

Contribution to Government Revenue

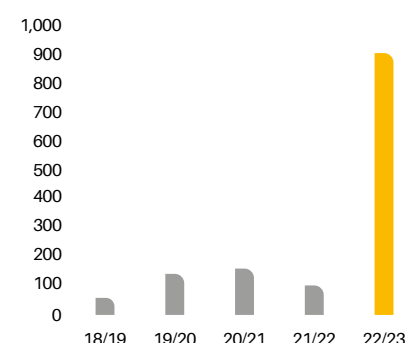
(Rs. Mn)

**RETURN TO SHAREHOLDERS**

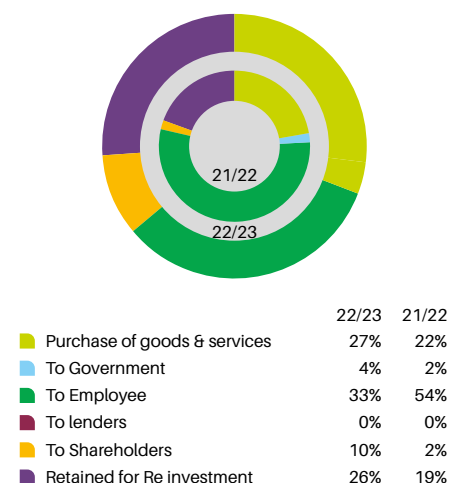
The year under review was marred by an unprecedented economic crisis and uncertainty in Export and Local markets. TTE managed to navigate the volatility through immaculate planning and execution. We emerged unscathed and achieved record profits enabling us to pay a massive dividend of Rs 903 Mn to our shareholders, which is almost nine folds increase YOY.

Dividend paid to Shareholders

(Rs. Mn)

**STATEMENT OF VALUE ADDED**

| Rs. '000 | 2022-23 | 2021/22 |
|--|------------------|------------------|
| Total Revenue | 8,131,507 | 4,663,394 |
| Purchase of goods and services | (2,353,684) | (1,083,618) |
| | 5,777,823 | 3,579,776 |
| Other Income | 697,579 | 165,115 |
| Total Value Added | 6,475,402 | 3,744,891 |
| Distributed as follows | | |
| To Government (Income Tax and Other Taxes) | 373,269 | 90,408 |
| To employees (Salaries and other staff costs) | 2,888,854 | 2,618,390 |
| To lenders of Capital (Interest on Loan Outstanding) | 3,752 | 4,942 |
| To Shareholders (Dividends) | 902,500 | 102,125 |
| Retained for re-investment and future growth | 2,307,027 | 929,026 |
| | 6,475,403 | 3,744,891 |
| Profits attributable to equity holders | 2,570,426 | 819,970 |
| Fair Value on Biological Assets | (119,209) | (53,995) |
| Depreciation/Amortisation | 207,510 | 204,278 |
| Deferred Tax | 381,416 | (52,967) |
| Gratuity Provision | 169,384 | 113,865 |
| Dividends Proposed | (902,500) | (102,125) |
| Retained for re-investments | 2,307,027 | 929,026 |

Distributed Values-2022/23



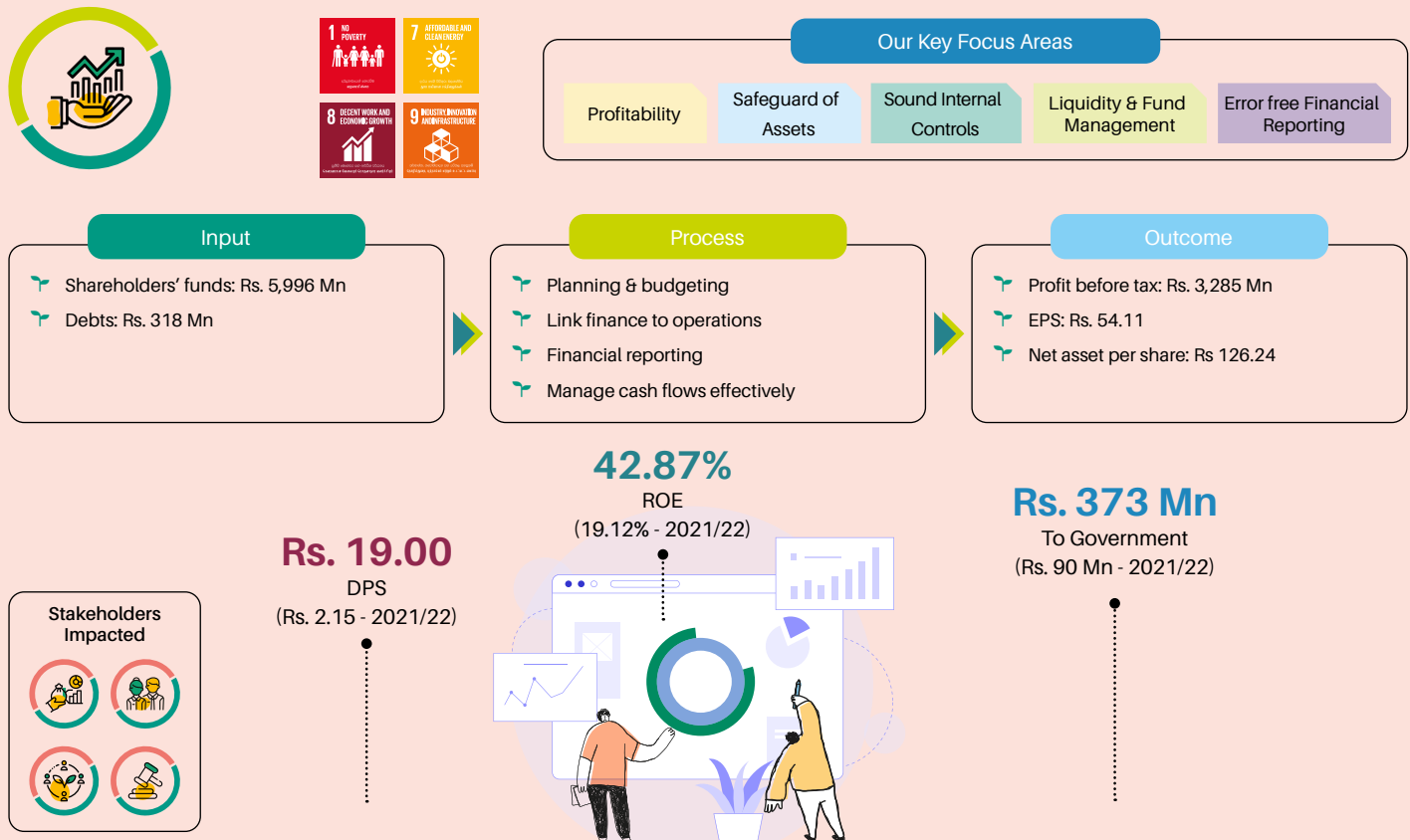
SUMMARY OF CAPITAL PERFORMANCE

| Aspect | Objective | Unit | Target 2023/24 | Goal 2022/23 | Achievement | | | | |
|--|--|-------------------------|-------------------|-----------------|-------------|---------|---------|---------|---------|
| | | | | | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|  Financial Capital | 1. Revenue | Rs.Mn | 7,252 | 7,415 | 8,132 | 4,663 | 4,460 | 3,834 | 3,958 |
| | 2. Gross Profit | Rs.Mn | 1,410 | 1,465 | 2,826 | 892 | 815 | 279 | 563 |
| | 3. Return on equity (ROE) | % | 19.26 | 20.53 | 42.86 | 19.12 | 20.41 | 7.18 | 15.32 |
| | 4. Debt to equity | % | 4.28 | 6.07 | 5.30 | 7.15 | 8.39 | 10.75 | 9.77 |
|  Manufactured Capital | 1. New Machinery Acquisitions | Rs.Mn | 7.5 | 3.6 | 29.1 | 29.3 | 33.7 | 16.4 | 27.34 |
| | 2. Production | kgs.Mn | 5.3 | 5.5 | 5.1 | 5.9 | 6.7 | 5.9 | 5.8 |
| | 3. Made Tea Outturn | % | 21.5 | 21.5 | 23.1 | 23.9 | 23.4 | 22.5 | 22.13 |
|  Intellectual Capital | Recognitions & Awards | Number of main awards | 30 | 20 | 37 | 37 | 15 | 27 | 24 |
| | Certification Coverage | | | | | | | | |
| | ISO 22000:2005 -FSMS | Number of Factories | 15 | 15 | 15 | 15 | 15 | 15 | 12 |
| | Rainforest Alliance | Number of Estates | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| | Great Place to Work | % | - | 100 | 100 | 100 | - | - | - |
| | ISO 14064-1:2018 GHG | % | 100 | 100 | 100 | 100 | 100 | 100 | - |
| | ISO 14001:2015-EMS | Number of Factories | 6 | 5 | 5 | 5 | 5 | 3 | 2 |
| | ISO 9001:2015-QMS | Number of Factories | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| | ISO 50001:2018 EnMS | Number of Factories | 2 | 1 | 1 | 1 | 1 | 1 | - |
| | ECO Lable | Number of Factories | 16 | 16 | 16 | - | - | - | - |
|  Social and Relationship Capital | 1. Customer Complaints | Nos | - | - | 6 | 14 | 5 | 7 | 37 |
| | 2. Customer Satisfaction Index | % | 100 | 100 | 86 | 86 | 85 | 84 | 81 |
| | 3. Total Local Supplier Percentage | % | 100 | 100 | 100 | 100 | 100 | 100 | 99 |
| | 4. Made-tea from Tea Smallholder Supplies | kgs | 700,000 | 845,000 | 700,779 | 814,317 | 960,277 | 754,697 | 763,012 |
| | 5. Price Earnings Ratio | Times | 7.00 | 5.00 | 1.52 | 2.47 | 2.5 | 4.84 | 2.86 |
|  Human Capital | 1. Investment on Employee Training | Rs. Mn | 3.00 | 1.5 | 13.8 | 1.4 | 0.64 | 8.3 | 4.2 |
| | 2. Worker Turnover | % | 8 | 7 | 8.6 | 8.6 | 5.8 | 7.9 | 6.8 |
| | 3. New Housing | Units | 10 | 25 | - | 30 | 70 | 95 | 30 |
| | 4. New sanitary Facilities | Units | 15 | 25 | 20 | 31 | - | 23 | 113 |
| | 5. Investment on Social Infrastructure Development | Rs. Mn | 6.0 | 50 | 5.7 | 65.5 | 56.8 | 85.3 | 54.9 |
| | 6. Investment on Social Activities and Community Development | Rs.Mn | 100 | 50 | 159.7 | 41.9 | 40.2 | 21.3 | 90.9 |
|  Natural Capital | 1. Yield Per Hectare | kg/Hec | 1,241 | 1,369 | 1,171 | 1,360 | 1,422 | 1,373 | 1,335 |
| | 2. Renewable Energy Generation | kWh-Mn | 10 | 10 | 8.5 | 8.1 | 6.8 | 6.6 | 8.1 |
| | 3. Energy Consumption | TJ | 175 | 175 | 188.02 | 208 | 196.1 | 188.7 | 187.9 |
| | 4. Energy Intensity | MJ/ kg of Made tea | 27 | 27 | 34.96 | 33.3 | 29.5 | 29.5 | 29.9 |
| | 5. GHG emissions-carbon Footprint | tCO2e | 8,000 | 8,500 | 7,418 | 7,759 | 8,579 | 8,923 | 8,866 |
| | 6. GHG emissions Intensity | tCO2e/Tonne of Made Tea | 1.2 | 1.25 | 1.5 | 1.31 | 1.29 | 1.39 | 1.41 |
| | 7. Investment on environmental Initiatives and Field Development | Rs.Mn | 45 | 45 | 48.9 | 48.6 | 43.9 | 46.7 | 40.8 |

CAPITAL MANAGEMENT

FINANCIAL
CAPITAL

TTE's Financial Capital comprises the financial resources available to the Company to support its working capital requirements, execute its long term strategy and ensure all timely serving of financial obligations. Key components of Financial Capital are; equity capital, borrowings and retained earnings.



| Strategies | Purposeful Value Creation | Trade offs |
|---|--|---|
| <ul style="list-style-type: none"> Minimising budget variance Allocation of funds for optimal use Proper investment planning Working capital management to optimising current asset and current liabilities | <p>We forecast financial capital requirements based on working capital needs and closely monitor future cash inflows and outflows to ensure our strategy is not constrained by lack of available financial capital. Financial reports are prepared monthly and performance indicators are regularly presented to top management and the board to prepare future action plans in line with short, medium and long term business strategies. Part of the value thus created goes to other capital improvements and another part is retained for growth strategies. Finally, the balance is returned to the shareholders.</p> | <p>Human Capital ▲</p> <ul style="list-style-type: none"> Wage and other employee benefit payments <p>Social & Relationship Capital ▲</p> <ul style="list-style-type: none"> Timely payment to suppliers Compliance with government laws and regulations, including government taxes |

Looking Beyond

TTE will effectively manage its financial capital so that it can create sustainable value for its stakeholders on a long-term basis.

| Short | Medium | Long |
|--|--|--|
| <ul style="list-style-type: none"> ROCE: 20% Dividend payout ratio: 30% Gearing ratio: 04% Operating cashflow: >PBT | <ul style="list-style-type: none"> ROCE: 25% Dividend payout ratio: 30% Gearing ratio: 04% Operating cashflow: >PBT | <ul style="list-style-type: none"> ROCE: 30% Dividend payout ratio: 40% Gearing ratio: 02% Operating cashflow: >PBT |

Materiality

Under the scope of financial capital, two substantial material themes emerge: the dynamics of the operating context and socio-economic issues. This section examines the management and performance of these material matters, emphasizing their significance and influence on our ReGen Agenda and strategic imperatives.



Tax, Economic performance, Indirect economic impacts

MANAGEMENT APPROACH

GRI 3-3

Our strategic approach to managing financial capital has been instrumental in achieving sustained shareholder value creation and positioning us on the trajectory towards our long-term objectives. Through proactive resource allocation, we prioritize shared value creation, ensuring that our financial resources are effectively utilized to generate positive outcomes for both the company and our stakeholders.

Adhering to the highest standards and best practices in accounting, auditing, and

financial management is a cornerstone of our approach. By upholding rigorous financial controls and implementing robust reporting systems, we maintain transparency and accountability in our financial operations. This includes seeking third-party assurance for our financial statements and reporting processes, providing an additional layer of credibility and ensuring the accuracy and reliability of our financial information.

Our commitment to responsible financial management extends to maintaining a robust risk management framework. By identifying and mitigating financial risks,

we safeguard our capital and optimize our performance in a volatile business environment. This comprehensive risk management approach enables us to navigate challenges effectively and capitalize on opportunities for growth.

By embracing this strategic approach to managing our financial capital, we demonstrate our dedication to responsible financial stewardship, ensuring the long-term sustainability and success of our company while delivering value to our shareholders and stakeholders alike.



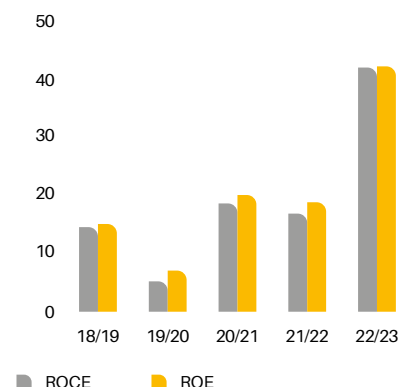
FINANCIAL CAPITAL

FINANCIAL POSITION ANALYSIS

Equity and Reserves

TTE's total equity value increased to Rs. 5,996 Bn in FY 2022/23 from Rs. 4,287 Bn in the previous year, reflecting a sizeable 40% increase driven by robust PAT growth in the current financial year. Consequently, both ROE and ROCE more than doubled. ROE increased to 42.8% in FY 2022/23 from 19.1% in the previous financial year, while ROCE reported for the current year was 42.9% compared to 17% in the previous financial year.

ROCE & ROE - Company (%)

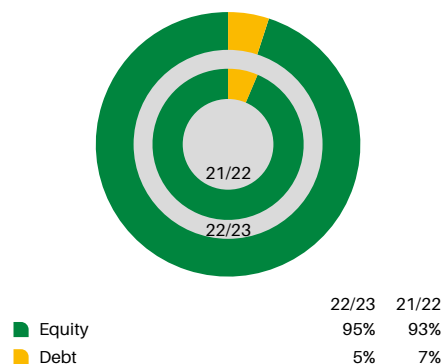


Borrowings and Debt

The Company's total Debt increased from Rs. 306 Mn at the end of the previous financial year to Rs. 318 Mn as at 31st March 2023 driven by the increased demand for short term working capital related funding to overcome challenges encountered during the first six months of the financial year.

On the other hand, both current and non-current interest bearing loans and borrowings declined as the company continued with routine debt service commitments, while refraining from new borrowings due to increase equity capital driven by higher profitability. The gearing ratio fell from 6.67% in the previous financial year to 5.04% in the 2022/23 financial year, mainly to increase shareholder funding in the capital structure.

Funding Composition

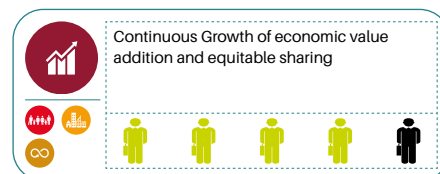
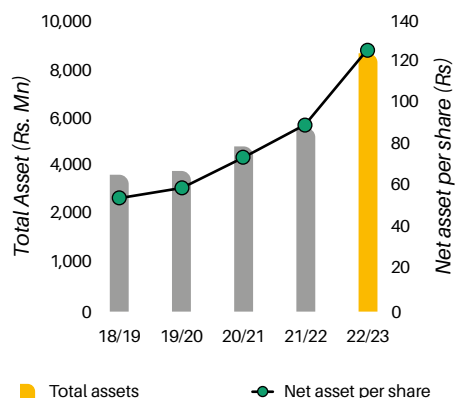


Total Assets

Total Assets increased by Rs. 2,585 Bn in the current financial year. The increase was mainly on account of the nearly two-fold growth in current assets stemming from the Company's decision to invest in high yielding short term instruments amidst the upward trend in interest rates.

Higher capex on PPE and Field Development activities compared to the previous year, was also partly responsible for the increase in total assets in FY 2022/23.

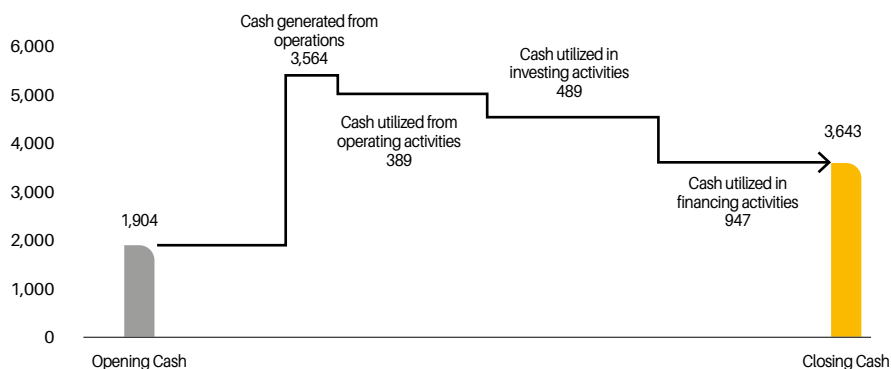
Total Asset & Net Asset Per Share



Liquidity Position

Robust cash flow growth on the back of the rupee devaluation saw TTE's liquidity levels improve significantly in the current financial year. The Company recorded Rs. 3,174 Bn as cash flows generated from operations, a substantial 350% improvement from the Rs. 695 Mn tabled at the end of the previous financial year.

Cash Movement (Rs. Mn)



HORIZONTAL ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

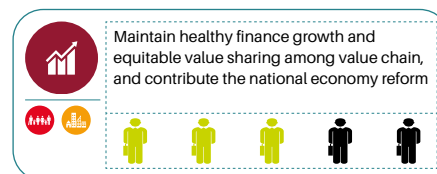
Total assets grew by 41% in the last year with current assets increasing by 77% and non-current assets by 12%. Short-term investments grew by 86% with surplus cash generated from the operation, which gained a financial income of Rs. 631 Mn during the year. Parallel to expand of the Asset Base, Equity position strengthen by 40% to Rs. 5,996 Mn and total Liability increased by 42% to Rs. 2,953 Mn. Increase of deferred tax liability by 240% to Rs. 544 Mn and increase Trade and other Payable by 83% to Rs. 1,075 are mainly contributed to increase of liability.

| | 2022/23 | | 2021/22 | | 2020/21 | | 2019/20 | | 2018/19 | |
|--|---------|------|---------|-------|---------|------|---------|-------|---------|------|
| | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % |
| Assets | | | | | | | | | | |
| Non Current Assets | | | | | | | | | | |
| Right-of-use Assets | 288 | -7% | 311 | -5% | 326 | -1% | 330 | 54% | 215 | -4% |
| Tangible assets other than Immature/ Mature Plantations | 1,145 | 29% | 890 | 24% | 719 | -3% | 740 | -2% | 759 | 5% |
| Bearer Biological Assets | 1,909 | 5% | 1,816 | 2% | 1,786 | 1% | 1,769 | 0% | 1,766 | -2% |
| Consumable Biological Assets | 484 | 25% | 386 | 18% | 326 | 7% | 306 | 12% | 273 | 8% |
| Intangible Assets | 12 | -11% | 14 | 180% | 5 | | 0 | | 0 | |
| Investments in Subsidiaries | 135 | 0% | 135 | 0% | 135 | 0% | 135 | 0% | 135 | 0% |
| | 3,973 | 12% | 3,552 | 8% | 3,297 | 1% | 3,280 | 4% | 3,147 | 1% |
| Current Assets | | | | | | | | | | |
| Produce on Bearer Biological Assets | 23 | 31% | 17 | -23% | 23 | 415% | 4 | -48% | 8 | -30% |
| Inventories | 831 | 72% | 483 | 14% | 425 | 41% | 302 | -33% | 450 | 0% |
| Trade and Other Receivables | 430 | 64% | 263 | 11% | 237 | 84% | 129 | -32% | 191 | 4% |
| Amounts due from Related Companies | 13 | -91% | 138 | 1943% | 7 | 79% | 4 | 89% | 2 | 10% |
| Short Term Investments | 3,514 | 86% | 1,887 | 10% | 1,711 | 54% | 1,113 | 14% | 977 | 39% |
| Cash and Bank Balances | 166 | 590% | 24 | -7% | 26 | -37% | 41 | 131% | 18 | 40% |
| | 4,977 | 77% | 2,813 | 16% | 2,428 | 52% | 1,592 | -3% | 1,646 | 21% |
| Total Assets | 8,950 | 41% | 6,364 | 11% | 5,725 | 18% | 4,873 | 2% | 4,793 | 7% |
| Equity and Liabilities | | | | | | | | | | |
| Equity | | | | | | | | | | |
| Stated Capital | 350 | 0% | 350 | 0% | 350 | 0% | 350 | 0% | 350 | 0% |
| Revenue Reserves | 5,646 | 43% | 3,938 | 24% | 3,178 | 28% | 2,476 | 10% | 2,250 | 5% |
| Total Equity | 5,996 | 40% | 4,288 | 22% | 3,528 | 25% | 2,826 | 9% | 2,600 | 5% |
| Non Current Liabilities & Deferred Income | | | | | | | | | | |
| Interest Bearing Loans & Borrowings | 3 | -57% | 6 | -56% | 14 | 5% | 13 | -26% | 18 | -82% |
| Retirement Benefit Obligations | 798 | -8% | 868 | -2% | 888 | -13% | 1,022 | 6% | 967 | 19% |
| Deferred Tax Liability | 544 | 240% | 160 | -25% | 212 | 6% | 200 | -2% | 204 | 29% |
| Deferred Income | 137 | 0% | 137 | -1% | 139 | -1% | 140 | -4% | 145 | -4% |
| Lease Liability | 259 | -5% | 272 | -2% | 278 | 3% | 270 | 46% | 185 | 0% |
| | 1,740 | 21% | 1,443 | -6% | 1,531 | -7% | 1,645 | 8% | 1,519 | 8% |
| Current Liabilities | | | | | | | | | | |
| Trade and Other Payables | 1,075 | 83% | 587 | 2% | 574 | 62% | 355 | -42% | 608 | 15% |
| Interest Bearing Loans & Borrowings | 3 | -54% | 8 | -62% | 20 | 298% | 5 | -77% | 22 | -54% |
| Lease Liability | 15 | 8% | 14 | 14% | 12 | 3% | 12 | 1211% | 1 | 13% |
| Amounts due to Related Companies | 82 | 338% | 19 | -64% | 52 | 98% | 26 | 78% | 15 | 31% |
| Bank Overdraft | 37 | 469% | 7 | -15% | 8 | 149% | 3 | -89% | 28 | 106% |
| | 1,213 | 91% | 634 | -5% | 667 | 66% | 402 | -40% | 674 | 12% |
| Total Liabilities | 2,953 | 42% | 2,077 | -5% | 2,197 | 7% | 2,047 | -7% | 2,193 | 9% |
| Total Equity and Liabilities | 8,950 | 41% | 6,364 | 11% | 5,725 | 18% | 4,873 | 2% | 4,793 | 7% |

FINANCIAL CAPITAL

VERTICAL ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

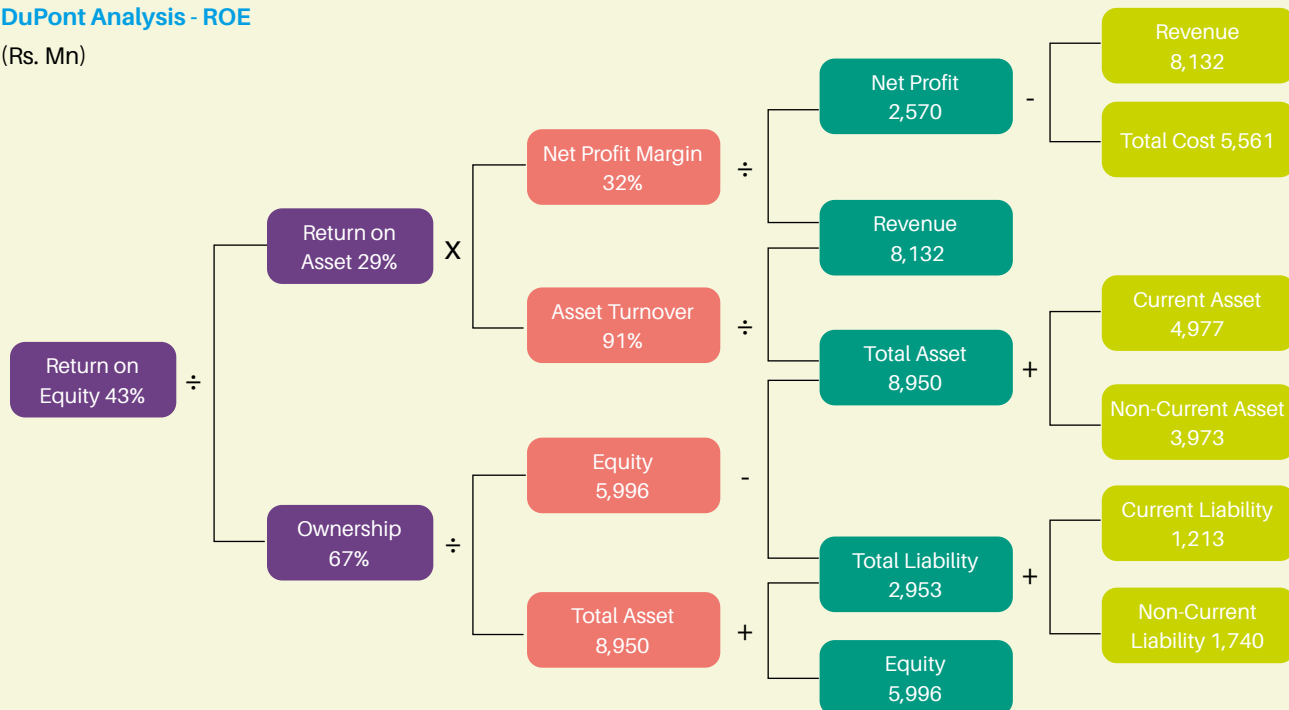
Of the total assets of Rs. 8,950 Mn, 56% are current assets and 44% are non-current assets. 67% of assets are financed by shareholders' fund and 3.6% of assets are financed by interest bearing loan. The rest is non interest bearing liabilities.



| | 2022/23 | | 2021/22 | | 2020/21 | | 2019/20 | | 2018/19 | |
|--|---------|------|---------|------|---------|------|---------|------|---------|------|
| | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % | Rs. Mn | % |
| Assets | | | | | | | | | | |
| Non Current Assets | | | | | | | | | | |
| Right-of-use Assets | 288 | 3% | 311 | 5% | 326 | 6% | 330 | 7% | 215 | 4% |
| Tangible assets other than Immature/ Mature Plantations | 1,145 | 13% | 890 | 14% | 719 | 13% | 740 | 15% | 759 | 16% |
| Bearer Biological Assets | 1,909 | 21% | 1,816 | 29% | 1,786 | 31% | 1,769 | 36% | 1,766 | 37% |
| Consumable Biological Assets | 484 | 5% | 386 | 6% | 326 | 6% | 306 | 6% | 273 | 6% |
| Intangible Assets | 12 | 0% | 14 | 0% | 5 | 0% | | | 0 | 0% |
| Investments in Subsidiaries | 135 | 2% | 135 | 2% | 135 | 2% | 135 | 3% | 135 | 3% |
| | 3,973 | 44% | 3,552 | 56% | 3,297 | 58% | 3,280 | 67% | 3,147 | 66% |
| Current Assets | | | | | | | | | | |
| Produce on Bearer Biological Assets | 23 | 0% | 17 | 0% | 23 | 0% | 4 | 0% | 8 | 0% |
| Inventories | 831 | 9% | 483 | 8% | 425 | 7% | 302 | 6% | 450 | 9% |
| Trade and Other Receivables | 430 | 5% | 263 | 4% | 237 | 4% | 129 | 3% | 191 | 4% |
| Amounts due from Related Companies | 13 | 0% | 138 | 2% | 7 | 0% | 4 | 0% | 2 | 0% |
| Short Term Investments | 3,514 | 39% | 1,887 | 30% | 1,711 | 30% | 1,113 | 23% | 977 | 20% |
| Cash and Bank Balances | 166 | 2% | 24 | 0% | 26 | 0% | 41 | 1% | 18 | 0% |
| | 4,977 | 56% | 2,813 | 44% | 2,428 | 42% | 1,592 | 33% | 1,646 | 34% |
| Total Assets | 8,950 | 100% | 6,364 | 100% | 5,725 | 100% | 4,873 | 100% | 4,793 | 100% |
| EQUITY AND LIABILITIES | | | | | | | | | | |
| Equity | | | | | | | | | | |
| Stated Capital | 350 | 4% | 350 | 5% | 350 | 6% | 350 | 7% | 350 | 7% |
| Revenue Reserves | 5,646 | 63% | 3,938 | 62% | 3,178 | 56% | 2,476 | 51% | 2,250 | 47% |
| TOTAL EQUITY | 5,996 | 67% | 4,288 | 67% | 3,528 | 62% | 2,826 | 58% | 2,600 | 54% |
| Non Current Liabilities & Deferred Income | | | | | | | | | | |
| Interest Bearing Loans & Borrowings | 3 | 0% | 6 | 0% | 14 | 0% | 13 | 0% | 18 | 0% |
| Retirement Benefit Obligations | 798 | 9% | 868 | 14% | 888 | 16% | 1,022 | 21% | 967 | 20% |
| Deferred Tax Liability | 544 | 6% | 160 | 3% | 212 | 4% | 200 | 4% | 204 | 4% |
| Deferred Income | 137 | 2% | 137 | 2% | 139 | 2% | 140 | 3% | 145 | 3% |
| Lease Liability | 259 | 3% | 272 | 4% | 278 | 5% | 270 | 6% | 185 | 4% |
| | 1,740 | 19% | 1,443 | 23% | 1,531 | 27% | 1,645 | 34% | 1,519 | 32% |
| Current Liabilities | | | | | | | | | | |
| Trade and Other Payables | 1,075 | 12% | 587 | 9% | 574 | 10% | 355 | 7% | 608 | 13% |
| Interest Bearing Loans & Borrowings | 3 | 0% | 8 | 0% | 20 | 0% | 5 | 0% | 22 | 0% |
| Lease Liability | 15 | 0% | 14 | 0% | 12 | 0% | 12 | 0% | 1 | 0% |
| Amounts due to Related Companies | 82 | 1% | 19 | 0% | 52 | 1% | 26 | 1% | 15 | 0% |
| Bank Overdraft | 37 | 0% | 7 | 0% | 8 | 0% | 3 | 0% | 28 | 1% |
| | 1,213 | 14% | 634 | 10% | 667 | 12% | 402 | 8% | 674 | 14% |
| Total Liabilities | 2,953 | 33% | 2,077 | 33% | 2,197 | 38% | 2,047 | 42% | 2,193 | 46% |
| Total Equity and Liabilities | 8,950 | 100% | 6,364 | 100% | 5,725 | 100% | 4,873 | 100% | 4,793 | 100% |

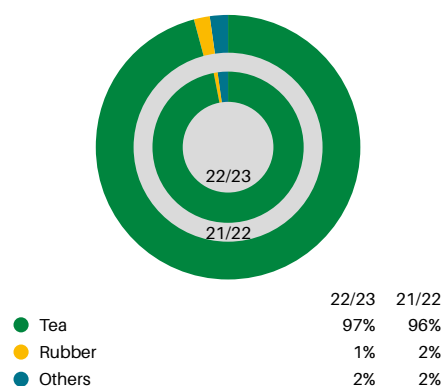
DuPont Analysis - ROE

(Rs. Mn)

**PROFIT AND LOSS ANALYSIS****Revenue**

Benefitting from historically high national sales averages recorded at the Colombo Tea Auctions, the Company reported solid Revenue growth in the current financial year. TTE's premium quality teas both in the high grown and low grown elevations continued to command premium prices at the Colombo Tea Auctions, often as much as 12% and 15% respectively, over the National Sales Average for these elevations. These record high prices helped to offset the impact of crop losses attributed to the spillover effect of the fertilizer ban and allowed the Company to record Rs. 7.9 Bn in tea Revenue for FY 2022/23, a massive 76% increase from Rs. 4.494 Bn reported in the previous year.

In contrast Revenue attributed to Rubber declined on the back of weak global demand. However, TTE's crop diversification strategies began to show results enabling the Company to record a higher Revenue from Cinnamon.

Revenue Composition**Cost of Sales (COS)**

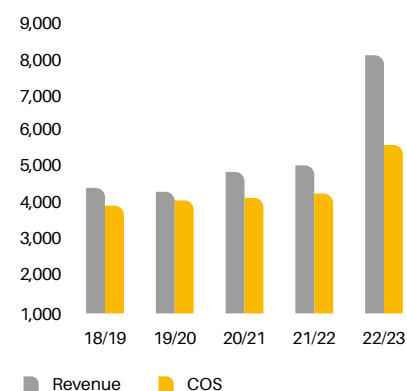
A sharp increase in the cost of sales was observed in the current year as the high cost of imports affected the cost of key agri inputs such as fertilizer, packing material and inflation induced price increases saw energy prices reaching an unprecedented high. Higher labour costs are also responsible for increased cost of Sales. And despite stringent enterprise-wide cost

containment measures, cost of sales shot up by almost 40.71% compared to the previous year.

The largest share of the COS in FY 2022/23 was taken by labour Cost, followed by agri Inputs and energy costs.

Revenue Vs. COS

Rs. Mn

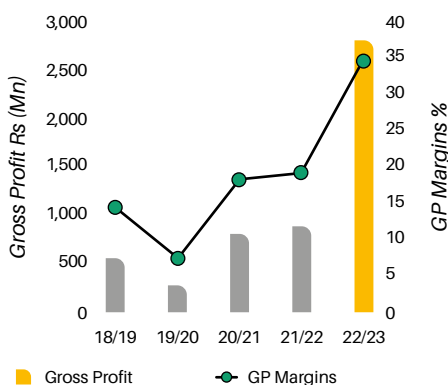


FINANCIAL CAPITAL

Gross Profit (GP)

Strong governance structure, prudent financial management, efficient business practices coupled with TTE's strong Revenue results enabled the Company to record a three-fold increase in GP from Rs. 892 Mn in FY 2021/22 to Rs. 2,825 Bn in the year under review. As a direct consequence, GP margins also improved to 34.8% in the current financial year from 19.1% registered in the previous financial year.

Gross Profit & GP Margins



Operating Profit

As a cascading effect of the strong GP results discussed above, TTE recorded Operating Profit of Rs. 2,694 Bn for FY 2022/23, denoting nearly 242% growth compared to the Rs. 788 Mn tabled in the previous financial year.

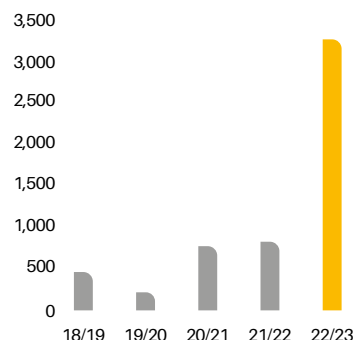
Net Finance Income

TTE's reported Net Finance Income of Rs. 590 Mn in the current financial year, a thirteen-fold increase compared to the Rs. 45Mn registered in the previous year.

This was mainly as a result of the steps taken by the Company to invest in high yielding short term investments which generated Rs. 630 Mn as finance income that helped to largely offset the incremental growth in finance expenses.

Profit Before Tax (PBT)

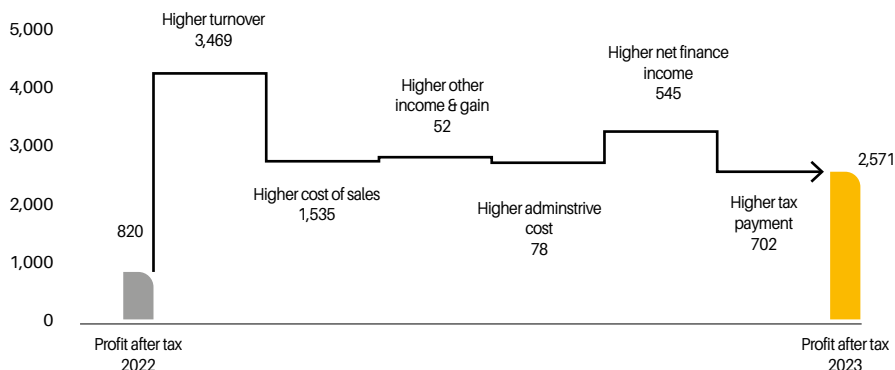
As discussed previously, strong Operating Profit coupled with improved Net Finance Income saw TTE reporting PBT of Rs. 3,285 Bn in the current financial year, an almost 294% increase over the Rs. 833 Mn reported in FY 2021/22. The PBT ratio grew from 17.9% in the previous year to 40.4% in FY 2022/23.

Profit Before Tax
(Rs. Mn)

Tax Expenses

GRI 207-1, 2 & 3

The new corporate tax regime that came into effect in 2022 saw TTE's effective tax rate increasing to 10.2% from 6.4% in the previous year. With the effect of the deferred tax charge due to higher tax rates, the Company's Tax expenses in the current financial year, increased to Rs. 714.8 Mn, which is significantly higher than the Rs. 13.5 Mn reported in FY 2021/22.

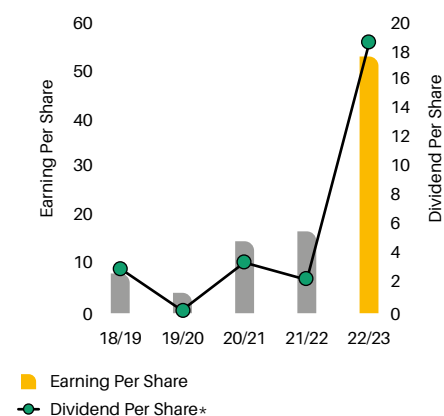
Profit or Loss Waterfall
(Rs. Mn)

Profit After Tax (PAT)

Despite higher taxes, TTE reported a solid PAT of Rs. 2,570 Bn, up 213% from the Rs. 819 Mn recorded in the previous financial year. Consequently, the average PAT ratio increased from 17.6% to 31.6% year on year.

Earnings Per Share (EPS)

Bolstered by robust PAT results, EPS hit an all-time high of Rs. 54.11 compared to Rs. 17.26 in the previous year and Rs. 15.16 the year before that.

Earning Per Share vs Dividend Per Share
(Rs.)

*Dividend declared for the year

HORIZONTAL ANALYSIS OF THE PROFIT AND LOSS STATEMENT

| | 2022/23 | | 2021/22 | | 2020/21 | | 2019/20 | | 2018/19 | |
|---|-----------------|----------------|---------------|---------------|---------------|--------------|---------------|--------------|---------------|----------------|
| | Rs. M | % | Rs. M | % | Rs. M | % | Rs. M | % | Rs. M | % |
| Revenue | 8,132.00 | 174.4 | 4,663.39 | 105.19 | 4,433.10 | 115.6 | 3,834.12 | 96.9 | 3,957.64 | 97.4 |
| Cost of Sales | (5,306.00) | 140.7 | (3,770.97) | 104.60 | (3,605.02) | 101.4 | (3,555.46) | 104.7 | (3,394.67) | 102.6 |
| Gross profit | 2,826.00 | 316.7 | 892.43 | 107.77 | 828.08 | 297.2 | 278.65 | 49.5 | 562.97 | 74.7 |
| Change in Fair Value of Biological Assets | 119.00 | 220.4 | 54.00 | 233.04 | 23.17 | 173.6 | 13.35 | 179.0 | 7.46 | 82.0 |
| Other Income And Gains | 67.00 | 83.5 | 80.25 | 110.51 | 72.62 | 117.5 | 61.79 | 146.7 | 42.13 | 188.9 |
| Administrative Expenses | (317.00) | 132.6 | (239.03) | 123.68 | (193.26) | 102.8 | (188.07) | 98.8 | (190.34) | 112.4 |
| Results from Operating Activities | 2,695.00 | 342.2 | 787.64 | 107.81 | 730.60 | 440.9 | 165.72 | 39.2 | 422.22 | 68.5 |
| Finance Income | 631.00 | 743.5 | 84.87 | 97.25 | 87.27 | 92.6 | 94.26 | 103.9 | 90.73 | 174.1 |
| Finance Expenses | (1.00) | 100.0 | (1.00) | 47.37 | (2.11) | 87.8 | (2.41) | 15.8 | (15.21) | 69.5 |
| Interest Paid to Government and Other on Leases | (39.00) | 102.5 | (38.05) | 101.47 | (37.50) | 100.9 | (37.16) | 117.9 | (31.51) | 107.0 |
| Net Finance Income | 591.00 | 1,289.9 | 45.82 | 96.15 | 47.65 | 87.1 | 54.70 | 124.3 | 44.01 | 5,783.0 |
| Profit Before Tax | 3,285.00 | 394.1 | 833.46 | 107.09 | 778.26 | 353.1 | 220.42 | 47.3 | 466.23 | 75.6 |
| Income Tax Expense | (715.00) | 5,301.4 | (13.49) | 23.20 | (58.14) | 333.4 | (17.44) | 25.6 | (68.04) | 98.2 |
| Profit for the Year | 2,570.00 | 313.4 | 819.97 | 113.87 | 720.12 | 354.8 | 202.98 | 51.0 | 398.19 | 72.7 |

VERTICAL ANALYSIS OF THE PROFIT AND LOSS STATEMENT

| | 2022/23 | | 2021/22 | | 2020/21 | | 2019/20 | | 2018/19 | |
|---|-----------------|--------------|---------------|--------------|---------------|--------------|---------------|-------------|---------------|--------------|
| | Rs. M | % | Rs. M | % | Rs. M | % | Rs. M | % | Rs. M | % |
| Revenue | 8,132.00 | 100.00 | 4,663.39 | 100.00 | 4,433.10 | 100.00 | 3,834.12 | 100.00 | 3,957.64 | 100.00 |
| Cost of Sales | (5,306.00) | (65.25) | (3,770.97) | (80.86) | (3,605.02) | (81.32) | (3,555.46) | (92.73) | (3,394.67) | (85.78) |
| Gross profit | 2,826.00 | 34.75 | 892.43 | 19.14 | 828.08 | 18.68 | 278.65 | 7.27 | 562.97 | 14.22 |
| Change in Fair Value of Biological Assets | 119.00 | 1.46 | 54.00 | 1.16 | 23.17 | 0.52 | 13.35 | 0.35 | 7.46 | 0.19 |
| Other Income And Gains | 67.00 | 0.82 | 80.25 | 1.72 | 72.62 | 1.64 | 61.79 | 1.61 | 42.13 | 1.06 |
| Administrative Expenses | (317.00) | (3.90) | (239.03) | (5.13) | (193.26) | (4.36) | (188.07) | (4.91) | (190.34) | (4.81) |
| Results from Operating Activities | 2,695.00 | 33.14 | 787.64 | 16.89 | 730.60 | 16.48 | 165.72 | 4.32 | 422.22 | 10.67 |
| Finance Income | 631.00 | 7.76 | 84.87 | 1.82 | 87.27 | 1.97 | 94.26 | 2.46 | 90.73 | 2.29 |
| Finance Expenses | (1.00) | (0.01) | (1.00) | (0.02) | (2.11) | (0.05) | (2.41) | (0.06) | (15.21) | (0.38) |
| Interest Paid to Government and Other on Leases | (39.00) | (0.48) | (38.05) | (0.82) | (37.50) | (0.85) | (37.16) | (0.97) | (31.51) | (0.80) |
| Net Finance Income | 591.00 | 7.27 | 45.82 | 0.98 | 47.65 | 1.07 | 54.70 | 1.43 | 44.01 | 1.11 |
| Profit Before Tax | 3,285.00 | 40.40 | 833.46 | 17.87 | 778.26 | 17.56 | 220.42 | 5.75 | 466.23 | 11.78 |
| Income Tax Expense | (715.00) | (8.79) | (13.49) | (0.29) | (58.14) | (1.31) | (17.44) | (0.45) | (68.04) | (1.72) |
| Profit for the Year | 2,570.00 | 31.60 | 819.97 | 17.58 | 720.12 | 16.24 | 202.98 | 5.29 | 398.19 | 10.06 |

QUARTERLY RESULTS ANALYSIS

Despite the even distribution of revenues quarterly, the bottom line shows uneven performance. The first quarter result was mainly affected by higher input costs including fertilisers, packaging materials and fuel. The third quarter result was mainly affected by the increase in tax rates and increase in electricity tariffs by the government in response to the economic crisis and in line with the International Monetary Fund's debt restructuring program. In the fourth quarter, higher profit was reported due to lower input costs with

the gradual recovery of the economy, higher financial income and recognition of gain on valuation of biological assets.

Quarterly Summary of Statement of Profit or Loss

| Rs.'000 | 1st Quarter 30.06.2022 | 2nd Quarter 30.09.2022 | 3rd Quarter 31.12.2022 | 4th Quarter 31.03.2023 | 12 Months 31.03.2023 |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| Revenue | 1,954,728 | 1,893,614 | 1,918,126 | 2,365,040 | 8,131,507 |
| Gross profit | 369,624 | 746,641 | 516,530 | 1,193,023 | 2,825,818 |
| Results From Operating Activities | 311,074 | 727,257 | 467,606 | 1,188,771 | 2,694,709 |
| Net Finance Income | 48,215 | 129,603 | 197,694 | 215,007 | 590,519 |
| Profit Before tax | 359,289 | 856,861 | 665,300 | 1,403,779 | 3,285,228 |
| Income Tax Expenses | (37,825) | (68,774) | (403,878) | (204,325) | (714,802) |
| Profit After Tax | 321,464 | 788,086 | 261,422 | 1,199,454 | 2,570,426 |

MANUFACTURED CAPITAL

We recognize that this capital component plays an important role in our business as a critical enabler, improving the efficiency of our process. Facilitate greater value addition; quality assurance to secure our key markets; and controlling our production costs to maintain business viability; Hydro and solar power plants have furthered our goal of transitioning to a fully renewable energy process.



Our Key Focus Areas

Estate Infrastructure

Field Development

Factory Maintenance

Plant, Machinery & Equipment's

Renewable Energy

Input

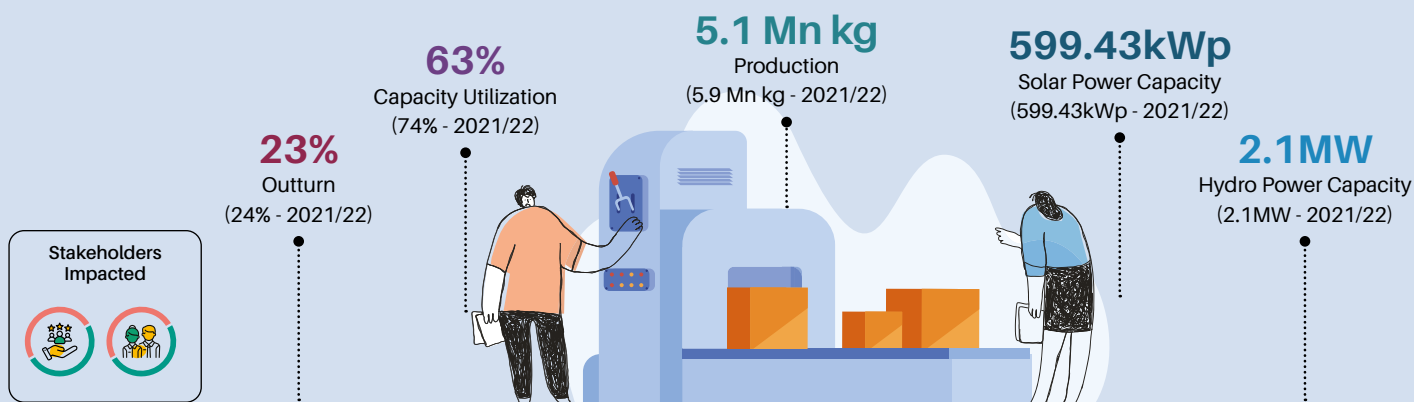
- Procurement of Machinery & Equipment
- Factory Maintenance
- Renewable Energy
- Estate Infrastructure

Process

- Carry out need based analysis prior to procurement
- Follow manufacturing specifications
- Adapting to energy efficient technology
- Maintain factories with due up grades

Outcome

- Boost operational efficiency
- Optimize return on Investment
- Brand reputation for premium quality teas
- Sustainable operations



| Strategies | Purposeful Value Creation | Trade offs |
|---|--|---|
| <ul style="list-style-type: none"> Procure best in class machinery & equipment Regular factory maintenance Develop estate infrastructure | <ul style="list-style-type: none"> Optimizing resource use, sustainable practices, innovation, and stakeholder engagement to create economic, environmental, and social value in plantation operations. | <p>Financial Capital</p> <ul style="list-style-type: none"> -Investment in factory and machinery development <p>Natural Capital</p> <ul style="list-style-type: none"> -Land use changes under crop diversification +Sustainability agriculture practices ensure healthy ecosystem |

Looking Beyond

New technology that optimizes the use and allocation of resources will be important. Modernization and automation of manufacturing facilities; To reduce production costs and improve product quality and quantity.

Short

- Speciality Teas
- Training workers
- Incorporating new equipment
- Field Development

Medium

- Crop Diversification
- Training & Development
- Direct Marketing

Long

- Produce High-Quality Teas.
- Environment Friendly practices
- Safe Workplace
- Cost Efficiency

Materiality

In the realm of Manufacturing capital, two material themes of operating context dynamics and an agile business model hold significance. This section explores the management and performance of these matters, emphasizing their importance and impact on our ReGen Agenda and strategic imperatives.



Procurement practices, Operational efficiency, Agriculture sector productivity

MANAGEMENT APPROACH

GRI 3-3

A systematic approach drives our efforts to strengthen our manufactured capital base. Any major PPE upgrades or improvements to estates and factories are planned ahead taking into account the Company's future business plans and estate-wise operational requirements. All new investments in PPE are undertaken in line with the Board approved annual CAPEX plan and budget.

These measures are complemented by a comprehensive approach for the day to day management of field and factory operations, where our portfolio of global standards and certifications, such as RA™, HACCP, ISO 22000:2018, ISO 14001:2015, ISO 50001:2018, ISO 14064-1:2018, ISO 9001:2015, Ecolable-Tea and Great Place to Work all contribute towards safeguarding the integrity and operational efficacy of our estates and factories in the long term.

As per our classification, we consider the 7 estates located in Talawakelle and the 5 in Nanu Oya to be in the high grown tea region, while the 3 estates in Deniyaya and 1 in Galle fall into the low grown tea region. The high grown region accounts for approximately 83% of TTE's total tea cultivation extent. On several of our low grown estates, we have cultivated other crops on a limited scale. These include Timber/Fuelwood and Cinnamon and more recently Coconut. Apart from this, we regularly invest in developing our renewable energy assets.



MANUFACTURED CAPITAL

| Region | Estate | No. of Factories | Capability | Crop Distribution | |
|-------------------|--------|------------------|---|-------------------|----------|
| High Grown | | | | | % |
| Talawakelle | 7 | 6 | Orthodox - Rotorvane | 2,428,750 | 48 |
| Nanu Oya | 5 | 5 | Orthodox - Rotorvane, Orthodox - Leafy Green Tea | 1,327,307 | 26 |
| Low Grown | | | | | |
| Galle | 1 | 2 | Orthodox - Rotorvane | 237,071 | 4 |
| Deniyaya | 3 | 2 | Orthodox - Rotorvane | 1,109,270 | 22 |

PROCUREMENT OF MACHINERY AND EQUIPMENT

In line with our factory modernization initiatives, we aim to invest in the most efficient technologies. Accordingly, new machinery and equipment for our factories are sourced only from globally reputed original equipment suppliers with proven credentials.

All suppliers are strictly vetted in line with TTE's procurement guidelines for quality, delivery and after sales support. We also give priority to suppliers with globally recognized certifications for their products and processes as well as their social and environmental performance.

Changes to our Manufactured Capital

| Asset Type | 2022/23 Rs. '000 | 2021/22 Rs. '000 | % Change |
|--------------------------------------|---------------------|---------------------|----------|
| Biological Assets | 2,992,357 | 2,189,651 | 37 |
| Inventory | 830,787 | 482,997 | 72 |
| Building | 509,738 | 509,523 | 0 |
| Plant & Machinery | 766,792 | 737,665 | 4 |
| Other equipments including Computers | 211,344 | 192,061 | 10 |
| Motor Vehicles | 395,953 | 341,471 | 16 |
| Furniture & Fittings | 14,666 | 13,124 | 12 |
| Total | 5,721,637 | 4,466,492 | 28 |

In the current year, we have invested in an Eco Friendly Zip Line to transport, the green leaf from Bearwell division to the factory.



Eco Friendly Zip Line

In the year under review, a new innovative solution was implemented at Bearwell estate to support the delivery of green leaf from the field to factory. The solution involved installation of a 300 meter zip line across the Agra Oya that runs through Bearwell estate. The zip line was installed at a higher elevation across the water and connected directly to the loft of the Bearwell factory. Using only gravitational force, a sack of green leaf once tied to a karabiner, attached to a pulley mounted on the cable will travel down along the zip line into the factory. This mechanism which has been in use since June 2022 and has proven to be faster, environmental friendly and less labour intensive process with minimal damage to green leaf.

Maintenance of Factory Infrastructure

We have implemented strict schedules to ensure all machinery and equipment at factories are maintained in line with manufacturers' specifications thus maximizing functional efficiency at all times. A team of trained technicians have been appointed at each factory to oversee these processes. Each year we invest in training and capacity building to enable our technicians to enhance their skills and expertise.

During this year, we contributed more towards the construction of Kiruwanaganga Tea Factory in Kiruwanaganga Estate.

Construction of the new Kiruwanaganga Factory with High efficiency with Green building concept

we have invested in Eco Friendly Zip Line to transport, the green leaf from Bearwell division to the factory

Construction of the New Kiruwanaganga Factory

Construction of the new factory is a critical value addition of the company's low grown tea operation. Kiruwanaganga is the largest tea estate of our company in the low grown region with an extent of 338 hectares of tea. The potential estate crop is 2 Mn/Kg of green leaf which is equivalent to 425,000kg of made tea per annum.

Kiruwanaganga estate has a substantial bought leaf operation with a potential of 1.4 Mn/Kg of green leaf equivalent to 300,000 kgs of made tea per annum.

The new factory site will reduce travelling distance of green leaf from the estate to factory by approx. 25 km – one way per day than the present factory. This would reduce transport costs, time and also ensure a better leaf quality for manufacture.

Approximately Rs. 560 Mn has been spent on the factory, which is currently under construction and is equipped with state-of-the-art equipment including automatic weighing, drying and withering systems.



Renewable Energy

After venturing into renewable energy by investing in Mini Hydro systems at the Radella, Somerset and Palmerston estates. TTE has since expanded its renewable energy footprint through planned investments in solar energy under guidance & supervision of the Ministry of Power and Renewable Energy & Business Development. Over the years we have commissioned rooftop solar systems at our Bearwell, Moragalla, Deniyaya, Calsay and Dessford factories, and today have a collective annual clean energy generation capacity of approximately 600 kWp.

Hydro Power

| Plant | Capacity kWp | Generation kWh | % Bud. Generation |
|--------------|--------------|------------------|-------------------|
| Radella | 0.2 | 938,768 | 113 |
| Somerset | 1.1 | 4,028,751 | 106 |
| Palmerston | 0.8 | 2,965,150 | 100 |
| Total | 2.1 | 7,932,669 | 104 |

Solar Power

| Plant | Capacity kWp | Generation kWh | % Bud. Generation |
|--------------|---------------|----------------|-------------------|
| Bearwell | 108.24 | 113,063 | 83 |
| Moragalla | 149.8 | 152,405 | 81 |
| Deniyaya | 117.76 | 114,521 | 77 |
| Dessford | 109.68 | 125,881 | 90 |
| Calsay | 113.95 | 107,960 | 76 |
| Total | 599.43 | 613,830 | 81 |

Estate Infrastructure Development

GRI 201-4

Our Infrastructure Development covers buildings and processing floors of our operational areas and community based roads, housing, water, Sanitation, recreation facilities, etc., all infrastructure development is carried out by reputed contractors. Our selections are based on

proper tender procedures. We also obtain community support and in some instances, collaborate with plantation sector based government and non-government agencies to carry out these initiatives.

FIELD DEVELOPMENT PROGRAMME

GRI 201-4

All our estates are RA™ certified and as such are managed in line with the best practices set out therein for nursery management, harvesting, soil management and replanting.

In the current financial year, we significantly expanded replanting Tea and Timber/Fuelwood in high grown estates. In our low grown estates, we focused on increasing the cultivation of Cinnamon, Coconut in line with RA™ replanting guidelines under a structured programme and maintain capital clearings following best practices. Field Development expenditure stood at Rs. 197 Mn representing an increase of 52% over 2021/22. During the year our replanting program was supported by government grants of Rs. 5.5 Mn.- Refer Review of Business Operations page 71.

INTELLECTUAL CAPITAL



TTE'S Intellectual Capital is the nucleus around which the Company's unique identity is framed - the TTE brand, Standards and Certifications, and other knowledge-based systems and processes that create an ecosystem for the Company to deliver on its intended purpose. Also forming an important part of our Intellectual Capital are the synergies derived as a result of TTE's status within the Hayleys Group.

Our Intellectual Focus Areas

Brand Reputation Digitalization Knowledge & Skills Team work

Input

- Talawakelle Tea Estates - Brand and Reputation
- 16 Certifications & Voluntary Compliance
- Digital infrastructure
- Passionate and empowered teams

Process

- Research and development
- Brand value enhancement
- Standardization and certification
- Approach New market

Outcome

- Strong Brand and reputation
- New varieties of specialty grades
- Accurate, timely and anytime data availability
- Innovative thinking

Rank 01

RPC Overall Ranking
2021- Rank 01

37

Awards and Recognitions

21

All Time Record
Prices

211

Top Prices

Rs. 13.7 Mn

Invested in Training
2021-22 Rs. 1.46 Mn

Stakeholders
Impacted



Strategies

- We invest to improve skills and knowledge of our workforce which lead towards effective and efficient outcomes through novelty
- Through automation and digitalization, we lead the industry

Purposeful Value Creation

Identifying the significance of the Intellectual Capital within the value creation process, we encourage and enhance our workforce, knowledge and equipment to create value more purposefully through novelty.

Trade offs

- Human Capital**
 - +Knowledge Skill development
- Finance Capital**
 - Cash out flow due R&D process
- Relationship Capital**
 - +Improve relationship with external partners

Looking Beyond

To ensure the journey of the Brand is sustainable and enhance brand value, we continue to reinforce our commitment to maintain the impeccable quality of our teas by stronger compliance and greater focus on best practices.

Short

- Increase brand value through currently available product portfolio

Medium

- Foster an innovation culture within the organization by encouraging creative thinking, idea generation, and experimentation.

Long

- Build an ecosystem that encourages knowledge exchange, collaboration, and innovation among employees, stakeholders, and partners.

Materiality

In the realm of Intellectual capital, two significant material themes emerge: operating context dynamics and an agile business model. This section delves into the management and performance of these matters, emphasizing their importance and impact on our ReGen Agenda and strategic imperatives.

**R&D Technology****MANAGEMENT APPROACH****GRI 3-3**

The management approach of intellectual capital in TTE is a rigorous and strategic process aimed at building and enhancing the unique characteristics of the company. This approach is undertaken with great care and deliberation, ensuring that all actions related to the development of intellectual capital align with the company's vision and objectives.

The process begins with the strict oversight of the company's leadership, who actively

participate in discussions and decisions regarding intellectual capital. These discussions take place at the board level, where key stakeholders provide their insights and expertise. After the board level approval, a meticulous planning phase follows. This involves mapping out the specific initiatives and strategies required to nurture and expand TTE's intellectual capital. The planning process takes into account factors such as market trends, emerging technologies, and industry best practices.

Once the planning is complete, the execution of intellectual capital

development initiatives is carried out under the guidance and stewardship of TTE's senior management teams. These teams are responsible for implementing the planned strategies, ensuring effective utilization of resources, and monitoring the progress and outcomes of intellectual capital initiatives. By following this management approach, TTE aims to harness its intellectual capital effectively, leveraging its unique strengths and capabilities to drive innovation, enhance competitiveness, and achieve sustainable growth in the ever-evolving business landscape.

**BIODIVERSITY SRI LANKA**

CEO Water Mandate

BUSINESS 1.5°C

INTELLECTUAL CAPITAL

BRAND CREDENTIALS

With a history spanning more than three decades, TTE is considered to be a legacy brand in the local tea industry. Since the inception, TTE has worked with unequivocal commitment to master the art of producing the finest ceylon teas. Today Black Tea (Orthodox Rotorvane and Orthodox Leafy) and Green Tea (Steam and Pan Fired) produced by factories of TTE listed in pages 24 and 25 are highly sought-after world over, which has earned the Company the enviable reputation as the leading Regional Plantations Company in Sri Lanka.

- ✔ **TTE High Grown GSA** achieved the ever highest gap against Western High Grown Elevation - **Rs. 130.63** (Previous highest Rs. 94.74 in 2021)
- ✔ **TTE Low Grown GSA** achieved the ever highest gap against Low Grown Elevation - **Rs. 197.41** (Previous highest Rs. 86.84 in 2021)
- ✔ **TTE Overall GSA** achieved the ever highest gap against National Elevation - **Rs. 102.78** (Previous highest Rs. 97.89 in 2021)

Our desire to pursue continuous innovation further reinforces our brand credentials by adding new dimensions to our traditional business model. Our recent innovations include specialty teas grown in our “chemical free fields” carefully crafted for the palettes of tea connoisseurs around the world. TTE’s latest innovation is the range of value-added teas, including special flavoured teas that targets niche consumer segments.

While asserting its position within the upper echelons of Sri Lanka’s tea producing fraternity, TTE has worked tirelessly to enhance its reputation as a sustainable, ethical and well managed business. Some of the key pioneering initiatives carried out by TTE over the years are listed below.

2005

- ✔ Great Western Estate: The First tea estate in Sri Lanka to obtain the HACCP Certification

2006

- ✔ Kiruwanaganga Tea Factory – the first factory in Sri Lanka to obtain the ISO22000:2005 standard (Food Safety Management Systems)

2011

- ✔ Certified under Rainforest Alliance certification

2016

- ✔ Adopted United Nations Global Compact principles (UNGC and enrolled into advance level of UNGC).

2017

- ✔ Great Western estate was the first to be certified under ISO 14001:2015 Environmental Management Systems and ISO 9001:2015 Quality Management Systems among all RPCs in Sri Lanka.

2018

- ✔ First plantation company to certify head office and all estates under ISO 14064:2018 Greenhouse Gas Emission (GHG) inventory.
- ✔ Enrolled and adopted the United Nations Women’s Empowerment Principles.
- ✔ First plantation company to be crowned the Overall Winner (Gold) at the National Business Excellence Awards 2018 held by the National Chamber of Commerce.
- ✔ Holyrood was the 1st Factory to be certified under ISO 50001:2018 Energy Management Systems

2019

- ✔ First plantation company in the world to commit to Science Based Target Initiative with the objective of achieving NetZero by 2050.

2020

- ✔ The first company in Sri Lanka to achieve ‘Gold’ status for all stages of Measure, Reduce and Contribute under the United Nations Climate Neutral Now initiative.

2021

- ✔ First RPC to be “Great Place to Work” certified in Sri Lanka and recognized as 2nd Best in Asia amongst seven other awards.

2022

- ✔ Eco Label certified.

STANDARDS AND CERTIFICATIONS

Since the inception, TTE has demonstrated a strong commitment to mobilise best practices across various aspects of its business operations through the adoption of globally recognised standards and certifications. The guidelines set out under these standards and certifications are integrated into our policy and procedural frameworks which then cascade into standard operating instructions that create a foundation for the application of global best practices across the day to

day operations. Over the years TTE has been leading by example through its pioneering efforts to emulate global best practices across its estate and factory operations.

Quality - Addresses quality management

- ✔ ISO 9001:2015 Quality Management System – Greatwestern Factory certified

Food safety and Hygiene - Addresses food safety management risks across the supply chain

- ✔ ISO 22000:2018 Food Safety Management Systems – 14 factories certified
- ✔ HACCP – All factories and estates comply
- ✔ GMP – All factories and estates comply

Sustainability - Addresses principles of social and environmental responsibility

- ✔ Rainforest Alliance Certification - 14 estates & factories certified
- ✔ Great Place to Work certification (March 2023 to March 2024)
- ✔ ISO 14064-1:2018 Green House Gas Emission (GHG) Inventory/ Carbon Footprint Standard - All estates, factories and Head Office certified.
- ✔ ISO 14001:2015 Environmental Management Systems standard - 5 factories (Holyrood, Great Western, Wattegoda, Somerset and Bearwell) certified.
- ✔ ISO 50001:2018 Energy Management Systems - Holyrood factory certified.
- ✔ Sustainable Development Goals under the United Nations - Our operations are aligned to meet the 17 Sustainable Development Goals
- ✔ Science Based Target Initiatives (SBTi) committed – SBTi to reduce GHG emissions with short-term and long-term targets.
- ✔ Aligned with the United Nation Climate Neutral Now Initiative and obtained gold status for all steps of Measure, Reduce and Contribute
- ✔ United Nations Global Compact and United Nations Women’s Empowerment – Principles of UNGC and UNWEP are integrated into Group strategy.
- ✔ United Nations Climate Neutral Now - Aligned with the criteria of Measure, Reduce and Contribute criteria.
- ✔ Align with United Nations CEO Water Mandate
- ✔ ECO Label Certification – All Factories, Estates and Products

KNOWLEDGE AND INNOVATION CAPABILITY OF TEAMS

TTE relies heavily on the knowledge, skills and innovative spirit of its leaders as well as its on-site estate and factory leadership to drive the success of the business. We see our teams as agents of change for our business and as such encourage them to innovate and ideate for the benefit of productivity, cost efficiency and sustainability.

We also invest in continuous training and capacity building initiatives to enable our teams to upgrade their knowledge and sharpen their skills regarding agricultural best practices and the latest manufacturing techniques. Towards this end, we use a combination of internal and external expertise to give our teams the opportunity to improve their skill set more holistically.

More information regarding the training focus for the current financial year, please refer to the Human Capital section on page 112.

DIGITAL TRANSFORMATION STRATEGY

Although TTE's operations are predominantly labour intensive, we have in recent years strategically invested in technology to digitise and automate certain aspects of our business.



HRIS Oracle Cloud System for Executive Employees

A fully digital employee lifecycle management system for executive grade employees across our offices in Colombo, Nanu-Oya, Talawakelle, Deniyaya and Galle. Since its implementation all on-boarding, performance appraisals, training and development activities of executive grade employees have been routed through the system. Being the main channel for rolling out new HR procedures, processes and documentation, the system has enabled TTE to expedite its transition to a paperless environment.



Vehicle Tracking and Fuel Saving

Fixed GPS navigation system to estate leaf transport vehicles to identify and monitor the vehicle movements and guiding drivers to go on the correct routes to save fuel and mileage. Also, to avoid misuse of vehicles.



Digital Weighing System

Commissioned Sri Lanka's first-ever digital weighing system for green leaf with 99.99% accuracy which helped to minimise short comings of traditional manual weighing and enable TTE to enhance the level of transparency of worker wages. Performance dashboards and data driven analytics capability has empowered estate management in quick, accurate and effective decision making.



Digital Employee Identification

Introduced QR technology to identify the estate workers and embedded with employee ID cards. This system, is faster, economical and environment friendly compared with previous NFC (Near Field Communication). The new QR technology has reduced the cost of employee ID cards by 75%.



Decision Support System (DSS)

A web based application to facilitate real time tracking, monitoring and assessment of economic, social and environmental KPI's across estates and factories. In this way the software platform facilitates capacity planning at our estates in order to align worker activities with our operational targets.



Digital Empowerment of Estate Management

The initiative saw the deployment of mobile tablets to enable TTE's Estate Management to monitor plucker performance and overall estate performance data on a real time basis while facilitating strategic insights and knowledge sharing for head office management teams.

Online Marketing Ledger System

Developed by our in-house IT team, the Online Marketing ledger is an end-to-end data capture system. Which enables tracking of packing, cataloging, selling, delivery and claims.

RESEARCH AND DEVELOPMENT (R & D)

R & D underpins TTE's efforts to innovate. To complement our ongoing in-house research, we often collaborate with external specialists and third-party experts on various topics. Over the years TTE has collaborated with the Tea Research Institute and several state universities on various projects which has seen the development of high-yielding and specialty cultivars at the tea nurseries, alternative weed and soil management solutions, and product diversification including new specialty teas.

MEMBERSHIP OF ASSOCIATIONS -



TTE's memberships and affiliations with various organisations also help in the pursuit of targeted research on specific topics.

- Planters Association
- Ceylon Chamber of Commerce
- Colombo Tea Traders Association

GROUP SYNERGIES

Being part of the Hayleys Group, TTE benefits from the overarching governance frameworks, sustainability principles and business ethics that frame the Group constitution. These constitutional mandates play a vital role in integrating best practices at all levels of TTE's operations.

CAPITAL MANAGEMENT

SOCIAL AND
RELATIONSHIP
CAPITAL

Social and Relationship Capital refers to the authentic stakeholder relationships built over the years with our customers, suppliers and estate communities that together form the nexus of TTE's core business. These crucial connections in effect represent TTE's social licence to operate now and in the future.



Key Social and Relationship focus Areas

Community
Health &
WellbeingQuality
Education
for allGender
EqualityPremium
Quality
TeasSustainable
production

Traceability

Healthy
RelationshipProduct
Responsibility

Input

- Estate Teams for Community Development
- Estate Worker Housing Cooperative Societies (EWHCS)
- Non-Governmental Organizations
- Child Development Centres
- Strong and Healthy relationship with Brokers, Buyers and Suppliers

Process

- Home for every worker project
- Buyer Broker Supplier relationship building activities
- Promotional campaigns
- Internal and External System Audits

Outcome

- Improved Housing and other Infrastructure
- Better health, sanitation facilities for the Community
- Premium prices
- Stronger and healthier relationship
- Loyal customer and suppliers
- Loyal Suppliers

3

Food safety related certificates
(2021/22 - 3)

86%

Customer
Satisfaction

101

New Customers

6

Customer complaints
(2021/22 - 14)

Rs. 930.96 Mn

Payments to MSME Suppliers
of bought leaf
(2021/22 - Rs. Mn. 492.29)

81

Total internal and
external audits for
system compliance and
certifications
(2021/22 - 79)

Rs. 165.4 Mn

Investment in A Home
For Every Plantation
Worker
(2021/22 - Rs. 107.4 Mn)Stakeholders
Impacted

Strategies

- Improving Living Environment
- Quality products
- Community Capacity Building
- Empowerment Of Youth
- Key Value Drivers

Purposeful Value Creation

To ensure the long lasting strong sustainable relationship with buyers, brokers and suppliers - we are focusing on purposeful engagements and improve transparency. We invest and practice numerous activities to improve and enhance our community

Trade offs

Intellectual Capital

- Strong reputation to improve brand value

Human Capital

- Loyal community to ensure stable labour

Finance Capital

- Investments on supplier audits and awareness programs to ensure sustainable supplier base

Looking Beyond

We keep on investing in providing the tools and the knowledge to empower our communities to grow and become productive members of society. Also, we invest to improve our buyers, brokers and supplier engagement methods by help of modern technology.

Short

- Improve communication channels and transparency with stakeholders, including employees, customers, suppliers, and local communities, to foster trust and mutual understanding.

Medium

- Partnerships for ensure sustainable business approach to develop strategic partnerships with customers, community NGOs, governmental organizations, and stakeholder groups to address social and environmental and business challenges.

Long

- Collaborate with relevant stakeholders to identify and pursue opportunities for shared value creation, aligning business objectives with societal needs.

Materiality

In the realm of social and relationship capital, all five material themes hold significant importance. This section thoroughly explores the management and performance of these material matters, emphasizing their impact and relevance to our ReGen Agenda and strategic imperatives.



Principal relationships, Brain drain & Labour Outmigration, Procurement practices, Supply chain traceability, Pandemic-led disruptions, Public policy, Food security, Local communities, Supplier social, Customer satisfaction, Customer health and safety, Marketing and labelling, Product Quality assessment, Livelihood development, Supplier Environmental Assessment

MANAGEMENT APPROACH

TTE's management approach revolves around a relationship-centric philosophy that emphasizes strong engagement with buyers, brokers, suppliers, and communities. Through various activities, TTE proactively builds, enhances, and sustains these relationships while upholding transparency.

To foster rapport with buyers and brokers, TTE conducts tea tasting sessions, allowing them to experience the exceptional quality of its teas firsthand. Inviting these stakeholders to visit the tea estates further

strengthens the connection, enabling them to witness the production process and gain insights into TTE's operations.

Maintaining open lines of communication with suppliers is vital to TTE. Regular and consistent engagement ensures smooth information flow, encourages collaboration, and enables prompt resolution of any concerns or challenges. This approach builds trust, nurtures partnerships, and ensures a sustainable supply chain.

In addition to buyer and supplier relationships, TTE actively engages with local communities. By participating in

community development initiatives, supporting local institutions, and undertaking infrastructure projects, TTE aims to make a positive and lasting impact. These efforts demonstrate a genuine commitment to the well-being of the communities in which TTE operates.

Throughout all these activities, TTE upholds transparency, ensuring stakeholders have a clear understanding of its values, practices, and operations. By embracing a relationship-centric management approach, TTE cultivates enduring partnerships, drives growth, and contributes positively to the tea industry and the communities it serves.



SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER PROFILE

By definition, TTE's customers comprise three main groups - tea brokers, local buyers and overseas buyers. Our network of tea brokers are the main facilitators in promoting our black tea at the Colombo tea auctions and Green teas through private treaty. Tea sold at the Colombo tea auctions via TTE's network of 5 brokers accounted for approximately 96% of the Company's annual sales volumes for FY 2022/23.



MANAGEMENT APPROACH

GRI 3-3

Our approach to develop and retain a loyal customer base is driven by a 360° value proposition that aims to ensure 100% satisfaction across every aspect of the journey.

PRODUCT STEWARDSHIP

GRI 416-1, 2-23, 2-24

Product stewardship marks the point of origin of TTE's customer value proposition. We articulate our commitment to product stewardship via our "Quality and Food Safety Policy", which is framed around three key principles - Zero tolerance of non-compliance, implementation of agricultural best practices and voluntary adoption of global manufacturing standards.

Being the overarching constitutional framework for end-to-end quality and safety assurance, the Quality and Food Safety Policy sets out detailed guidelines to preserve the quality and safety efficacy of the product value chain from cultivation, fertiliser application, harvesting, weighing, drying, withering, sifting, grading and all the way up to packing and dispatch. Whilst 100% of our products assessed for health and safety impact.

Meanwhile, for more stringent control over selected areas of our operation we have established specific guidelines such

as the MRL Assurance Process for Agro Chemical Inputs and the MRL Assurance Process of Tea. A key highlight of these mandates is the independent verification of product safety standards based on random sampling.

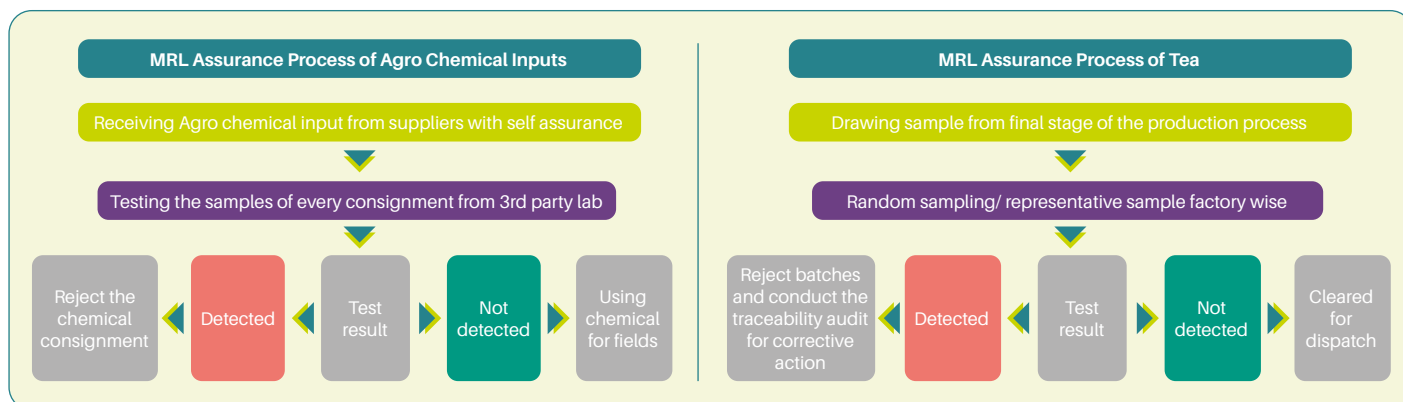
PACKAGING AND LABELLING

GRI 417-1

Given that our tea is packed in paper sacks for the purpose of export, labelling information is printed on each individual sack. We adhere to all product labelling guidelines established by The Sri Lanka Tea Board and Colombo Tea Traders Association. Accordingly, labelling contains comprehensive information about product quality, including grade, Selling Mark, Grade Invoice Number, Net Weight, Tare Weight, Gross Weight, Number of packages in the Invoice & Bag Number. Certifications acquired by the Estate are also printed alongside the Name of the Plantations Company, on each sack. We declare all labeling information in English, in accordance with stipulated SLTB regulations.

Paper sacks are sourced externally and often include the certifications and credentials of the paper sack manufacturer as well.

No monetary fines for non-compliance with laws and regulations nor rejections of any of its product categories were reported during the year.



Our Track Record for FY 2022/23

ZERO - incidents of non-compliance related to health and safety impacts of products and services ➤ GRI 416-2

ZERO - incidents of non-compliance with regulations concerning product labelling and information ➤ GRI 417-2

ZERO - incidents of non-compliance concerning marketing and communication ➤ GRI 417-3

ZERO - complaints regarding breaches of customer privacy and losses of customer data ➤ GRI 418-1

COMMUNICATION AND ENGAGEMENT

Regular and ongoing communication and engagement are vital components of our customer value proposition. TTE's marketing teams interact with the brokers almost on a daily basis for the purpose of knowledge sharing and gaining insights on market trends and other industry developments. The weekly tea tasting sessions and the monthly broker review meetings are a few of the more formal forums in place to connect with brokers.

Highly focused marketing activities over the years have helped TTE to establish substantial represent of Tea produce in TTE to traditional tea buying markets around the world, including Iraq, Turkey, Russia, U.A.E. and Iran. TTE maintains close contact with all direct buyers based on frequent one-on-one communication throughout the year.

Additionally, we conduct an annual Customer Satisfaction Survey among our customer base, with the latest survey conducted in 2022/23 revealing an overall customer satisfaction score of 86%, which is similar to recorded in 2021/22. Survey covers a range of topics which includes,

- Positive and negative attributes of our teas
- Appearance and taste of teas
- Customer requirements
- Packaging quality, delivery and customer service
- Relevance of certifications

Aggressive market development activities undertaken in 2022, saw TTE establishing 101 new buyers to the list whilst establishing new connections in several non-traditional markets such as Japan and Australia.

All data and information gathered from buyers are held in the strictest confidence in adherence to customer privacy best practices. Also, no substantiated complaints regarding breaches of customer privacy and losses of customer data were reported during the year.

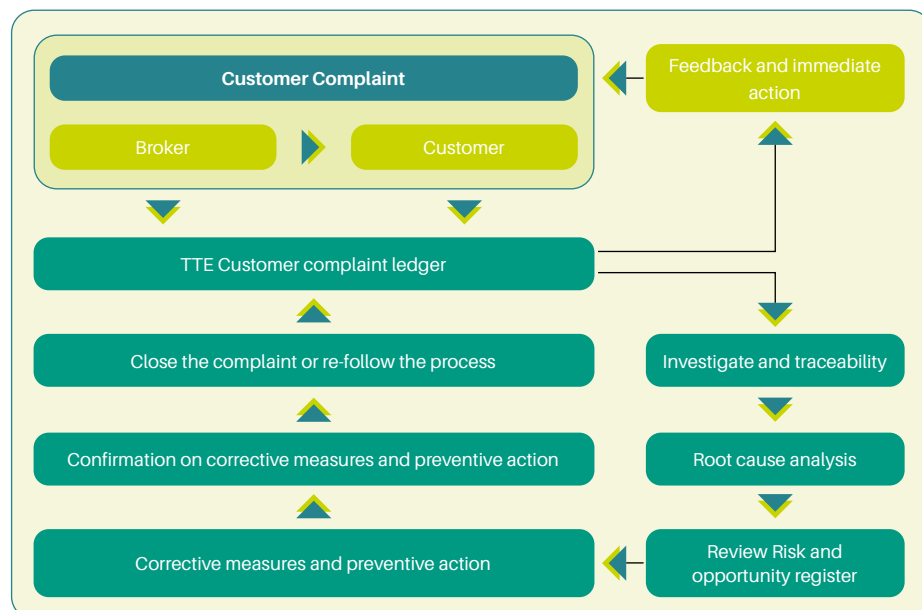
COMPLAINT HANDLING

➤ GRI 2-25, 2-26

We consider feedback and complaints as important learning tools that empower us to further refine our systems and processes in order to better adapt to customer requirements over time. All complaints

received are treated with equal importance and duly recorded and investigated with the customer kept apprised of the progress of the investigation process until a mutually agreeable solution is reached.

In testimony to TTE's proactive efforts to handle customer complaints, a year on year reduction in the number of complaints received has been observed over the past two consecutive years. Six complaints we received during the year under review which is significant declined from previous financial year.

Customer Satisfaction vs Customer Complaints

SOCIAL AND RELATIONSHIP CAPITAL

SUPPLIER PROFILE

GRI 204-1

Our Supply Chain



Field Operations

- Tea smallholders
- Fertiliser
- Agro-chemicals
- Fuel



Tea Processing Operations

- Firewood
- Fuel
- Factory machinery and equipment



Packaging

- Packing material



Storage

- Warehousing



Transport

- Logistics providers
- Transporters

Buyers
Colombo Tea Auctions

Our suppliers are instrumental in safeguarding the continuity of our business. The inputs they provide are vital for the day to day operations. TTE's supply chain is made up predominantly (more than 95%) of local suppliers based in Sri Lanka.

Our suppliers fall into 5 distinct categories, with the largest component being, our bought leaf suppliers (tea smallholders) who account for more than 40% of

the Company's total average annual procurement spend. All bought leaf suppliers are Micro, Small and Medium Enterprises (MSME) and are registered with the Tea Commissioners Division or are tea small holders. As at 31st March 2023, our bought leaf supplier base comprised 3,875 suppliers of which 2006 are regular active suppliers.

MANAGEMENT APPROACH

GRI 3-3

Our supply chain management approach is aimed at building a reliable network of suppliers who are fully aligned with TTE's high operational standards and have the capability to satisfy the Company's strategic sourcing needs at all times.

SUPPLY CHAIN SUSTAINABILITY

GRI 308-1, 308-2, 414-1, 414-2

GRI 13.23.2, 13.23.3, 13.23.4 (Sector Standards)

Supply chain sustainability has become increasingly important in recent years, especially in light of the highly competitive environment in which we operate. Given the prominent position they occupy within our supply chain, we have implemented a more inclusive value proposition to support the long-term development of our bought leaf suppliers.

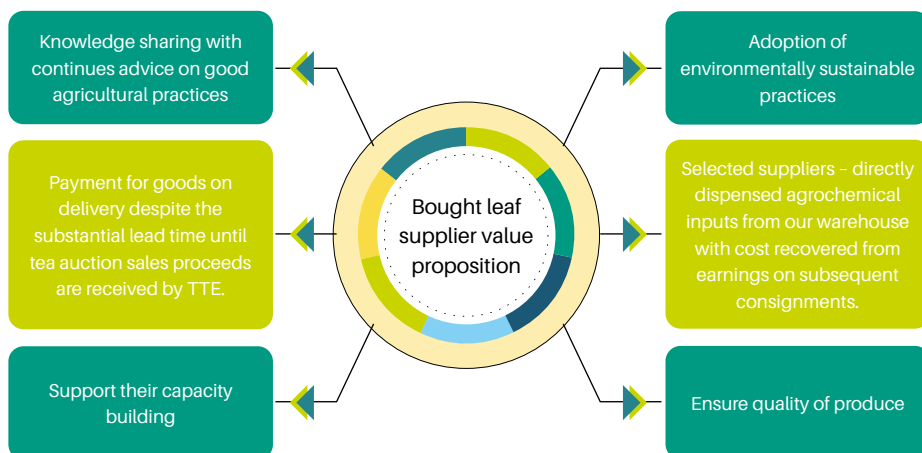
A comprehensive supplier management framework drives our intention to develop sustainable supply chain partners in all other categories. Supplier selection is preceded by a rigorous screening followed by a stringent due diligence process to verify their social and environmental credentials, with only those who meet the assessment criteria, on-boarded. Additionally, fuelwood suppliers are expected to submit an annual self-declaration updating tier status with regard to the validity and relevance of licences.

Payments to Suppliers

| Supplier Type | FY 2022/23 (Rs.) Mn | FY 2021/22 (Rs.) Mn | FY 2020/21 (Rs.) Mn |
|--|------------------------|------------------------|------------------------|
| Bought leaf | 930.96 | 492.29 | 503.35 |
| Agro-chemicals and Fertilizer | 452.29 | 138.41 | 154.23 |
| Fuel | 135.23 | 62.88 | 39.21 |
| Firewood | 100.67 | 62.51 | 59.98 |
| Machinery and Equipment, Capital Items including constructions | 324.37 | 321.34 | 91.11 |
| Packing Material | 68.88 | 38.46 | 31.86 |
| Transport Service Providers | 73.45 | 39.51 | 36.68 |

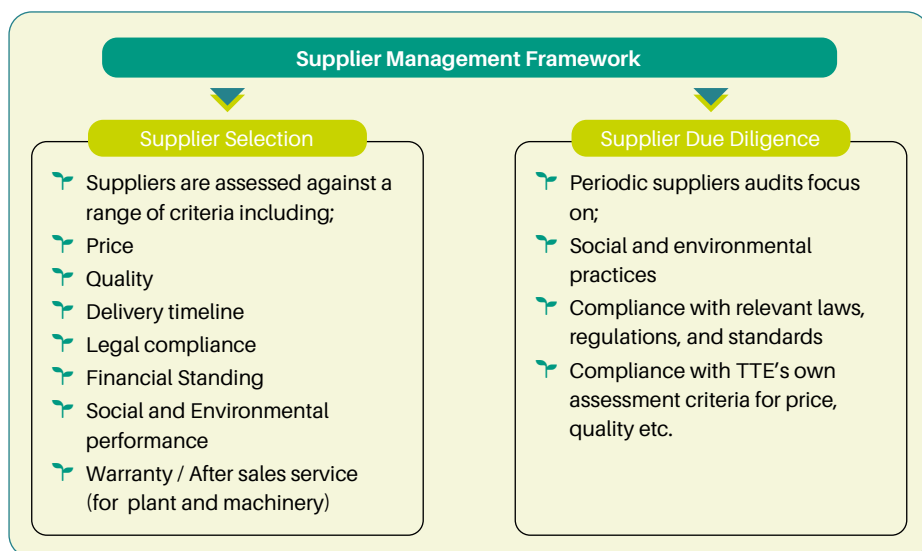
TTE Supplier Mix - FY 2022/23

| Supplier Type | Percentage of Annual Procurement Spend |
|--|--|
| Bought leaf | 40% |
| Agro-chemicals and Fertilizer | 19% |
| Fuel | 6% |
| Firewood | 4% |
| Machinery and Equipment, Capital Items including constructions | 14% |
| Packing Material | 3% |
| Transport Service Providers | 3% |



Existing suppliers are subject to periodic audits to assess their ability to align the RA™ certification and the ISO 14000: Environmental Management Standard guidelines. Our audit process serves to validate the effectiveness of our supply chain traceability protocols. Through this process, we are able to trace the entire supply chain, from the final product at our gate back to the specific fields from which we sourced materials, using unique invoice numbers. The chain of custody for our Rainforest Alliance (RA) certification guarantees that 84% of this year's production comes from certified sources. We are actively collaborating with the RA body to enhance our capacity to certify all smallholders in the future. Additionally, we have no recorded incidents of negative social impacts within our supply chain.

A total of 146 new suppliers (Including bought leaf suppliers) were on-boarded during the current financial year, while 82.2% of new suppliers were screened using social and environmental criteria. No significant issues were identified through these audits.



COMMUNITY PROFILE

GRI 413-2

Unlike any other organisation, the communities that live on our estates are deeply integrated with our business. Although these communities do not face any adverse impact due to TTE's business activities, we consider it our responsibility to protect the wellbeing of over 42,000 community members who live on our 16 estates. There were no incidents of negative impacts on Local communities during the year.

MANAGEMENT APPROACH

GRI 3-3, 203-2

We invest in providing the tools and the knowledge to empower our communities to grow and become productive members of society. To that end, our community investment strategy focuses on main pillars; Living Environment, Health & Nutrition, Community Capacity Building and Youth Empowerment.

A Home for Every Plantation Worker Programme

"A Home for Every Plantation Worker" programme is more than 15 years of operation in TTE now.



LIVING ENVIRONMENT

GRI 203-1, 413-1

GRI 13.9.1 (Sector Standards)

Rs. 5.7 Mn

Investment

21,280 Nos

Beneficiaries

Investment in community infrastructure is mainly channeled through this programme, the flagship community initiative of Hayleys Plantations. The programme involves the construction of new houses, upgrading existing water supply schemes and the installation of new water delivery systems and improving access roads to worker housing are some of the other major activities carried out under this programme. TTE has invested Rs. 5.7 Mn to improve the living environment under the "A Home for Every Plantation Worker" programme.

SOCIAL AND RELATIONSHIP CAPITAL

As part of our overall commitment to the Living Environment pillar, we also undertake to upgrade and rehabilitate traditional worker houses, electrification of housing and living quarters, commissioning factory and field rest-rooms etc.



Child development centre - Great Western Estate



New field rest room



Sanitation Facility - Somerset Estate



Field rest room - Logie Estate

HEALTH AND NUTRITION

► **Rs. 138.6 Mn**

Investment

► **538,568 Nos**

Beneficiaries

Our Health and Nutrition programme revolves around main objectives; promoting nutrition and preventing communicable and non-communicable diseases. Key initiatives under this programme include:

- A comprehensive immunisation programme
- Awareness programmes on health and nutrition
- Early childhood development programmes
- Antenatal and postnatal care
- Provision of medical facilities.

Working to promote good health and nutrition practices among community members, we have commissioned Medical Centres at all our estates. Medical Centre teams are responsible for monitoring immunisation and child development indicators. The ResponsibiliTEA online platform for Accountability and Learning, supports effective and efficient data management, monitoring & evaluation of Child Protection within our communities.

In addition, we conduct health camps for the benefit of all plantation residents. Ambulances are strategically located to be available to a cluster of estates, in close proximity to each other.

Child Welfare is an important aspect of our Health and Nutrition pillar. The "Mother and Child-friendly Tea Plantations" is a key initiative by Hayleys Plantations. In line with this programme, TTE has implemented a range of initiatives that promote maternal

health and to protect our workers' children, including pre-school child support through day care centres/'crèches'. Welfare Officers monitor the attendance of children at these facilities to ensure our resident children benefit from the early childhood development opportunities, nutrition, and other measures available to promote their health and well-being. This has contributed towards the achievement of zero underweight children under 5 years of age and facilitated their growth and development.

Furthermore, in line with our "Child Protection Policy" we have also introduced Child Protection Focal Points (CPFPs) to drive our child protection initiatives at each estate.

Maternal Care

Pre-natal & post-natal medical checkups performed through the MOH on the estates

Maternity benefits

Breastfeeding awareness for pregnant & antenatal mothers

Nutrition with MOH, PHDT & LEADS Organization

Strengthening the mothers' support groups through midwives and other service providers

Child Well-being

51 Early childhood development centers located in their respective divisions

Educating child development officers to improve children's activities

Programmes to enhance the health & well-being of children

The Human Development Key Driver Programs are implemented according to the Annual Action Plan, which is collaboratively developed, by the HR division and the estate level HRD staff. The Annual Action Plan is developed adhering to the concept of SMART and implemented via the concept of Results Based Management.

| Overall Achievements | Male H/C | Person Hours | Female H/C | Person Hours |
|---|----------------|----------------|----------------|----------------|
| Zero Anemia for Healthy Life (1/2 hr) | 68,612 | 170,002 | 34,306 | 85,001 |
| Zero Maternal Malnutrition & Under Nutrition (1 hr) | 54,116 | 78,639 | 27,058 | 39,319 |
| Zero Underweight Children (1 hr) | 24,064 | 31,039 | 24,064 | 31,039 |
| 100% Attendance at Work for Increased Earnings (1 hr) | 135,357 | 360,588 | 135,357 | 360,588 |
| Create a Better Future for Your Family for Your Family & Children for a Prosperous Life (2 hrs) | 44,685 | 56,736 | 89,370 | 113,472 |
| Clean & Tidy Workplaces (1/2 hr) | 35,020 | 46,434 | 17,510 | 23,217 |
| Nutritious Food & a Healthy Life Style, for a Better Quality of Life (1 hr) | 26,779 | 33,950 | 26,779 | 33,950 |
| Training & Development and Talent Enhancing to Maximize the Human Potential for Increased Earnings (1 hr) | 4,207 | 7,063 | 4,207 | 7,063 |
| Total | 392,840 | 78,4451 | 358,651 | 693,649 |



Blood donation camp



Demonstration on nutritious meal



Oral cancer program

COMMUNITY CAPACITY BUILDING

► **Rs. 20.1 Mn**

Investment

► **39,017**

Beneficiaries

Initiatives under this pillar involve the provision of financial assistance and strengthening financial management skills of our estate communities. Focal areas include:

- ✔ Provision of housing loans
- ✔ Savings schemes
- ✔ Provision of micro-financing facilities
- ✔ Training on household financial management
- ✔ Training on home gardening



Home garden training through Department of Agriculture & PHDT



Awareness on career development

YOUTH EMPOWERMENT

► **Rs. 1 Mn**

Investment

► **38,439**

Beneficiaries

This programme places special emphasis on the training and guidance of women and youth, empowering them with better life skills. Projects undertaken so far include vocational training, computer classes and also providing guidance & assistance for higher education programmes.

- ✔ Home Gardening
- ✔ Language & Computer Classes
- ✔ Creating awareness on significant social issues
- ✔ Bridal & Sewing Classes
- ✔ Career awareness programmes

SOCIAL AND RELATIONSHIP CAPITAL



Training on gender equality & social inclusion



Career guidance & personality development for unemployed youth



Awareness on child protection



Improving talents of children

ENRICHING OUR ESTATE COMMUNITY

**Positive Relationships and Networks**

Good relationships allow people to feel supported, develop skills and face new situations

**Community Cohesion and Connection**

Ties within and across communities enable people to feel included and valued

**Opportunities for Social Participation**

Engaging in activities and group offers people a sense of purpose and shared identity

**Shared Ownership and Empowerment**

A sense of control and collective voice can enable people to influence positive change

TTE has implemented many other initiatives to improve our estate communities. Key initiatives undertaken in this regard are;

Supporting Village & Community Activities

At TTE we strongly reckon Community support is an intrinsic part of our identity. In this light, we have continued to support our communities with financial as well as in-kind support and our participation in all of their religious, and cultural activities. We have given precedence in engaging the neighboring villages in all our Community functions, Shramadana campaigns, Annual trips, assistance in upgradation of Kovil and Temples, provision for Christmas & Avurudhu Packs, sports equipment and development of playgrounds and pavilions in Estates and assistance program through Divisional Secretariat to those who had issues in obtaining Birth certificates & National Identity Cards.



Annual trip to Kataragama- Kiruwanaganga Estate

Vegetable Pola - An empowerment initiative where we purchase Organic Vegetable and Fruits from our Estates and neighboring villages and sell to Hayles PLC Head Office Members.



Health & Well-being

We promote health and nutrition through Blood Donation, Medical Screening, Ayurveda Campaigns, and Awareness Programs. We collaborate with organizations for these initiatives and provide food support to deserving community members, focusing on improving overall well-being.



Distributing cash vouchers for dry rations

Reinforcing Quality Education

We prioritize education to empower communities. Through collaborations with FIT, Berendina, and T-Field, we provide English classes, support schooling for dropouts, offer resources like digital boards and stationary equipment, and provide guidance, scholarships, and transportation facilities for students.



Distributing stationeries to school children

Child Protection & Welfare

We prioritize child protection in our communities through partnerships with Save the Children and the Center for Child Protection. We establish Child Protection Focal Points, Village Child Development Committees, and support children's clubs and childcare facilities for their welfare.



Protecting our children

Stakeholder Engagement

This year, our company prioritized fostering strong relationships with our stakeholders, recognizing their importance in our journey to success. We undertook dedicated and innovative initiatives to support our community, and these endeavors were made possible by the generous financial support of Rs. 89 Mn from our interested stakeholders.



MOU signed with LEADS organisation

Financial Empowerment

We prioritize the financial empowerment of our female employees through training, communication, and support in money management, income generation, work-life balance, and personal development. Our policy ensures direct wage payments, promoting independence and savings.



Awareness on how to manage cash

Supporting Women through Adversity

We empower women to overcome adversity through dedicated initiatives. Our welfare teams address domestic violence, alcoholism, and health concerns. We raise awareness about alcoholism and diseases, conduct health camps, and celebrate Women's Day and Elders Day for their well-being.



Supporting to overcome adversity



Our program "Education fosters the growth of a vibrant community",



Supporting Women through Adversity



Our Health and Nutrition programme with maternal care and child well-being.
Rs. 138.6 Mn Investment/ 538,568 Nos Beneficiaries



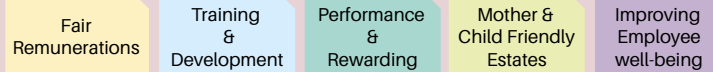
CAPITAL MANAGEMENT

HUMAN
CAPITAL

At TTE we recognise that our people are the lifeblood of our business, as it is they who drive the Company's strategy. TTE owes its success over the past 30 years to the commitment, knowledge and skills of its estate workforce, staff and management teams.



Our Key Focus Areas



Input

- Skilled, Talented & Diversified Workforce
- Significant Investment in Training and Development
- Investment in Employee Wellbeing

Process

- In-depth Recruitment and Selection Process
- Training Sessions focusing on varied areas
- Transparent Performance Management & Rewarding System
- Career & Succession Planning
- Occupational Health and Safety Training Programmes and Interventions

Outcome

- Engaged and Empowered Employees
- A Safe Working Environment
- Talent Retention & Employee Motivation
- A well-recognized Great Place to Work
- Enhanced Company Reputation and Goodwill

"Great Place to Work" certified with **97%** satisfaction rate (2021/22 - 96%)

Rs. 2,888 Mn.

Fair Remuneration (2021/22 - Rs. 2,717 Mn)

91.4%

Employee Retention Rate (2021/22 - 91.4%)

Rs.13.7 Mn

Total Training Investment (2021/22 - Rs.1.4 Mn)

Winners at the "Work-life Harmony in Asia Awards" (International Award)

Best Tea Harvester from TTE, at the Best Tea Harvester Competition (Hayleys Plantation Sector)

Stakeholders Impacted



Strategies

- Continuous Improvement
- Knowledge Sharing & Collaboration
- Diversity & Inclusion
- Training & Development
- Talent Acquisition & Retention

Purposeful Value Creation

Value is created through human capital by harnessing the skills, knowledge, expertise of employees to drive productivity, innovation and problem-solving. Well-trained and empowered employees contribute to increased productivity and operational efficiency, while their ability to think critically and collaborate fosters innovation and creative solutions to challenges.

Trade offs

Finance capital

- Remuneration and employee benefits impact reduce profitability

Manufactured Capital

- + Increase operational productivity

Intellectual capital

- + Increase intellectual property value from employee capacity building

Looking Beyond

TTE will effectively manage and develop its human capital, leading to improved employee performance, increased productivity and a competitive advantage in the market.

Short

- Investment on Training
- Grievance Handling
- Employee well-being

Medium

- Training & development
- Career development
- Performance development

Long

- High performance work culture
- Enhance Company Reputation
- Succession planning

Materiality

Human capital encompasses two significant material themes: socio-economic issues and governance and ethics. This section delves into the management and performance of these themes, emphasizing their importance and impact on our ReGen Agenda and strategic imperatives.



Economic performance, Occupational health & safety (Employee wellbeing), Living income and living wage, Employment, Labour/Management relations, Training and education, Non-discrimination, Freedom of association and collective bargaining, Employment practices, Child labour, Diversity and equal opportunity, Forced or compulsory labour.

MANAGEMENT APPROACH

➤ GRI 3-3

➤ GRI 2-23, 2-24, 2-25, 2-26
GRI 13.20 (Sector Standards)

TTE's approach to managing Human Capital stems from our desire to offer a comprehensive EVP (Employee Value Proposition) that safeguards employee rights and ensures every employee has equal opportunities to realise their personal and professional growth ambitions. We have ethical recruitment policies in place. All our workforce in the supply chain our within appropriate institutional and legal frameworks.

Our efforts to create the best in-class EVP is underpinned by the uncompromising commitment to regulatory compliance. Two key pieces of legislation apply to TTE's employees - the estate workforce falls under the purview of the Wages Board Ordinance, while the executive employees are covered under the Shop and Office act 19 of 1954 and amendments thereto. Apart from this the EPF Act, ETF Act and the Payment of Gratuity Act of Sri Lanka also apply to the Company's operations. As a responsible employer, TTE complies in full with all relevant conditions stipulated under the aforementioned labour laws. There were no incidents of non-compliance reported in the current financial year.

HR Governance

TTE maintains a top-down approach to HR Governance. Accordingly, all major decisions are subject to the approval of the GMC Member. Under the stewardship of the GMC Member, clear reporting lines have been established to facilitate supervisory oversight for HR matters at regional and estate level. This oversight structure is complemented by the Hayleys Group (Plantation Sector) HR Policy Framework which provides the foundation for managing the interests of our 4,825 strong team of employees. We focus on recruitment, training and development, performance evaluation, freedom of association and collective bargaining and occupational health and safety.

Great Place To Work®
Certified
MAR 2023-MAR 2024
LKA™

**"If everyone is moving forward together
then success takes care of itself"**

**We're Great Place to
Work-Certified™!**

97%

**Employee
Satisfaction Rate**

HUMAN CAPITAL

EMPLOYMENT

GRI 2-8

As at 31st March 2023, TTE had 4825 full time employees, of which approximately 91% were part of our estate workforce. TTE does not have any part-time employees.

Our estate workforce remains largely female dominated, as is the case in the plantation sector in Sri Lanka and across much of the rest of the world.

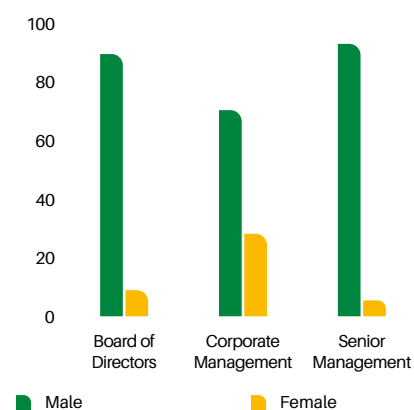
There are no workers who are not employees & whose work is controlled by TTE.

| TTE Employee Profile : GRI 2-7 | | | | |
|--------------------------------|---------------|------|--------|-------|
| | | Male | Female | Total |
| Employment Type | Permanent | 1956 | 2847 | 4803 |
| | Contract | 11 | 11 | 22 |
| Region | Central | 1560 | 2411 | 3971 |
| | Southern | 388 | 434 | 822 |
| | Western | 19 | 13 | 32 |
| Age | < 30 years | 120 | 148 | 268 |
| | 30 - 50 years | 1344 | 2304 | 3648 |
| | > 50 years | 503 | 406 | 909 |

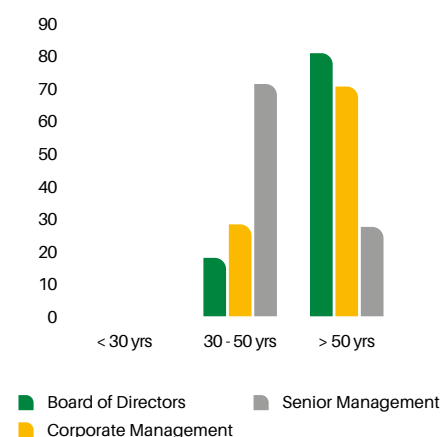
Governance Bodies & Employees on Gender & Age, as at 31st March 2023

GRI 405-1

Gender Profile of Governance Bodies (%)



Age Profile of Governance Bodies (%)



Compensation & Statutory Benefits

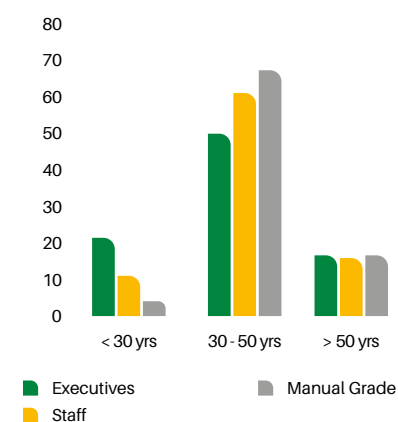
GRI 201-3, 401-2

GRI 13.20 (Sector Standards)

| Rs. Mn | Basis of Contribution | 2020/21 | 2021/22 | 2022/23 |
|--------------------------------------|-----------------------|---------|---------|---------|
| Defined Contribution Plan Obligation | | | | |
| Employees' Provident Fund | 12% | 110.79 | 158.04 | 138.6 |
| Employees' Trust Fund | 3% | 33.23 | 39.5 | 33.4 |
| Defined Benefit Plan Obligations | | | | |
| Gratuity Provision | | 150.05 | 113.8 | 169.4 |
| Gratuity Payments | | 118.06 | 91.1 | 196.1 |

GRI 405-1

Age Profile of Employee Categories (%)



Gender Profile of Employee Category (%)



GRI 406-1, 408-1, 409-1

GRI 13.15.4, 13.17.2, 13.16.2 (Sector Standards)

Striving to go beyond mandatory compliance requirements, TTE has embraced global best practices such as the ILO Convention protocols, the UN Global compact on human rights and child labour and the UN Women's Empowerment Principles, among others.

To demonstrate our commitment to these mandates, TTE has signed a tripartite agreement with "Save the Children" which has led to the implementation of a comprehensive Child Protection Policy applicable across all levels of the business. TTE has further pledged its support to the

Centre for Child Rights and has obtained the “Mother & Child Friendly SEAL” for Responsible Business”.

| | |
|---|------|
| No. of Incidents of Child Labour | None |
| No. of Incidents of Forced or Compulsory Labour | None |
| No. of Incidents of Discrimination | None |

On this basis, TTE’s HR & Social Policy stipulates that “the Company shall not engage child & young workers and the minimum age of employment should be 18 at all levels of the business”. A specific Child Protection clause has also been incorporated as part of the letter of appointment issued to new recruits, while all TTE estates have a Child Protection Focal Point to serve as a dedicated unit for the protection of child rights.

RECRUITMENT & TURNOVER

➤ GRI 202-2, 401-1

➤ GRI 13.20 (Sector Standards)

Recruitment matters are guided by the Recruitment Policy which provides the foundation for fair and unbiased recruitment without discrimination on the basis of race, colour, gender, ethnicity, religious beliefs, marital status or any other factors protected by law. Standing testimony to this, is the fact that our estate workforce is made up of the ethnic tamil minority race.

Estate manual workforce recruitments are handled by the estate manager based on the recruitment guidelines issued by the Corporate HR Department whilst handling the estate staff recruitments in accordance with the staffing plan, with the consultation of the Director Plantations and Chief Executive Officer. Both category recruitments to be obtained the final approval from the Managing Director.

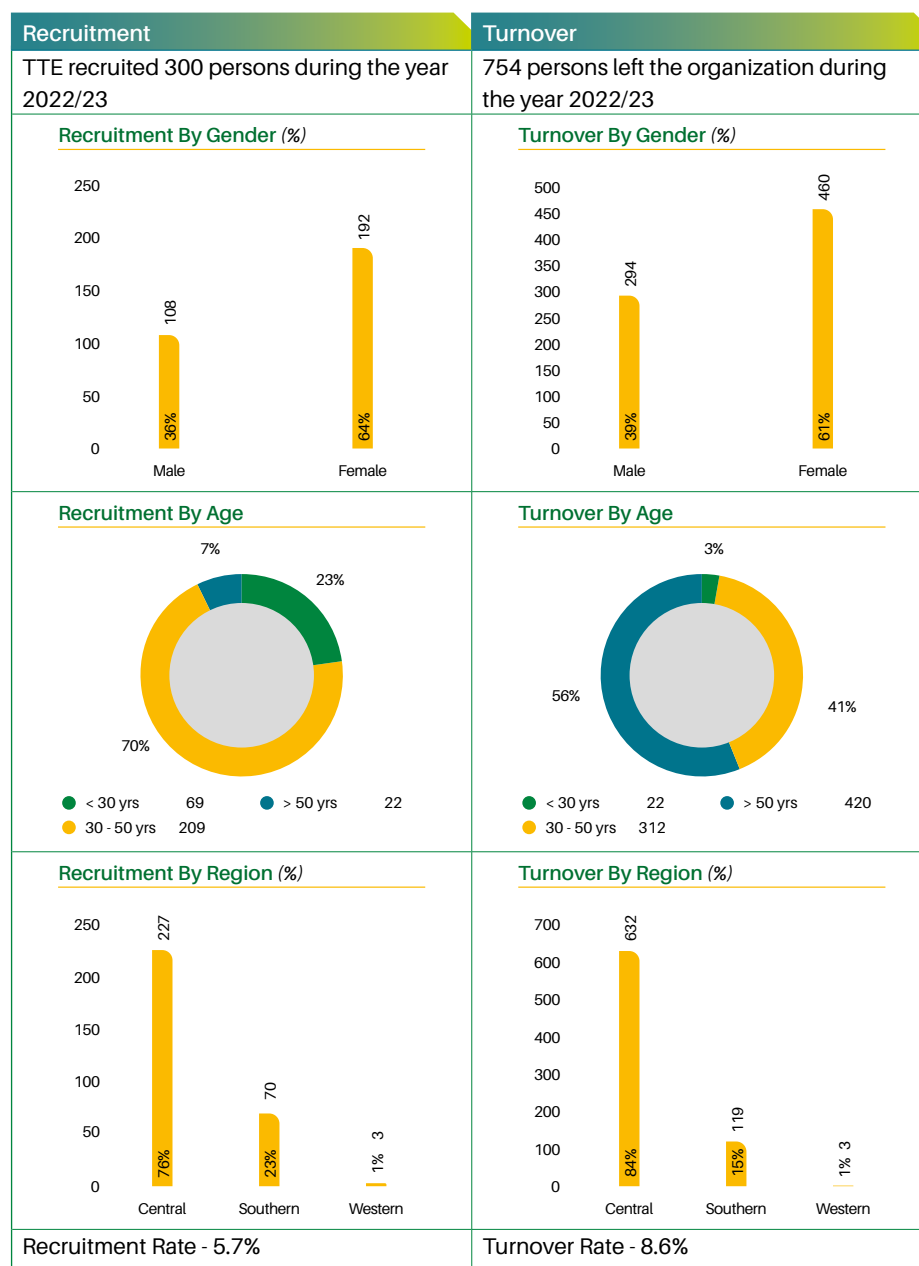
Executive recruitments come under the purview of the Corporate Management, subject to the approval of the Company’s Managing Director. 90% of our manual

workforce are hired from the estate community.

As in the past, this financial year too, TTE selected 4 qualified young school leavers to be trained as “Planter Trainees” in order to prepare them to take on the role of Assistant Managers at our estates in the future. The selected candidates participated in the 12-month long rigorous training programme which focuses on developing their skills

and knowledge to help them take on more responsible roles in the future.

TTE recruited 300 new employees during the current financial year, while 754 employees left the organisation mostly to pursue overseas employment opportunities owing to the worsening economic crisis in the Country. TTE has not recruited any senior management employees during the reporting period.



CASE STUDY

Challenge - Labour migration emerged as a major challenge in the current year as the heavy financial stress brought on by the economic crisis prompted more people to either seek temporary employment in urban areas or to pursue long term employment opportunities overseas.

Key Actions - TTE for its part took proactive steps across multiple platforms in a bid to retain employees and keep them invested in the Company's progress. The existing attendance incentive scheme applicable for the estate workforce was made more robust through the introduction of a tiered reward system. Selection of Monthly Best Harvesters was introduced with winners receiving valuable gift packs and a personalised token of appreciation from TTE's Managing Director. Tea plucking schedules were revised with early morning and evening plucking introduced to enable pluckers to supplement their regular income. The RSM model was extended to all estates in the current financial year, while the weed buy back arrangement which was first implemented in 2021 as a solution to the fertiliser shortage, was also continued.



Winners receiving valued gift packs



Personalized token of appreciation



Buy back of weeds

REMUNERATION AND BENEFITS

► GRI 2-30, 201-3, 202-1, 401-2,3, 405-2, 407-1

► GRI 13.15.3, 13.15.5, 13.18.2, 13.20, 13.21.1, 13.21.2, 13.21.3 (Sector Standards)

Our benefit structures are designed to offer competitive remuneration and benefits to Company employees. As an equal opportunity employer, our entry level salary structures reflect a 1:1 ratio between men and women.

Wages offered to our estate workforce is in line with the Wages Board Ordinance minimum guaranteed wage of Rs. 1,000/- per worker per day. The workforce also receives various other variable allowances to supplement their daily income. These additional allowances are offered at the discretion of the management, based on the type and complexity of work undertaken.

Almost 98% of our estate staff covering 5 employee categories are unionised. These unions maintain control over various

employee matters, including incentives, standard annual increments etc. Salaries and benefits of Executives are based on performance.

Leave Entitlement for TTE Employees

| Employee Category | Legal Requirement | | Talawakelle | | |
|--------------------|-------------------|--------|-------------|--------|---------|
| | Annual | Casual | Annual | Casual | Medical |
| Executives & above | 14 | 7 | 14 | 7 | 0 |
| Staff | 14 | 7 | 14 | 7 | 21 |
| Manual grade | 14 | 0 | 14 | 0 | 0 |

Maternity Leave and Retention

► GRI 401-3

| 2022/23 | Number | % of Female Workforce |
|---|--------|-----------------------|
| Maternity leave availed | 49 | 1.7 |
| Returned to work after maternity leave | 23 | 0.8 |
| Resignations after maternity leave | 4 | 0.14 |
| Retained within the organisation after 12 months taking maternity leave | 30 | 1.05 |
| Return to work rate - 46.9% | | |
| Retention rate - 61.2% | | |

As per the labour laws, male workers are not entitled to paternal leave. All our female employees are entitled to maternity leave, which amounts to a total of 2,452 this year 2022/23.

Benefits Offered to Full Time Employees of TTE

GRI 401-2

| Benefits for Permanent and Full Time Employees – FY 2022/23 | | | | | | | |
|--|---------|-----------|-------|--------|------------------|-----------|-------|
| Benefits | Estate | | | | Corporate Office | | |
| | Manager | Executive | Staff | Manual | Manager | Executive | Staff |
| Housing with electricity and water | ✓ | | | | | | |
| Living quarters with electricity and water | | ✓ | ✓ | | | | |
| Line Rooms with electricity and water | | | | ✓ | | | |
| Employee medical insurance - OPD, spectacles and hospitalisation | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Immediate family medical insurance OPD, spectacles and hospitalisation | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Free prescription drugs | | | | ✓ | | | |
| Medical facilities and free medical clinics | | | | ✓ | | | |
| Maternity benefits & Child care facilities | | | | ✓ | | | |
| Mid-day-meal nutrition programme | | | | ✓ | | | |
| Milk and wheat flour for children | | | | ✓ | | | |
| Scholarships for children | | | ✓ | ✓ | | | |
| Death donations | | | ✓ | ✓ | | | |

Revenue Share Model (RSM)

The non-wage model, also known as the revenue share model, was implemented by TTE in 2021 as part of a broad-based effort to create a mechanism to enable the estate workforce to improve their income. In contrast to the traditional attendance-based earnings, the non-wage model is designed to empower workers to become entrepreneurs and earn a living on their own terms.

To facilitate the non-wage model, TTE allocates a designated block of land from each estate to allow individual workers (Block Manager) to cultivate green tea. Block Managers have the freedom to mobilise their family members to get involved in harvesting of green leaf, thus greatly improving productivity. The arrangement is supported through a guaranteed buyback arrangement whereby Block Managers can sell harvested green leaf to the Company, in turn becoming part of TTE's bought leaf supplier base.

In FY 2022/23, the non-wage model was fully rolled out across all TTE estates. This was accompanied with a massive awareness building campaign to emphasise the benefits of entrepreneurship. Testifying to the success of these efforts, a total of 435 new Block Managers were on-boarded during the year. As at the end March 2023, all estates together had a base of 1,804 Block Managers. The overall gender distribution among block Managers stands at 2:1 (male: female) and the earning capacity of Block Managers is largely based on productivity.



PERFORMANCE MANAGEMENT

GRI 404-3

The emphasis on promulgating the performance-driven culture has led TTE to establish formal mechanisms to measure and manage employee performance at all levels of operation. Consequently, the performance of TTE employees is assessed at least once a year, if not more often depending on the employee category. All employees were evaluated through the performance monitoring system during the year.

The performance of the estate workforce is based on the 'Colour Card System', where employee performance is evaluated based on the daily minimum expected quantity of plucked green leaf. Digital weighing systems installed at all estates have enabled greater accuracy and support our efforts to be more transparent in incentivising employees who exceed the minimum daily targets. We also provide

HUMAN CAPITAL

continuous training to help our estate workforce to maximise their plucking capacity within an 8-hour day. More recently we have invested in the Future Navigator mobile application system to facilitate real time tracking of plucker performance.

The Best Tea Harvester Awards is a special recognition that has been in place since 2020. The monthly estate-wise programme recognises the 'Best Tea Harvester' within the estate based on consistently high levels of productivity captured on the Future Navigator app. At the end of the month, the employee is awarded a certificate of recognition hand-signed by the Managing Director at a special ceremony along with other rewards. Championing productivity amongst the estate workforce, Hayleys Plantations initiated the Best Tea Harvester Competition, on 25 February 23, at the Radella Grounds, Nanu Oya.

Best Tea Harvester Competition-2023

Employee retention and
motivationBest Tea Harvester
CompetitionEmployee experience
and exposure building

The "Best Tea Harvester Competition" - the flagship worker recognition programme initiated by the Hayleys Plantations Sector in 2020 was implemented across all TTE estates for the second consecutive year.

A total of 16 pluckers from TTE were selected for the final event which was held at Radella Grounds, Nanu Oya under the patronage of Hayleys Group Chairman and Chief Executive Mr. Mohan Pandithage.

Mrs. Seethaimma from TTE's Somerset Estate, secured the title "Best Tea Harvester" by harvesting 10.42 Kgs in just 20 minutes thus gaining a score of 82.6%. She took home her total cash prizes of Rs. 400,000/-.



The performance of estate staff is continuously monitored by the respective estate manager and formally reviewed by the Chief Executive Officer & Director Plantations on an annual basis to facilitate special increments and promotions. Apart from this, estate staff are entitled to receive a pre-agreed annual increment as per TTE's arrangement with their respective unions.

Championing a performance-based work culture, TTE recognized 1st three winners separately from all 5 Staff categories namely Field, Factory, Office, HR, and Support & Maintenance Staff from the entire Company, based on their Annual Performance.

The winners were duly honored with Gold, Silver & Bronze Medals & Certificates at the Prince Hall, Hatton.



Staff Awards ceremony

The 'Balanced Scorecard' approach is applied to evaluate the performance of our executive employees. Accordingly, employee performance is assessed against a set of predetermined KPI's. The Oracle Human Resource Information System enables the performance of executive employees to be continuously monitored, while the formal annual performance review serves as the platform to determine increments, promotions and other rewards as well as to identify training gaps and establish the career development needs of individual employees.

The performance of TTE's Estate Managers were recognised at a special event held at the Kingsbury Hotel, on 19 January 2023.



Performance excellence awards - executives



Plantation Management Symposium

Avowed as the First-ever Management Symposium for Estate - Based Teams for the Sri Lankan Plantation Companies, Hayleys Plantations' inaugural Plantation Management Symposium was held at The Kingsbury, Colombo, graced by the presence of our Chairman and Chief Executive Mr. Mohan Pandithage, to showcase powerful New Idea Developments, and Success Stories developed by its Estates.

TTE's Bearwell Estate was crowned the 'Best of the Best' company-level winner, for its "Green Leaf Zip Line Transportation" Project, an initiative to, Reduce cost of transportation, Improve Productivity, Improve well-being of Employees and Reduce the Estate's fuel consumption and carbon footprint.



TTE continues to place special emphasis on encouraging females to take on leadership roles. In the current financial year, TTE appointed a new female Board member. We also promoted 2 females to the senior management cadre. At an estate level we initiated various motivational training activities to empower our female tea harvesters and 27 employees were promoted as team leaders.

HUMAN CAPITAL

TRAINING AND DEVELOPMENT

GRI 404-1,2,3

We consider training and development to be a vital resource in ensuring our employees have the right skills to drive the Company forward. The annual training plan helps to prioritise training interventions undertaken for executives based on the developmental objectives set out under their respective individual development plans. The Corporate HR department takes the lead in coordinating and facilitating training programmes for executives.

A comprehensive annual estate-wise training budget supports our efforts to develop the skills of our estate teams. Regional Cluster HR Units and the estate HR teams undertake localised training activities for the estate workforce.

Training for the estate workforce typically takes the form of small pocket meetings at ground level. We also leverage our ongoing partnerships with the National Institute of Plantation Management, Tea Research Institute, Rubber Research Institute, National Institute of Business Management and universities, to ensure

our estate management receive formal training on a broad range of topics.

Furthermore, have established an internal trainer pool to carry out motivational training for our estate teams. One of the main initiatives by our trainer pool in 2022 was the campaign to highlight the national significance attached to the plantation sector workforce. Additionally, TTE's Managing Director also frequently conducts motivational training and knowledge sharing sessions in rotation for the estate management teams.

Women Team Leaders Study Tour

Women Team Leaders Study Tour Jointly Conducted by CIPM (Chartered Institute of Personnel Management Sri Lanka) and TTE's HR Team.

TTE invested Rs. 0.76 Mn to conduct a special women's empowerment initiative entitled "Women Leader Study Tour to Colombo". The main aim of the event was to empower our Tea Harvesters by enhancing their leadership skills that would install a sense of purpose in their work.

86 female leaders recommended by Estate Managers based on a multi-criteria selection model were granted a paid day off in Colombo to participate in this multi dimensional training initiative.

The session was conducted on the importance of the Tea Harvester's Contribution to the Company as well as the Tea Industry and to enhance the leadership skills, in both Tamil and Sinhala separately by the CIPM. Following the training session, the

harvesters were given a tour of the TTE Head Office and granted the opportunity to interact with the Corporate Management, and other staff at the Head Office. A knowledge-sharing session was also conducted on tea auctions, Smart tea auctions, and the functioning of the Tea Industry. Female leaders were allowed to share their experiences and were awarded Participation Certificates by the Top Management.



Training FY 2022/23

- GRI 404-1, 404-2
- GRI 13.9.1 (Sector Standards)

| Average Training Hours by Gender & Category | | | | |
|---|-----------------------------|-------------------------------|-------------------------------|---------------------------------|
| Employee Category | Total Training Hours (Male) | Average Training Hours (Male) | Total Training Hours (Female) | Average Training Hours (Female) |
| Managerial | 1,350 | 4.9 | 148 | 4.2 |
| Executive | 72 | 4.0 | 206 | 6.7 |
| Staff | 3,590 | 3.0 | 3,609 | 2.9 |
| Manual Grade | 9,229 | 2.5 | 17,665 | 2.2 |
| Total Training Head Count - 14,719 | | | | |
| Total Training Hours - 35,870 | | | | |
| Total Training Investment - Rs.13.8 Mn | | | | |

Training Workshop to Enhance Productivity & Profitability by Improving Quality of Work & Non-work Life of Workforce

An interactive Training Workshop was conducted by the National Institute of Labor Studies (NILS) for our Staff & Manual Grade Employees covering key areas such as Attitude Development, Group Knowledge, Productivity and Productivity Tools, Industrial Relations, Collective Bargaining, and Industrial Safety.

122 staff & 124 manual grade employees were trained from the Company.

NVQ Training Programme

In 2021, we formed a partnership with NAITA (National Apprentice & Industrial Training Authority) to conduct special NVQ certified courses for our estate staff. A total of 72 estate staff have qualified during the reporting year.



NVQ Program for field staff



Gender Equality & Social Inclusive (GESI) Training for Gender Focal Points

The objective of this training programme was to create an understanding on GESI key terms, concepts and application to working environments & communities. 25 Staff were trained on GESI and the sessions were held at Logie Training Centre (for High Grown Region) & Kiruwanaganga Training Centre (for Low Grown Region). The training was done by World University Services of Canada (WUSC)-Sri Lanka.

Evening with an Expert

After conducting 24 programmes of the unique virtual learning platform "Evening with an Expert", the final session was held at the Kingsbury Colombo, where our Chairman & Chief Executive Mr. Mohan Pandithage shared his useful and stimulating experiences on the topic 'Mastery in Motivational Leadership'.



HUMAN CAPITAL

Motivational Training Programme

Employee motivation is one of the important and crucial initiatives designed and delivered for all levels of employees. Over 200 field-based training sessions were conducted for employees to increase their level of commitment, persistence, and creativity and to boost emotional engagement towards career (professional & personal) development.

**Innovative Solutions to Address Food Crisis & Food Security through Agricultural Training Programme**

Sri Lanka has been facing a serious food crisis since 2021 due to the increase in prices of fertilizers, rice and other inputs and the food inflation is a major cause of food insecurity and it has very badly impacted the whole country and the Tea Plantations sector as well. In order to overcome the issues, TTE has implemented over 300 field-based training sessions for the 4800 employees on Home Gardening, food security and assistance given to farmers by providing seeds to start cost-effective agricultural farming. In addition to these 2 training workshops were conducted through the Department of Agriculture and Plantation Human Development Trust for the HRD staff and Estate Managers in the reporting year.

**Training Workshop on Social Dialogue & Work Place Co-operation**

Social dialogue & workplace cooperation is one of the key pillars of the success of any organization. It is recognized as to improve labour conditions, well-being and improve the constructive negotiations and cooperation between employees and employers.

In 2022, TTE has established a strong relationship with the Department of Labour Ministry and conducted over six training sessions for the 180 employees on Social dialogue and workplace cooperation in TTE's Estates.

**Study Tour to Thailand**

6 Corporate/Senior managers were taken on a study tour from 17-22 October 22, where a training was provided on coconut cultivation and value added products of coconut by the Thailand Institute of Scientific Technological Research.

**COMMUNICATION AND ENGAGEMENT**

GRI 402-1

Communication and engagement are important elements of our EVP. TTE's

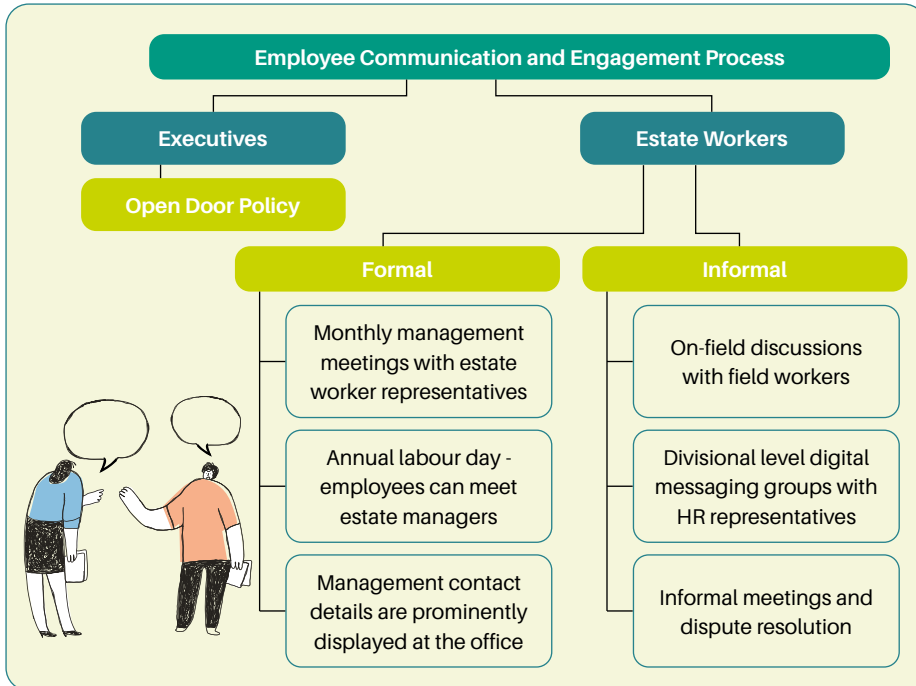
leadership principles require managers to stay in regular contact with their teams. These efforts are complemented by frequent and ongoing communications from the Company's leadership.

All operational changes are clearly communicated one month prior to implementation. Estate workers are informed through notice boards, while estate staff and executives are notified at staff meetings.

TTE maintains cordial relations with all unions through regular and ongoing interactions between the Company's HR team and union representatives. Staff collective agreement; indicates that any material change to the organisation's structure or operations even amalgamation, sub-leasing of estates/divisions shall be finalised with prior notice and consensus between the management and the unions. Moreover, our open-door policy gives employees the freedom and confidence to raise any concerns with their superiors. As an RA certified organisation, the RA remedial protocol serves as the principle guideline for grievance handling and resolution. Accordingly, estate workers can directly reach out to their respective management to escalate any issues. The monthly labour day is another opportunity for workers to meet with estate management to discuss concerns. TTE's estate management teams are trained regularly on the proper implementation of the RA remedial protocol. Meanwhile, matters not resolved in this way can be escalated to the regional cluster unit or TTE's corporate HR team in writing.

Grievances and disputes raised by estate staff are formally recorded, discussed and resolved during meetings with trade union representatives.

In the current financial year, TTE did not record any grievances through these formal channels.



OCCUPATIONAL HEALTH AND SAFETY (OHS)

► GRI 403-1, 403-2, 403-3, 403-4, 403-6, 403-8

As a responsible corporate citizen and being among the largest employers in the Country, we are committed to prevent our manual grade employees and staff categories from being exposed to serious occupational health & safety risks in their day today work.

Adherence to legal requirements and compliance is stipulated as the #1 priority in the Company's Occupational Health and Safety Policy (OHS Policy). TTE adheres to all mandatory health and safety requirements stated under the Factories Ordinance no 45 of 1942 and subsequent amendments thereto.

Over and above to this, a detailed Safety Manual together with a comprehensive OHS framework drives TTE's efforts to assure the safety of all company employees and visitors, and to reach our zero injury goal across our operations. Procedures and work instructions have been translated into

both Sinhala and Tamil and displayed in prominent places as applicable. Training on health and safety is considered paramount importance and is done systematically via the annual safety training plan.

At estate level, a dedicated OHS committee represented equally by men and women has been appointed to ensure the adherence to guidelines of the Safety Manual at ground level. The estate OHS Committee is headed by the Estate manager and includes 14-20 members comprising estate workforce and staff. As per their mandate, the OHS Committee meets every quarter to discuss health and safety issues. The estate OHS Committee is also tasked with reporting any matters pertaining to occupational health and safety in area under their purview.

At the end of each year, a comprehensive occupational health and safety risk assessment is conducted for each estate, jointly by the Senior Manager, representatives from TTE's Sustainability and quality systems development team, the Group OHS Officer and OHS Committee of the particular estate.

Annual OHS plan is prepared by the estate based on the outcome of the OHS risk assessment with routine activities implemented by assigned personnel.

Routine Activities

Antenatal & Postnatal clinics
Immunization, OPD treatment
Well women clinic, Worm treatment

Special Activities

Health screening of pluckers, chemical sprayers & workers who do high risk jobs
Nutritional programmes, Eye clinic
Conducting health and safety committee meetings & safety risk assessment
Distribution of PPE
Replenishment of first aid items

Training

Solid waste management for the community, General health and safety
Training on chemical spraying
First aid & Fire fighting

Field Visits

Checking cleanliness and hygienic condition of living quarters
Possible emergency situations
Drinking water supply

Inspection

Inspections of Boilers, Air Receivers & lifting machinery (leaf elevators) & refilling of fire extinguishers
Vehicles on fitness

Measuring Activities

Noise/sound level at the factory & Light Intensity

Safety Audits

Factory & Field Work

Emergency Drills

Fire, spillage and other emergency situation
Situations identified in the emergency plan

Safety Audits

Factory & Field Work

Resource Needs

Budget discussion for funds allocation & provision facilities (latrines in all sites)

Reviews

Policies, procedures & other activities indicated in the OHS programme
Outcome from health and safety committee & OHS risk assessment

HUMAN CAPITAL

OHS audits are conducted and outcome of which is incorporated into the annual health plan and take mitigatory actions to rectify the situation. In addition to that incident and accident reporting and investigation mechanism is implemented.



Probable Occupational Hazards as Identified at the OHS Risk Assessment

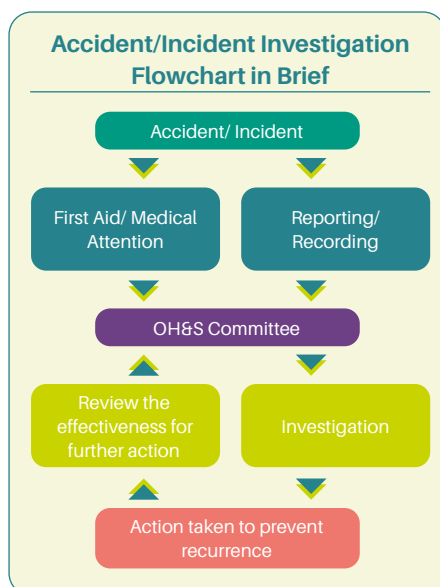
All probable hazards are identified and they are assessed based on probability of occurrence, severity and exposure.

| Hazard | Person at Risk | Risk Rating | | | Risk Factor | Existing Control Measures GRI 403-2 |
|--|--------------------------------|-------------|---|---|-------------|---|
| | | P | E | S | | |
| Factory | | | | | | |
| Accidents caused by machinery (rotating parts and sharp edges) (Physical) | Machine operators | 3 | 3 | 3 | 27 | <div><div></div> Use of safety signage</div> <div><div></div> Trained workers</div> <div><div></div> Dangerous parts are guarded</div> |
| High Noise in machine (Physical) | Mechanic /machine operators | 2 | 2 | 3 | 12 | <div><div></div> Installed enclosures</div> <div><div></div> Use of PPEs is mandatory</div> |
| Poor illumination (Physical) | All workers | 1 | 3 | 2 | 6 | <div><div></div> Improvement of Illumination</div> |
| Fluff level (Physical) | Dryer workers | 3 | 3 | 3 | 27 | <div><div></div> Use of PPEs is mandatory</div> |
| Boiler, Air Receiver & Pneumatic Hydraulic Vessel | | | | | | |
| Explosion cause heavy damage.(Physical) | Operator and all round it. | 3 | 3 | 3 | 27 | <div><div></div> Inspection done by authorized person</div> <div><div></div> Trained & licensed to boiler operator</div> |
| Fire Safety | | | | | | |
| In case of a fire (Physical) | All workers and property | 1 | 3 | 3 | 9 | <div><div></div> Fire extinguishers provided & procedure implemented</div> <div><div></div> Fire team is formed & training provided</div> |
| Chemical Spraying | | | | | | |
| Agro application (chemical) | Chemical sprayers Community | 3 | 3 | 3 | 27 | <div><div></div> Use of PPEs is mandatory, bathing facilities given</div> <div><div></div> Health screening done</div> |

Planning of Hazard Prevention GRI 403-7

| Compliance with Regulations | Training Provided | Procedures /Equipment |
|--|---|---|
| Factory | | |
| <ul style="list-style-type: none"> Factories Ordinance No 45 of 1942 and subsequent amendments Compensation Ordinance No 19 of 1934 and subsequent amendments. National Institute of Occupational Safety & Health Act No.38 of 2009 | <ul style="list-style-type: none"> Operating of machines & health and safety Correct use of PPE Awareness on emergency procedures. The use of rest rooms, cleanliness and hygiene provided. | <ul style="list-style-type: none"> Pre-requisite programmes were established. Monitoring formats given and available at point of use. Emergency preparedness procedure has been established. Required PPE provided. |
| Field | | |
| <ul style="list-style-type: none"> Pesticide Control Act No. 33 of 1980 National Institute of Occupational Safety & Health Act No.38 of 2009 | <ul style="list-style-type: none"> Annual training was given by Asst. Managers and EMAs Pruning, pollarding and use of agricultural equipment | <ul style="list-style-type: none"> Procedure on agro chemical application & emergency response Health screening was done. Buffer zones were established Locations where wasp nests were found have been identified. |
| <ul style="list-style-type: none"> National environment act no 47 of 1980. National institute of occupational safety and health act no.38 of 2009. | <ul style="list-style-type: none"> Storekeepers were given awareness on handling agro chemical | <ul style="list-style-type: none"> PPE provided & procedures established. Eye & hand washing facilities and emergency procedures provided. |

Measures are taken to reduce the risk to an acceptable level based on the hierarchy of controls and personal protective equipment (PPE) is given where necessary and as a last resort. Company has established a procedure on the use of PPE to avoid any ambiguity.



Safety Training Activities for FY 2022/23

GRI 403-5

| Topic | Number of Employees Trained |
|--|-----------------------------|
| Basic First Aid & Premedical Care | 378 |
| Fire Drill Demonstrations and Safety Equipment | 767 |
| Training on Chemical Handling & How to Use PPEs | 352 |
| Pre-employment health screening for all employees engaged in hazardous work by the Medical Officer of Health | 2,995 |
| Trained Hours | 4,965 |

TTE Injury Status - FY 2022/23

GRI 403-9, 403-10

There was no any work-related ill health was reported.

| Year | No. of injuries | Rate of injury | Lost days |
|---------|-----------------|----------------|-----------|
| 2020/21 | 109 | 0.45 | 120.5 |
| 2021/22 | 64 | 0.9 | 56.5 |
| 2022/23 | 86 | 1.43 | 81 |

No occupational diseases or work-related fatalities, during the reporting year.

Additionally, we have implemented a robust welfare programme to preserve the general health, wellbeing and nutritional standards of our estate workforce and the wider community that reside on our estates. More details regarding these initiatives can be found under the Social and Relationship (Community) topic on page 99.

Measuring Employee Satisfaction

In FY 2022/23, TTE undertook an internal survey to measure employee satisfaction levels among our estate teams covering the workforce and staff of all estates. The survey conducted under the theme "Great Division to Work" focused on 10 criteria. We hired the services of external auditors.

Upon the conclusion of the audits, the Great Division to Work Symposium was organized, on 27 February 2023, at the Prince Hall, Hatton.

The Symposium was initiated jointly with all companies under the Hayley's Group Plantain Sector.

Wattegodde Estate-Yoxford Division was honored as the final Company Winner, Kiruwanaganga Estate-A Division, Radella Estate - WangiOya (Lower) and Logie Estate - Logie Division were selected.



NATURAL
CAPITAL

As a plantation company, TTE depends heavily on its Natural Capital to provide vital raw material inputs for the core business. TTE owns 6,491.55 hectares of land spread across, of which more 61% account for tea plantations that produce green leaf for TTE's primary products. We also take great pride in the fact that many of our estates are home to rich and diverse ecosystems that play an important role in maintaining the ecological balance in these regions. Given these deep rooted connections to the land, TTE considers it a duty in service to the nation to protect and preserve these natural resources.



Our Environmental Focus Areas

Material

Land and
Soil

Energy

Water

Climate

Waste

Biodiversity &
Ecosystem

Input

- Raw material Consumption - 25,292 Tonne
- Energy Consumption - 201,664 GJ
- Investment on Environment management & conservation - Rs. 49 Mn

Process

- Regenerative agriculture practices
- Ecosystem restoration
- Integrated pest management
- 4 Nutrient management system

Outcome

- 3.2% Reduction of energy use
- 11% Reduction of water consumption
- 5% increase of Renewable energy generation

4.4% GHG
Reduction88%
Renewable Material
Used3.3% Direct
Energy Reduce5.5 Tons waste
Recycling 8% Reduction
over the last year (2021 /
22 - 6.39 Tons)Stakeholders
Impacted

Strategies

- Sustainable land management and climate action
- Circular approach for resource management
- Water Stewardship
- Biodiversity conservation and ecosystem restoration

Purposeful Value Creation

TTE's value creation for natural capital in regenerative agriculture practices is to foster sustainable and environmentally beneficial approaches, ultimately leading to a net positive impact in the long term

Trade offs

Finance Capital

- + Cost savings and sustainable finance opportunities
- Increased costs and environmental liabilities

Human Capital

- + Employment opportunities and improved work environments

Social and Relationship Capital

- + Community well-being, stakeholder relationships and social cohesion

Intellectual Capital

- + Innovation, knowledge-sharing and improve brand value

Looking Beyond

Our ambitious strategy Implementing regenerative practices to restore and preserve natural ecosystems, protect biodiversity, and ensure sustainable land management.

Short

- Optimise agroforestry systems, enhancing soil conservation measures, and reducing the use of chemical inputs.

Medium

- By moving towards regenerative practices, we aim to go beyond sustainable agriculture and actively contribute to the restoration of natural capital.

Long

- Work towards achieving a net positive impact on natural capital by restoring and expanding natural habitats, focusing on carbon sequestration, and promoting ecosystem resilience

Materiality

Within the domain of natural capital, two significant material themes are the environment and climate aspects and an agile business model. This section delves into the management and performance of these material matters, highlighting their importance and impact on our ReGen Agenda and strategic imperatives.



Energy, Emissions, Natural ecosystem conversion, Soil health, Water and Effluents, Biodiversity, Materials, Waste, Pesticides use.

MANAGEMENT APPROACH

GRI 3-3

TTE's management approach prioritizes the safeguarding of the environment and the creation of value for natural capital, aiming to minimize negative impacts and achieve sustained net positive contributions. Their comprehensive Environmental Policy, covers Land and Soil, Energy, Water, Climate Action, Waste, and Biodiversity, with strict compliance and voluntary adoption of global best practices.

Under the Integrated Environment Conservation Model (IECM), TTE commits to actionable initiatives in line with the broader ReGen Agenda 2030 and Hayleys Lifecode. Steering committees oversee policy formation, while estate-level committees manage and monitor environmental performance.

Monthly environmental data collection from estates and factories enables assessment against objectives, consolidated and reported to the TTE board through the ESEG steering committee and Hayleys Group ESG team, using the "Hayleys Cube" sustainability data management system. Rigorous due diligence mechanisms, including spot audits and independent verification, ensure accurate and reliable environmental information.

TTE's measures aim to protect natural capital, align with ESG framework, and contribute positively to the environment. Emphasizing long-term sustainability and governance, the company demonstrates its commitment to environmental stewardship and responsible business practices.

Relevant Legislation, Frameworks and Commitment

- Environment Act Sri Lanka
- Hayleys Lifecode
- TTE ReGen Agenda - 2030
- TTE Environment, Energy, & Climate Policy
- UNGC, CEO Water, SBTi & UN Climate Neutral Now

Capital Management to create Value

- Integration of environment conservation model and management system
- Implement Environment Procedures and standard working instruction
- Performance monitoring and measuring of the capital

Standardization and Accreditation

- Rainforest Alliance
- ISO 14001:2015
- ISO 14064-1:2018
- ISO 50001:2018
- Ecolabel - Tea

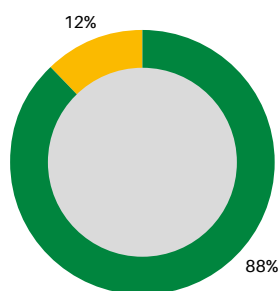


NATURAL CAPITAL

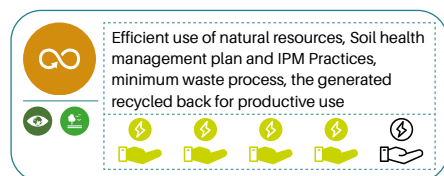
MATERIAL CONSUMPTION
MANAGEMENT

GRI 301-1, 301-2, 301-3

The nature of TTE's operations are such that the use of materials occurs at three main stages in the value chain - first across the field operations, and thereafter at the factory processing stage and finally at the packing stage. The factory processing stage accounts for a majority of the renewable materials used by the company. Given that the company's core products are exported, TTE has limited opportunities to reclaim and reuse packaging materials. There for zero percent recycled Materials used TTE faces constraints in incorporating recycled raw materials into its production processes. As a case in point, for sourcing packing materials, we explore the use of recycled paper sacks and prioritize suppliers who offer low material consumption solutions.

Renewable and Non-renewable Materials
- 2022/23

■ Renewable materials
■ Non-renewable materials



| Materials used across the TTE value chain - Metric Ton | | 2022/23 | 2021/22 |
|--|--------------------|---------|---------|
| Field Operations | Fertiliser* | 1,735 | 1,709 |
| | Agrochemicals* | 11 | 11 |
| | Dolomite* | 1,297 | 1,469 |
| Factory Operation | Greenleaf** | 22,201 | 25,673 |
| | Packing Material** | 47 | 55 |

* - Non-renewable materials
** - Renewable materials

ENVIRONMENTAL FRIENDLY
AGRICULTURAL PRACTICES

GRI 13.5.1, 13.6.1 (Sector Standards)

TTE is committed to environmentally friendly agricultural practices that align with the regenerative agriculture approach. This commitment is based on managing soil health amidst the backdrop of agrochemical use to support cultivation activities in our estates.

Soil Health

To maintain the integrity and quality of the soil, we conduct soil assessments for representative samples of our estates and update them at least every year in compliance with the Rainforest Alliance Sustainable Agriculture standard.

Our soil assessment includes a description of the full depth soil profile in the field, erosion-prone areas and slopes, soil structure, depth, horizons, densification

Innovations to Safeguard Soil Health

In 2022, TTE initiated a pilot project with the University of Kelaniya to explore the feasibility of Zero Energy Biochar. This innovative approach aimed to improve soil health, increase fertilizer efficiency, and serve as a carbon sequestration agent. Biochar, a byproduct of TTE's biomass energy generation, was used as a renewable material with zero emissions.

The project focused on producing Biochar without additional energy inputs, utilizing its slow-release properties to enhance long-term fertilizer efficiency in tea fields. By reducing the volume of applied fertilizer, the project aimed to improve soil health over time. Additionally, Biochar's ability to absorb atmospheric CO₂ further contributed to its role as a carbon sink.

This pilot project demonstrated TTE's commitment to sustainable practices and its pursuit of environmentally friendly nature based solutions under our ReGen Agenda. By exploring Zero Energy Biochar, TTE aimed to optimize resource utilization, reduce environmental impact, and enhance overall sustainability in their operations.



of compaction areas, soil moisture level, drainage conditions, and identification of areas with visible nutrient deficiencies. Based on these assessments, we identify soil management measures to build up soil organic matter, increase on-estate nutrient recycling, and optimize soil moisture.

We regularly conduct soil tests, including macronutrients and organic matter, for representative samples of our estates.

Our organic soil enrichment program involves applying compost through boreholes drilled into the soil around the tea bushes and adding bulk manure, along with slow release techniques for long-term soil health. We have also implemented a comprehensive 4R Nutrient Stewardship Framework to optimize when and where nutrients are available and minimize environmental contamination. To protect the soil of our estates, we plant cover crops to prevent soil exposure.

Agrochemical Use

TTE places a high reliance on natural solutions and a low reliance on chemical pesticides for pest management. As such, we adhere to the Integrated Pest Management (IPM) method, an ecosystem-based approach to crop production and protection. The three primary principles of IPM are prevention, pest monitoring, and intervention, with non-chemical measures as the first line of defense, as defined by the Food and Agriculture Organization (FAO). We believe that a healthy crop is less susceptible to disease and insect infestation. Therefore, we implement preventive measures such as good agricultural practices, conserve and enhance biodiversity through natural vegetation that can harbor natural enemies, and maintain soil health.

All agrochemicals used by TTE are legally registered in the country and purchased from authorized vendors in original and sealed packaging and under

Targeting "Chemical-free Fields"

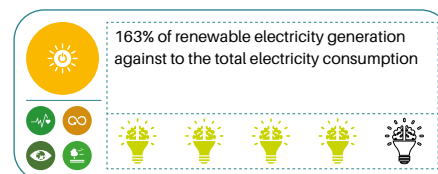
5% Reduction of total agro-chemicals usage by following IPM Strategies



recommended guidelines of Tea Research and Rubber Research Institute, Sri Lanka. Personnel handling pesticides are skilled in their preparation and application and receive annual training. Pesticides are prepared and applied according to the label, MSDS, or security tag, or as recommended by an official national organization or a competent technician. We always prioritize safe transport of chemicals to the area of application, appropriate dosage, equipment, and techniques, appropriate weather conditions, respect restricted entry intervals, and display warning signs in the local language while informing potentially affected persons or communities in advance.

ENERGY MANAGEMENT

GRI 302-1, 302-2, 302-3, 302-4, 302-5

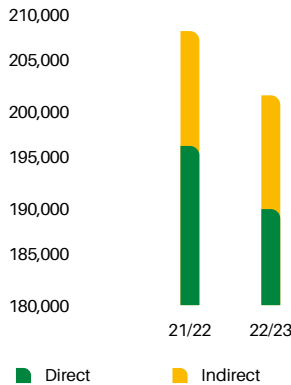


TTE uses various energy sources in its day-to-day activities, including biomass generated on-site, diesel and gasoline sourced externally and electricity purchased from the national grid.

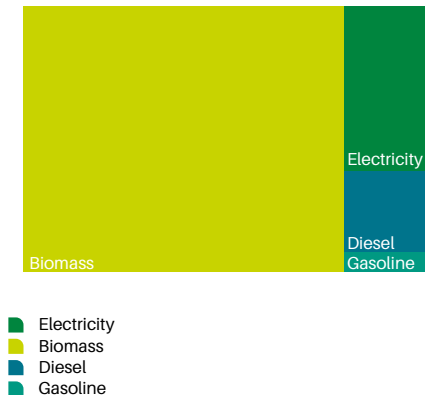
| Category | 2022/23 | 2021 /22 | Variance |
|-------------------------------|---------|----------|----------|
| Energy by type (Gigajoules) | | | |
| Renewable Energy | 176,982 | 182,015 | ▼ 2.8% |
| Non-renewable energy | 24,682 | 26,288 | ▼ 6.1% |
| Energy by source (Gigajoules) | | | |
| Electricity | 18,821 | 21,130 | ▼ 10.9% |
| Biomass | 172,856 | 177,190 | ▼ 2.4% |
| Diesel | 7,365 | 6,522 | ▲ 12.9% |
| Gasoline | 2,621 | 3,460 | ▼ 24.3% |
| Energy by scope (Gigajoules) | | | |
| Direct | 189,913 | 196,442 | ▼ 3.3% |
| Indirect | 11,751 | 11,861 | ▼ 0.9% |
| Energy intensity | 37.2 | 33.3 | ▲ 6% |

NATURAL CAPITAL

Energy by Scope



Energy Mix - 2022/23



By systematically investing in renewable energy over the years, TTE has been able to ensure that renewable energy contributes to more than 12% of its average annual energy mix. Thermal energy is produced by combustion of fuelwoods and briquettes either grown on our estates or sourced from licensed third party bulk suppliers who have been strictly vetted in line with our sustainable biomass programme. As much as 12% of our fuelwood requirement is sourced in this manner. The remainder is obtained through fuelwood grown in our own estates.

TTE is now working towards achieving energy self-sufficiency by increasing fuelwood cultivation within its own estates, thereby reducing the reliance on

external suppliers. It is also hoped that having greater control over the fuelwood cultivation process will minimise supply chain disruptions and also achieve our quality assurance objectives. In the current financial year, we allocated a collective total of 641 hectares across our estates for planting of fuelwood.

Meanwhile, seeing how excessive rainfall was adversely affecting the fuelwood intensity, we have implemented preheating systems to dry the fuelwood until it reaches the optimum moisture level, resulting in a more efficient boiler operation and reduced consumption of fuelwood.

Our dedicated Energy Management Policy together with our ISO 50001:2018 certified Energy Management System create a framework to promote responsible energy consumption and improve energy intensity across all operations.

In keeping with its energy self-sufficiency goal, TTE has in recent years further accelerated its investments into renewable energy by commissioning rooftop solar infrastructure at factories and mini hydro systems in selected estates located in hydro catchment areas. As part of the ongoing improvements to these systems, a pilot project was initiated in mid-2022 to investigate the possibility of upgrading mini hydro infrastructure with the use of the latest "Turbulent" technology for efficient micro hydropower plants to minimise damage to freshwater ecosystems resulting from the water extraction process. However, the reduction of energy requirement of our sold product is unable to do.

| Type | 2022 /23 | tCO2e Saving |
|-----------------------------|-----------|--------------|
| Total hydro power generated | 7,932,668 | 6,381.04 |
| Total solar power generated | 613,831 | 454.48 |

| Type | 2022 /23 | tCO2e Saving |
|----------------------------|-----------|--------------|
| Total Renewable Generation | 8,546,499 | 6,835.52 |

Energy Audit conducted by NCPC Sri Lanka

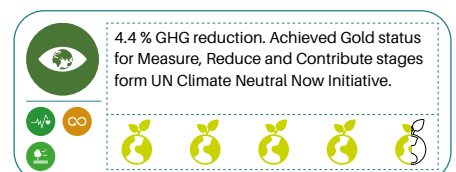


GHG EMISSION MANAGEMENT

GRI 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7

All emissions are monitored on an ongoing basis, with an annual GHG Inventory Report prepared to assess year on year improvements in the company's emission performance. The report is prepared internally and independently verified by the Sri Lanka Climate fund to confirm its alignment with the ISO 14064-1:2018 Greenhouse Gas Verification Standard. Further stack emissions are monitored on an ongoing basis as part of our mandatory EPL conditions.

Our investments into renewables contribute towards reducing TTE's dependence on grid electricity. In FY 2022/23 TTE generated 8,546,499 kWh of electricity from renewable energy sources, 37% more than the annual volume purchased from the Ceylon Electricity Board, in turn helping to offset Scope 2 emission attributed to imported energy.



4.4% GHG reduction

Achieved **Gold** status for Measure, Reduce and Contribute stages form UN Climate Neutral Now Initiative.

**CLIMATE
NEUTRAL
NOW**



WATER RESOURCES MANAGEMENT

GRI 303-1, 303-2

Water Conservation

The availability of water is crucial for the smooth functioning and sustainability of our business, as well as for supporting the lives of our estate communities and nurturing biodiversity. We follow the UN CEO Water Mandate Principle, Rainforest Alliance certification program, Ecolabel - Tea, and ISO 14001:2015 to manage water as a shared resource with focused efforts to monitor and protect all water sources and bodies within our estates. We conduct annual water quality tests on all 147 sources for the required parameters. Moreover, our operations and engagement with water resources do not take place in any water-stressed area.

Progress on Science Based Targets for GHG Reduction

| Target completion | Current target status | Target timeframe | Target type | Scope(s) Covered |
|-------------------|-----------------------|------------------|-------------|------------------|
| 31.6% | 15 of a 50.4% | 42% | Absolute | Scope 1 |
| 36.1% | 18 of a 50.4% | | | Scope 2 |
| 32.2% | 16 of a 50.4% | | | Scope 1+2 |

Meanwhile, seeking to align with the "ReGen" journey towards NetZero, TTE has undertaken to participate in the Climate Neutral Now Initiative. TTE has become the first company in Sri Lanka to committed and verified a Science-Based Target (SBT) from the SBTi. This commitment represents a call to action under the themes of "Measure," "Reduce," and "Contribute" to achieve a NetZero world 2050, in line with the 2015 Paris Climate Agreement.

It should be noted that TTE's operations are not responsible for the release of any ozone depleting substances, while NOx and SOx gases produced through our daily operations and community households too are negligible.

GHG Inventory

| | | 2022/23 | 2021/22 | Variance % |
|----------|---|---------------|---------------|----------------|
| Direct | Scope-1 (tCo₂e) | | | |
| | Stationary combustion-Stationary equipment fossil | 116 | 104 | ▲ 10.9% |
| | Stationary combustion-Stationary equipment biogenic | 1,673 | 1,676 | ▼ 0.2% |
| | Mobile combustion | 576 | 536 | ▲ 7.6% |
| | Fugitive emissions | 1,639 | 1,813 | ▼ 9.6% |
| | Subtotal Scope 1 | 4,004 | 4,130 | ▲ 2.2% |
| Indirect | Scope-2 (tCo₂e) | | | |
| | Indirect GHG emission from imported energy | 2,335 | 2,607 | ▼ 10.4% |
| | Subtotal Scope 2 | 2,335 | 2,607 | ▼ 10.4% |
| | Scope-3 (tCo₂e) | | | |
| | Indirect GHG emission from transportation | 154 | 225 | ▼ 31.6% |
| | Emission from business travel | 11 | 0 | |
| | Emission from product used by organization | 914 | 796 | ▲ 14.8% |
| | Subtotal Scope 3 | 1,080 | 1,022 | ▼ 5.1% |
| | Total Scope 1, 2 & 3 (Excluding Biogenic Emission) | 7,418 | 7,759 | ▼ 4.4% |
| | Biogenic Emission from Firewood and Briquettes | 19,805 | 19,845 | ▼ 0.2% |
| | GHG Emission Intensity | 1.5 | 1.31 | ▲ 11.1% |
| | GHG Saving (tCo₂e) | | | |
| | GHG saving from electricity generation (Hydro) | 6,381 | 6,267 | ▲ 1.8% |
| | GHG saving from electricity generation (Solar) | 454.48 | 242 | ▲ 88.1% |
| | Total GHG Saving | 6,836 | 6,508 | ▲ 5.0% |

147 Natural water sources protected

97% Water discharge quality compliance



In our well-structured water management system, we encourage rainwater harvesting and take measures to protect all natural water bodies through wide grass buffer zones, riparian habitats, vegetative barriers, and chemical-free buffer zones.

Water Withdrawn, Consumption and Discharger

Water is used in limited quantities across TTE's day to day operations, mainly for cleaning and utility purposes of employees

NATURAL CAPITAL

at estates and factories. Water needs of factories are met through on-site surface water extraction.

| Surface water – Kilolitre | 2022/23 | 2021/22 | Variance % |
|---------------------------|---------|---------|------------|
| Total water withdrawn | 9,370 | 9,448 | ▼ 0.8% |
| Total water consumption | 1,627 | 2,492 | ▼ 34.7% |
| Total Water discharge | 7,743 | 6,956 | ▼ 11.3% |

Given that water used in the factory operation is mainly for cleaning and washing purposes, the resulting runoffs are free of harmful contaminants. These effluents are channeled through the on-site filtering units. Any residue is managed using biological control tanks and residual absorption plants to ensure nothing is released to the environment. As such there were no instances of significant spills or water bodies affected by water discharge during the year.

SOLID WASTE MANAGEMENT

GRI 306-1, 306-2, 306-3, 306-4, 306-5

As a plantation company, our factory operation constitutes a minimum waste process, with much of the waste generated recycled back for productive use across various factory operations. The briquettes used as biomass fuel are produced from recycled agricultural waste and accounts for 3.5% of our fuel usage for processing tea. Biodegradable waste generated by estate communities are composted and added to tea fields and home garden plots.

The very small amount of non-degradable and hazardous waste is collected and store according to guidelines at our estates and factories and later through Independent Disposer. Of these, used agrochemical containers are sent back to the original suppliers for repacking, while e-waste is disposed of through CEA approved waste disposal partners.

| Waste type and Disposal Method | 2022 /23 | 2021 /22 |
|-------------------------------------|----------|----------|
| Waste diverted from disposal | | |
| Composting (kilogram) | | |
| Biodegradable mix waste | 125,204 | 221,385 |
| Recycling | | |
| Glass | 492 | 468 |
| Plastic | 1,314 | 1,104 |
| Polythene | 1,704 | 1,193 |
| Metal/Iron | 616 | 681 |
| Paper | 1,404 | 2,593 |
| Total Recycling | 5,530 | 6,039 |
| E-waste | 439 | 334 |
| Bulbs-used | 649 | 495 |
| Total on-site Storage | 1,088 | 829 |
| Waste directed to disposal | | |
| Authorised Landfill | | |
| Non-hazardous mix waste | 3,412 | 5,936 |

25 PET collection points

100 Kilos of plastic bottles collected monthly

1,000 Kilos of plastic is ready to recycle



Taking a major step in advancing its waste recycling efforts, TTE invested in its own recycling plant for compacting used PET bottles.

As part of its Solid Waste Management programme, TTE strictly prohibits the creation of unauthorised landfill sites and open burning of waste on its estates. We continue to educate our resident communities about these topics and encourage them to participate in responsible waste management based on the 3R principles.

Method of Waste Disposal - 2022/23



- Composting
- Recycling
- Onsite Storage of Hazardous Waste (OSHW)
- Authorized Landfill

BIODIVERSITY CONSERVATION AND PROTECTION

GRI 304-1, 304-2, 304-3, 304-4

TTE's deep ties with the environment are further reinforced by the fact that all our upcountry estates are located in watershed and catchment areas that feed several major waterways in the country, including the Nilwala and Gin Rivers, the Kotmale Oya and Nanu Oya. Moreover, our estates in Talawakelle, Nanu Oya, Deniyaya and Galle are located adjacent to some of Sri Lanka's most well-known biodiversity hotspots.

| Region | Bordering National Forest Reserves |
|-------------------------|--|
| Talawakelle Nanu Oya | Great Western Natural Forest, Horton Plains, Kikiliyamana Natural Forest, Piduratalagala Natural Forest, Ambewela Natural Forest, Pattipola Natural Forest |
| Deniyaya | Sinharaja Forest, Kanneliya Forest, Diyadawa Forest Patna, Ranmale Forest |
| Galle | Kottawa Forest, Kanneliya Forest, Madolduwa Koggala, Unawatuna Jungle Beach, Rumassala |

TTE considers itself a custodian of the country's biodiversity and strives not only to protect but also enhance these rich natural ecosystems. Accordingly, hunting, capturing, and trafficking wild animals and birds and rearing them within the estates is strictly prohibited.

We regularly hire experts to update our inventory of the fauna and flora within these ecosystems and identify endangered species according to IUCN Red List. The most recent study revealed that our estates are home to over 113 faunal species, both vertebrates and invertebrates. Apart from tea, approximately 31 species of flora have also been identified on our estates including native and endemic tree species and fruit trees.

We urge our estate communities to get involved in identifying new species, with a special log book made available at all estates to record new sightings.

6 Critically endangered, 44 Endangered, Vulnerable 37 & Near Threatened 26 faunal species



2 Critically endangered, 2 Endangered, 2 Vulnerable & 27 Near Threatened Floral Species



According to IUCN Red Data List 2012

Natural Ecosystem Conversion

TTE is committed to eliminating natural ecosystem conversion through the following policies;

- Implementing sustainable land-use practices to minimize the impact on natural ecosystems
- Avoiding the conversion of natural ecosystems for agricultural purposes
- Implementing a zero-deforestation policy and committing to zero loss of biodiversity
- Developing a land-use plan to ensure responsible use of natural resources
- Ensuring supplier compliance with natural ecosystem conversion policies and commitments
- Participation in multi-stakeholder and sectoral initiatives for ecosystem conservation

TTE employs the following tools and systems to monitor natural ecosystem conversion in its activities, supply chain, and sourcing locations.

- Geographic Information Systems (GIS) to map and analyze natural ecosystems
- Satellite imagery to monitor land-use changes
- Supply chain traceability systems
- Third-party certification schemes to verify compliance with sustainability standards
- Regular monitoring and reporting of key performance indicators related to natural ecosystem conversion

TTE reports zero deforestation in its own land and no sourcing from deforestation-involved suppliers. Traceability actions are taken to determine sourced volume's deforestation status. No natural ecosystem conversion has been reported, and no conversion has occurred in sourcing locations or by suppliers.

Reforestation and Conservation project in Partnership with The Wildlife and Nature Protection Society of Sri Lanka (Ongoing)



Hayleys Kirulu project (Ongoing)





**We reciprocate our bounty
from nature by fostering
thriving ecosystems,
facilitated through
sustainable and regenerative
agricultural practices.**

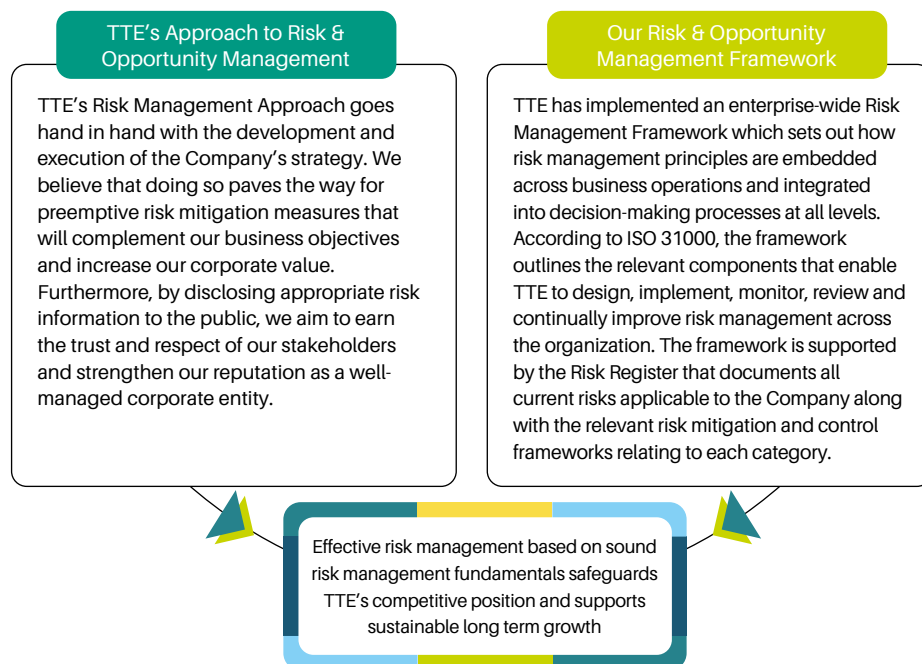


*We enable a governance
culture that is focused
on high standards, integrity,
transparency, accountability and
continuous improvement in our
quest for excellence.*

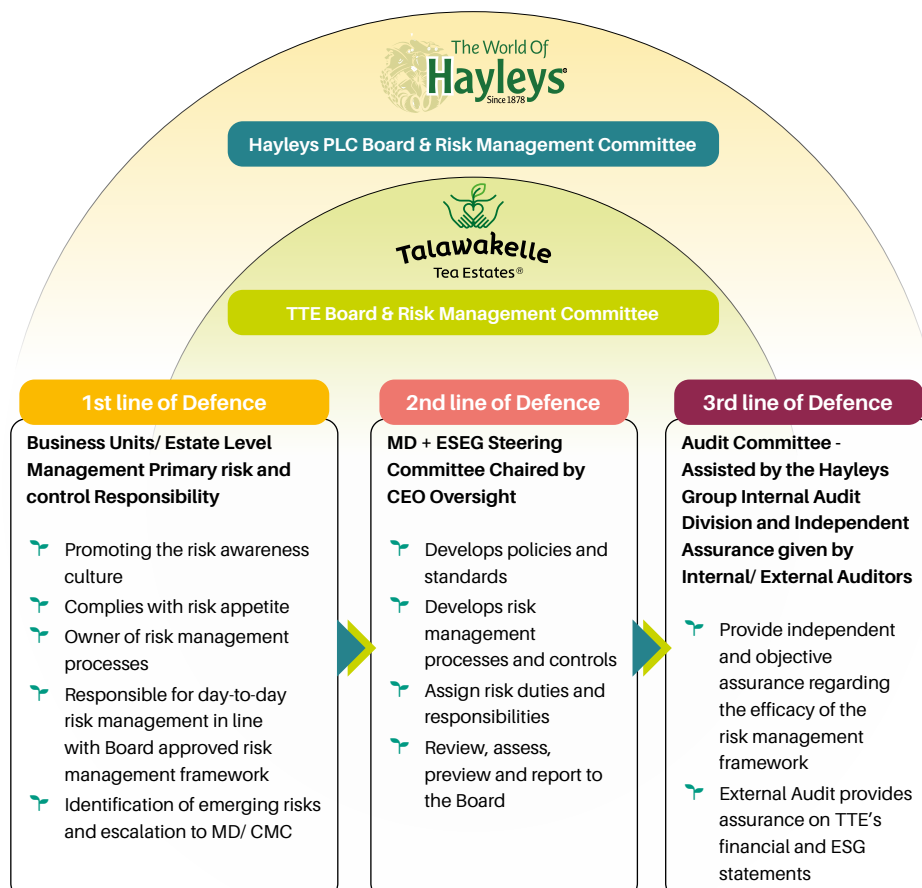


RISK & OPPORTUNITY MANAGEMENT REPORT

This section contains details of TTE's key risks and notable opportunities and the Company's approach in managing these risks and opportunities effectively in order to fulfil its strategic ambitions.

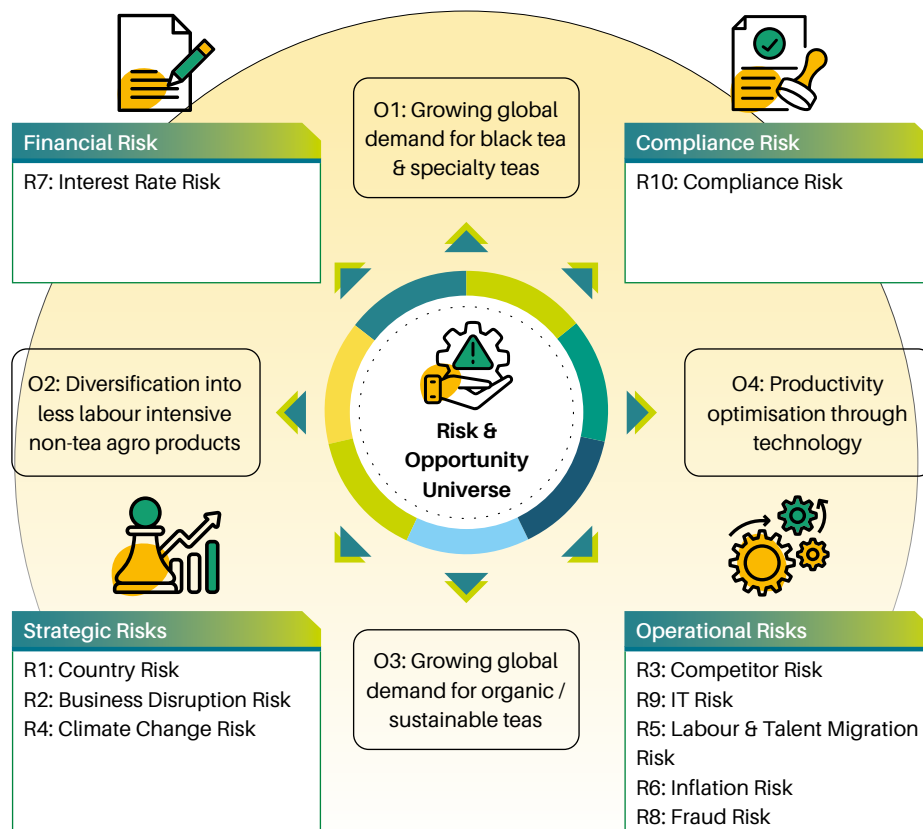
**RISK & OPPORTUNITY GOVERNANCE STRUCTURE****Risk & Opportunity Management Report Structure**

| | Page No |
|---|---------|
| TTE's Approach to Risk Management and Our Risk and Opportunity Management | 129 |
| Management Framework | 129 |
| Risk & Opportunity Governance Structure | 129 |
| Risk & Opportunity Universe | 130 |
| Risk & Opportunity Management Process | 130 |
| Managing our Risk & Opportunity Strategically | 131 |
| Realizing Our Opportunities Strategically | 135 |
| Key Risk Predicted in 2023 And Beyond | 136 |

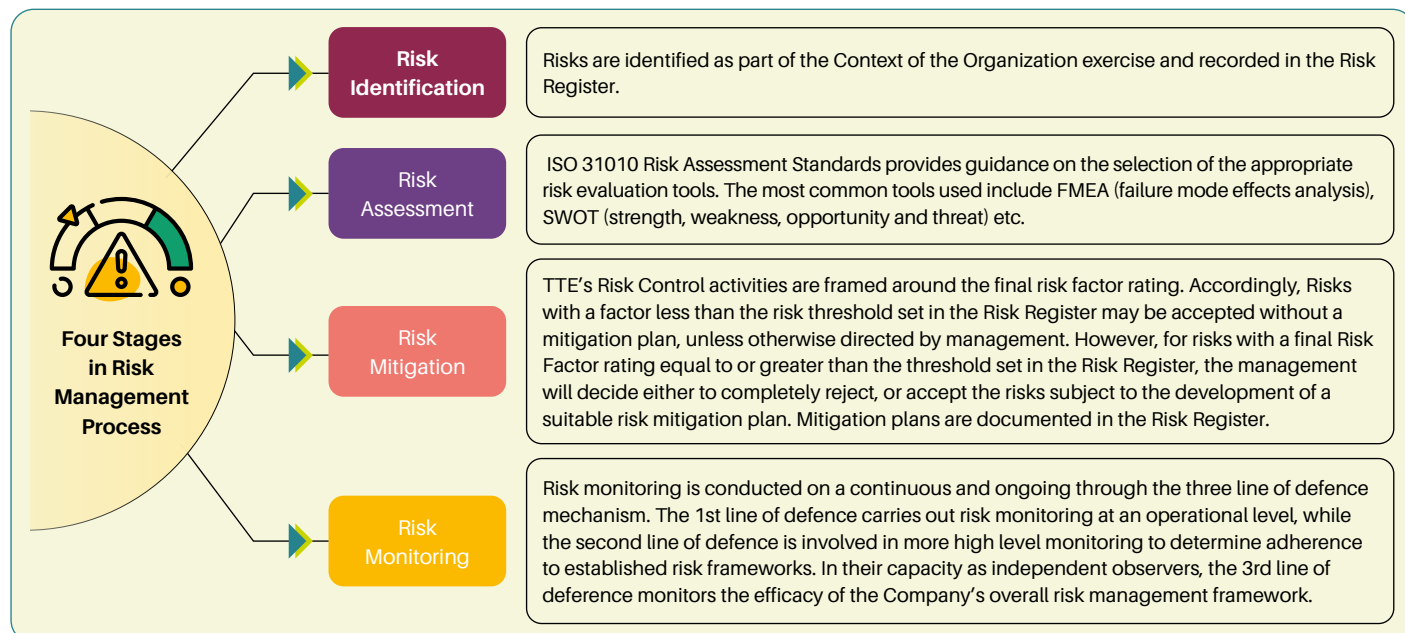


RISK & OPPORTUNITY MANAGEMENT REPORT**RISK & OPPORTUNITY UNIVERSE**

Our risk universe represents the risks that are central to our business. In an increasingly challenging business landscape, we constantly monitor, manage and mitigate both current and emerging risks in order to achieve our business objectives. Our Top 10 risks and the risk mitigating strategies adopted are outlined below.

**RISK & OPPORTUNITY MANAGEMENT PROCESS**

TTE's Risk Management Process comprises 4 distinct yet interconnected steps - Risk Identification, Risk Assessment, Risk Mitigation, and Risk Monitoring which together create the ecosystem to safeguard the Company against actual and potential risks.



RISK ASSESSMENT MATRIX TABLE

| Severity Scale | Likelihood Scale | | |
|--------------------------|------------------|----------|----------|
| | Likely | Possible | Unlikely |
| Minimal | R9 | R6 R7 | |
| Moderate | R10 | R8 | R2 |
| Severe | R1 | | |
| Very Severe | R3 R5 R4 | | |
| Risk: High Medium Low | | | |

MANAGING OUR RISK STRATEGICALLY

R1: Country Risk

Risk Context

Sri Lanka was thrust into its worst ever economic crisis in 2022 causing an unprecedented contraction in economic activities and causing a downgrade in the Country's sovereign rating by global rating agencies

Potential Impact to TTE

Unwillingness to trade with Sri Lanka, affecting the demand for TTE's core products

TTE's Response

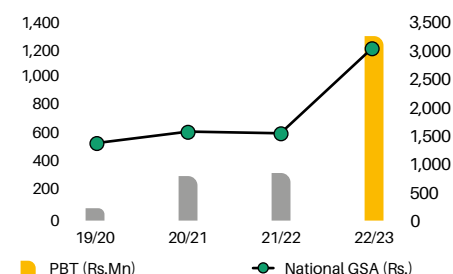
- Build customer confidence through the total commitment to product stewardship encompassing quality, service delivery and ethics
- Increase customer satisfaction through quick and effective complaint resolution



Further Information-
Page 83

| | | | |
|----------------|--|---------|--|
| 2020/21 | | 2021/22 | |
| 2022/23 | | 2023/24 | |

Country Risk



R2: Business Disruption Risk

Risk Context

Frequent power outages and fuel shortages along with the short supply of essential agriculture inputs

Potential Impact to TTE

- Loss of revenue and goodwill due to the inability to meet business commitments
- Low yields and poor quality output due to the lack of proper fertilizer application

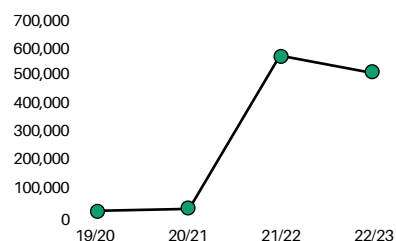
TTE's Response

- Invest in renewable energy to reduce the dependency on grid electricity
- Leverage Group synergies to strengthen resource availability and improve business resilience
- Continuous improvement in field development practices
- Improving supply chain sustainability



Further Information-
Page 69

| | | | |
|----------------|--|---------|--|
| 2020/21 | | 2021/22 | |
| 2022/23 | | 2023/24 | |

Disruption to Business Operations
(Rs/Kg)

RISK & OPPORTUNITY MANAGEMENT REPORT

R3: Competitor Risk

Risk Context

Emergence of new local and global tea manufacturers

Further Information-
Page 94

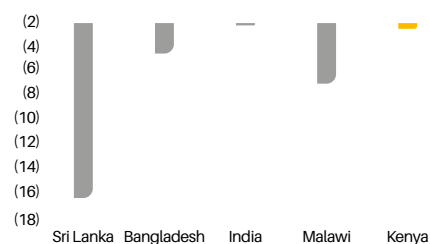
| | | | |
|---------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |

Potential Impact to TTE

- Decline in revenue attributed to the loss of captive market share

TTE's Response

- Reinforce product stewardship commitments towards all customers
- Focus on innovation-led product diversification as a key differentiator
- Strengthen global outreach through new market development activities

Competitor Risk
(%)

R4: Climate Change Risk

GRI 201-2



Risk Context

Unfavorable weather and unforeseen natural disasters

Further Information-
Page 92

| | | | |
|---------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |

Potential Impact to TTE

- Loss of revenue due to lower yields and higher cost of production
- In the case of natural disasters, potential physical damage to employees, fields, factories and estate communities

TTE's Response

- Voluntary adoption of global climate action protocols
- R&D partnerships to develop drought resistant cultivars and improve soil health
- Ongoing-field development programme
- Integrated Environment Conservation Model for managing material usage, energy & water consumption, emissions and waste
- Implement environmentally friendly agricultural practices to minimise agrochemical application
- Invest in renewable energy
- Increase crop diversification
- Commit to biodiversity conservation and ecosystem restoration
- Adequate Insurance covers to safeguard against physical damage caused by natural disasters

| LAND | 1.5°C | 2°C | 2°C IMPACTS |
|--|-----------------|-----------------|-------------|
| BIODIVERSITY Percentage of land in areas with higher biodiversity at 2021 to 2023 | 7% | 13% | 1.86X WORSE |
| RESILIENT Percentage of land in areas with higher resilience at 2021 to 2023 | 4.8 MILLION KM² | 6.6 MILLION KM² | 38% WORSE |
| CROP YIELDS Percentage of land in areas with higher crop yields at 2021 to 2023 | 3% | 7% | 2.3X WORSE |

R5: Labour & Talent Migration Risk**Risk Context**

Growing trend toward labour out migration due to the truly needy capacity caused by the economic crisis in the country

Potential Impact to TTE

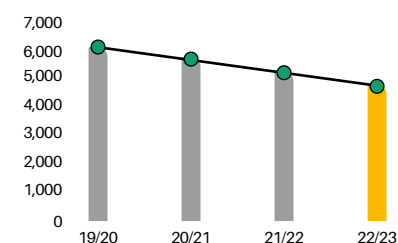
- ✎ Inability to achieve business objectives

TTE's Response

- ✎ Implementation of the non-wage model to increase earning capacity of individual employees
- ✎ Special incentive schemes to retain the commitment of employees
- ✎ Motivation programmes to boost employee morale
- ✎ Invest in improving estate infrastructure to ensure the safety and wellbeing employees and the wider estate community
- ✎ Automate manual processes at factories

Further Information-
Page 108

| | | | |
|----------------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |

No of Employees**R6: Inflation Risk****Risk Context**

Cost escalations driven by import restrictions, currency devaluation and other macro prudential measures imposed by the government to manage economic crisis

Potential Impact to TTE

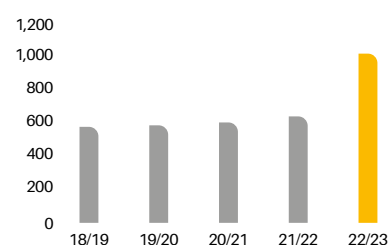
- ✎ High cost of production resulting in severe margin pressure

TTE's Response

- ✎ Stringent cost management
- ✎ Focus on productivity improvement through ongoing field development and factory modernisation initiatives
- ✎ Improving supply chain sustainability

Further Information-
Page 83

| | | | |
|----------------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |

COP (Rs)**R7: Interest Rate Risk****Risk Context**

Volatility in interest rates throughout 2022/23

Potential Impact to TTE

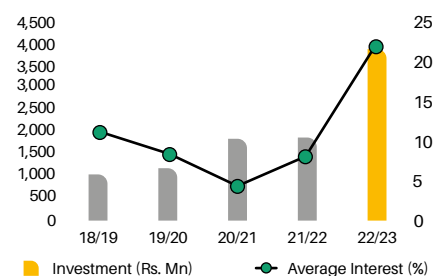
- ✎ Reduction in investment returns

TTE's Response

- ✎ Follow efficient treasury management procedures
- ✎ Monitor debt levels constantly and maintain a balance between debt and equity

Further Information-
Page 235

| | | | |
|----------------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |

Interest Risk

RISK & OPPORTUNITY MANAGEMENT REPORT

R8: Fraud Risk



Risk Context

Theft, misappropriation of assets, misstatements of financial

Potential Impact to TTE

- Financial implications
- Negative impact on corporate reputation

TTE's Response

- Sound internal control framework, supported internal audit assurance
- Pre-employment screening
- Board approved ethics framework, include code of conduct
- Whistleblower policy for fraud reporting
- Continuous training and awareness

Further Information-

Page 160

| | | | |
|---------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |



Source: GAO. | GAO-15-5938P

R9: IT Risk



Risk Context

Risk of system failure and loss / breach of data systems

Potential Impact to TTE

- Inability to achieve corporate objectives due to the absence of reliable information for timely decision making
- Discontinuity in financial reporting systems
- Loss of goodwill / financial damaged due to breach of system security

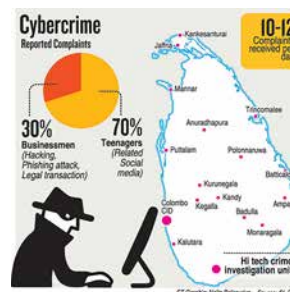
TTE's Response

- Use of licensed software and security systems
- Dedicated IT team to ensure IT security, privacy and confidentiality with adequate systems and controls.
- Disaster recovery programme
- Audit programme to assess IT system resilience

Further Information-

Page 149

| | | | |
|---------|---|---------|---|
| 2020/21 | ● | 2021/22 | ● |
| 2022/23 | ● | 2023/24 | ● |



Source: SL Police

R10: Compliance Risk**Risk Context**

Frequent / ad-hoc changes in regulatory requirements

Further Information-
Page 151

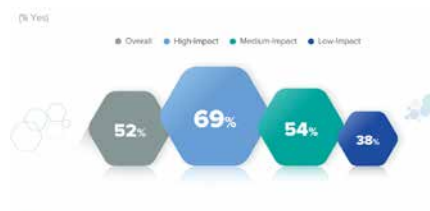
| | | | |
|---------|--|---------|--|
| 2020/21 | | 2021/22 | |
| 2022/23 | | 2023/24 | |

Potential Impact to TTE

- Adverse impact on profitability due to fines and penalties for non-compliance
- Loss of reputation industry standing

TTE's Response

- The Board sets the tone to inculcate a culture of compliance
- Routine audits and other due diligence activities to support early action to prevent non-compliance
- Leverage Group synergies to maintain continuous interaction with regulators in order to understand the latest developments and ensure early adoption of regulatory requirements



Source: The 2023 Ethics & Compliance Program Effectiveness Report

REALISING OUR OPPORTUNITIES STRATEGICALLY**O1: Growing Global Demand for black teas & specialty teas****Context**

- Black tea is considered in the super food category following the pandemic and its proven health properties to boost immunity and combat disease causing viruses.
- Fruit/ flower and herb infused teas, and green tea are seen as healthier and offer a wide array of health benefits in addition to their unique flavors. Younger generations are also seen to consume specialty tea as more of a trend.

Strategy

- Capitalising on TTEs strong market positioning as a premium black tea brand, the company strives to increase production to cater to the growing demand, while at the same time working to develop new cultivars with distinct health benefits.
- Our estate management teams and its continuous research has resulted in developing new varieties of specialty Teas. Radella Green Tea processing Centre is equipped with both steamed and pan fried manufacture.



| | |
|---------|--|
| 2022/23 | |
| 2023/24 | |



Source: GlovalData Non-Alcoholic Experts Influencer Platform

O2: Diversification into less labour intensive non-tea agro products**Context**

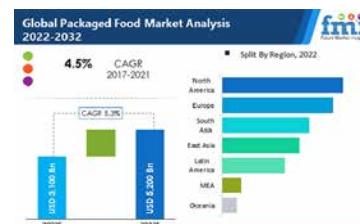
- Tea is a labour intensive crop and requires human intervention from Planting, Plucking, manufacture, packing and dispatching.
- Out migration of potential labour force.

Strategy

- TTE committed to cultivate new crops such as cinnamon and coconut.



| | |
|---------|--|
| 2022/23 | |
| 2023/24 | |



Source: Future Market Insights

RISK & OPPORTUNITY MANAGEMENT REPORT

O3: Growing global demand for organic / sustainable teas



Context

Organic and sustainably/ ethically sourced teas are increasing in popularity as consumers are becoming more and more conscious about the injustices that are built into global food chains

Strategy

The Company has carved out 3 tea gardens in several of its estates as “chemical free fields”, with minimum agrochemical applications.

| | |
|---------|---|
| 2022/23 | ● |
| 2023/24 | ● |

Global Organic Tea Market Share (in %), Segmentation by Product Type, 2022



Source: Research Nester

O4: Productivity optimisation through technology



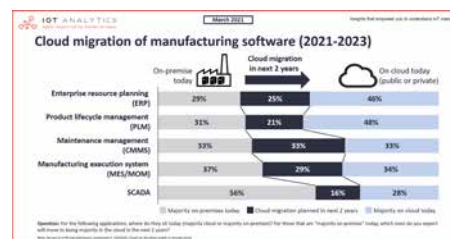
Context

Although by nature, the local tea industry is a largely labour intensive operation, recent technological advancements have paved the way to drive greater technology integration at various levels of the tea manufacturing process

Strategy

The Company has systematically increased its investment in technology with special emphasis on factory modernisation and digital enablement of estate teams to support better yield management, drive productivity improvement and enhance the quality of tea.

| | |
|---------|---|
| 2022/23 | ● |
| 2023/24 | ● |



Source: IOT Analytics Research 2021

KEY RISK PREDICTED IN 2023 AND BEYOND

Monitoring emerging and potential risks is deemed an important part of TTE's Risk Management Approach. Here too an enterprise-wide approach underpins efforts to monitor emerging and potential risks. Operational teams are required to stay vigilant on any developments that could have a potential adverse impact on the normal course of business in their respective areas. At a high level, the Corporate Management in collaboration

with the Board undertake to proactively monitor TTE's risk universe to detect potential threats that may impact the business in the short, medium and long term. The Hayleys Group Management Committee plays an important role in identifying sector risks.

The internal audit teams, in their capacity and independent risk observers also contribute towards disseminating potential threats events that can likely affect the Company's strategy and future prospects.

| Predicted Risk | Risk Forecast (High, Low, Medium) |
|--|-----------------------------------|
| Volatile Energy Prices | ● |
| Rising Labour Costs and Shortage of Labour | ● |
| Currency Fluctuation | ● |
| Climate Risk | ● |
| Increased Competition and Dynamics of Market | ● |

CORPORATE GOVERNANCE REPORT

The increasingly challenging environment has underscored the need for strong corporate governance. At TTE, this commitment to the highest standards of governance begins at Board level - given their deep understanding of our vision and values and the adoption of a sound governance framework anchored on integrated thinking and decision-making that takes into consideration ESG factors and reconciles the interests of the Company and stakeholders in creating and protecting sustainable value.

Navigating the Corporate Governance Report

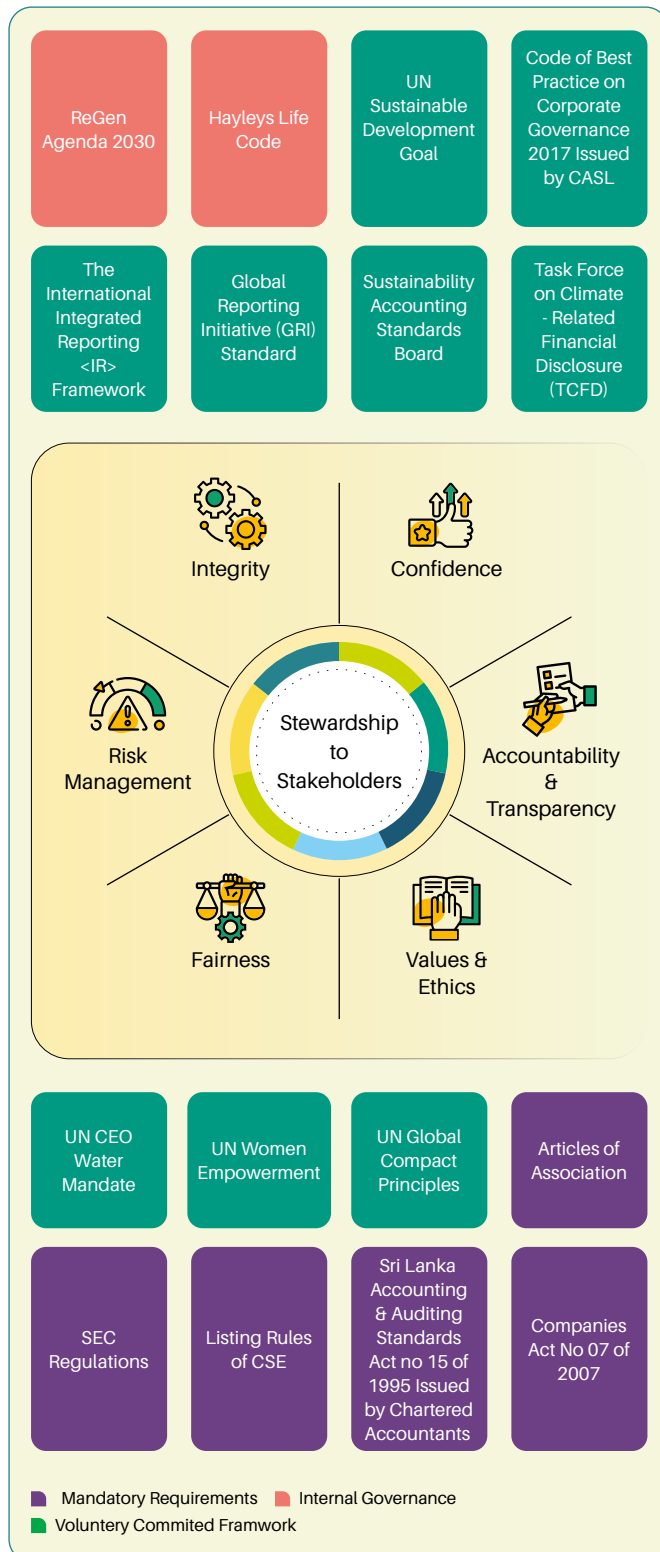
| | Page No |
|--|---------|
| Governance Framework and Structure | 140 |
| Culture and Ethical Conduct | 140 |
| Sustainability Governance | 140 |
| Strategic Leadership | 141 |
| Board Governance | 142 |
| Responsible and Fair Remuneration | 146 |
| Control Environment | 147 |
| Innovation Governance | 147 |
| Digital Governance | 149 |
| Gender Parity | 148 |
| Relations with Shareholders | 148 |
| Information Technology & Cyber Security Governance | 149 |

GOVERNANCE HIGHLIGHTS - 2022/23

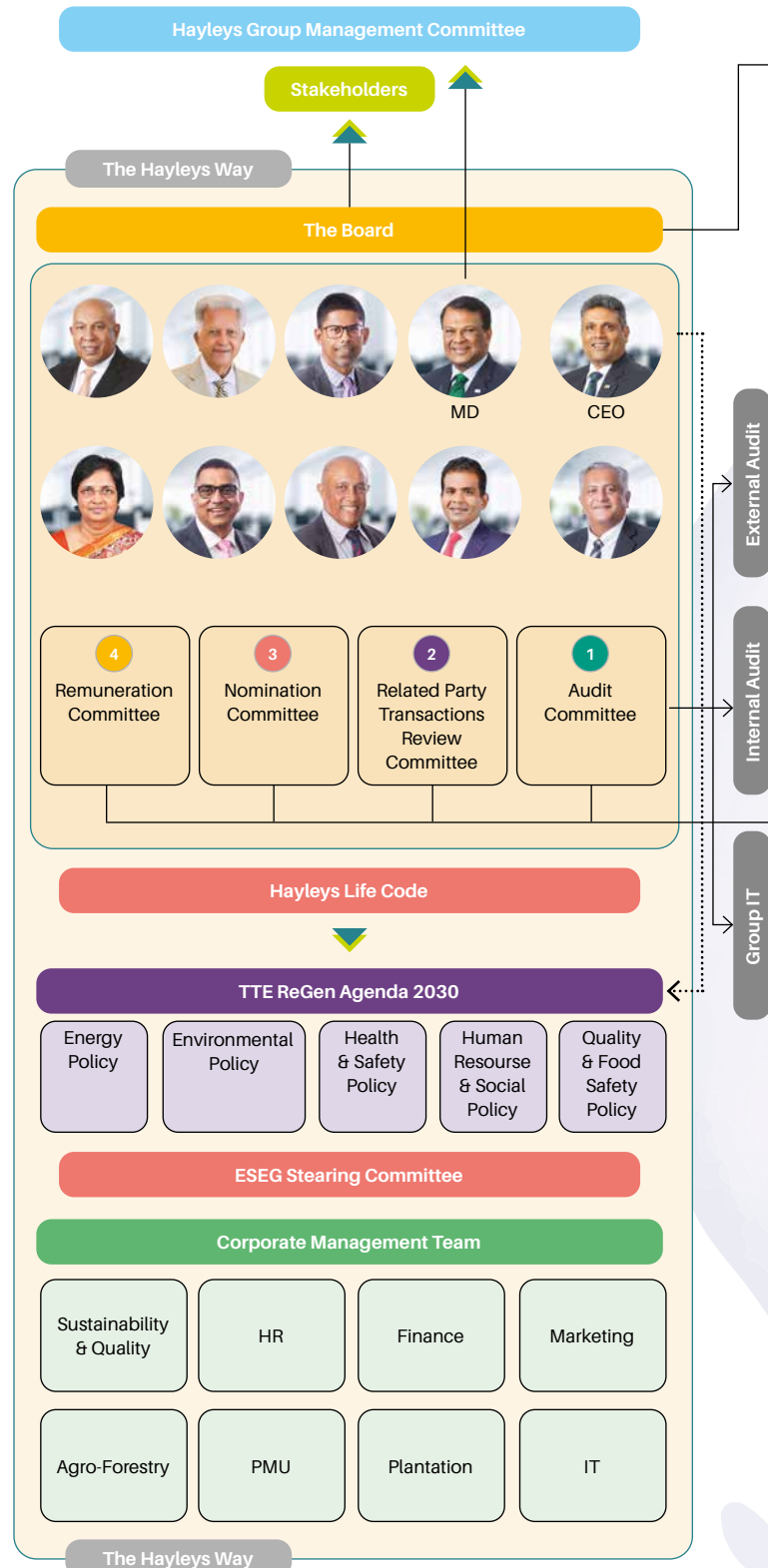
- ✔ Oversight of business continuity plans in response to business disruptions.
- ✔ Set up TTE's own Nomination Committee, Related Party Transaction Committee and Remuneration Committees.
- ✔ Monitoring the effects of monetary & fiscal policy adjustments of government in response to the worst economic crisis in the Sri Lanka's history.
- ✔ Updating the information technology strategy and ensuring improved risk management in technology.
- ✔ Mr. Malik J Fernando, Ms. M D A Perera and Lt Col J M Kariapperuma retire by rotation at the AGM to be held on 26th June 2023, and being eligible offer themselves for re-election.
- ✔ Silver winner for the Asia's Best Integrated Report (Governance) at Asia Integrated Reporting Awards 2022 & Asia Sustainability Reporting Awards 2022 by CSR Works International.

CORPORATE GOVERNANCE REPORT

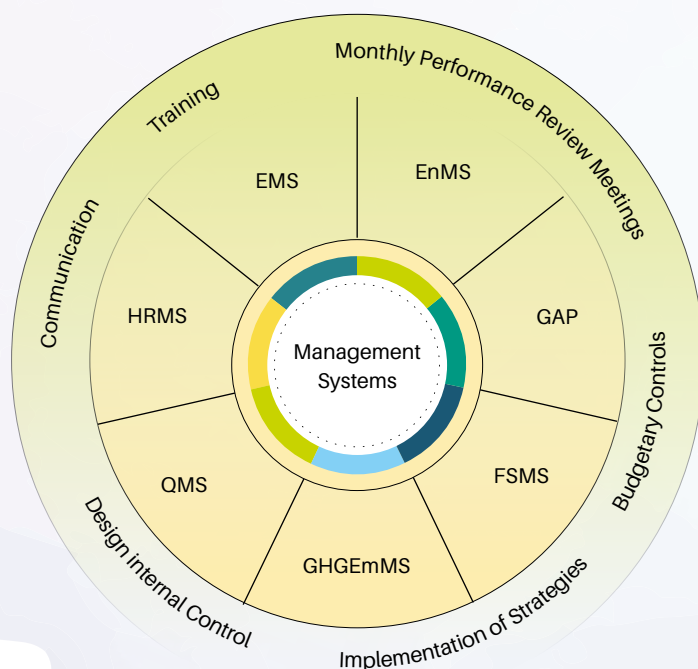
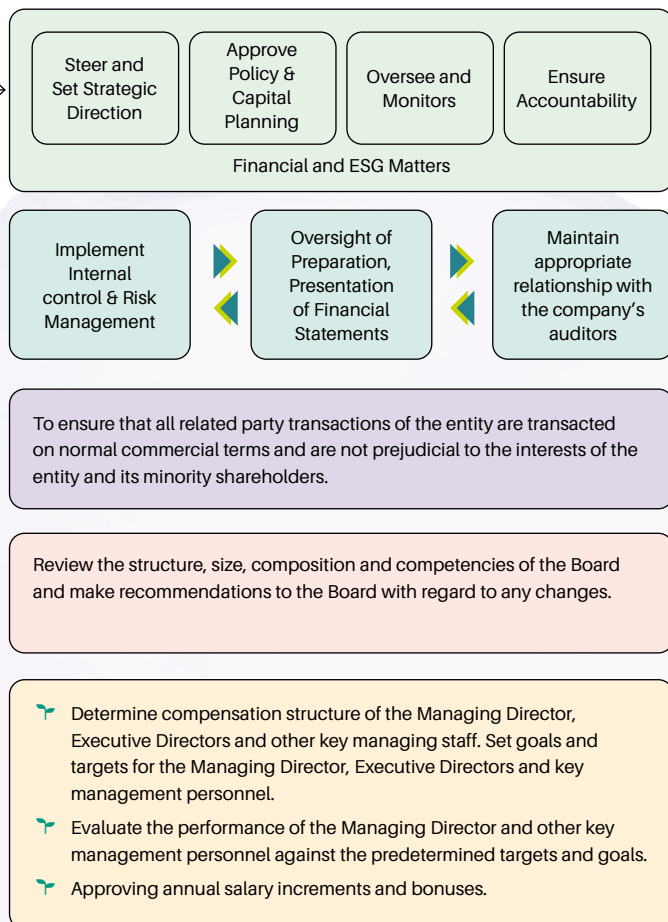
Corporate Governance Framework



Governance Structure



What we do



Value Creation Output

| | | |
|---|-----------------|-----------------|
| | 5,102 MT | 5,929 MT |
| Made Tea | 2023 | 2022 |
| | 2,570 Mn | 819 Mn |
| Net Profit | 2023 | 2022 |
| | 8,949 Mn | 6,364 Mn |
| Total Assets | 2023 | 2022 |
| | 42.87% | 19.12% |
| ROE % | 2023 | 2022 |
| | 902 Mn | 102 Mn |
| Dividend Paid | 2023 | 2022 |
| | 2,889 Mn | 2,717 Mn |
| Employee Payment | 2023 | 2022 |
| | 334 Mn | 54 Mn |
| Income Tax | 2023 | 2022 |
| | 165.4 Mn | 54 Mn |
| Investment in Community Development | 2023 | 2022 |
| | 48.9 Mn | 48.6 Mn |
| Investment in Environmental Protection | 2023 | 2022 |

CORPORATE GOVERNANCE REPORT

GOVERNANCE FRAMEWORK AND STRUCTURE

TTE's Corporate Governance Framework creates a control environment for the Board and Corporate Management to conduct the affairs of the Company efficiently and responsibly, in alignment with the interests of all stakeholders.

The regulations for listed entities, the legal requirements applicable to our business as a plantation Company along with our internal constitutional mandates serve as the overarching principles that underpin our governance framework. This is supported by TTE's Governance Structure that enables straightforward decision making, combined with appropriate checks and balances for the control of the activities, both operationally and financially.

Moreover, being part of the Hayleys Group, TTE also benefits from mature governance systems of the parent company, which are benchmarked on global good governance practices and rolled out effectively across the Group

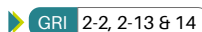
CULTURE AND ETHICAL CONDUCT

The Board sets the tone from the top to instill a culture of ethics across the organisation. In executing their duties, each Director individually and the Board collectively lead by example in being transparent and acting with integrity and fairness at all times.

The Group Code of Conduct and The Hayleys Way sets out the fundamental principles that bind all employees and Directors to high standards of ethical conduct. The Group Whistle-blowing policy has also been clearly communicated to all employees. The Whistle-blower Policy is maintained under the custody of the Audit Committee,

The Board is not aware of any material violations of any of the provisions of the Group's Code of conduct "The Hayleys Way" by any Director or employee of TTE. Moreover, no Whistleblower complaints were received by the Audit Committee in the current financial year.

SUSTAINABILITY GOVERNANCE



TTE greatly values its reputation as a responsible corporate citizen and places significant emphasis on preservation of the environment, strengthening and empowering our communities while upholding a culture of the highest standards of corporate governance and integrity. The Board provides oversight to ensure these principles are successfully internalized at TTE via integrated thinking to incorporate Environmental, Social and Governance (ESG) metrics into the business model

for the benefit of key stakeholders. The Company has established a 3600 Sustainability Management Approach, which coordinates horizontally between various business departments and estates at the organizational level and, vertically from subordinate units at the execution level to top management to manage impacts on the economy, environment, and people. The Board further acknowledges its responsibility to report to stakeholders on TTE's commitment to sustainable value creation through its Annual Report.

The Hayleys Group's governance structures and under the supervision of The Group Management Committee

also pave the way for sustainability considerations to embed into TTE's day to day operations. TTE's Audit Committee reviews the principal risks relating to the Company, including those related to sustainability.

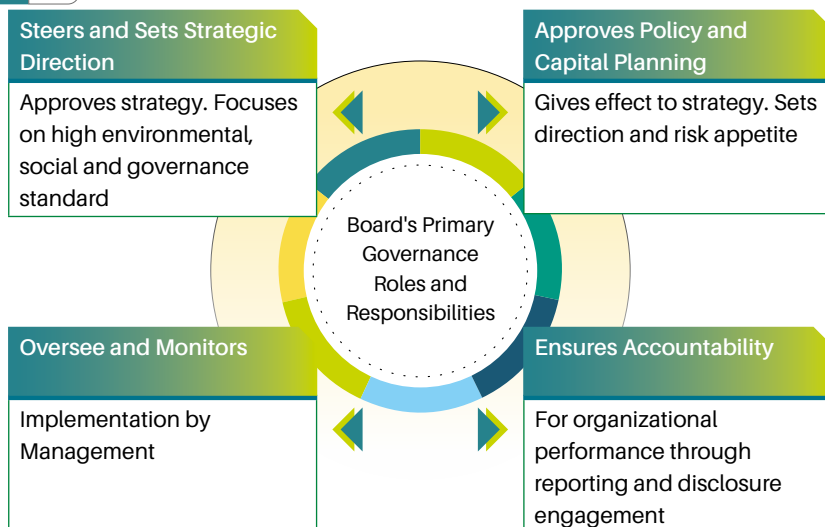
The Hayleys Board holds overall responsibility of formulating the Group's aspirations, strategies and policies relating to ESG and sustainable development. During the year, an ESG Steering Committee was established at Board level to assist the Board in its ESG-related duties. The responsibilities of the ESG Steering Committee include the following.

- ✔ Provide oversight and monitor the execution of the Group's ESG Framework-Hayleys Lifecode including progress against environmental, social and governance targets in the short, medium and long-term
- ✔ Identify ESG related risks, opportunities and impacts and recommend the implementation of appropriate measures to effectively address these dynamics.
- ✔ Review and provide guidance on ESG related policies and programs required to drive the Group's ESG Framework and strategy.
- ✔ Review and approve the Group's stakeholder engagement strategy which allows management to identify, understand and respond to stakeholders' legitimate concerns.
- ✔ Review emerging trends and issues in the ESG areas and assess potential impact on the Group.

Please refer to the Management Discussion and Analysis Section - Capitals Management Report on page 40 to 125.

STRATEGIC LEADERSHIP

GRI 2-12



regular reporting has enabled quick and informed decision making to capitalize on business opportunities and mitigate emerging threats.

The complementary skills and diverse experience of the Executive Management strengthens TTE's ability to deliver on strategy. Management is empowered to take decisions within the defined framework and job descriptions and are expected to always act in accordance with the Company's values and Code of Conduct. Several Committees have also been established to facilitate co-operation across divisions and estates, to improve efficacy in business matters.

The Board's primary objective has been to navigate the business through this time of uncertainty, ensuring that we emerge in a strong position, having continued to drive forward with our strategy despite the persistent difficulties. Drawing on the wealth of knowledge and experience of our board members (see Board Composition – page 142), the board provides strategic direction and leadership, monitors the implementation of business and strategic plans and approves the capital funding for these plans.

The Group MD is accountable for the implementation of strategy and performance and is supported by the Executive Management Team. As a member of the Hayley's Group Management Committee, he is responsible to the Hayley's Board for delivering agreed strategic goals for the plantation sector. Close engagement between the Board, Executive leadership and senior management, clear roles and responsibilities, empowerment and

The Board has delegated specific oversight responsibilities that warrant greater attention, to the Audit Committee and is assisted in the discharge of duties by the Nominations Committee, Remuneration Committee and Related Party Transactions Review Committee, as permitted by the Listing Rules of the Colombo Stock Exchange. The reports of these four Committees are given on pages 150 to 154.



Strategy & Business

- Approval of the Corporate strategic plan
- Continued review of strategic plan, considering impact of global economic slowdown, government policy decisions etc on business operations



Risk & Oversight

- Review of impacts from operating environment
- Performance review of the Group
- Risk Review
- Balance sheet and liquidity management



Governance

- Implementation of Hayleys Lifecode Sustainability framework
- Review of policy frameworks
- Succession planning



Stakeholder Engagement

- Review of stakeholder communications and engagement initiatives, in setting strategy and building brand
- Approval of dividend payment



Financial Performance

- Financial impact from adverse operating conditions
- Approval of 2022/23 Financial Statements and Annual Report
- Approval of 2023/24 budget

CORPORATE GOVERNANCE REPORT

GRI 2-10

| Board Committee | Areas of Oversight | Composition | Further Information |
|--|--|-------------|---|
| Audit Committee (AC) | <ul style="list-style-type: none"> Financial Reporting Internal Controls Internal Audit External Audit | C INED INED | Report of the Audit Committee on page 150 |
| Nominations Committee (NC) | <ul style="list-style-type: none"> Appointment of Key Management Personnel/ Directors Succession Planning Effectiveness of the Board and its Committees | C INED INED | Report of the Nomination Committee on page 153 |
| Remuneration Committee (RC) | <ul style="list-style-type: none"> Remuneration policy for Key Management Personnel Goals and targets for Key Management Personnel Performance evaluation | C INED INED | Report of the Remuneration Committee on page 154 |
| Related Party Transactions Review Committee (RPTRC) | <ul style="list-style-type: none"> Review of related party transactions | C INED INED | Report of the Related Party Transactions Review Committee on page 152 |

C Chairman INED Independent Non- Executive Director

OUR BOARD

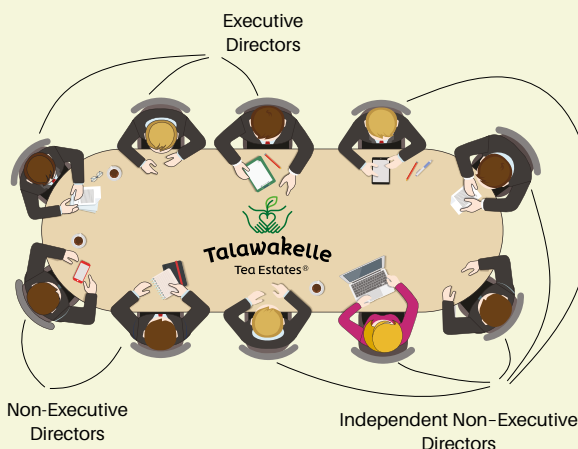
GRI 2-9 & 17

Summary of the Sub Sections

TTE's Board is the Company's highest governance body within the organisation. The Board operates in line with the Board Charter in providing leadership for the delivery of the long- term success of the Company. Working within the framework of prudent and effective controls, the Board of Directors steers the Company toward a more ethical, fair, and sustainable future, while meeting the appropriate interests of its shareholders and relevant stakeholders.

As part of its stewardship role, the TTE the Board is responsible for approving the Company's strategy and business plan and for ensuring the availability of financial and operational resources to support their execution. The Board also regularly reviews the relevance of the Company's strategy in cognizance with industry trends, specifically to assess the implications of these trends for the business including areas of potential opportunities and risks that could impact the future success of the business.

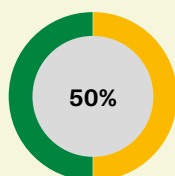
Board Composition



Expertise

- 3 Agribusiness Management
- 5 ESG Expertise
- 3 Marketing & Branding
- 4 Accounting & Finance
- 2 Human Resource Management

Age Diversity

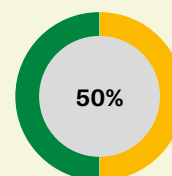


Younger than 60 Years

Gender

| Male | Female |
|------|--------|
| 90% | 10% |

Independence



of the Board is Independent

Independence

Definition

- Independence is determined against criteria as set out in the Listing Rules of the Colombo Stock Exchange and in compliance with Schedule K of the CA Sri Lanka Code of Best Practice on Corporate Governance 2017.

Assessment

- Independent assessment of directors is conducted annually by the Board, based on annual declaration and other information submitted by Non Executive Directors
- The Board discusses the possibility of any impairment of Directors independence due to extended Board tenures, and collectively evaluates the re-election of such Board members

Outcome

- The Board is satisfied there are no relationships or circumstances likely to affect or appear to affect, directors' independence during the period under review.
- The Board has determined that the independence of Dr. NT Bogahalande and Ms Minette D A Perera are not compromised by them being on the Board over 9 years and that they are capable of acting impartially and independently in all matters.

CLEAR ROLES & RESPONSIBILITIES

GRI 2-11, 12 & 13

TTL is led by a highly competent and diverse Board, with the majority consisting of independent non-executive directors (INEDs), thus ensuring that none of the Directors have unfettered powers in the Board decision-making process. Apart from this, there exists a clear division of roles and responsibilities between the Chairman and TTE's Managing Director.

Key Board Responsibilities

- Provide strategic direction
- Monitor implementation of strategy
- Set corporate values and promote ethical behaviours
- Establish systems of risk management, internal control and compliance
- Be responsive to the needs of society
- Meet shareholders, employees and other stakeholder's obligations, balancing their interests in a fair manner
- Present a balanced and understandable assessment of the Group's position and prospects
- Safeguard assets and ensure legitimate use
- Ensure succession planning and the continued ability of the Group to operate without any disruption

| Chairman | Managing Director (MD) |
|--|--|
| Role | Role |
| Leads the Board, preserving good corporate governance and ensuring that the Board works ethically and effectively. | Is accountable for implementation of TTE strategic plan and driving performance. |
| Responsibilities | Responsibilities |
| <ul style="list-style-type: none"> Setting the ethical tone for the Board and Group; Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary and the MD Building and maintaining stakeholder trust and confidence; Ensuring effective participation of all Board members during Board meetings. Facilitating and encouraging discussions amongst all Directors of matters set before the Board and ensuring a balance of power is maintained between Executive and Non Executive Director (NED). Monitoring the effectiveness of the Board. | <ul style="list-style-type: none"> Appointing and ensuring proper succession planning of the corporate management team, and assessing their performance; Developing the Group's strategy for consideration and approval by the Board; Developing and recommending to the Board budgets supporting the Group's long-term strategy. Monitoring and reporting to the Board on the performance of the Group and its compliance with applicable laws and Corporate Governance principles. Establishing an organizational structure for the Group which is appropriate for the execution of strategy; Ensuring a culture that is based on the Group's values; Ensuring that the Group operates within the approved risk appetite. |

Company Secretary

Secretarial services to the Board are provided by Hayley's Group Services (Pvt) Ltd. The Company Secretaries guides the Board on discharging its duties and responsibilities, promoting best practices in Corporate Governance. All Directors have access to their advice and services as necessary.

Board Refreshment

GRI 2-10

The Board is refreshed periodically through new appointments, retirement, resignation, and Re-election. In this way, Board refreshment allows for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity. Directors are appointed through a formal and transparent process as depicted below.

CORPORATE GOVERNANCE REPORT

| Appointments | Re-election/Re-appointment | Retirement/Resignation & Director Tenure |
|---|--|---|
| <ul style="list-style-type: none"> Directors are appointed by the shareholders at the Annual General Meeting, following a formal and transparent process and based on recommendations made by the Board of Directors. Existing Directors are re-elected periodically by the shareholders. Nominations Committee (NC) makes recommendations to the Board in this regard having considered the combined knowledge, experience and diversity of the Board in relation to the Group's strategic plans and any gaps thereof. Appointments are communicated to the CSE and shareholders through press releases and include a brief resume of the director. | <ul style="list-style-type: none"> Pursuant to the Articles of Association of the Company, 1/3 of the Non-Executive Directors will retire from office at each Annual General Meeting. These Directors are eligible to stand for re-election by the shareholders at the Annual General Meeting. The NC assesses the Board's composition as a whole and reviews the participation, engagement and contribution of each Director prior to recommendation for Re-election. A director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for re-election at the next AGM. | <ul style="list-style-type: none"> Resignations or removal, if any, of Directors and the reasons are promptly informed to the CSE. |

Total Board Seats (Excluding Directorships in the Group) held by each Director as at 31st March 2023 is given below;

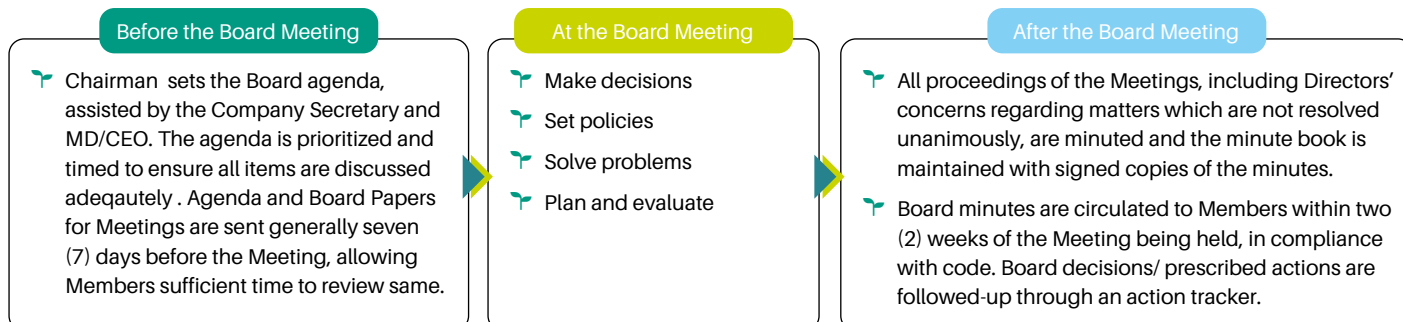
| Name of Director | Directorship Status in TTEL | No. of Board seats - Listed Companies | | No. of Board Seats - Unlisted Companies | |
|-------------------------|---|---------------------------------------|---------------|---|---------------|
| | | Executive | Non-Executive | Executive | Non-Executive |
| Mr. A M Pandithage | Chairman/ Executive Director | 14 | 1 | 150 | 12 |
| Mr. R Rajadurai | Managing Director | 2 | | 2 | 5 |
| Mr. S B Alawattagama | Chief Executive Officer | | | | |
| Lt Col J M Kariapperuma | Independent Non-Executive Director | | | | |
| Dr. N T Bogahalande | Independent Non-Executive Director | | | | 3 |
| Mr. S L Athukorala | Independent Non-Executive Director | | | | 2 |
| Ms. M D A Perera | Independent Non-Executive Director | | 7* | | 6** |
| Mr. M H Jamaldeen | Independent Non-Executive Director | 2 | 5 | 30 | 6 |
| Mr. Merril J Fernando | Non-Executive Director | 3 | 4 | 39 | 7 |
| Mr. Malik J Fernando | Non-Executive Director | 2 | 4 | 41 | 11 |
| Mr. D C Fernando | Alternate Director to Merril J Fernando | 3 | | 47 | |

*Including two alternative Directorships

** Including one alternative Directorship

Meetings & Attendance

While board meetings, audit committee meetings and related party transactions review committee meetings are held quarterly or more when required, remuneration committee meetings and nomination committee meetings have also been held during the financial year 2022/23. All Board Directors and Sub Committee members allocate sufficient time in order to properly discharge their responsibilities and duties in line with the respective mandates.



Attendance at Meetings

| Eligibility / Attended | | | | | | | |
|--|--------|---------------------|-------|-------|------------|--------------|--|
| Directors | Status | Year of Appointment | Board | Audit | Nomination | Remuneration | Related Party Transaction Review Committee |
| Mr. A M Pandithage (Chairman) | ED | 2009 | 4/4 | | | | |
| Dr. W G R Rajadurai (MD) | ED | 2013 | 4/4 | | | | |
| Mr. S B Alawattegama (Director/CEO) | ED | 2020 | 4/4 | | | | |
| Mr. Merrill J Fernando | NED | 1998 | - | | | | |
| Mr. Malik J Fernando | NED | 1998 | - | | | | |
| Mr. D C Fernando (Alternate Director to Mr. Merrill J Fernando) | | 2021 | 1/4 | | | | |
| Ms. Minette D A Perera | INED | 2012 | 4/4 | 4/4 | | 1/1** | 1/1** |
| Dr. N T Bogahalande | INED | 2013 | 4/4 | 1/1* | | 1/1** | 1/1** |
| Mr. S L Athukorala | INED | 2016 | 4/4 | 4/4 | | 1/1** | 1/1** |
| Mr. M H Jamaldeen | INED | 2017 | 1/4 | | | | |
| Lt Col J M Kariapperuma | INED | 2020 | 4/4 | | | | |
| Directors of Hayleys PLC who were on the sub-committees applicable to TTE up until 31.12.2022 | | | | | | | |
| Mr. A M Pandithage (Chairman) | ED | | | | 7/7** | | |
| Dr. H Cabral, PC | INED | | | | 7/7** | 2/2** | 3/3** |
| Mr. M Y A Perera | INED | | | | | 2/2** | 3/3** |
| Mr. M H Jamaldeen | INED | | | | | 2/2** | |
| Mr. S C Ganegoda | ED | | | | | | 3/3** |
| Mr. K D D Perera (Co-Chairman)(resigned with effect from 10.06.2022) | NED | | | | 1/2** | 1/2** | |
| INED - Independent Non-Executive Director, NED - Non-Executive Director, ED - Executive Director | | | | | | | |

*Dr. N T Bogahalande appointed to the Audit committee w.e.f. 1st January 2023.

**The Company appointed its own Nomination Committee, Remuneration Committee and Related Party Transaction Review Committee with effect from 01st January 2023. Until such time, the respective committees of Hayleys PLC assisted the Board.

Informed Decisions Making

GRI 2-16

TTE's clearly defined governance structures enables the Board to maintain effective oversight and proactive involvement in decision making. The Board, directly and through its sub-committees, considers actions to successfully face challenges, manage crises and harness opportunities to support sustainable business performance and growth. Apart from this, the Board is also informed regularly from Executive Management on key issues affecting TTE and its stakeholders.

Supply of Information

- The Board pack, is generally circulated seven (7) days in advance of a Board Meeting.
- The MD briefs the Board on the business operations, apprising of current developments.
- KMP are invited to attend Board meetings to discuss relevant areas of business. Management is open and transparent with the Board and brings to attention any matters of concern in a timeous manner.

Access to Information

- Directors have unrestricted access to Management, organization information, and resources to facilitate discharge of their duties.
- Directors are entitled to seek independent professional advice, coordinated through the Group Secretaries, at Group's expense. Copies of such advice obtained are circulated to Directors who request for it.

Induction and Training

- On appointment, directors are apprised of the Company and provided a tour of key Estates and factories.
- Directors are kept abreast of relevant legislation, regulations, sector developments and changes to risk profile on an on- going basis.
- They undertake training and professional development as they consider necessary, on a personal capacity or coordinated through the Group Secretaries.

CORPORATE GOVERNANCE REPORT

GRI 2-15

Directors Interest, Related Party Transaction, Conflict of Interest

All Board Directors are expected to exercise utmost good faith, honesty and integrity in all their dealings with or on behalf of the Company. They are required to act in the TTE's best interests at all times by disclosing real or perceived conflicts to the Board. As per the companies Act, all Directors on appointment and thereafter every quarter, are required to declare their direct, indirect, beneficial and non-beneficial interests in any contract or proposed contract. Such matters are recorded in the Directors' Interests Register, which is available for inspection as needed.

Meanwhile, an affected Director is expected to excuse himself/herself from participating in any Board discussions and abstain from voting on matters where he/she has an interest are being discussed.

Directors have no direct or indirect interest in a contract or a proposed contract with the Company other than those disclosed in Note 33 to the financial statements.

The Related Party Transactions Review Committee considers all transactions that require approval in line with the Group's Related Party Transactions Policy and in compliance with the relevant regulations. Related party transactions applicable to the TTE Board are disclosed on page 229.

Succession Planning

The Board, assisted by Remuneration Committee follows a formal Board Succession Procedure whereby potential KMP's are earmarked and on-boarded for further development. The Nomination Committee is responsible for reviewing Board succession.

GRI 2-18

Board & Sub Committee Appraisal

An annual evaluation is conducted to assess the effectiveness of the Board as a whole. The process, which is led by the Chairman and administered by the Company Secretary, requires all Directors to assess the collective Board performance against selected criteria. Final results are made available to the Nominations Committee for appropriate recommendations for improvement. Similarly, an annual assessment is conducted by each Sub-committee Chairman to assess effectiveness of the respective Committee under his / her purview.

The findings of the 2022/23 evaluations indicated that the TTE Board and its Sub Committees were effective in discharging their roles during the year under review.

Areas Covered

- ✔ Degree of fulfilment of Board's Responsibilities
- ✔ Quality of the Board
- ✔ Effectiveness of The Board Processes and Meetings

Group Bribery and Anti-Corruption Policy

The Group's bribery and anti-corruption policy emphasises zero tolerance for bribery and corruption. The policy is applicable to the Board of Directors and all employees of Hayleys PLC and its subsidiaries and includes guidelines on gifts, hospitality and promotional expenses, facilitating payments, political contributions and donations, charitable donations, commission payments to third parties and partner due diligence among others.

GRI 2-18

Appraisal of Managing Director

The Board assesses the performance of the Managing Director (MD) annually based pre-agreed targets established at the start of the year with regard to the Company's the short, medium and long-term objectives. In the interim period, the MD's performance is reviewed quarterly against the backdrop of the macroeconomic conditions.

The Remuneration Committee assists in the Board by helping to determine appropriate performance-based rewards to recognise the performance achievement of the MD.

GRI 2-19 & 20

Responsible and Fair Remuneration

Remuneration Policy and Procedure

The Board strives to ensure that remuneration is fair, responsible and transparent. The Remuneration Committee is tasked with making recommendations to the Board regarding remuneration of the Executive Directors and KMP's.

Hayley's Group Remuneration Policy

- ✔ To Attract And Retain A Highly Qualified And Experienced Workforce
- ✔ Reward Performance Accordingly In the Backdrop of Industry Norms.
- ✔ Provide Compensation Packages Appropriate To Each Business Within The Group
- ✔ Compensation to Commensurate with Each Employee's Level of Expertise and Contributions, Bearing In Mind The Business' Performance And Shareholder Returns.

Responsible and Fair Remuneration**Remuneration Level and Makeup**

TTE's remuneration packages are designed to attract and retain eminent professionals with the requisite skills and experience. Accordingly, the Company offers industry competitive remuneration with due consideration of the performance and risk factors associated with the job role. In this regard, TTE's remuneration structures include a variable pay component tied to the achievement of TTE's sustainable business objectives including ESG metrics.

Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017.

No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined at the discretion of the Board of Directors. The Board as a whole determines the remuneration of the NEDs.

The aggregate remuneration paid to Executive and Non- Executive Directors in the Financial Year 2022/23 is Rs. 44.8 Mn.

Control Environment**Compliance**

TTE's commitment to compliance is underpinned by the Hayleys Group policy framework that facilitates compliance with regulatory requirements and the early adoption of new regulatory requirements.

TTE remains compliant with all relevant statutory and regulatory requirements. There were no reported incidents of non-compliance recorded in the year under review.

Risk Management and Internal Control

The TTE Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard stakeholder interests and the assets of the Company. Towards this end, the Board has adopted the enterprise-wide approach to risk management to ensure all financial, operational and compliance risks are identified, assessed, managed and reviewed on an ongoing basis. In the year under review, the Board further strengthened risk oversight owing to the uncertain economic environment in the Country. The Hayley's Group Internal Audit Department supports the Audit Committee, by reviewing the adequacy and effectiveness of TTE's internal control systems and reporting to the Audit Committee on a regular basis. Based on these findings, the Board remains satisfied with the integrity and soundness of TTE's internal control systems.

For more details, please refer to the Risk Management Report on page 44

Assurance

The Board seeks independent assurance from the internal auditors regarding the efficacy of the control environment, while the external auditor validates the integrity of the Company's financial position, thereby confirming the effectiveness of TTE's internal decision making systems. The Board Audit Committee (BAC) on behalf of the Board reviews the plans and work outputs of both external and internal auditors, including coordinating activities to support the combined assurance model.

Financial and Business Reporting

The Board provides oversight for ensuring that information regarding the Company's financial position is conveyed to stakeholders in a timely manner. The annual report serves as the main source for providing a comprehensive assessment of TTE's financial performance and prospects for a particular financial year. Apart from this interim quarterly reports are also published in line with the CSE's listing rules. Annual reports and quarterly financial reports are scrutinised by Audit Committee before being submitted for the approval by the Board of Directors, prior to publication.

More information regarding the Company's financial results for the FY 2022/23 can be found in the following:

Annual Report of the Board of Directors on the Affairs of the Company on pages 155

The Statement of Directors' Responsibility on page 160

Report of the Auditors on page 176

Innovation Governance

Based on the belief that innovation maximizes value for our business and our stakeholders, the TTE Board encourages the creativity and promotes innovative thinking within acceptable risk parameters. To further support this, the Board strives to create an environment for continuous learning in order to empower employees to think out of the box. Please refer Intellectual Capital – page 90 for examples of innovative interventions employees

CORPORATE GOVERNANCE REPORT

Workforce Diversity

The Board appreciates the positive impact on productivity and competitiveness resulting from a more diverse workforce. To that end, the TTE Board has implemented policies to promote equal opportunity, a safe workplace and flexible work arrangements including family friendly practices. The success of these initiatives are reflected in the increase in female representation to 59% of the workforce and 7.6% among the senior management category noted in FY 2022/23.

Please refer to the Human Capital section on page 104 for more information regarding the steps taken to increase female representation at all levels of the business.

HR Governance

The Board has established a robust framework of policies to create a safe and harassment free workspace that will allow the Company to harness the full potential of all our employees. Our key policies include;

- ✔ Equality and Diversity Policy
- ✔ Employee Recognition and Rewards Policy
- ✔ Anti-Harassment Policy
- ✔ Grievance Handling Policy
- ✔ Management and Resolution of Complaints Policy
- ✔ Human Rights Policy
- ✔ Health & Safety Policy
- ✔ Hayley's Way - Code of Conduct & Ethics

Gender Parity

The Board has long understood the vibrant role of women in building a progressive and prosperous country. Given that our workforce comprises predominantly female employees, mainly tea pluckers on our estates, TTE has been at the forefront of women empowerment in Sri Lanka actively supporting women's advancement and reducing gender parity in society. In particular, the Company emphasizes female empowerment at our Estate Communities through various projects.

Please refer to the Social and Relationship Capital section on page 94 for more information on our women's empowerment initiatives.

Responsible Branding

The TTE Board is guided by the Hayleys Group marketing and communications policy in relation to branding and other external visibility initiatives. As stipulated by these guidelines, the Board works with the awareness that gender- stereotyped portrayals limits the aspirations, expectations, interests and participation of girls and women in society, contributing to negative outcomes in health and wellbeing.

Relations with Shareholders

The TTE Board is conscious of their responsibility towards stakeholders and remains committed to fair shareholder disclosures, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner so as to avoid the creation of a false market.

Communication with Shareholders

The Board has established multiple channels to engage with shareholders including the Annual General Meeting (AGM), the annual report, interim financial statements, notification of key events through announcements in the CSE and a dedicated investor relations tab on the company's website

The annual report encourages shareholders to comment or make suggestions to the Board through the Group Secretaries, while the AGM serves as a platform to afford shareholders the opportunity to raise questions directly with the TTE Board and corporate management.

Constructive use of Annual General Meeting (AGM)

Board members and corporate management members make themselves available at the AGM to interact with and respond to questions raised by the Shareholders. The external auditors also attend to address any queries raised.

Notice of the AGM, the Annual Report and Accounts and any other resolution together with corresponding information, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to review the documentation and attend the AGM. TTE proposes a separate resolution for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance through the annual report.

All Shareholders are encouraged to exercise their voting rights. TTE has an effective mechanism to record and count all proxy votes lodged for each resolution. The outcome of the vote on each resolution is informed to the CSE, upon conclusion of the AGM.

Digital Governance

The Board appreciates the benefits provided by digital technology in terms of agility, scalability, and innovation. On this basis, the Board has undertaken strategic investments in IT infrastructure and other technology based solutions to strengthen governance of various aspects of the business. Hand in hand with these investments, the Board remains committed to implement necessary safeguards to protect the Company's information assets and operational systems against external threats and internal data breaches.

Information Technology & Cyber Security Governance

TTE has digitized many of its functions to achieve operational efficiency, enable remote working, make better decisions and produce accurate reports. Therefore, the security of those digitized systems is paramount.

Hayley's Group IT Dept is responsible for implementing the Groups digital strategy including adopting IT policies and safeguarding against cyber threats. The Group Head of IT functions as the Chief Information Security Officer (CISO).

Cybersecurity is a key agenda item in the monthly Group Management Committee meetings with matters escalated to the TTE Board where deemed necessary considering risk, impact and other prudential measures. Coverage and scope of related Group policies and guidelines are given below.

| Group IT Policy | Group Information Security Policy | Principles | Guidelines for Corporate Websites |
|---|---|--|--|
| <ul style="list-style-type: none"> Group Connectivity Access requirements/ Resource utilisation Individual Sector Networks/ System Management Backup & Recovery/ Software Modification IT Equipment & Software & Third Party Involvement IT Assets & Media disposal and procurement Responsibility for Adherence | <ul style="list-style-type: none"> Protection of information from unauthorised access Confirmation of information Confidentiality, availability and integrity of information Regulatory requirements Business continuity plans Information security training Reporting breaches of information security IT policy embedded in to employee induction programme | <ul style="list-style-type: none"> Acceptable IT Use Password Protection Standards Email Usage Internet Usage Monitoring Enforcement | <ul style="list-style-type: none"> Guidelines for web hosting Guidelines for secure web development Enforcement |

REPORT OF THE AUDIT COMMITTEE

ROLE OF THE AUDIT COMMITTEE

The role of the Committee with specific terms of reference is described in the Corporate Governance Report on pages 137 to 149.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors. The Company Secretary acts as the secretary to the Audit Committee. The Chairman, Managing Director, Chief Executive Officer, Director Finance, Head of Management Audits and Systems Review Department, Director Plantations and Director-Strategic Performance Management and External Auditors attend meetings by invitation.

All members of the Audit Committee are senior qualified accountants and possess relevant knowledge, qualifications and experiences in financial reporting, control and regulatory requirements.

The names of the members of the Committee are given below and their brief profiles are given on pages 28 to 33 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgment on matters that come within the Committee's purview.

MEETINGS OF THE AUDIT COMMITTEE

The Committee met four times during the year. The attendance of the members at these meetings is as follows:

| | |
|--|-----|
| Mr. S L Athukorala (INED)-Chairman | 4/4 |
| Ms. M D A Perera (INED) | 4/4 |
| Dr. N T Bogahalanda (INED) (Appointed to the Committee on 1st January 2023) | 1/1 |
| *INED - Independent Non-Executive Director | |

The attendance of the meetings is given in table on page 145 of the Annual Report.

Relevant members from the Senior Management, representative from the Hayleys Management Audit & Systems Review Department (MA&SRD), Internal Auditors as well as the External auditors were present at these meetings as appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

TASKS OF THE AUDIT COMMITTEE Financial Reporting System

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards.

The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system, also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

Internal Audits

The Committee reviewed the process to assess the effectiveness of the Internal Financial Controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. The Group MA&SRD reports on key control elements and procedure in Group companies that are selected according to an annual plan. These reports were reviewed by the audit committee.

Internal Audits are carried out by The Group MA&SRD and leading audit firms are engaged to assist them in line with an agreed annual audit plan approved by the Audit Committee. Follow up reviews are scheduled to ensure that audit recommendations are being acted upon.

The Committee obtained and reviewed statements from the management of the Company identifying major business risks, mitigatory action taken or contemplated for the management of these risks.

The Committee obtained representations from the Company on the adequacy of provisions made for possible liabilities and reviewed reports tabled, certifying their compliance with relevant Statutory Requirements.

External Audits

The Committee held meetings with the External Auditors to review the nature, approach, scope of the audit and the Audit Management Letters of the Company. Actions taken by the management in response to the issues raised, as well as the effectiveness of the internal controls in place, were discussed with the heads of business unit. Remedial action was recommended wherever necessary.

The Audit Committee has reviewed the other services provided by the External Auditors to the Company, to ensure that their independence as Auditors has not been compromised.

APPOINTMENT OF EXTERNAL AUDITORS

The Committee has recommended to the Board of Directors that Messrs. Ernst & Young, Chartered Accountants continue as Auditors for the year ending 31st March 2024.

SUPPORT TO THE COMMITTEE


The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

SRI LANKA ACCOUNTING STANDARDS

The Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to the Company and made recommendations to the Board of Directors. The Committee would continue to monitor the compliance with relevant Accounting Standards and keep the Board of Directors informed at regular intervals. The Committee has pursued the support of Messrs. Ernst and Young, Chartered Accountants to assess and review the existing SLFRS policies and procedures adopted by the Company.

CONCLUSION

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



S L Athukorala
Chairman
Audit Committee

11th May 2023

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Company formally appointed its own Related Party Transactions Review Committee (RPTRC) on 1st January 2023. Until such time, the Related Party Transactions Review Committee of Hayleys PLC assisted the Board in reviewing all related party transactions.

COMPOSITION OF THE COMMITTEE

As at 31st March 2023, the Related Party Transactions Review Committee comprised of the following Directors;

| |
|--|
| Mr. S L Athukorala (INED)-Chairman |
| Ms. M D A Perera (INED) |
| Dr. N T Bogahalande (INED) |
| *INED - Independent Non-Executive Director |

MEETINGS

RPTRC of Hayleys PLC met thrice and RPTRC of the Company met once during the financial year.

The attendance of the meetings is given in table on page 145 of the Annual Report.

THE DUTIES OF THE COMMITTEE

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.

- To recommend, where necessary, to the Board, and obtain their approval prior to the execution of any related party transaction.
- To monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Meet with the management, Internal Auditors/External Auditors as necessary to carry out the assigned duties.
- To review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- To review the economic and commercial substance of both recurrent/non recurrent related party transactions.
- To monitor and recommend the acquisition or disposal of substantial assets between related parties, including obtaining 'competent independent advice' from independent professional experts with regard to the value of the substantial asset of the related party transaction.

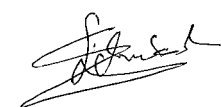
TASK OF THE COMMITTEE

The Committee reviewed the related party transactions and their compliance of Talawakelle Tea Estates PLC and the Group communicated the same to the Board.

The Committee in its review process recognized the adequate content and quality of the information forwarded to its members by the management.

DISCLOSURES

A detailed disclosure of all the related party transactions including recurrent and non recurrent related party transactions which are required to be disclosed under Section 9.3.2 of the Listing Rules of the Colombo Stock Exchange has been made in Note 33 & 34 to the financial statements given in page 229 to 232 in this report.



S L Athukorala
Chairman
Related Party Transactions Review
Committee of Hayleys PLC

11th May 2023

NOMINATION COMMITTEE REPORT

The Company formally appointed its own Nomination Committee on 1st January 2023. Until such time, the Nomination Committee of Hayleys PLC assisted the Board.

COMPOSITION OF THE COMMITTEE

As at 31st March 2023, the Nomination Committee comprised of the following Members.

| |
|--|
| Mr. S L Athukorala (INED) - Chairman |
| Ms. M D A Perera (INED) |
| Dr. N T Bogahalande (INED) |
| *INED - Independent Non-Executive Director |

MEETINGS

The Nomination Committee of Hayleys PLC met 7 times during the Financial year. The Nomination Committee of TTE meets at least once a year, and as and when required. The attendance of the meetings is given in table on page 145 of the Annual Report.

DUTIES OF THE NOMINATION COMMITTEE

- Consider the making of any new appointments to the Board or re-electing current Directors to the Board.
- Provide advice and recommendations to the Board on any such appointment.
- Review criteria such as qualifications, experience and key attributes required for eligibility to be considered for appointment to the Board and Key Management Personnel in the Company.
- Consider if a Director is able to and has been adequately carrying out his or her duties as a Director, taking into consideration the number of Listed Company Boards on which the Director is represented and other principal commitments.

- Review the structure, size, composition and competencies of the Board and make recommendations to the Board with regard to any changes.
- Recommend the requirements of new expertise and succession arrangements for retiring Directors.
- Recommend on any matter referred by the Board of Directors.
- The Committee has recommended based on the performance and the contribution made to achieve the objectives of the Board to re-elect Mr. Malik J Fernando, Ms. M D A Perera and Mr. J M Kariapperuma at the Annual General Meeting to be held on 26th June 2023.
- The Committee has recommended to reappoint Mr. A. M. Pandithage and Mr. Merrill J. Fernando who are over seventy years of age.



S L Athukorala
Chairman
Audit Committee

11th May 2023

REMUNERATION COMMITTEE REPORT

The Company formally appointed its own Remuneration Committee on 1st January 2023. Until such time, the Remuneration Committee of Hayleys PLC assisted the Board.

COMPOSITION OF THE COMMITTEE

| |
|--|
| Mr. S L Athukorala (INED) - Chairman |
| Ms. M D A Perera (INED) |
| Dr. N T Bogahalande (INED) |
| *INED - Independent Non-Executive Director |

The Managing Director of the Company, who is responsible for the overall management of the Company, provides information to the Committee in all deliberations, except in relation to those matters where the outcome has an impact on him.

MEETINGS

The Remuneration Committee of Hayleys PLC met twice and Remuneration Committee of the Company met once during the financial year.

The attendance of the meetings is given in table on page 145 of the Annual Report.

SCOPE OF DUTIES

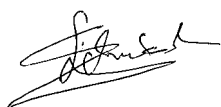
Led by the objective of attracting and retaining high caliber individuals in a competitive environment, in line with business performance and stakeholder expectations, the Remuneration Committee shall be responsible for the following;

- Setting the overall Hayleys PLC Group remuneration policies after taking into consideration the current industrial norms; laying down guidelines and parameters for the compensation structure of the Managing Director, Executive Directors and other key managing staff.
- To set goals and targets for the Managing Director, Executive Directors and key management personnel.

- To monitor and review the performance of the Managing Director, Executive Directors and other key management personnel.
- To periodically evaluate the performance of the Managing Director, Executive Directors and other key management personnel against the set targets and goals, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.

Remuneration Policy

The remuneration policy is to attract and retain highly qualified and experienced work force, and reward performance accordingly against the backdrop of industry norms. These compensation packages provide compensation appropriate for the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.



S L Athukorala
Chairman
Remuneration Committee

11th May 2023

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Talawakelle Tea Estates PLC (the Company) have pleasure in presenting their Report on the affairs of the Company together with the audited Consolidated Financial Statements of the Group for the year ended 31st March 2023.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007 ("the Companies Act"), the Listing Rules of the Colombo Stock Exchange, the Code of best practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and are guided by recommended best accounting practices. The Financial Statements were reviewed and approved by the Board of Directors on 11th May 2023.

PRINCIPAL ACTIVITIES

The principal activity of Talawakelle Tea Estates PLC is cultivation and manufacture of black tea. The Company also cultivates rubber and cinnamon on a smaller scale. The subsidiaries of the Company, TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Limited are engaged in generating hydro power.

There were no significant changes in the nature of the principal activities of the Company or its subsidiaries during the year under review.

GROUP STRUCTURE

The Group Structure is given on page 23.

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision, mission and purpose statement are given on page 22. The 'Group Code of Business Principles - Hayleys Way' provides the frame work for our corporate conduct. The Group is committed to conduct its business operations with honesty, integrity, to comply the laws and regulations of the country and with respect to the rights and interests of all stakeholders.

BUSINESS REVIEW/FUTURE DEVELOPMENT

A review of financial and operational performance and future business developments of the Group is contained in the Chairman's Statement (Pages 14 to 17) Managing Director's Review (Pages 18 to 21) and Management Discussion and Analysis (Pages 40 to 125) of the Annual Report.

These reports, together with the audited Financial Statements, reflect the state of affairs of the Company and the Group.

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group prepared in conformity with the Sri Lanka Accounting Standards (SLFRS/LKAS) as required by Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and comply with the requirements of the Companies Act.

The Financial Statements of the Company and the Group for the year ended, 31st March 2023, have been duly signed by the Chief Financial Officer and two Directors of the Board and are given on page 182.

AUDITOR'S REPORT

The Company's Auditors Messrs. Ernst and Young, Chartered Accountants carried out an audit on the Financial Statements of the Company and the Group as at 31st March 2023, and their Report is given on pages 176 to 179.

ACCOUNTING POLICIES

The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 186 to 202.

There were no material changes in the Accounting Policies adopted with those of the last year other than disclosed in note 2.3 to the Financial Statements.

GROUP REVENUE

The revenue of the Group during the year was Rs 8,199.3 Mn (2022 Rs. 4,727.3 Mn). An analysis of the Group's revenue, profits and asset allocation relating to different segments are given in Note 6 to the Financial Statements.

In comparison to 2021/2022, the contribution to revenue for the financial year 2022/23 from tea increased by Rs. 3,405 Mn, contribution from rubber decreased by Rs. 9.4 Mn contribution from Cinnamon increased by Rs. 30.9 Mn and contribution from hydro power increased by Rs. 3.8 Mn

Trade between Group Companies is conducted at fair market prices.

OPERATIONAL RESULTS AND DIVIDENDS

The Group profit before taxation, amounted to Rs. 3,298.3 Mn (2022-Rs. 837.3 Mn) during the period under review. After charging Rs.719.5 Mn (2022 - Rs.19.9Mn) for taxation and a consolidation profit of Rs.3.6 Mn (2022 - profit of Rs.3 Mn) for non-controlling interests, the Group profit attributable to equity holders of the Company from operating activities for the period was Rs. 2,575.2 Mn (2022 - Rs. 814.4 Mn).

DIVIDENDS

During the F/Y 2022/23, the following dividends were declared and distributed to the shareholders:

- ✎ 1st Interim Dividend of Rs. 3/- per share paid on 30th September 2022.
- ✎ 2nd Interim Dividend of Rs. 5/- per share paid on 24th January 2023,
- ✎ 3rd Interim Dividend of Rs. 6/- per share paid on 6th April 2023.
- ✎ 4th interim Dividend of Rs. 17/35 per share paid on 8th May 2023.

**ANNUAL REPORT OF THE BOARD OF DIRECTORS
ON THE AFFAIRS OF THE COMPANY**

The Directors have confirmed that the Company satisfies the Solvency test requirement under Section 56 of the Companies Act for the interim dividends paid and Solvency Certificates were obtained from the Auditors in respect of the interim dividends paid.

GROUP INVESTMENT

Total capital expenditure of the Group including investments in field development during the year amounted to Rs. 555.41 Mn (2022 - Rs. 411.7 Mn)

PROPERTY, PLANT & EQUIPMENT

Group investment on property, plant & equipment and capital work in progress during the year amounted to Rs 357.97Mn (2022 - Rs. 282.14 Mn) whilst that of the Company was Rs. 357.96 Mn (2022 - Rs. 282.14 Mn). The Company investment on replanting of tea, timber and other crops during the year amounted to Rs. 145.69. Mn. (2022 - Rs. 91.2 Mn) and Rs. 16.65 Mn (2022 - Rs. 19.1 Mn) and Rs35.09 Mn (2022- Rs. 19.1 Mn) respectively.

Information relating to movement in property, plant & equipment an replanting is given in Notes 12 & 13 to the Financial Statements.

MARKET VALUE OF PROPERTIES

The Group does not possess any freehold land.

STATED CAPITAL AND RESERVES

The stated capital of the Company as at 31st March 2023 consists of 47,500,000 Ordinary Shares and one (01) Golden Share amounting to Rs. 350,000,010. There was no change in the stated capital during the year ended.

Total Group reserves at 31st March 2023 amounts to Rs 5,669.3 Mn (2022 - Rs. 3,955.7Mn) comprising retained earnings of Rs.5,335.4 Mn. (2022 - Rs. 3,708.2 Mn), biological crop reserve of Rs.22.9Mn (2022- Rs.17.4 Mn) and timber reserves of Rs. 311

Mn (2022 - Rs. 230.1 Mn). The movement in reserves during the period is shown in the Statement of Changes in Equity in the Financial Statements.

PROVISION FOR TAXATION

The profit of the Company is liable for income tax at varying rates. The profit earned up to 30.09.2022 on Agro Farming is exempt, Agro processing and Dividend Income are liable at 14% and Interest Income is liable at 24%.

From 01.10.2022, as per the amendment to the Inland Revenue Act no 24 of 2017, the profit earned on Agro farming is exempt, Argo processing liable at 22.5% and other source of income liable at 30%

From 01.10.2022 TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Limited liable at 30%.

The Group has also provided deferred tax on all known temporary differences under the liability method.

Information on the income tax and deferred tax of the Company and the Group is given in note 10 to the Financial Statements.

PREFERENCES SHARES

As at 31st March 2023 the Company holds 14% Redeemable Cumulative Preference Shares of TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Limited amounting to Rs. 53.1 Mn (31.03.2022 - Rs. 53.1 Mn) and Rs. 16 Mn (31.03.2022 - Rs. 16Mn) respectively. Information relating to the preference shares is given in Note 14 to the Financial Statements.

INTERESTS REGISTER

The Company, in compliance with the Companies Act maintains an Interests Register. Shareholders of subsidiary Companies have unanimously agreed to dispense with the requirement to maintain an Interest Register.

DIRECTORS' INTERESTS IN SHARES

Directors of the Company who have shares in the Company have disclosed their shareholdings and any acquisitions/disposals to the Board, in compliance with Section 200 of the Companies Act.

Details of Directors shareholdings in the Company are given later in this report.

DIRECTORS' INTERESTS IN TRANSACTIONS;

The Directors of the Company have made the general disclosures provided for in Section 192(2) of the Companies Act No. 07 of 2007, Note 33 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

INSURANCE & INDEMNITY

The ultimate parent of the Company, Hayleys PLC has obtained a Directors' and Officers' Liability insurance from a reputed insurance company in Sri Lanka providing worldwide cover to indemnify all past, present and future Directors and Officers of the Group.

PAYMENT OF REMUNERATION TO DIRECTORS:

Executive Directors' remuneration is determined within an established framework by the Board's Remuneration Committee to whom this task is entrusted.

The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The total remuneration for Executive Directors for the year ended 31st March 2023 is Rs 39.4 Mn (31.03.2022 - Rs 36.1 Mn), which includes the value of perquisites granted as part of terms of service and is formally approved. The total remuneration of Non-Executive Directors for the year ended 31.03.2023 is Rs. 5.4 Mn (31.03.2022 - Rs. 3.8 Mn) determined according to scales of payment decided

upon by the Board previously. The Board is satisfied that the payment of remuneration is fair to the Company.

CORPORATE DONATIONS

Donations were not made during the year ended 31.03.2023 by the Company and its subsidiaries.

DIRECTORATE

The names of the Directors of the Company who held office at the end of the financial year are given below and their brief profiles appear on pages 28 to 33.

EXECUTIVE DIRECTORS

Mr. A M Pandithage (Chairman)
Dr. W G R Rajadurai (Managing Director)
Mr. S B Alawattegama (CEO)

NON- EXECUTIVE DIRECTORS

Mr. Merrill J Fernando (Mr. D C Fernando as Alternate Director)
Mr. Malik J Fernando

INDEPENDENT NON- EXECUTIVE DIRECTORS

Dr. N T Bogahalanda
Mr. S L Athukorala
Mr. M H Jamaldeen
Lt. Col. J M Kariapperuma
Ms. M D A Perera

The basis on which Directors are classified as Independent Non -Executive Directors is discussed in the Corporate Governance Statement.

RESIGNATIONS, NEW APPOINTMENTS AND RE-ELECTIONS TO THE BOARD

In terms of Article No. 30(1) of the Articles of Association of the Company, Mr. Malik J Fernando, Ms. M D A Perera and Mr. J M Kariapperuma retire by rotation and being eligible offer themselves for re-election.

Notice has been given of the intention to propose ordinary resolutions in terms of Section 211 of the Companies Act for the re-appointment of Mr. Merrill J. Fernando and Mr. A. M. Pandithage who are over 70 years of age, resolving that the age limit of 70 years stipulated in Section 210 of the Companies Act shall not apply to the aforesaid directors.

BOARD COMMITTEES

The Board, while assuming the overall responsibility and accountability for the affairs in the management of the Company, has appointed an Audit Committee, Remuneration Committee, Nomination Committee and Related Party Transactions Review Committee with specific terms of reference. The Committee Reports are given on page 150 and 154 of this report.

MANAGEMENT FEES

No management fees have been charged by Hayleys Plantation Services (Pvt) Ltd w.e.f. 01 April 2014 consequent to a board decision to waive off management fee hereafter.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance section on pages 137 and 149 discusses this further.

AUDITORS

Messrs. Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office and in accordance with the Companies Act a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors and to authorize the directors to determine their remuneration is being proposed at the Annual General Meeting.

The Auditors Messrs. Ernst & Young, Chartered Accountants were paid Rs. 4.23 Mn (31.03.2022 - Rs. 5.69 Mn) as audit fees and audit related work of the Company and Rs. 1.38 Mn (31.03.2022- Rs. 0.61 Mn) as audit fees by the two subsidiaries, TTEL Hydro Power Company (Private) Limited and TTEL Somerset Hydro Power (Private) Ltd.

The Auditors of the Company and its subsidiaries have confirmed that they do not have any relationship (other than that of an auditor) with, or interests in, the Company or any of its Subsidiaries other than those disclosed above.

SHARE INFORMATION

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 237 and 238.

GOLDEN SHAREHOLDER

Rights of the Golden Shareholder as given in the Articles of Association of the Company are as follows;

Definition of the 'Golden share' - a share allotted to the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the state of the Democratic Socialist Republic of Sri Lanka, and or by any transferee permitted in terms of the Articles.

Definition of 'Golden shareholder' - The holder of the 'Golden Share'.

- ✎ The concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words 'Golden Share' and 'Golden Shareholder' and the Articles 5(1) to 5(12) of the Articles of Association of the Company which deals with the Golden shareholder.
- ✎ The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.

**ANNUAL REPORT OF THE BOARD OF DIRECTORS
ON THE AFFAIRS OF THE COMPANY**

- ✎ The Company shall obtain the written consent of the Golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in the Article of Association of the Company.
- ✎ The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three-month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
- ✎ The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns ninety-nine (99) per centum or more of the issued share capital.
- ✎ The Golden Shareholder and/or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
- ✎ The Company shall submit to the Golden Shareholder, within sixty 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
- ✎ The Company shall submit to the Golden Shareholder, within ninety 90 days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.

- ✎ Golden shareholder has power to appoint not more than 03 persons as his proxies to attend on the same occasion at the General Meetings.

**EVENTS OCCURRING AFTER THE
BALANCE SHEET DATE**

No circumstances have arisen since the Balance Sheet date that would require adjustment, or disclosure, other than those disclosed in Note 32 to the Financial Statements on page 229.

HUMAN RESOURCE

The number of persons employed by the Company at year end was 4,825 (31.03.2022 - 5,279) of which 4,793 (31.03.2022 - 5,247) are engaged in employment outside the District of Colombo.

SHAREHOLDERS

It is the Group's policy to endeavor to ensure equitable treatment to its shareholders.

STATUTORY PAYMENTS

The declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on page 160.

ENVIRONMENTAL PROTECTION

The Group's efforts to conserve scarce and non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Sustainability Report on page 118 and 125.

The Group's business activities can have direct and indirect effects on the environment. It is the Group's policy to minimize any adverse effects its activities have on the environment and to promote co-operation and compliance with the relevant authorities and regulations.

RELATED PARTY TRANSACTIONS

The Board of Directors has given the following statement in respect of the related party transactions:

The Company formally appointed its own Related Party Transaction Review Committee (RPTRC) during the year, and are in compliance with Section 09 of the CSE Listing Rules. Until such time, the related party transactions of the Company were reviewed by the Related Party Transactions Review Committee of Hayleys PLC.

The details of related party transactions of the Company and the Group are given in Note 33 and 34 into the Financial Statements.

Report of the Related Party Transactions Review Committee appears on page 152.

INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal controls. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with its effectiveness of these controls for the period up to the date of signing the Financial Statements.

**MATERIAL ISSUES PERTAINING
TO EMPLOYEES AND INDUSTRIAL
RELATIONS**

Details relating to material issues pertaining to employees and industrial relations are given in Human Capital on page 104.

EXPOSURE TO RISK

The Group has a structures risk management process in place to support its operations. The Audit Committee plays a major role in the process. The risk management section referred in pages 129 to 136 elaborates these practices and risk factors.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, going concern basis has been adopted in preparation of the Financial Statements.

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to equity and debt as required by the listing requirement of the Colombo Stock Exchange are given in pages 10, 78 to 84 and 237 to 251 of this report.

DIRECTORS' SHAREHOLDINGS

Directors' holdings of ordinary shares as at 31.03.2023 in the Company are given below.

| Name of Director | No. of Shares as at 31.03.2023 | No. of Shares as at 31.03.2022 |
|--|-----------------------------------|-----------------------------------|
| Mr. A M Pandithage | - | - |
| Dr. W G R Rajadurai | 5000 | 4000 |
| Mr. S B Alawattagama | - | - |
| Mr. Merrill J Fernando | - | - |
| Mr. Malik J Fernando | - | - |
| Dr. N T Bogahalande | - | - |
| Mr. S L Athukorala | - | - |
| Mr. M H Jamaldeen | - | - |
| Mr. J M Kariapperuma | - | - |
| Ms. M D A Perera | - | - |
| Mr. D C Fernando (Alternate Director to Mr. Merrill J Fernando) | - | - |

Merrill J Fernando & Sons (Private) Limited hold 2,369,400 shares (4.99%) in which Mr. Merrill J Fernando, Mr. Malik J Fernando and Mr. D C Fernando. (Alternate Director to Mr. Merrill J Fernando) are Directors.

1,000 shares were purchased by Dr. W.G.R. Rajadurai, Managing Director of Talawakelle Tea Estates PLC during the financial year 2022/23.

No shares are held by the Directors in the subsidiaries of the Company.

SHAREHOLDING

As at 31st March, 2023, there were 14,387 (31.03.2022 - 14,390) registered shareholders. The percentage of shares held by the public was 20.26% (31.03.2022 -20.27%) of the issued shares held by 14,384 shareholders (31.03.2022 - 14,387).

The twenty major shareholders as at 31st March, 2023 and the number of shares held and their percentage share holdings are given on page 238 of this report.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 11.00 a.m. on 26th June, 2023. The Notice of the Annual General Meeting appears on page 259.

For and on behalf of the Board



Mohan Pandithage
Chairman



Dr. Roshan Rajadurai
Managing Director



Hayleys Group Services (Pvt) Ltd.
Secretaries

11th May, 2023

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act No. 07 of 2007 ('the Companies Act'), to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148 of the Companies Act to ensure that proper accounting records are kept to enable determination of the financial position with reasonable accuracy, preparation of Financial Statements and audit of such statements to be carried out readily and properly.

The Board accepts responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that in preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected. They also confirm that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards, the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are of the opinion, based on their knowledge of the Company and the Group key operations and specific inquiries, that adequate resources exist to support the Company and the Group, on a going concern basis over the next year. These Financial Statements have been prepared on that basis.

The Directors have taken proper and sufficient measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control and accounting records to prevent and detect frauds and other irregularities. These have been reviewed, evaluated and updated on an ongoing basis.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act for interim dividends paid and the Solvency Certificates have been obtained from the auditors in this respect.

The external Auditors, Messrs. Ernst & Young, Chartered Accountants who were reappointed in terms of Section 158 of the Companies Act were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on pages 176 to 179 sets out their responsibilities in relation to the Financial Statements.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and the Government that were due in respect of the Company and the Group, and its subsidiaries as at the Balance Sheet date have been paid or provided where relevant.

by order of the Board,



HAYLEYS GROUP SERVICES (PVT) LTD
Secretaries

11th May 2023

**MANAGING DIRECTOR'S, CHIEF EXECUTIVE OFFICER'S AND
DIRECTOR- FINANCE'S RESPONSIBILITY STATEMENT**

The Financial Statements of Talawakelle Tea Estates PLC and the Consolidated Financial Statements of the Group as at 31st March, 2023 are prepared and presented in compliance with the requirements of the following:

- ✔ Sri Lanka Accounting Standards issued by CA of Sri Lanka;
- ✔ Companies Act No 07 of 2007;
- ✔ Sri Lanka Accounting and Auditing Standards Act No 15 of 1995;
- ✔ Listing rules of the Colombo Stock Exchange;
- ✔ Code of Best Practice on Corporate Governance-2017 issued by CA Sri Lanka.

We confirm that the significant accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied, as described in the Notes to the Financial Statements. The significant accounting policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We have also taken proper and sufficient care in installing systems of internal control and accounting records to safeguard assets and to prevent and detect frauds as well as other irregularities. These have been reviewed, evaluated and updated on an ongoing basis. Reasonable assurances that the established policies and procedures of the Company have

been consistently followed were provided by periodic audits conducted by Group's internal auditors. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent Auditors to review the effectiveness of the audits and to discuss auditing, internal control and financial reporting issues. The Independent Auditors and the Internal Auditors have full and free access to the Audit Committee to discuss any matter of substance.

The Financial Statements were audited by independent external auditors, Messers Ernst & Young, Chartered Accountants. Their report is given on pages 176 to 179 of the Annual Report.

The Audit Committee approves the audit and non-audit services provided by the External Auditor, in order to ensure that the provision of such services do not impair their independence.

We confirm that,

- ✔ the Company and its subsidiaries have complied with all applicable laws, regulations and prudential requirements;

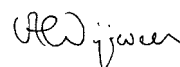
- ✔ there are no material non-compliances; and
- ✔ there are no material litigations that are pending against the Group other than those disclosed in the Note 32 to the Financial Statements in this Annual Report.



Dr. Roshan Rajadurai
Managing Director



S B Alawattegama
Chief Executive Officer



Ms. V A Perera
Director - Finance

11th May, 2023

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' Statement on internal control as per the section D.1.5 of the Code of Best Practice on Corporate Governance 2017 issued by CA Sri Lanka.

The Board of Directors is responsible for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and Group. This process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The Board has implemented the following to obtain reasonable assurance that proper systems of internal controls are in place:

- ✎ Instituted various committees to assist the Board in ensuring the effectiveness of Company's operations and the operations are in accordance with the corporate strategies, objectives and annual budget.
- ✎ The Management Audit and System Review Division (MA & SRD) to review and report on the internal control environment in the Company and Group. Audits are carried out on all subsidiaries in accordance with the annual audit plan approved by the Audit Committee. Findings are submitted to the Audit Committee for review at their periodic meetings.

- ✎ The Audit Committee reviews internal control issues identified by MA & SRD and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled at the Board meetings of Talawakelle Tea estates PLC.

- ✎ The adoption of new Sri Lanka Accounting Standards comprising LKAS and SLFRS in 2013, processes that are required to comply with new requirements of recognition, measurement, presentation and disclosures were introduced and implemented. Continuous monitoring is in progress to ensure effective implementation of the required processes.

- ✎ The comments made by External Auditors in connection with the internal control system during the financial year 2021/22 were taken into consideration and appropriate steps have been taken to incorporate them where appropriate.

CONCLUSION

The Board having implemented the above is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective and can only provide reasonable and not absolute assurance against material misstatements of loss.

The Board of Directors confirm that the financial reporting system of Talawakelle Tea Estates PLC has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards, requirements of the Company's Act and the Listing Rules of the Colombo Stock Exchange and any other regulatory requirements. The Consolidated Financial Statements for the year ended 31st March 2023 have been audited by Messrs. Ernst and Yong, Chartered Accountants.

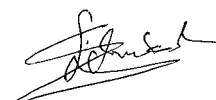
By order of Board,



Mohan Pandithage
Chairman



Dr. Roshan Rajadurai
Managing Director



S L Athukorala
Chairman, Audit Committee

11th May 2023



CONSOLIDATED STATEMENT OF ESG PERFORMANCE

| Environmental, Social and Governance (ESG) performance For the year ended 31 March | Note | 2022/23 | 2021/22 |
|---|------|------------|------------|
| Environmental Performance | | | |
| Resources | | | |
| Energy consumption (Gj) | 2.1 | 201,664 | 208,303 |
| Renewable energy generation (Gj) | 2.2 | 30,767 | 29,296 |
| Water consumption (Cubic meters) | 2.3 | 1,742 | 2,492 |
| Portion of renewable materials use of material mix (%) | 2.4 | 88% | 89% |
| Waste | | | |
| Total solid non-hazardous waste (tons) | 2.5 | 140 | 239 |
| Total solid hazardous waste disposed (tons) | 2.5 | 1 | 1 |
| Emission | | | |
| Scope 1 (Direct) (tCO ₂ e) | 2.6 | 4,004 | 4,130 |
| Scope 2 (Indirect) (tCO ₂ e) | 2.6 | 2,335 | 2,607 |
| Scope 3 (Indirect) (tCO ₂ e) | 2.6 | 1,080 | 1,022 |
| Investment in environment and biodiversity conservation | | | |
| Biodiversity conservation and protection (Rs. '000) | 2.7 | 1,982 | 983 |
| Environment friendly Agriculture practices (Rs. '000) | 2.7 | 47,576 | 49,348 |
| Environmental compliance | | | |
| Breaches of environmental regulatory | 2.8 | 0 | 0 |
| Social Performance | | | |
| Employees | | | |
| Total employees | 3.1 | 4825 | 5279 |
| Employee turnover (%) | 3.2 | 8.6 | 8.6 |
| Employee Trust Index (%) | 3.3 | 97% | 96% |
| Frequency of occupational accidents (number per million working hours) | 3.4 | 8.58 | 6.05 |
| Average training hours per employee | 3.5 | 2.5 | 2.05 |
| Training Investment (Rs. Mn) | 3.6 | 13.78 | 1.46 |
| Gender in leadership positions (ratio men: women) | 3.7 | 31:6 | 25:1 |
| Gender in the Board of Directors (ratio men: women) | 3.7 | 9:1 | 9:1 |
| Community | | | |
| Investment on living environment (Rs. Mn) | 3.8 | 5.7 | 65.5 |
| Investment on capacity building (Rs. Mn) | 3.8 | 20.1 | 33.8 |
| Investment Youth Empowerment (Rs. Mn) | 3.8 | 1 | 1 |
| Investment on Health and Nutrition (Rs. Mn) | 3.8 | 138.6 | 7.2 |
| Value chain | | | |
| Customer satisfaction rate (%) | 3.9 | 86% | 86% |
| Customer rejections and complaints | 3.9 | 6 | 14 |
| Supplier assessment on ESG performance and compliance | 3.10 | 82 | 0 |
| Social compliance | | | |
| Breaches of laws and regulation | 3.11 | 0 | 0 |
| Governance Performance | | | |
| Board Composition | | | |
| Board position (ratio Independent: Non independent) | 4.1 | 1:1 | 1:1 |
| Code of conduct | | | |
| Employees trained on code of conduct (Head Hours) | 4.2 | 1,023 | 377 |
| Number of whistle-blower cases reported and solved | 4.3 | 0 | 0 |
| Management Systems | | | |
| Number of management system standardize and certified | 4.4 | 7 out of 7 | 7 out of 7 |
| Major Nonconformities on system failure | 4.5 | 0 | 0 |
| Number of ESEG meeting conducted | 4.6 | 1 | 0 |

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 01 - BASIS OF PREPARATION

General reporting standards and principle
The Consolidated ESG statement is specifically prepared for Talawakelle Tea Estates PLC to cover its management control operations. Further details regarding the reporting boundary can be found on page 6. The ESG statement focuses on indicators that are deemed material to the company and are reported in accordance with the provided guidelines outlined in:

1. for narrative reporting - International Integrated Reporting Framework <IR> & Guidelines for Presentation of Annual Report by Chartered Accountants of Sri Lanka - 2022
2. for Sustainability reporting - GRI Sustainability reporting standard, Agricultural Products - Sustainability Accounting Standard by Sustainability Accounting Standards Board of IFRS (Please Refer, ESG Report - 2022/23 of Talawakelle Tea Estates PLC- www.talawakelleteas.com) and Non-Financial Reporting Guideline by Chartered Accountants of Sri Lanka - 2022 and Communicating Sustainability: Six Recommendations for Listed Companies Version-02 by Colombo Stock Exchange
3. for Greenhouse Gas (GHG) Emission reporting - ISO 14064-1:2018 Organisation Quantification and Reporting of Green House Gases and Corporate Standard of Greenhouse Gas Protocol by World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD)
4. for Climate related financial disclosures - Recommendations of the Task Force on Climate-related Financial Disclosures by TCFD
5. For Governance - Code of Best Practices on Corporate Governance Issued by Chartered Accountants of Sri Lanka - 2017

Inclusivity

Talawakelle Tea Estates PLC, as a responsible corporate citizen, upholds a strong commitment to being accountable to stakeholders affected by its operations. Regarding social responsibility, key stakeholder groups include end consumers, value chain players, the plantation community reliant on the sector, employees at Talawakelle Tea Estates PLC and across its value chain, business partners, suppliers and society as a whole. The company diligently maps its stakeholders and implements processes to ensure the inclusion of their concerns and expectations.

Materiality

In determining the inclusion of a disclosure in the consolidated ESG statement, Talawakelle Tea Estates PLC evaluates its materiality based on its potential to substantially influence the assessment of the company's value creation ability by financial capital providers over the short, medium, and long term. This evaluation process combines ongoing stakeholder engagement, operating context of the company, trend analysis. Key issues identified through this process are addressed through management programs and action plans that have clear and measurable targets. The issues highlighted in the Integrated Annual Report are considered to have a significant impact on the company's Environmental, Social, and Governance performance, as well as its future business performance, thereby assisting stakeholders in their decision-making processes.

Responsiveness

The Integrated Annual Report serves as a reflection of Talawakelle Tea Estates PLC's approach to managing operations, taking into account and addressing the concerns and interests of stakeholders. While the report caters primarily to investors, it also extends its reach to a diverse range of stakeholders. It is important to note that the Annual Report is just one facet

of the company's overall interaction and communication with all its stakeholders.

Impact

Talawakelle Tea Estates PLC places utmost importance on comprehending, quantifying, and effectively conveying the societal and environmental consequences both positive and negative resulting from its operations, thereby emphasizing its ongoing commitment to responsible business practices.

Principles of Consolidation

The comprehensive disclosure of environmental, social, and governance aspects encompasses all aspects of operations, including field and factory operations of the estates, regional office, head office, and supportive divisions. This means that the disclosed information provides a thorough overview of the organization's practices and performance across various areas and levels of the company, ensuring a holistic understanding of its environmental impact, social initiatives, and governance practices. By including these diverse operational areas, the disclosure aims to provide a complete and transparent picture of the company's commitment to ESG.

Accuracy, Completeness, and Verifiability of Data

The independent internal verification through Hayleys Cube's Sustainability data management system guarantees the accuracy, completeness, and verifiability of information. This verification process includes two approvals and third-party audits for GRI-based sustainability data (refer to Page 170) and GHG Inventory data (refer to Page 256).

Comparability

The consolidated ESG statement has been prepared using consistent application of comparability indicators for all the years included, unless specified below.

NOTES TO THE CONSOLIDATED ESG STATEMENT

SECTION 02 - ENVIRONMENTAL
PERFORMANCE

2.1 Energy Consumption

In the fiscal year 2022/23, the total energy consumption amounted to 201,664 GJ, representing a reduction of 3.3% compared to the previous year (2021/22). This total includes both direct energy use, which accounted for 189,913 GJ, and 11,751 GJ indirect energy use. For a detailed breakdown, please refer to page 121.

Reporting Methodology

Energy consumption for operational purposes is measured by considering the consumption of power, thermal energy, and fuel. Thermal energy is derived from sources such as firewood and briquettes, while fuel refers to diesel and gasoline. The measurement of energy consumption relies on meter readings and electricity bills as primary sources of data.

2.2 Renewable Energy Generation

Renewable energy is generated within the estates through the installation of mini hydro and solar rooftop units. The total generation of renewable energy amounts to 30,767 GJ, which signifies a increase of 5% compared to the previous year (2021/22). For further information regarding energy generation, please refer page 122.

| Unit | Type | Capacity |
|------------|---------------------|----------|
| Radella | Mini Hydro (kW) | 200 |
| Somerset | | 1,100 |
| Palmerston | | 800 |
| Total | | 2,100 |
| Bearwell | Solar Rooftop (kWp) | 108.24 |
| Moragalla | | 149.08 |
| Dessford | | 113.95 |
| Deniyaya | | 118.19 |
| Calsay | | 109.68 |
| Total | | 599.14 |

Reporting Methodology

The measurement of renewable solar energy generation relies on meter readings acquired from the installed systems that facilitate both solar and hydro generation relies on reported data by subsidiary companies.

2.3 Water Consumption

Water is utilized for the purpose of cleaning within the factory, with no water usage involved in the manufacturing process. Within the tea fields, water consumption relies entirely on rainwater. In the fiscal year of 2022/23, the total water consumption amounted to 1,742, reflecting a 30% reduction compared to the previous financial year of 2021/22. For further information, please refer page 122.

Reporting Methodology

Water consumption details are reported by according to water bills, meter readings, and estimations, especially for locations where water flow meters are not available.

2.4 Share of Renewable Materials Use of Material Mix

The material mix comprises a combination of renewable and non-renewable materials. 88% of the material mix consists of renewable materials, which includes green leaf and packing material. On the other hand, 12% of the material mix is composed of non-renewable materials, including fertilizers, dolomite, and agrochemicals. For more detailed information, please refer to page 120.

Reporting Methodology

Under the reporting of material consumption, each estate and operation provides reports based on their recorded material consumption data. Portion of renewable material consumption calculated as total renewable material consumption against to the total material consumption. The portion of renewable material consumption is determined by calculating the ratio of total renewable material consumption to the overall material consumption.

2.5 Waste

The generation of operational-related waste is kept to a minimum by implementing processes to reprocess refuse tea and effectively manage waste generated from field and factory activities. In 2022/23 reported waste generation includes 99% of non-hazardous waste and 1% of hazardous waste, please refer to page 124.

Reporting Methodology

During the waste generation process, waste segregation takes place alongside a data recording process that involves identifying appropriate disposal methods. Each estate and other relevant officers maintain logbooks to meticulously record the waste generated and the mechanisms employed for disposal. This includes providing evidence of selling waste for recycling purposes and paid bills for disposal services.

2.6 Emission

The Greenhouse Gas (GHG) accounting exercise conducted in conformity with ISO 14064-1:2018 standard, GHG protocol by WRI & WBCSD and IPCC Guidelines covering the activities of cradle to grave approach, please refer to page 123.

| | |
|--------------------------|--|
| Emission factors | Most relevant and latest factors |
| Energy factors | 2006 IPCC AR5 |
| Global warming potential | IPCC Fifth Assessment Report, 2014 (AR5) |

GHG Inventory Calculation

| | |
|--|-------------------------------|
| GHG Scope 1 refers to direct GHG emissions | Land use and changes excluded |
| GHG Scope 2 refers to indirect GHG emissions from energy use | 100% covered |
| GHG Scope 3 refers to indirect GHG emissions from other sources | |
| 1. Purchased goods and service | Screening and Calculation |
| 2. Capital goods | Screening |
| 3. Fuel and energy-related activities | N/A included to Scope 1 & 2 |
| 4. Transportation and distribution of goods (Upstream) | Screening and Calculation |
| 5. Waste management in operations | Screening and Calculation |
| 6. Business travel | Calculation |
| 7. Employee commuting | Screening and Calculation |
| 8. Leased assets | Screening and Calculation |
| 9. Transportation and distribution of goods (Downstream) | Screening and Calculation |
| 10. Processing of sold products | Screening and Calculation |
| 11. Use of sold products | Calculation |
| 12. End-of-life treatment of sold products | Screening |
| 13. Leased assets | Screening |
| 14. Franchises | N/A |
| 15. Investments | Screening |

Reporting Methodology

Emissions are calculated by utilizing the emission-related activity data reported by each estate and other facilities. When it comes to Scope 3 emissions, which include indirect emissions from sources beyond the reporting organization, calculations are based on available activity data, where data on emission activities is unavailable, estimations are employed for screening purposes.

2.7 Investment in Environment and Biodiversity Conservation

To promote biodiversity and preserve ecosystems through the implementation of good agricultural practices and ecosystem conservation and restoration programs, an expenditure of Rs. 49.5 Mn was incurred. This represents a 4% decrease compared to the previous year (2021/22). Please refer page 121.

Reporting Methodology

All expenditures related to investments in environmental and biodiversity conservation are reported through the financial statements of each estate. These reported expenditures are further verified and consolidated with the company-level financial statements

2.8 Environmental Compliance

No breaches of environmental laws and regulations have been reported in the fiscal year 2022/23, please refer to page 120.

Reporting Methodology

Instances of breaches of environmental laws and regulations are reported according to the cases raised by the Central Environment Authority and other relevant authorities for all estates and other managing locations.

SECTION 03 - SOCIAL PERFORMANCE**3.1 Employees**

Number of employees as at 31st March 2023 is 4,825 and it's represent 8.6% reduction on last year. Please refer page 106.

Reporting Methodology

The number of employees is recorded as the total count of all personnel excluding external staff, employees and interns.

3.2 Employee Turnover

The employee turnover rate for the financial year 2022/23 is 8.6% for the company. As a company operating in the plantation sector, managing employee turnover presents significant challenges. For more detailed information, please refer to page 106.

Reporting Methodology

The turnover rate is calculated by dividing the number of employees who left the company during the financial year, excluding temporary employees by the average number of employees, excluding temporary employees.

3.3 Employee Trust Index

Employees trust index calculate through satisfaction survey, this survey conducted through independent body of Great Place to Work (GPTW) to ensure actual feedback from employees, without any influencing. In 2022/23 company received 97% satisfaction rate and it's 1% increase on previous year 2021/22, please refer to page 104.

Reporting Methodology

An annual employee satisfaction survey is conducted either internally or by an external independent body. This survey ensures that feedback is collected from all employees across various categories. The trust index, which is calculated using the "Great Place to Work - Global Model", is used to assess employee satisfaction and engagement.

NOTES TO THE CONSOLIDATED ESG STATEMENT

3.4 Frequency of Occupational Accidents

In the financial year 2022/23, the recorded number of occupational injuries and work related illnesses amounted to 8.58, resulting in 81% of lost workdays. This represents a 84% increase compared to the previous year of 2021/22. For more detailed information, please refer to page 117.

Reporting Methodology

Occupational accidents and work-related illnesses are assessed using the Lost Time Injury Frequency (LTIF), which measures the internally reported number of accidents resulting in absence per million nominal working hours. This calculation excludes contractors, visitors, interns, and any other non-employees. For an accident to be considered for the calculation of lost days, it must be a work-related incident that causes at least one day of absence in addition to the day of the accident.

3.5 Average Training Hours Per Employee

In the financial year 2022/23, an average of 2.5 training hours per employee was conducted, representing an 22% increase compared to the previous year (2021/22). please refer to page 113.

Reporting Methodology

The calculation of training hours per employee is based on the total number of hours dedicated to training for each individual. Employee training hours are recorded and documented as evidence, following the guidelines outlined by each management system.

3.6 Training Investment

In the financial year 2022/23, the training investment increased by 844%, totaling Rs. 13.78 Mn. This investment was dedicated to enhancing employee skills and knowledge through a range of training programs, utilizing both internal and external resources, please refer to page 113.

Reporting Methodology

Expenditures associated with investments in employee training are reported in the financial statements of each estate. These reported expenditures undergo verification and consolidation with the company-level financial statements to ensure accuracy.

3.7 Gender Diversity

Gender diversity in leadership is reported at a ratio of 9:1, while at the board level it is reported at a ratio of 10:1, indicating a higher representation of men. The company is strongly committed to improving diversity and aligning with the 2030 agenda to promote gender equality, please refer to page 118.

Reporting Methodology

Gender diversity is assessed by examining the percentage distribution of genders in leadership positions, which encompass employees occupying roles that involve leading teams. Furthermore, the diversity on the Board of Directors is analyzed by considering the percentage split of genders among all board members.

3.8 Community Development

The investment in community development was reported as Rs.165.4 Mn, representing a 54% increase compared to the previous year of 2021/22. This investment encompasses various collaborative initiatives on improving the living environment, enhancing capacity building, empowering youth, and promoting health and nutrition improvements, please refer to page 99.

Reporting Methodology

Each estate meticulously records its investments in community development, focusing on four sub-pillars. These investments are funded through company accounts and supplemented by contributions and collaborative support from government agencies and non-governmental organizations.

3.9 Customer Satisfaction Rate, Rejection and Compliance

In the financial year 2022/23, customer satisfaction showed a notable increase, reaching 86%. Furthermore, customer complaints and rejections were recorded at 6, representing a slight reduction compared to the previous year 2021/22, please refer to page 96.

Reporting Methodology

Customer satisfaction is assessed biannually using a web-based system, following ISO 9001:2015 standards. Customer complaints and rejections are recorded through a centralized registry and forwarded to respective estates for prompt corrective actions.

3.10 Supplier Assessment on ESG Performance and Compliance

A total of 82 supplier assessments were conducted, covering 80% of the company's overall supply base. The supplier assessment process incorporates an enhanced version aligned with the ESG framework, enabling the identification of areas for supplier development and performance improvement in ESG aspects, please refer to page 98.

Reporting Methodology

Both the estates and the head office carry out supplier assessments for their respective supplier base, ensuring the availability of documented evidence for evaluation purposes.

3.11 Breaches of Laws and Regulation

No violations of social-related laws and regulations were reported during the financial year 2022/23. please refer to page 99.

Reporting Methodology

Instances of non-compliance with social-related laws and regulations are reported based on cases raised by the relevant authorities for all estates and other operational locations.

**SECTION 04 - GOVERNANCE
PERFORMANCE****4.1 Board Composition**

1:1 Board positions comprising the ratio of Independent to Non-independent members, please refer to page 142.

Reporting Methodology

The gender ratio and position ratio of the Board of Directors are reported based on the men-to-women ratio and the total number of board members, considering their respective roles and responsibilities.

4.2 Employees Trained on Code of Conduct

In 2022/23, a total of 1,023 training hours were dedicated to the implementation of the business code of conduct, ensuring comprehensive knowledge and adherence among employees, please refer to page 113.

Reporting Methodology

Each division of the company records the number of training hours conducted, which is then compiled and submitted to the HR department for monitoring and evaluation purposes.

4.3 Whistle-blower Cases

A total of zero whistleblower cases were recorded. please refer to page 140.

Reporting Methodology

As per the group's whistleblower policy, all reported whistleblower cases are documented for the purpose of maintaining a record of evidence.

4.4 Number of Management System Standardize and Certified

7 out of the seven established management systems, relevant standards are applied and certified from accredited certification bodies to ensure continuity of the total management system approach, please refer to page 90.

Reporting Methodology

The certified management systems, certified by accredited certification bodies, are reported as the number of systems that have been certified out of the total number of management systems in the company.

4.5 Major Nonconformities on System Failure

Zero major nonconformities recorded for financial year 2022/23 which indicated there is no any system failure level issues in total management system, please refer to page 90.

Reporting Methodology

Non-conformities identified during internal and external audits are recorded and communicated to the relevant management. A centralized registry of non-conformities is regularly updated to track and address these issues.

4.6 Number of ESEG Meeting Conducted

A steering committee for economic, social, environmental, and governance (ESEG) matters was established at the management level in 2022/23. One meeting was conducted during the last quarter of the year to discuss these aspects, please refer to page 138.

Reporting Methodology

According to the ESEG steering committee charter, the committee is required to meet quarterly to discuss strategic-level ESEG matters and ensure that minutes are documented for each meeting.

INDEPENDENT ASSURANCE REPORT



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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eyst@lk.ey.com
ey.com

Independent Assurance Report to the
Board of Directors of Talawakelle Tea
Estates PLC

SCOPE

We have been engaged by Talawakelle Tea Estates PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report (the "Subject Matter") as of 31st March 2023.

CRITERIA APPLIED BY TALAWAKELLE
TEA ESTATES PLC

In preparing the Subject Matter, Talawakelle Tea Estates PLC applied the following criteria ("Criteria"):

- ✎ The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.
- ✎ GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022
- ✎ Non-Financial Reporting Guideline issued by Institute of Chartered Accountants of Sri Lanka (2022).
- ✎ Communicating Sustainability: Six Recommendations for Listed Companies issued by Colombo Stock Exchange (Version 02)
- ✎ Section H of the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission

of Sri Lanka and Institute of Chartered Accountants of Sri Lanka (2017).

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

TALAWAKELLE TEA ESTATE PLC'S
RESPONSIBILITIES

Talawakelle Tea Estate PLC's management is responsible for selecting the Criteria, and for presenting the EESG indicators contained in the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

ERNST & YOUNG'S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the *Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial*

Information (SLSAE 3000 (Revised)), and the terms of reference for this engagement as agreed with the Talawakelle Tea Estates PLC on [insert date of signed engagement letter]. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

OUR INDEPENDENCE AND QUALITY
CONTROL

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures

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

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

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regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

OUR PROCEDURES INCLUDED:

- ✔ Validated the information presented and checked the calculations performed by the organization through recalculation
- ✔ Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- ✔ Conducted interviews with relevant organization's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff
- ✔ Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- ✔ Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.

11 May 2023
Colombo



**We recognise the importance
of nurturing the next
generation, strengthening
them to take on the
challenges and opportunities
of the future.**



*We are accountable for our actions
as a responsible plantations company,
upholding the highest ethics and
standards in minimising our
footprint through sustainable
practices.*



FINANCIAL CALENDAR-2022/2023

DIVIDEND CALENDAR

| | 2022/2023 |
|-------------------------------------|--------------------|
| Final Dividend for 2021/22 | July 12, 2022 |
| First Interim Dividend for 2022/23 | September 30, 2022 |
| Second Interim Dividend for 2022/23 | January 24, 2022 |
| Third Interim Dividend for 2022/23 | April 6, 2023 |
| Fourth Interim Dividend for 2022/23 | May 8, 2023 |

ANNUAL GENERAL MEETING (AGM) CALENDAR

| | 2022/2023 | 2023/2024 |
|---|------------------|--------------|
| Annual Report and Accounts for the year signed/to be signed | On May 11, 2023 | in May 2024 |
| Annual General Meeting to be held | On June 26, 2023 | in June 2024 |

INTERIM FINANCIAL STATEMENTS CALENDAR-SUBMISSION TO THE COLOMBO STOCK EXCHANGE (CSE)

| | 2022/2023 Submitted on | 2023/2024 To be submitted on or before |
|--|---------------------------|--|
| For the three months ended/ending June 30 (unaudited) | August 04, 2022 | August 15, 2023 |
| For the six months ended/ending September 30 (unaudited) | November 03, 2022 | November 15, 2023 |
| For the nine months ended/ending December 31 (unaudited) | February 02, 2023 | February 15, 2024 |
| For the year ended/ending March 31 (audited) | May 12, 2023 | May 31, 2024 |

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INDEPENDENT AUDITORS' REPORT



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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

RDeS/NG/MRH

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
TALAWAKELLE TEA ESTATES PLCReport on the Audit of the Financial
Statements

Opinion

We have audited the financial statements of Talawakelle Tea Estates PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2023, 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 March 31, 2023, 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: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeewani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yatagala ACA ACMA

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

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| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Measurement of retirement benefit obligation</p> <p>The retirement benefit obligation as at 31 March 2023 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group.</p> <p>Measurement of the retirement benefit obligation was a key audit matter due to following reasons:</p> <ul style="list-style-type: none"> ✎ The retirement benefit obligation of the Group is significant (Rs. 801 Mn) in the context of the total liabilities of the Group (27% of total liabilities). ✎ The actuarial valuation involves making significant assumptions about discount rate. Further, the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation. ✎ The determination of the base salary/wage rate and the future salary/wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end. <p>Key areas of significant judgements, estimates and assumptions are disclosed in note 23 to the financial statements.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ✎ We assessed the competency, capability and objectivity of the external actuary engaged by the Group. ✎ We read the external actuary's report and understood the key estimates made and the approach taken by the actuary in determining the present value of retirement benefit obligation. ✎ We assessed reasonableness the discount rate used, with our internally developed benchmarks. ✎ We validated the key data used by the actuary to the underlying data held by the Group. <p>We have also assessed the adequacy of the disclosures made in Notes 23 to the financial statements relating to the significant judgements and estimates.</p> |
| <p>Measurement of Bearer Biological Assets</p> <p>The Bearer Biological Asset is a significant non-current asset of the Group representing 21% of the total assets comprising of Rs. 1,500 Mn as Mature plantations and Rs 398Mn as Immature Plantations as at 31 March 2023, as disclosed in Notes 13.B to the financial statements.</p> <p>Measurement of Bearer Biological assets in the financial statements was a key audit matter due to following :</p> <ul style="list-style-type: none"> ✎ Materiality of the balance and its significance to total assets (21%) of the group. ✎ Identification of costs to be capitalised as immature plantations, involvement of management judgement regarding the point at which transfers are to be made from immature plantations to mature plantations and for the identification of triggers of impairment. | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ✎ Assessed the processes and controls in place to ensure proper identification of the expenses incurred relating to immature plantations. ✎ Validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. ✎ Assessed timely transfer of matured plants to respective matured plantation categories by examining the ageing profile of immature plantations. ✎ Inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment have been identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements. <p>We also assessed the adequacy of the related disclosures given in Notes 3.7.7.1 and 13B in the financial statements.</p> |

INDEPENDENT AUDITORS' REPORT

**Other information included in The Company's 2023 Annual Report**

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

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

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

Responsibilities of management and those charged with governance

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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



the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be

thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M-2448.

11 May 2023
Colombo

STATEMENT OF PROFIT OR LOSS

| For the year ended 31 March | Notes | Group | | Company | |
|---|--------|------------------|-----------------|------------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Revenue | 6.1 | 8,199,353 | 4,727,355 | 8,131,507 | 4,663,394 |
| Cost of Sales | | (5,342,051) | (3,807,571) | (5,305,688) | (3,770,966) |
| Gross Profit | | 2,857,302 | 919,784 | 2,825,819 | 892,428 |
| Change in Fair Value of Biological Assets | 13 C.1 | 119,209 | 53,995 | 119,209 | 53,995 |
| Other Income And Gains | 7 | 66,720 | 70,568 | 66,720 | 80,248 |
| Administrative Expenses | | (336,178) | (253,405) | (317,039) | (239,030) |
| Results from Operating Activities | | 2,707,053 | 790,942 | 2,694,709 | 787,641 |
| Finance Income | 8.1 | 631,567 | 86,038 | 630,859 | 85,495 |
| Finance Expenses | 8.2 | (1,218) | (1,627) | (1,218) | (1,627) |
| Interest Paid to Government and Other on Leases | 8.3 | (39,133) | (38,061) | (39,122) | (38,051) |
| Net Finance Income | | 591,216 | 46,349 | 590,519 | 45,816 |
| Profit Before Tax | 9 | 3,298,269 | 837,291 | 3,285,228 | 833,457 |
| Income Tax Expense | 10.1 | (719,483) | (19,920) | (714,802) | (13,487) |
| Profit for the Year | | 2,578,786 | 817,371 | 2,570,426 | 819,970 |
| Attributable To: | | | | | |
| Equity holders of the Parent | | 2,575,150 | 814,376 | 2,570,426 | 819,970 |
| Non- Controlling Interest | | 3,636 | 2,996 | - | - |
| | | 2,578,786 | 817,372 | 2,570,426 | 819,970 |
| Basic/Diluted Earnings Per Share (Rs.) | 11 | 54.21 | 17.14 | 54.11 | 17.26 |

The Accounting Policies and Notes on pages 186 to 235 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

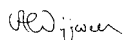
| For the year ended 31 March | Notes | Group | | Company | |
|--|-------|------------------|-----------------|------------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Profit for the Year | | 2,578,786 | 817,371 | 2,570,426 | 819,970 |
| Other Comprehensive Income | | | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Actuarial Gain/(Loss) on Retirement Benefit Obligations | 23 | 44,162 | 42,802 | 43,852 | 42,779 |
| Income Tax Effect | 10.2 | (3,119) | (1,036) | (3,026) | (1,033) |
| Other Comprehensive Income for the year, net of tax | | 41,043 | 41,766 | 40,826 | 41,746 |
| Total comprehensive income for the year, net of tax | | 2,619,829 | 859,137 | 2,611,252 | 861,716 |
| Attributable to: | | | | | |
| Equity holders of the Parent | | 2,616,087 | 856,132 | 2,611,252 | 861,716 |
| Non- Controlling Interest | | 3,742 | 3,005 | - | - |
| | | 2,619,829 | 859,137 | 2,611,252 | 861,716 |

The Accounting Policies and Notes on pages 186 to 235 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

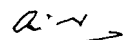
| | | Group | | Company | |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| As at 31 March | Notes | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| ASSETS | | | | | |
| Non Current Assets | | | | | |
| Right-of-use Assets | 12 | 288,298 | 310,921 | 288,230 | 310,851 |
| Tangible assets other than Immature/Mature Plantations | 13A | 1,395,229 | 1,156,100 | 1,144,942 | 889,560 |
| Bearer Biological Assets | 13B | 1,908,803 | 1,816,192 | 1,908,803 | 1,816,192 |
| Consumable Biological Assets | 13C | 483,919 | 386,372 | 483,919 | 386,372 |
| Intangible Assets | 13D | 13,058 | 15,344 | 12,242 | 13,709 |
| Investments in Subsidiaries | 14 | - | - | 134,933 | 134,933 |
| Deferred Tax Asset | 10.4 | 1,215 | 2,718 | - | - |
| | | 4,090,522 | 3,687,647 | 3,973,069 | 3,551,617 |
| Current Assets | | | | | |
| Produce on Bearer Biological Assets | 15 | 22,931 | 17,439 | 22,931 | 17,439 |
| Inventories | 16 | 830,826 | 483,036 | 830,787 | 482,997 |
| Trade and Other Receivables | 17 | 489,834 | 294,476 | 430,276 | 262,841 |
| Amounts due from Related Companies | 18 | 24,627 | 137,591 | 12,566 | 138,461 |
| Short Term Investments | 19 | 3,513,695 | 1,901,796 | 3,513,695 | 1,886,932 |
| Cash and Bank Balances | | 173,005 | 29,529 | 166,475 | 24,136 |
| | | 5,054,918 | 2,863,867 | 4,976,730 | 2,812,806 |
| TOTAL ASSETS | | 9,145,440 | 6,551,514 | 8,949,799 | 6,364,423 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stated Capital | 20 | 350,000 | 350,000 | 350,000 | 350,000 |
| Revenue Reserves | | 5,669,312 | 3,955,725 | 5,646,451 | 3,937,699 |
| Equity attributable to equity holders of the parent | | 6,019,312 | 4,305,725 | 5,996,451 | 4,287,699 |
| Non-Controlling Interests | 21 | 147,848 | 144,106 | - | - |
| Total Equity | | 6,167,160 | 4,449,831 | 5,996,451 | 4,287,699 |
| Non Current Liabilities & Deferred Income | | | | | |
| Interest Bearing Loans & Borrowings | 22 | 2,619 | 6,112 | 2,619 | 6,112 |
| Retirement Benefit Obligations | 23 | 801,095 | 871,316 | 797,503 | 868,067 |
| Deferred Tax Liability | 10.4 | 544,333 | 159,891 | 544,333 | 159,891 |
| Deferred Income | 24 | 136,699 | 136,644 | 136,699 | 136,644 |
| Lease Liability | 25.3 | 259,263 | 272,001 | 259,184 | 271,923 |
| | | 1,744,009 | 1,445,964 | 1,740,338 | 1,442,637 |
| Current Liabilities | | | | | |
| Trade and Other Payables | 26 | 1,094,256 | 598,769 | 1,074,764 | 586,931 |
| Interest Bearing Loans & Borrowings | 22 | 3,492 | 7,642 | 3,492 | 7,642 |
| Lease Liability | 25.3 | 15,355 | 14,210 | 15,350 | 14,205 |
| Amounts due to Related Companies | 27 | 83,745 | 25,264 | 81,981 | 18,730 |
| Bank Overdraft | | 37,423 | 9,834 | 37,423 | 6,579 |
| | | 1,234,271 | 655,719 | 1,213,010 | 634,087 |
| TOTAL LIABILITIES | | 2,978,280 | 2,101,683 | 2,953,348 | 2,076,724 |
| TOTAL EQUITY AND LIABILITIES | | 9,145,440 | 6,551,514 | 8,949,799 | 6,364,423 |
| Net Assets Per Share (Rs.) | | 129.83 | 90.65 | 126.24 | 90.27 |

The Accounting Policies and Notes on pages 186 to 235 form an integral part of the Financial Statements. Figures in brackets indicate deductions. These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Vindya Perera
Director-Finance

The Board of Directors is responsible for these Financial Statements.
Signed for and on behalf of the Board by,



Mohan Pandithage
Chairman/Director



Dr. Roshan Rajadurai
Managing Director

STATEMENT OF CHANGES IN EQUITY

| Group | Attributable to equity holders of the parent | | | | | | |
|--|--|-------------------|-------------------------|----------------|------------------|--------------------------|------------------|
| | Revenue Reserves | | | | Total | Non Controlling Interest | Total Equity |
| | Stated Capital | Retained Earnings | Biological Crop Reserve | Timber Reserve | | | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 01 April 2021 | 350,000 | 2,987,968 | 22,623 | 191,127 | 3,201,718 | 160,708 | 3,712,426 |
| Profit for the Year | - | 814,376 | - | - | 814,376 | 2,996 | 817,372 |
| Other Comprehensive Income | - | 41,756 | - | - | 41,756 | 10 | 41,766 |
| Transferred to the Timber Reserve | - | (59,178) | - | 59,178 | - | - | - |
| Transferred to Biological Crop Reserve | - | 5,183 | (5,183) | - | - | - | - |
| Realised Gain on Timber Sales | - | 20,190 | - | (20,190) | - | - | - |
| Dividends | - | (102,125) | - | - | (102,125) | (19,608) | (121,733) |
| Balance as at 31 March 2022 | 350,000 | 3,708,170 | 17,440 | 230,115 | 3,955,725 | 144,106 | 4,449,831 |
| Profit for the Year | - | 2,575,150 | - | - | 2,575,150 | 3,636 | 2,578,786 |
| Other Comprehensive Income | - | 40,937 | - | - | 40,937 | 106 | 41,043 |
| Transferred to the Timber Reserve | - | (113,717) | - | 113,717 | - | - | - |
| Transferred to Biological Crop Reserve | - | (5,492) | 5,492 | - | - | - | - |
| Realised Gain on Timber Sales | - | 32,824 | - | (32,824) | - | - | - |
| Dividends | - | (902,500) | - | - | (902,500) | - | (902,500) |
| Balance as at 31 March 2023 | 350,000 | 5,335,372 | 22,932 | 311,008 | 5,669,312 | 147,848 | 6,167,160 |

| Company | Revenue Reserves | | | | Total | Total Equity |
|--|------------------|-------------------|-------------------------|----------------|------------------|------------------|
| | Stated Capital | Retained Earnings | Biological Crop Reserve | Timber Reserve | | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 01 April 2021 | 350,000 | 2,964,359 | 22,622 | 191,127 | 3,178,108 | 3,528,108 |
| Profit for the year | - | 819,970 | - | - | 819,970 | 819,970 |
| Other Comprehensive Income | - | 41,746 | - | - | 41,746 | 41,746 |
| Transferred to the Timber Reserve | - | (59,178) | - | 59,178 | - | - |
| Transferred to Biological Crop Reserve | - | 5,183 | (5,183) | - | - | - |
| Realised Gain on Timber Sales | - | 20,190 | - | (20,190) | - | - |
| Dividends | - | (102,125) | - | - | (102,125) | (102,125) |
| Balance as at 31 March 2022 | 350,000 | 3,690,145 | 17,439 | 230,115 | 3,937,699 | 4,287,699 |
| Profit for the year | - | 2,570,426 | - | - | 2,570,426 | 2,570,426 |
| Other Comprehensive Income | - | 40,826 | - | - | 40,826 | 40,826 |
| Transferred to the Timber Reserve | - | (113,717) | - | 113,717 | - | - |
| Transferred to Biological Crop Reserve | - | (5,492) | 5,492 | - | - | - |
| Realised Gain on Timber Sales | - | 32,824 | - | (32,824) | - | - |
| Dividends | - | (902,500) | - | - | (902,500) | (902,500) |
| Balance as at 31 March 2023 | 350,000 | 5,312,512 | 22,931 | 311,008 | 5,646,451 | 5,996,451 |

The Timber Reserve relates to change in fair value of managed trees which includes commercial timber plantations cultivated on estates.

The Biological Crop Reserve relates to change in fair value of harvestable produces growing on bearer biological assets.

The Accounting Policies and Notes on pages 186 to 235 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

| | | Group | | Company | |
|---|---------|-----------------|-----------------|-----------------|-----------------|
| For the year ended 31 March | Notes | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Net Profit Before Taxation | | 3,298,269 | 837,291 | 3,285,228 | 833,457 |
| ADJUSTMENTS FOR | | | | | |
| Provision for Retirement Benefit Obligations | 23 | 170,159 | 113,931 | 169,384 | 113,865 |
| Depreciation/Amortisation | 9 | 222,822 | 219,580 | 207,510 | 204,278 |
| Amortisation of Grants | 24 | (5,496) | (5,412) | (5,496) | (5,412) |
| Dividend Income | 7 | - | - | - | (9,680) |
| Finance Costs | 8.2 | 1,218 | 1,000 | 1,218 | 1,000 |
| Government & Other Lease Interest | 8.3 | 39,132 | 38,061 | 39,122 | 38,051 |
| Profit on disposal of Property, Plant & Equipments | 7 | (135) | - | (135) | - |
| Profit on Sale of Trees | 7 | (27,851) | (31,769) | (27,851) | (31,769) |
| Field Development Written-off | 13B | 8,082 | - | 8,082 | - |
| Debtors/Stocks write off | | 1,157 | - | 1,157 | - |
| Gains on Fair Value of Biological Assets | 13C.1 | (119,209) | (53,995) | (119,209) | (53,995) |
| Operating Profit before Working Capital Changes | | 3,588,148 | 1,118,687 | 3,559,010 | 1,089,795 |
| (Increase)/Decrease in Inventories | | (347,790) | (58,407) | (347,790) | (58,292) |
| (Increase)/Decrease in Trade and Other Receivables | | (195,358) | (39,030) | (167,435) | (25,795) |
| Increase/(Decrease) in Trade and Other Payables | | 336,844 | 16,735 | 330,708 | 8,327 |
| (Increase)/Decrease in Amounts due from Related Companies | | 112,964 | (130,813) | 125,895 | (131,683) |
| Increase/(Decrease) in Amounts due to Related Companies | | 58,482 | (22,986) | 63,252 | (32,982) |
| Cash Generated from Operations | | 3,553,290 | 884,186 | 3,563,640 | 849,370 |
| Finance Costs Paid | 8.2 | (1,218) | (1,000) | (1,218) | (1,000) |
| Payment of Income Tax | | (192,132) | (61,968) | (192,132) | (61,968) |
| Retirement Benefit Obligations Paid | 23 | (196,218) | (91,182) | (196,096) | (91,182) |
| Net Cash from Operating Activities | | 3,163,722 | 730,036 | 3,174,194 | 695,220 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Grant Received | 24 | 5,551 | 3,339 | 5,551 | 3,339 |
| Proceeds from Sale of Trees | | 60,675 | 51,959 | 60,675 | 51,959 |
| Proceeds from Disposal of Property, Plant & Equipments | | 150 | - | 150 | - |
| Field Development Expenditure (Note A) | 13B/13C | (197,441) | (129,520) | (197,441) | (129,520) |
| Purchase of Property, Plant & Equipment (Note B) | | (357,969) | (282,235) | (357,969) | (282,145) |
| Dividend Income Received | 7 | - | - | - | 9,680 |
| Net Cash used in Investing Activities | | (489,034) | (356,457) | (489,034) | (346,687) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Dividend Paid | | (885,305) | (121,733) | (885,305) | (102,125) |
| Payment of Government lease rentals | | (39,195) | (36,325) | (39,195) | (36,325) |
| Payment of Other lease rentals | | (14,760) | (14,573) | (14,760) | (14,573) |
| Repayment of loans | | (7,642) | (20,172) | (7,642) | (20,172) |
| Net Cash used in Financing Activities | | (946,902) | (192,803) | (946,902) | (173,195) |
| Net Increase in Cash & Cash Equivalents | | 1,727,785 | 180,776 | 1,738,258 | 175,338 |
| Cash & Cash Equivalents at the beginning of the year (Note C) | | 1,921,490 | 1,740,715 | 1,904,488 | 1,729,150 |
| Cash & Cash Equivalents at the end of the year (Note D) | | 3,649,275 | 1,921,491 | 3,642,746 | 1,904,488 |

The Accounting Policies and Notes on pages 186 to 235 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

| For the year ended 31 March | Group | | | | |
|--|----------------|-------------------|-------------------|------------------|------------------|
| | Tea Rs.'000 | Rubber Rs.'000 | Others Rs.'000 | Hydro Rs.'000 | Total Rs.'000 |
| NOTE A: Investment in Field Development Expenditure | | | | | |
| Investment in Immature Plantations 2023 | 145,693 | 5,181 | 46,567 | - | 197,441 |
| Investment in Immature Plantations 2022 | 91,239 | - | 38,281 | - | 129,520 |
| NOTE B: Investment in Property, Plant & Equipment | | | | | |
| Investment in Property, Plant & Equipment 2023 | 357,969 | - | - | - | 357,969 |
| Investment in Property, Plant & Equipment 2022 | 282,145 | - | - | 90 | 282,235 |

| For the year ended 31 March | Company | | | | |
|--|----------------|-------------------|-------------------|------------------|------------------|
| | Tea Rs.'000 | Rubber Rs.'000 | Others Rs.'000 | Hydro Rs.'000 | Total Rs.'000 |
| NOTE A: Investment in Field Development Expenditure | | | | | |
| Investment in Immature Plantations 2023 | 145,693 | 5,181 | 46,567 | - | 197,441 |
| Investment in Immature Plantations 2022 | 91,239 | - | 38,281 | - | 129,520 |
| NOTE B: Investment in Property, Plant & Equipment | | | | | |
| Investment in Property, Plant & Equipment 2023 | 357,969 | - | - | - | 357,969 |
| Investment in Property, Plant & Equipment 2022 | 282,145 | - | - | - | 282,145 |

| For the year ended 31 March | Notes | Group | | Company | |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| NOTE C | | | | | |
| Cash & Cash Equivalents at the beginning of the year | | | | | |
| Cash & Bank Balances | | 29,529 | 32,237 | 24,136 | 25,853 |
| Short Term Investments | | 1,901,796 | 1,716,212 | 1,886,931 | 1,711,031 |
| Bank Overdrafts | | (9,834) | (7,734) | (6,579) | (7,734) |
| | | 1,921,491 | 1,740,715 | 1,904,488 | 1,729,150 |
| NOTE D | | | | | |
| Cash & Cash Equivalents at the end of the year | | | | | |
| Cash & Bank Balances | | 173,003 | 29,529 | 166,474 | 24,136 |
| Short Term Investments | | 3,513,695 | 1,901,796 | 3,513,695 | 1,886,931 |
| Bank Overdrafts | | (37,423) | (9,834) | (37,423) | (6,579) |
| | | 3,649,275 | 1,921,491 | 3,642,746 | 1,904,488 |

The Accounting Policies and Notes on pages 186 to 235 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

SIGNIFICANT ACCOUNTING POLICIES

1. REPORTING ENTITY

Talawakelle Tea Estates PLC was incorporated on 22 June 1992 under the Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 400, Deans Road, Colombo 10, and Plantations are situated in the planting districts of Talawakelle, Nanuoya, Galle and Deniyaya. All companies in the Group are limited liability companies incorporated and domiciled in Sri Lanka.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

The Consolidated Financial Statements of Talawakelle Tea Estates PLC comprises the Company and its Subsidiaries namely TTEL Hydro Power Co (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd (together referred to as the 'Group').

1.1 Principle Activities and Nature of the Operations

During the year, the principal activities of the company were the producing and processing of Tea.

Principal activities of other companies in the Group are as follows.

| Company | Nature of the Business | Registered Office |
|-------------------------------------|------------------------|---------------------------------|
| TTEL Hydro Power Co (Pvt) Ltd | Generating hydropower | No. 400, Deans Road, Colombo 10 |
| TTEL Somerset Hydro Power (Pvt) Ltd | Generating hydropower | No. 400, Deans Road, Colombo 10 |

1.2 Holding Company

The Company is a subsidiary of Hayleys Plantation Services (Pvt) Ltd which is a subsidiary of Dipped Products PLC whose ultimate parent enterprise is Hayleys PLC.

1.3 Date of Authorization for issue

The financial statements of Talawakelle Tea Estates PLC for the year ended 31 March 2023 were authorized for issue by the Board of Directors on 11 May 2023.

1.4 Responsibility for Financial Statements.

The responsibility of the Directors in relation to the Financial Statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and the Group comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow together with Accounting Policies and Notes to the Financial Statements (the "Consolidated Financial Statements") have been prepared in accordance with Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with the Sri Lanka Accounting Standards promulgated by the Institute of Chartered Accountants of Sri Lanka (CASL) and with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Measurement

These Consolidated Financial Statements have been prepared in accordance with the historical cost convention other than following items in the Financial Statements.

- ✎ Managed consumable biological assets are measured at fair value.
- ✎ Harvested Agricultural Produce growing on bearer biological assets are measured at fair value less cost to sell.

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

No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 New Accounting Standards, Interpretations and Amendments Adopted by the Group

The following amendments and improvements do not have a significant impact on the Company's financial statements during the year ended 31st March 2023.

- ✎ Amendments to LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets
- ✎ Amendments to LKAS 16 – Property Plant and Equipment
- ✎ Amendments to SLFRS – Business Combination

2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Going Concern

The Consolidated Financial Statements have been prepared on the assumption that The Company is a going concern. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern and they do not intend either to liquidate or to cease operations of Group. Therefore, the Consolidated Financial Statements continue to be prepared on the going concern basis.

In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. A Fast recovery momentum was observed as the Group reached pre COVID-19 levels of operations post the easing of restrictions. The management has formed judgment that the Group has adequate resources

to continue in operational existence for the foreseeable future driven by the continuous operationalization of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations.

3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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 (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

SIGNIFICANT ACCOUNTING POLICIES

At the Company level investments in subsidiaries are recognized at cost.

3.2.1 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether it measures the Non-Controlling Interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition - related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over

the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Current Versus non-current Classification

The Group presents assets and liabilities in statement of financial position based on current/ non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- ✎ It is expected to be settled in normal operating cycle
 - ✎ It is held primarily for the purpose of trading
 - ✎ It is due to be settled within twelve months after the reporting period.
- Or
- ✎ It does not have a right at the reporting date to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.4 Fair Value Measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- ✎ Managed Consumable Biological Assets Note 13C
- ✎ Produce Growing on Bearer Biological Assets Note 15

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ✎ In the principal market for the asset or liability; or,
- ✎ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ✎ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ✎ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ✎ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as managed biological assets. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

3.5 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot

rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.6 Cash Dividend and non-cash Distribution to Equity Holders of the Parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re measurement recognised directly in equity.

SIGNIFICANT ACCOUNTING POLICIES

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.7 Property, Plant & Equipment

The group applies the requirements of LKAS 16 on 'Property Plant and Equipment' in accounting for its assets which are held for and use in the provision of the services, for rental to other or for administration purpose and are expected to be used for more than one year.

3.7.1 Basis of Recognition

Property Plant and Equipment is recognised if it is probable that future economic benefit associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.7.2 Measurement

Items of Property, Plant & Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

3.7.2.1 Borrowing Cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale are capitalized as a part of the asset.

Borrowing costs that are not capitalized are recognised as expenses in the period in which they are incurred and charged to the Statement of profit or loss.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 – 'Borrowing Costs'.

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalised as a part of the cost of the

relevant immature plantation. The capitalisation will cease when the crops are ready for commercial harvest.

3.7.3 Owned Assets

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs includes the cost of replacing part of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost 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.

Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognises such parts as individual assets (major components) with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.7.4 Leases

The Group assesses at the 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.

Group as a Lessee

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

3.7.4.1 Right of Use Assets

The Group recognises right to use of assets at the commencement date of a 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 to use of assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive 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. If ownership of the leased asset transferred to the Group at the end of the lease period or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.7.4.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payment also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because of the interest rate implicit in the lease is not readily determinable. After the commencement date, amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.7.5 Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized 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 derecognized.

3.7.6 Land Development Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortized over the remaining lease period.

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.7.7 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specification. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets includes tea and rubber plants, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.7.7.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - "Property, Plant & Equipment".

The cost of land preparation, rehabilitation, new planting, replanting, crop

diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.7.7.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of profit or loss in the year in which they are incurred.

3.7.7.3 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 13C.

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The main variables in DCF model concerns

| Variable | Comment |
|----------------------|--|
| Timber content | Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company |
| Economic useful life | Estimated based on the normal life span of each species by factoring the forestry plan of the Company |
| Selling price | Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfill in bringing the trees in to saleable condition. |
| Planting cost | Estimated costs for the further development of immature areas are deducted. |

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in profit or loss for the period in which it arises.

Permanent impairments to Biological Asset are charged to the Statement of profit or loss in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.7.7.4 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.7.8 Depreciation and Amortization

(a) Depreciation

Depreciation is recognised in the Statement of profit or loss or on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment since this is most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets held under leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Lease period of land acquired from SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

| | No. of Years |
|----------------------------|--|
| Buildings | 23.3 (Over the remaining lease period) |
| Roads | 5 |
| Plant & Machinery | 20 |
| Electronic Machinery | 13 |
| Solar System | 15 |
| Hydro Power Plant | 30 |
| Motor Vehicles-Utility | 10 |
| Motor Vehicles-Supervisory | 5 |
| Equipment | 4 |
| Furniture & Fittings | 10 |
| Computer Accessories | 4 |

Mature Plantations (Replanting and New Planting)

| | No. of Years |
|------------------------|--|
| Mature Plantations Tea | 23.3 (Over the remaining lease period) |
| Rubber | 20 |
| Cinnamon | 20 |

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset is classified as held for sale or is derecognized.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less.

No depreciation is provided for immature plantations.

(b) Amortization

The leasehold rights of assets taken over from SLSPC are amortized in equal amounts over the shorter of the remaining lease period and the useful lives as follows:

| | No. of Years |
|-----------------------|--|
| Right of Use land | 23.3 (Over the remaining lease period) |
| Improvements to land | 23.3 (Over the remaining lease period) |
| Right of Use Building | 05 |
| Buildings | 25 |
| Machinery | 20 |
| Development Cost | 15 |
| ERP System 10 | |

3.7.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the Statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits

embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

3.7.9.1 Research and Development

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

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

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

A summary of the policy applied to the Group.

Development Cost

| Useful lives | Finite |
|----------------------------------|---|
| Amortisation Method Used | Amortised Straight line over the right to generate hydro power. |
| Period of amortisation | 15 Years |
| Internally generated or acquired | Acquired |

3.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.8.1 Financial Assets**3.8.1.1 Initial Recognition & Measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, investments and trade and other receivables.

3.8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ✎ Financial assets at amortized cost (debt instruments)
- ✎ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ✎ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ✎ Financial assets at fair value through profit or loss

a) Financial Assets at Amortized Cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- ✎ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- ✎ 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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject

to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial instruments at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at Fair Value Through OCI (Debt Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- ✎ The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- ✎ 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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost.

The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss. The Group does not have any debt instruments at fair value through OCI.

c) Financial assets at Fair Value Through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading.

The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) Financial assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3.8.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ✦ The rights to receive cash flows from the asset have expired
- ✦ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.8.1.4 Impairment of Financial Assets

The Group recognises an allowance for expected credit losses (ECLs) for all

debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.8.2 Financial Liabilities

3.8.2.1 Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.8.2.2 Subsequent Measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

(b) Financial Liabilities at Amortized Cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.8.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as

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the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.8.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 35.

3.9 Harvestable Agricultural Produce on Bearer Biological Assets

In accordance with LKAS 41, company recognise agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

- ✦ Tea – Bought Leaf rate (current month) less cost of harvesting & transport
- ✦ Rubber – latex Price (95% of current RSS1 Price) less cost of tapping & transport

3.10 Inventories**Finished Goods Manufactured from Agricultural Produce of Biological Assets.**

These are valued at the lower of cost and estimated net realisable value. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

Input Material, Spares and Consumables

At actual cost on weighted average basis.

Agricultural produce harvested from biological assets

Agricultural produce harvested from biological asset are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flow.

3.12 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 indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU)

fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to Other Comprehensive Income. For such properties, the impairment is recognised in Other Comprehensive Income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31st March 2023 and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31st March at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of

resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

3.14 Employees Benefits

(a) *Defined Contribution Plans - Provident Funds and Trust Fund*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/ Estate Staff Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

(b) *Defined Benefit Plan*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by

discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as in retained earnings through other comprehensive income. Past service costs are recognised immediately in statement of profit or loss.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19, Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 23.

3.15 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group have been disclosed in the respective Notes to the Financial Statements.

3.16 Events Occurring after the Reporting Date

All material events after the Statement of Financial Position Date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

3.17 Earnings per Share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders

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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.

3.18 Deferred Income**3.18.1 Grants and Subsidies**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the Statement of profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as additional government grant. Assets are amortised over their useful lives as follows.

Grants related to Property, Plant & Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant &

Equipment as follows: Assets are amortised over their useful lives or unexpired lease period, whichever is less.

| | |
|-----------|--|
| Buildings | 23.3 years (Over the remaining lease period) |
| Roads | 5 Years |

Grants received for forestry are initially deferred and credited to income once when the related blocks of trees are harvested.

3.19 Statements of Profit or Loss

For the purpose of presentation of statement of profit or loss, the function of expenses method is adopted, as it represents fairly the elements of the Group's performance.

3.19.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue 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, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce).

Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer

3.19.1.1 Revenue from Contracts with Customers**✎ Sale of Plantation produce**

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea produce are sold at the Colombo Tea Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Rendering of Services

Service income from Group comprised with sale of hydro energy to the Ceylon Electricity Board (CEB). Revenue from sale of hydro energy recognized at the point of hydro energy releases to the national grid at a pre-determined unit price.

✎ Fee from Management Services

Fee from management services are recognized as revenue over the time during the period in which the services are rendered.

3.19.1.2 Other Source of Income

Revenue recognition criteria for the other source of income as follows;

✎ Rental Income

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

✧ Dividend Income

Dividend income is recognized when the right to receive payment is established.

✧ Interest Income

Interest income is recognized based on effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

3.19.2 Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency is charged to revenue in arriving at the profit or loss for the period.

3.19.2.1 Finance Income and Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.19.2.2 Taxes**3.19.2.2.1 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 in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. 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.

3.19.2.2.2 Deferred Tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ✧ When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ✧ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- ✧ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ✧ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3.20 Statement of Cash Flows

The Statement of Cash Flow has been prepared using the 'indirect method'. Interest paid is classified as operating cash flows, while dividends paid and Government grants received are classified as financing and investing cash flows, for the purpose of presenting the Statement of Cash Flow.

3.21 Segment Reporting

Segmental information is provided for the different business segments 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.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact.

The activities of the segments are described on Note 6.2 in the Notes to the Financial Statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest bearing loans, borrowings, and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments' operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions

to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

4.1 Taxation

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 in the countries where the Group operates and generates taxable income.

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No.45 of 2022, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019 and Agro processing is liable at 30%. Accordingly, where applicable, the Group has separated its income and expenses as Agro farming and Agro Processing and applied the respective tax rates.

4.2 Deferred Tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the inland revenue (Amended) bill issued on 01.12.2022, company is identified Separately business income as agro farming & agro processing for the purpose of calculating income tax liability therefore, the company has separated assets and liabilities as at 31st March 2023 as Agro farming and Agro processing for the deferred tax purpose.

4.3 Measurement of Retirement Benefit Obligation

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

Further details about Retirement benefit obligations are provided in Note 23.

4.4 IFRIC Interpretation 23 Uncertainty Over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. It assessed whether the Interpretation had an impact on its financial statements. The Company determined that it is probable that its tax treatments will be accepted by the taxation authorities.

4.5 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined

on a discounted method using various financial and nonfinancial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact to the fair value of biological assets. Key assumptions and sensitivity analysis of the biological assets are given in the Note 13C.

4.6 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

4.7 Leases - Estimating the Incremental Borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 SLFRS 17 - Insurance contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15

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on or before the date it first applies SLFRS 17. The amendments are not expected to have a material impact on the Group.

5.2 Amendments to LKAS 8 - Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

5.3 Amendments to LKAS 12 Taxation - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

5.4 Amendments to LKAS 1 - Disclosure of Accounting Policies

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

5.5 Amendments to LKAS 1 - Classification of Liabilities as Current or Non-current

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify,

- What is meant by a right to defer settlement.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS

6. REVENUE

| For the year ended 31 March | Group | | Company | |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| 6.1 Summary | | | | |
| Sale of Goods | | | | |
| Tea | 7,900,636 | 4,494,749 | 7,900,636 | 4,494,749 |
| Rubber | 59,709 | 69,120 | 59,709 | 69,120 |
| Mini Hydro Power | 67,846 | 63,961 | - | - |
| Others | 171,162 | 99,525 | 171,162 | 99,525 |
| | 8,199,353 | 4,727,355 | 8,131,507 | 4,663,394 |
| 6.2 Segment Information | | | | |
| a) Segment Revenue | | | | |
| Tea | | | | |
| Revenue | 7,900,636 | 4,494,749 | 7,900,636 | 4,494,749 |
| Revenue Expenditure | (4,898,715) | (3,436,864) | (4,898,715) | (3,436,864) |
| Depreciation | (168,918) | (165,575) | (168,918) | (165,575) |
| Other Non Cash Expenditure | (169,384) | (113,865) | (169,384) | (113,865) |
| Segment Results | 2,663,619 | 778,445 | 2,663,619 | 778,445 |
| Rubber | | | | |
| Revenue | 59,709 | 69,120 | 59,709 | 69,120 |
| Revenue Expenditure | (61,812) | (47,512) | (61,812) | (47,512) |
| Depreciation | (6,859) | (7,150) | (6,859) | (7,150) |
| Other Non Cash Expenditure | - | - | - | - |
| Segment Results | (8,962) | 14,458 | (8,962) | 14,458 |
| Mini Hydro Power | | | | |
| Revenue | 67,846 | 63,961 | - | - |
| Revenue Expenditure | (20,276) | (21,236) | - | - |
| Depreciation | (15,312) | (15,302) | - | - |
| Other Non Cash Expenditure | (774) | (67) | - | - |
| Segment Results | 31,484 | 27,356 | - | - |
| Others | | | | |
| Revenue | 171,162 | 99,525 | 171,162 | 99,525 |
| Revenue Expenditure | - | - | - | - |
| Depreciation | - | - | - | - |
| Other Non Cash Expenditure | - | - | - | - |
| Segment Results | 171,162 | 99,525 | 171,162 | 99,525 |
| Total | | | | |
| Revenue | 8,199,353 | 4,727,355 | 8,131,507 | 4,663,394 |
| Revenue Expenditure | (4,980,804) | (3,505,612) | (4,960,527) | (3,484,376) |
| Depreciation | (191,089) | (188,027) | (175,777) | (172,725) |
| Other Non Cash Expenditure | (170,159) | (113,932) | (169,384) | (113,865) |
| Segment Results | 2,857,301 | 919,784 | 2,825,819 | 892,428 |

NOTES TO THE FINANCIAL STATEMENTS

6. REVENUE (Contd.)

6.2 Segment Information (Contd.)

| For the year ended 31 March | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Change in Fair Value of Biological Assets | 119,209 | 53,995 | 119,209 | 53,995 |
| Other Income & Gains | 66,720 | 70,568 | 66,720 | 80,248 |
| Administrative Expenses | (336,178) | (253,405) | (317,039) | (239,030) |
| Finance Income | 631,567 | 85,410 | 630,859 | 84,867 |
| Finance Expense | (1,218) | (1,000) | (1,218) | (1,000) |
| Interest Paid to Government and Other Leases | (39,132) | (38,061) | (39,122) | (38,051) |
| Profit Before Tax | 3,298,269 | 837,291 | 3,285,228 | 833,457 |
| b) Segment Assets | | | | |
| Non Current Assets | | | | |
| Tea | 3,266,523 | 2,940,938 | 3,266,523 | 2,940,938 |
| Rubber | 87,694 | 89,372 | 87,694 | 89,372 |
| Mini Hydro Power | 252,386 | 270,964 | - | - |
| Investment | - | - | 134,933 | 134,933 |
| Consumable Biological Asset | 483,919 | 386,372 | 483,919 | 386,372 |
| | 4,090,522 | 3,687,646 | 3,973,069 | 3,551,615 |
| Current Assets | | | | |
| Tea | 4,976,727 | 2,812,790 | 4,976,727 | 2,812,790 |
| Rubber | 3 | 15 | 3 | 15 |
| Mini Hydro Power | 78,188 | 51,062 | - | - |
| | 5,054,918 | 2,863,867 | 4,976,730 | 2,812,805 |
| Total Assets | 9,145,440 | 6,551,513 | 8,949,799 | 6,364,420 |
| c) Segment Liabilities | | | | |
| Non Current Liabilities and Deferred Income | | | | |
| Tea | 1,740,338 | 1,442,636 | 1,740,338 | 1,442,636 |
| Mini Hydro Power | 3,670 | 3,328 | - | - |
| | 1,744,008 | 1,445,964 | 1,740,338 | 1,442,636 |
| Current Liabilities | | | | |
| Tea | 1,213,012 | 634,088 | 1,213,012 | 634,088 |
| Mini Hydro Power | 21,260 | 21,630 | - | - |
| | 1,234,272 | 655,718 | 1,213,012 | 634,088 |
| Total Liabilities | 2,978,280 | 2,101,682 | 2,953,350 | 2,076,724 |
| d) Segment Capital Expenditure | | | | |
| Cost | | | | |
| Tea | 503,663 | 373,384 | 503,663 | 373,384 |
| Rubber | 5,181 | - | 5,181 | - |
| Others | 46,567 | 38,281 | 46,567 | 38,281 |
| Mini Hydro Power | - | 90 | - | - |
| | 555,411 | 411,755 | 555,411 | 411,665 |

7. OTHER INCOME AND GAINS

| For the year ended 31 March | Group | | Company | |
|--|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Profit on Sale of Trees | 27,851 | 31,769 | 27,851 | 31,769 |
| Amortisation of Capital Grants | 5,496 | 5,412 | 5,496 | 5,412 |
| Profit on Disposal of Property, Plant & Equipments | 135 | - | 135 | - |
| Dividend Income | - | - | - | 9,680 |
| Lease of Land for Towers | 8,117 | 5,082 | 8,117 | 5,082 |
| Lease of Land for Vegetable Cultivation | 14,965 | 18,840 | 14,965 | 18,840 |
| Profit/(Loss) on Sale of Cinnamon | - | 3,708 | - | 3,708 |
| Profit/(Loss) on Strawberry & Other Projects | (3,581) | (1,422) | (3,581) | (1,422) |
| Solar Income | 13,737 | 7,179 | 13,737 | 7,179 |
| | 66,720 | 70,568 | 66,720 | 80,248 |

8. FINANCE INCOME/ EXPENSE

| For the year ended 31 March | Group | | Company | |
|---|----------|----------|----------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 8.1 Finance Income | | | | |
| Interest Income | 631,326 | 85,410 | 630,618 | 84,867 |
| Exchange Gain | 241 | 628 | 241 | 628 |
| | 631,567 | 86,038 | 630,859 | 85,495 |
| 8.2 Finance Expenses | | | | |
| Overdraft Interest | (687) | (403) | (687) | (403) |
| Exchange Loss | - | - | - | - |
| Term Loan Interest | (531) | (1,224) | (531) | (1,224) |
| | (1,218) | (1,627) | (1,218) | (1,627) |
| 8.3 Interest Paid To Government and Other Leases | | | | |
| Interest paid on Government Lease | (36,598) | (34,119) | (36,587) | (34,109) |
| Interest paid on Other Lease | (2,535) | (3,942) | (2,535) | (3,942) |
| | (39,133) | (38,061) | (39,122) | (38,051) |
| Net Finance Income | 591,216 | 46,349 | 590,519 | 45,816 |

NOTES TO THE FINANCIAL STATEMENTS

9. PROFIT BEFORE TAX IS STATED AFTER CHARGING

| year ended | Group | | Company | |
|--|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Directors Emoluments | 44,822 | 39,918 | 44,822 | 39,918 |
| Emoluments of Other Key Management | 20,712 | 17,220 | 20,712 | 17,220 |
| Auditors Fees | 5,370 | 5,133 | 5,370 | 4,640 |
| Depreciation/Amortisation | 222,822 | 219,580 | 207,510 | 204,278 |
| Defined Benefit Plan Costs | 170,159 | 113,865 | 169,384 | 113,865 |
| Worker Related Other Costs | 1,073,892 | 386,080 | 1,073,892 | 386,080 |
| Defined Contributions Plan Costs - EPF & ETF | 172,522 | 198,511 | 171,931 | 197,555 |
| Workers/Staff Costs | 1,633,016 | 1,705,797 | 1,616,600 | 1,689,536 |

10. INCOME TAX EXPENSE

The major component of income tax expenses for the period are as follows :

| year ended | Group | | Company | |
|---|---------|----------|---------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 10.1 Income Statement | | | | |
| Income Tax Expense | | | | |
| Current Income Tax Charge | 335,404 | 56,023 | 334,074 | 54,083 |
| Under/(over) provision in respect of previous years | (315) | 12,371 | (688) | 12,371 |
| | 335,089 | 68,394 | 333,386 | 66,454 |
| Deferred Tax Expense | | | | |
| Deferred Taxation Charge/(Reversal) | 384,394 | (48,474) | 381,416 | (52,967) |
| | 384,394 | (48,474) | 381,416 | (52,967) |
| Total Tax Expense | 719,483 | 19,920 | 714,802 | 13,487 |
| 10.2 Statement of Comprehensive Income | | | | |
| Deferred tax related to items charged or credited directly to OCI during the year; | | | | |
| Net (gain)/loss on actuarial retirement benefit obligation | 3,119 | 1,036 | 3,026 | 1,033 |
| Income tax charged directly to other comprehensive income | 3,119 | 1,036 | 3,026 | 1,033 |

10.3 Reconciliation between tax expenses and the product of accounting

Profit multiplied by the Statutory Effective tax rates are as follows:

| year ended | Group | | Company | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Profit Before Tax | 3,298,269 | 837,291 | 3,285,228 | 833,457 |
| Aggregate Disallowable Expenses | 444,249 | 375,225 | 425,255 | 356,560 |
| Aggregate Tax deductible Expenses | (644,296) | (408,817) | (643,372) | (417,877) |
| Total statutory income | 3,098,222 | 803,699 | 3,067,111 | 772,140 |
| Tax exempt income from Agro Farming | 1,590,005 | 504,045 | 1,590,005 | 504,045 |
| Taxable income from Agro Procesing | 823,519 | 183,228 | 823,519 | 183,228 |
| Taxable income from subsidiaries | 30,403 | 31,016 | - | - |
| Other sources of Income | 654,295 | 85,410 | 653,587 | 84,867 |
| Total statutory income | 3,098,222 | 803,699 | 3,067,111 | 772,140 |
| Dividend Income | - | - | - | 9,680 |
| Tax losses Claimed during the year | (16,139) | (17,767) | - | - |
| Tax exempt Income | (1,590,005) | (504,045) | (1,590,005) | (504,045) |
| Total Taxable Income | 1,492,078 | 281,887 | 1,477,106 | 277,775 |
| Income Tax @ 14% | 58,722 | 18,094 | 57,418 | 16,261 |
| Income Tax @ 22.5% | 93,012 | - | 93,013 | - |
| Income Tax @ 24% | 49,759 | 36,574 | 49,732 | 36,467 |
| Income Tax @ 30% | 133,911 | - | 133,911 | - |
| Dividend Tax @ 14% | - | 1,355 | - | 1,355 |
| Income tax on current year profit | 335,404 | 56,023 | 334,074 | 54,083 |

10.4 Effect of changes in tax rate in current year

According to The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019.

As per the rebate given by the Inland Revenue Department for tea manufacturing, the company has entitled to a special tax rate for agro processing by granting tax rebate of 25% on applicable tax rate (i.e. 30%).

The Inland Revenue (Amedment) Act no 45 of 2022 was certified by the speaker on 19th December 2022. The Standard rate of Income tax has been increased 30% from 24% w.e.f 1st October 2022. The increase in income tax rate to 30% in mid year has resulted in two tax rate being applicable for the year of assessment 22/23.

Herewith mentioned the applied tax rates of the company.

| Taxable income source | Description | Effective tax rate (%) |
|-------------------------|---|------------------------|
| Agro farming | Excmpted | |
| Agro processing | Tax on taxable income at special rates - First six months | 10.50% |
| Agro processing | Tax on taxable income at special rates - Balance six months | 22.50% |
| Dividend Income | Tax on profits from dividend - First six months | 14.00% |
| Dividend Income | Tax on profits from dividend - Balance six months | 15.00% |
| Other Investment Income | Tax on balance taxable income at normal rate - First six months | 24.00% |
| Other Investment Income | Tax on balance taxable income at normal rate - Balance six months | 30.00% |

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX EXPENSE (Contd.)

10.5 Deferred Tax (Assets) and Liabilities

| Group | 2023 | | 2022 | |
|---|---------------------------------|-----------------------|---------------------------------|-----------------------|
| | Temporary Difference Rs.'000 | Tax Effect Rs.'000 | Temporary Difference Rs.'000 | Tax Effect Rs.'000 |
| As at 1 April | 1,503,361 | 157,173 | 1,476,967 | 204,612 |
| Amount originating during the year | 306,971 | 385,945 | 26,394 | (47,439) |
| As at 31 March | 1,810,332 | 543,118 | 1,503,361 | 157,173 |
| Temporary difference of Right-of-use asset | 264,795 | 79,439 | 263,984 | 27,721 |
| Temporary difference of Property, Plant and Equipment | 382,382 | 114,715 | 352,129 | 37,112 |
| Temporary difference of Bearer Biological Assets | 1,828,711 | 548,613 | 1,660,353 | 174,337 |
| Temporary difference of Consumable Biological Assets | 423,919 | 127,176 | 329,959 | 34,645 |
| Temporary difference of Produce on Bearer Biological Assets | 22,931 | 6,879 | - | - |
| Temporary difference of Unrealized Exchange Gain | 241 | 72 | - | - |
| Temporary difference of Inventory | (3,253) | (976) | (3,444) | (428) |
| Temporary difference of Bad Debt Provisions | (1,992) | (598) | (1,630) | (171) |
| Temporary difference of Retirement Benefit Obligation | (701,573) | (210,472) | (671,806) | (70,653) |
| Temporary difference of Deferred Income | (131,203) | (39,361) | (125,819) | (13,211) |
| Carried Forward Tax Losses | (2,246) | (630) | (18,239) | (2,553) |
| Temporary difference of Lease Liability | (272,380) | (81,739) | (282,126) | (29,626) |
| As at 31 March | 1,810,332 | 543,118 | 1,503,361 | 157,173 |
| Company | | | | |
| As at 1 April | 1,522,774 | 159,891 | 1,513,034 | 211,825 |
| Amount originating during the year | 291,669 | 384,442 | 9,740 | (51,934) |
| As at 31 March | 1,814,443 | 544,333 | 1,522,774 | 159,891 |
| Temporary difference of Right-of-use asset | 264,728 | 79,418 | 263,913 | 27,711 |
| Temporary difference of Property, Plant and Equipment | 378,836 | 113,651 | 348,154 | 36,556 |
| Temporary difference of Bearer Biological Assets | 1,828,711 | 548,614 | 1,660,353 | 174,337 |
| Temporary difference of Consumable Biological Assets | 423,919 | 127,176 | 329,959 | 34,646 |
| Temporary difference of Produce on Bearer Biological Assets | 22,931 | 6,879 | - | - |
| Temporary difference of Unrealized Exchange Gain | 241 | 72 | - | - |
| Temporary difference of Inventory | (1,366) | (410) | (1,557) | (164) |
| Temporary difference of Bad Debt Provisions | (1,992) | (598) | (1,630) | (171) |
| Temporary difference of Retirement Benefit Obligation | (697,982) | (209,394) | (668,556) | (70,198) |
| Temporary difference of Deferred Income | (131,203) | (39,361) | (125,819) | (13,211) |
| Temporary difference of Lease Liability | (272,380) | (81,714) | (282,043) | (29,615) |
| As at 31 March | 1,814,443 | 544,333 | 1,522,774 | 159,891 |

| year ended | Group | | Company | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Deferred Tax Assets | (1,215) | (2,718) | - | - |
| Deferred Tax Liabilities | 544,333 | 159,891 | 544,333 | 159,891 |
| | 543,118 | 157,173 | 544,333 | 159,891 |

The Inland Revenue (Amedment) Act no 45 of 2022 was certified by the speaker on 19th December 2022. The Standard rate of Income tax has been increased 30% from 24% w.e.f 1st October 2022. Accordingly, deffered tax asset & liability have been computed at 30%. Amount of deferred tax expense (income) relating to changes in tax rates-Rs. 353 Mn.

11. EARNINGS PER SHARE

11.1 Basic Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding during the year.

11.2 Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the profit attributable to owners of the parent and the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

There were no potentially dilutive ordinary shares outstanding at any time during the year/previous year.

Basic/diluted earning per share calculated as follows.

| year ended | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Amounts used as the Numerator : | | | | |
| Net profit attributable to equity holders of the parent | 2,575,150 | 814,376 | 2,570,426 | 819,969 |
| Amounts used as the Denominator : | | | | |
| Weighted average number of ordinary shares of the parent | 47,500,000 | 47,500,000 | 47,500,000 | 47,500,000 |
| Basic/Diluted Earnings Per Share (Rs.) | 54.21 | 17.14 | 54.11 | 17.26 |

12. RIGHT OF USE ASSETS

| | Notes | Group | | Company | |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Right-of-use asset-Land | 12.1 | 226,752 | 236,038 | 226,684 | 235,968 |
| Right-of-use asset-Building | 12.2 | 11,068 | 22,135 | 11,068 | 22,135 |
| Right-of-use asset-Immovable estate assets | 12.3 | 50,478 | 52,748 | 50,478 | 52,748 |
| | | 288,298 | 310,921 | 288,230 | 310,851 |

NOTES TO THE FINANCIAL STATEMENTS

12. RIGHT OF USE ASSETS (Contd.)

12.1 Right-of-use asset-land

This Right-of-use asset-land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset-land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 April 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset-land" and "Lease Liability" has been enhanced. "Right-of-use asset-land" have been executed for all estates for a period of 53 years. The Unexpired period of the lease as at the statement of Financial Position date is 22.3 years.

| year ended | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Cost | | | | |
| As at 1st April | 246,180 | 248,082 | 246,100 | 248,002 |
| Transferred in Due to Reassessment of Lease Liability | (10,132) | (9,802) | (10,132) | (9,802) |
| Adjustment on Reassessment of lease Liability at 01st April | 881 | 7,900 | 881 | 7,900 |
| As at 31st March | 236,929 | 246,180 | 236,849 | 246,100 |
| Amortisation | | | | |
| As at 1st April | 10,142 | 9,809 | 10,132 | 9,802 |
| Transferred in Due to Reassessment of Lease Liability | (10,132) | (9,802) | (10,132) | (9,802) |
| Amortisation charge for the year | 10,167 | 10,135 | 10,165 | 10,132 |
| As at 31st March | 10,177 | 10,142 | 10,165 | 10,132 |
| Written Down Value | 226,752 | 236,038 | 226,684 | 235,968 |

12.2 Right-of-use asset-Building

Talawakelle Tea Estates PLC (Head Office) as a tenant, occupying a building which belongs to Hayleys PLC (Ultimate Parent) and which was previously accounted as an operating lease under LKAS 17. Since, the SLFRS 16 supersedes LKAS 17 Leases, The Company adopted SLFRS 16 using the modified retrospective method of adoption to above lease arrangement. The effect to the Statement of Financial Position and depreciation of building to 31 March 2023 are as follows:

| Year Ended | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Cost | | | | |
| As at 1st April | 49,937 | 49,937 | 49,937 | 49,937 |
| Adjustment on Reassessment of Lease Liability | - | - | - | - |
| As at 31st March | 49,937 | 49,937 | 49,937 | 49,937 |
| Depreciation | | | | |
| As at 1st April | 27,802 | 16,735 | 27,802 | 16,735 |
| Depreciation charge for the year | 11,067 | 11,067 | 11,067 | 11,067 |
| As at 31st March | 38,869 | 27,802 | 38,869 | 27,802 |
| Written Down Value | 11,068 | 22,135 | 11,068 | 22,135 |

12.3 Right-of-use assets-Immovable Estate Assets

| | Group/Company | | | | | |
|----------------------------------|-----------------------------------|----------------------------------|----------------------|---------------------------------|--------------------------|--------------------------|
| | Improvement to Land Rs.'000 | Mature Plantations Rs.'000 | Buildings Rs.'000 | Plant & Machinery Rs.'000 | 2023 Total Rs.'000 | 2022 Total Rs.'000 |
| Cost/ Revaluation | | | | | | |
| *Revaluation as at 22.06.1992 | 9,084 | 243,838 | 63,826 | 12,007 | 328,755 | 328,755 |
| As at 31 March | 9,084 | 243,838 | 63,826 | 12,007 | 328,755 | 328,755 |
| Accumulated Amortisation | | | | | | |
| As at 1st April | 7,650 | 192,524 | 63,826 | 12,007 | 276,007 | 273,737 |
| Amortisation charge for the year | 62 | 2,208 | - | - | 2,270 | 2,270 |
| As at 31 March | 7,712 | 194,732 | 63,826 | 12,007 | 278,277 | 276,007 |
| Written Down Value | | | | | | |
| | 1,372 | 49,106 | - | - | 50,478 | 52,748 |

*Revaluation amount is arrived at after adjusting for assets handed over to Tea Smallholdings Development Authority.

13. A. TANGIBLE ASSETS OTHER THAN IMMATURE / MATURE PLANTATIONS

| | Group | | | | Company | | | |
|----------------------|---|---|--|---|---|---|--|---|
| | Balance as at 01.04.2022 Rs.'000 | Additions for the Year Rs.'000 | Disposals during the Year Rs.'000 | Balance as at 31.03.2023 Rs.'000 | Balance as at 01.04.2022 Rs.'000 | Additions for the Year Rs.'000 | Disposals during the Year Rs.'000 | Balance as at 31.03.2023 Rs.'000 |
| Cost | | | | | | | | |
| Buildings | 509,523 | 215 | - | 509,738 | 509,523 | 215 | - | 509,738 |
| Motor Vehicles | 341,471 | 55,817 | (1,335) | 395,953 | 341,471 | 55,817 | (1,335) | 395,953 |
| Plant & Machinery | 1,223,365 | 29,127 | - | 1,252,492 | 737,665 | 29,127 | - | 766,792 |
| Furniture & Fittings | 13,124 | 1,542 | - | 14,666 | 13,124 | 1,542 | - | 14,666 |
| Equipment & Tools | 193,022 | 19,995 | (712) | 212,305 | 192,061 | 19,995 | (712) | 211,344 |
| | 2,280,505 | 106,696 | (2,047) | 2,385,154 | 1,793,844 | 106,696 | (2,047) | 1,898,493 |

| | Group | | | | Company | | | |
|---------------------------------|---|--------------------------------------|--|--|--|--------------------------------------|--|---|
| | Balance as at 01.04.2022 Rs.'000 | Charge for the Year Rs.'000 | Accumulated depreciation on disposals Rs.'000 | Balance as at 31.03.2023 Rs.'000" | "Balance as at 01.04.2022 Rs.'000 | Charge for the Year Rs.'000 | Accumulated depreciation on disposals Rs.'000 | Balance as at 31.03.2023 Rs.'000 |
| Accumulated Depreciation | | | | | | | | |
| Buildings | 194,513 | 20,035 | - | 214,548 | 194,513 | 13,820 | - | 208,333 |
| Motor Vehicles | 225,227 | 40,631 | (1,335) | 264,523 | 225,227 | 40,631 | (1,335) | 264,523 |
| Plant & Machinery | 712,960 | 40,756 | - | 753,716 | 493,683 | 30,781 | - | 524,464 |
| Furniture & Fittings | 10,864 | 529 | - | 11,393 | 10,864 | 529 | - | 11,393 |
| Equipment & Tools | 163,945 | 16,750 | (573) | 180,122 | 163,101 | 16,687 | (573) | 179,215 |
| | 1,307,509 | 118,701 | (1,908) | 1,424,302 | 1,087,388 | 102,448 | (1,908) | 1,187,928 |
| Written Down Value | | | | | | | | |
| | 972,996 | | | 960,852 | 706,456 | | | 710,565 |

NOTES TO THE FINANCIAL STATEMENTS

13. A. TANGIBLE ASSETS OTHER THAN IMMATURE / MATURE PLANTATIONS (Contd.)

| | Group | | | | Company | | | |
|--------------------------|---|---|--|---|---|---|--|---|
| | Balance as at 01.04.2022 Rs.'000 | Additions for the Year Rs.'000 | Capitalised during the Year Rs.'000 | Balance as at 31.03.2023 Rs.'000 | Balance as at 01.04.2022 Rs.'000 | Additions for the Year Rs.'000 | Capitalised during the Year Rs.'000 | Balance as at 31.03.2023 Rs.'000 |
| Capital Work-in-Progress | 183,104 | 295,124 | (43,851) | 434,377 | 183,104 | 295,124 | (43,851) | 434,377 |
| Total Written Down Value | 1,156,100 | | | 1,395,229 | 889,560 | | | 1,144,942 |

Note : The assets shown above are those movable assets vested in the Company by Gazette Notification at the date of formation of the Company (22nd June 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12.

No borrowing costs have been capitalised into Capital Work-in-Progress.

The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the date of the Statement of Financial Position is Rs. 606.2 Mn (2021/22-Rs. 530.9 Mn).

13. B. BEARER BIOLOGICAL ASSETS

| | Group/Company | | | | | |
|----------------------------------|---|------------------|------------------------------------|----------------------------------|--------------------------|--------------------------|
| | Permanent Land Development Cost Rs.'000 | Roads Rs.'000 | Immature Plantations Rs.'000 | Mature Plantations Rs.'000 | 2023 Total Rs.'000 | 2022 Total Rs.'000 |
| Cost | | | | | | |
| *As at 1st April | 23,172 | 83,025 | 330,622 | 2,382,832 | 2,819,651 | 2,711,150 |
| Additions | - | - | 180,788 | - | 180,788 | 110,389 |
| **Transfers to consumable | - | - | - | - | - | (1,888) |
| Write off for the year | - | - | (8,082) | - | (8,082) | - |
| Transfers | - | - | (104,332) | 104,332 | - | - |
| As at 31st March | 23,172 | 83,025 | 398,996 | 2,487,164 | 2,992,357 | 2,819,651 |
| Accumulated Amortisation | | | | | | |
| As at 1st April | 13,398 | 83,025 | - | 907,036 | 1,003,459 | 925,450 |
| Amortisation charge for the year | 420 | - | - | 79,675 | 80,095 | 78,009 |
| As at 31st March | 13,818 | 83,025 | - | 986,711 | 1,083,554 | 1,003,459 |
| Written Down Value | 9,354 | - | 398,996 | 1,500,453 | 1,908,803 | 1,816,192 |

*The figures above are stated after adjusting for assets handed over to Tea Smallholdings Development Authority.

** Original decision to plant bearer plants changed by the management to consumable plants and therefore cost incurred on land preparation transferred to consumable biological assets.

These are investments in immature/ mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

The borrowing costs were not capitalized during the period under Immature Plantations (2021/2022- Nil).

13. C. CONSUMABLE BIOLOGICAL ASSETS**Timber Plantations - Managed Trees**

| As at 31 March | Group/Company | |
|--|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| As at 1 April | 386,372 | 326,365 |
| Increase due to development | 16,654 | 19,131 |
| Transfer From Immature Plantation | - | 1,888 |
| Gain/(loss) arising from changes in fair value less cost to sell attributable to physical change | 113,717 | 59,178 |
| Decrease due to harvest | (32,824) | (20,190) |
| As at 31 March | 483,919 | 386,372 |

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The carrying amount of biological assets pledged as securities for liabilities as at the date of the statement of financial position is nil (2021/2022 - nil).

The fair value of matured managed trees were ascertained in accordance with SLFRS 13. The valuation was carried by Messer's FRT Valuation Services (Pvt) Ltd, chartered valuation surveyors, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, a physical verification was carried out covering all the estates.

13. C. 1. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS

| As at 31 March | Group/Company | |
|---|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| Change in fair value of consumable biological assets (Note 13 C) | 113,717 | 59,178 |
| Change in fair value of produce on bearer biological assets (Note 15) | 5,492 | (5,183) |
| | 119,209 | 53,995 |

13. C. 2. Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3)

| Non Financial Asset | Valuation Technique | Unobservable Inputs | Range of Unobservable Inputs (Probability weighted average.) | | Relationship of Unobservable Inputs to Fair Value |
|--------------------------------------|---------------------|-----------------------------|--|-------------------------|---|
| | | | 2023 | 2022 | |
| Consumable Managed Biological Assets | DCF | Discounting Rate | 19.50% | 15.40% | The higher the discount rate, the lesser the fair value |
| | | Optimum rotation (Maturity) | 15-25 Years | 20-25 Years | Lower the rotation period, the higher the fair value |
| | | Volume at rotation | 25-140 cu.ft | 25-140 cu.ft | The higher the volume, the higher the fair value |
| | | Price per cu.ft. | Rs. 80/- to Rs. 6,000/- | Rs. 50/- to Rs. 3,000/- | The higher the price per cu. ft., the higher the fair value |

NOTES TO THE FINANCIAL STATEMENTS

13. C. 1. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS (Contd.)

13. C. 2. Information about Fair Value Measurements using Significant Unobservable Inputs (Level 3) Contd.

Other key assumptions used in valuation

1. The harvesting is approved by the PMMD and the Forest Department based on the Forestry Development Plan.
2. The prices adopted are net of expenditure.
3. Though the replanting is a condition precedent for harvesting yet the costs are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. It does, nevertheless, concern the Directors that no estimate can ever be completely accurate. Moreover, in the case of the Group's biological assets, small differences in valuation assumptions can have quite disproportionate effect on results. Therefore, the Board of Directors is of the opinion that the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably check the financial impact of the assumptions used in the SLFRS 13 / LKAS 41 valuations as included in the consolidated accounts against his own assumptions.

Sensitivity Variation Sales Price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

| | Rs.'000 | Rs.'000 |
|---------------------|---------|----------|
| Managed Timber | 10% | -10% |
| As at 31 March 2023 | 41,257 | (41,257) |
| As at 31 March 2022 | 32,039 | (32,039) |

Sensitivity Variation Discount Rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

| | Rs.'000 | Rs.'000 |
|---------------------|---------|---------|
| | 1% | -1% |
| As at 31 March 2023 | (1,091) | 1,211 |
| As at 31 March 2022 | (1,187) | 1,244 |

13.D. INTANGIBLE ASSETS

| Group | Development Cost Rs.'000 | ERP System Rs.'000 | 2023 Total Rs.'000 | 2022 Total Rs.'000 |
|----------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Cost | | | | |
| As at 1st April | 18,297 | 14,668 | 32,965 | 23,538 |
| Acquisition during the year | - | - | - | 9,427 |
| As at 31 March | 18,297 | 14,668 | 32,965 | 32,965 |
| Accumulated Amortisation | | | | |
| As at 1st April | 16,662 | 959 | 17,621 | 16,188 |
| Amortization charge for the year | 819 | 1,467 | 2,286 | 1,433 |
| As at 31 March | 17,481 | 2,426 | 19,907 | 17,621 |
| Written Down Value | 816 | 12,242 | 13,058 | 15,344 |

| Company | Development Cost Rs.'000 | ERP System Rs.'000 | 2023 Total Rs.'000 | 2022 Total Rs.'000 |
|----------------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|
| Cost | | | | |
| As at 1st April | - | 14,668 | 14,668 | 5,241 |
| Acquisition during the year | - | - | - | 9,427 |
| As at 31 March | - | 14,668 | 14,668 | 14,668 |
| Accumulated Amortisation | | | | |
| As at 1st April | - | 959 | 959 | 346 |
| Amortization charge for the year | - | 1,467 | 1,467 | 613 |
| As at 31 March | - | 2,426 | 2,426 | 959 |
| Written Down Value | - | 12,242 | 12,242 | 13,709 |

14. INVESTMENTS IN SUBSIDIARIES

Talawakelle Tea Estates PLC holds 3,519,000 (51%) ordinary shares of TTEL Hydro Power Company (Pvt) Ltd, and 3,060,000 (51%) ordinary shares of TTEL Somerset Hydro Power (Pvt) Ltd., and 14% redeemable cumulative preference shares of Rs.10/- each of TTEL Hydro Power Company (Pvt) Ltd. and TTEL Somerset Hydro Power (Pvt) Ltd. amounting to Rs. 53,108,300/= and Rs. 16,034,400/= respectively redeemable at the option of the investee.

NOTES TO THE FINANCIAL STATEMENTS

14. INVESTMENTS IN SUBSIDIARIES (Contd.)

| As at 31 March | Company | |
|-------------------------------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| Ordinary Shares | | |
| TTEL Hydro Power Company (Pvt) Ltd | 35,190 | 35,190 |
| TTEL Somerset Hydro Power (Pvt) Ltd | 30,600 | 30,600 |
| | 65,790 | 65,790 |
| Preference Shares | | |
| TTEL Hydro Power Company (Pvt) Ltd | 53,108 | 53,108 |
| TTEL Somerset Hydro Power (Pvt) Ltd | 16,034 | 16,034 |
| | 69,143 | 69,143 |
| Total Investment | 134,933 | 134,933 |

| Subsidiaries | Principle Activity |
|-------------------------------------|-----------------------|
| TTEL Hydro Power Company (Pvt) Ltd | Generates Hydro Power |
| TTEL Somerset Hydro Power (Pvt) Ltd | Generates Hydro Power |

15. PRODUCE ON BEARER BIOLOGICAL ASSETS

| As at 31 March | Group/Company | |
|--|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| At the beginning of the year | 17,439 | 22,622 |
| Change in fair value less cost to sell | 5,492 | (5,183) |
| | 22,931 | 17,439 |

Level 2 inputs were used when arriving above figures.

16. INVENTORIES

| As at 31 March | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Biological Assets - Nurseries | 21,035 | 22,631 | 21,035 | 22,631 |
| Biological Assets -Harvested Crop | 574,709 | 327,513 | 574,709 | 327,513 |
| Input Stocks, Consumables & spares | 238,335 | 136,409 | 236,409 | 134,483 |
| | 834,079 | 486,553 | 832,153 | 484,627 |
| Less : Provision for Slow Moving Stocks | (3,253) | (3,517) | (1,366) | (1,630) |
| | 830,826 | 483,036 | 830,787 | 482,997 |

17. TRADE AND OTHER RECEIVABLES

| As at 31 March | Group | | Company | |
|-----------------------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Produce Debtors | 220,430 | 156,609 | 171,409 | 128,789 |
| Advances, Prepayments & Deposits | 98,928 | 74,461 | 89,854 | 68,077 |
| Investment Interest Receivables | 111,166 | 15,801 | 111,166 | 15,801 |
| Other Debtors | 59,623 | 51,995 | 59,839 | 51,731 |
| Income Tax Receivable | 1,679 | 1,679 | - | - |
| | 491,826 | 300,545 | 432,268 | 264,398 |
| Less: Provision for Doubtful Debt | (1,992) | (6,069) | (1,992) | (1,557) |
| | 489,834 | 294,476 | 430,276 | 262,841 |

17.1 Movement in the provision for trade and other receivables

| As at 31 March | Group | | Company | |
|---------------------------|---------|---------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 01 April | (6,069) | (5,832) | (1,557) | (870) |
| Charge for the period | (1,131) | (687) | (1,132) | (687) |
| Reverse during the period | 5,208 | 450 | 697 | - |
| As at 31 March | (1,992) | (6,069) | (1,992) | (1,557) |

17.2 The aging analysis of trade receivables is as follows

| Neither Past Due not | | | | | | |
|----------------------|--------------|---------------------|-----------------------|------------------------|------------------------|----------------------|
| | Total Rs. | 0-60 days Rs. | 61-120 days Rs. | 121-180 days Rs. | 181-365 days Rs. | > 365 days Rs. |
| Company | 432,268 | 204,448 | 111,695 | 59,396 | 55,050 | 1,679 |
| Group | 491,826 | 43,793 | 111,479 | 59,396 | 55,050 | 1,679 |

18. AMOUNTS DUE FROM RELATED COMPANIES

| As at 31 March | Relationship | Group | | Company | |
|---|--------------------|---------|---------|---------|---------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Hayleys PLC | Ultimate Parent | - | 131,469 | - | 131,469 |
| Hayleys Power Ltd | Related Company | 500 | - | - | - |
| TTEL Hydro Power Company (Pvt) Ltd | Subsidiary Company | - | - | 1,320 | 359 |
| TTEL Somerset Hydro Power Company (Pvt) Ltd | Subsidiary Company | - | - | 1,313 | 511 |
| Dipped Products PLC | Related Company | 3 | 15 | 3 | 15 |
| Horana Plantations PLC | Related Company | 3,134 | 218 | 3,134 | 218 |
| Kelani Valley Plantations PLC | Related Company | 6,796 | 5,889 | 6,796 | 5,889 |
| Bhagya Hydro Power (Pvt) Ltd | Related Company | 9,594 | - | - | - |
| Neluwa Hydro Power (Pvt) Ltd | Related Company | 4,600 | - | - | - |
| | | 24,627 | 137,591 | 12,566 | 138,461 |

NOTES TO THE FINANCIAL STATEMENTS

19. SHORT TERM INVESTMENT

| For the year ended 31 March | Group | | Company | |
|-----------------------------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Unit Trust | 30,563 | 232,207 | 30,563 | 232,207 |
| Saving Accounts | 56,882 | 9,240 | 56,882 | 9,240 |
| Repo | 574,000 | - | 574,000 | - |
| Fixed Deposits | 1,019,078 | 1,660,349 | 1,019,078 | 1,645,485 |
| Treasury Bills and Bonds | 1,833,172 | - | 1,833,172 | - |
| | 3,513,695 | 1,901,796 | 3,513,695 | 1,886,932 |

20. STATED CAPITAL

| As at 31 March | Group/Company | |
|--|---------------|---------------|
| | 2023 | 2022 |
| | No. of Shares | No. of Shares |
| Issued and Fully Paid Ordinary Shares | | |
| Number of ordinary shares including one golden share held by the Treasury which has special rights | 47,500,001 | 47,500,001 |

| | Rs.'000 | Rs.'000 |
|---|---------|---------|
| Stated Capital including one Golden Share held by the Treasury which has special rights | 350,000 | 350,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Special rights of the Golden share are given in the Annual Report to the Board of Directors on the Affairs of the Company.

21. NON-CONTROLLING INTEREST

| | Group | |
|-------------------------------------|---------|---------|
| | 2023 | 2022 |
| | Rs.'000 | Rs.'000 |
| TTEL Hydro Power Company (Pvt) Ltd | 78,663 | 76,740 |
| TTEL Somerset Hydro Power (Pvt) Ltd | 69,185 | 67,366 |
| | 147,848 | 144,106 |

21.1 Material Partly Owned Subsidiaries

Summarised financial information of subsidiaries that have material non-controlling interest, reflecting amounts before inter-company eliminations, is set out below.

| | TTEL Hydro Power Company (Pvt) Ltd | | TTEL Somerset Hydro Power (Pvt) Ltd | |
|--------------------------------|------------------------------------|------|-------------------------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| Non-Controlling Interests in % | 49 | 49 | 49 | 49 |

| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
|---|---------|---------|---------|---------|
| Accumulated Balance of Non-Controlling Interest | 78,663 | 76,740 | 69,185 | 67,366 |

| Summarised statement of profit or loss for the year ended 31 March | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
|--|-----------------|-----------------|-----------------|-----------------|
| Revenue | 35,379 | 35,012 | 32,465 | 28,950 |
| Cost of sales | (22,506) | (21,882) | (16,548) | (15,692) |
| Administrative expenses | (7,591) | (6,241) | (9,766) | (8,134) |
| Finance Income | 238 | 100 | 470 | 443 |
| Finance Cost | (7) | (7) | (4) | (4) |
| Profit/(loss) before tax | 5,514 | 6,982 | 6,587 | 5,563 |
| Income Tax | (1,725) | (4,591) | (2,956) | (1,841) |
| Profit/(loss) after tax | 3,789 | 2,391 | 3,631 | 3,722 |
| Attributable to owners | 1,932 | 1,219 | 1,852 | 1,898 |
| Attributable to non-controlling interests | 1,857 | 1,172 | 1,779 | 1,824 |
| Total Comprehensive income | 3,789 | 2,391 | 3,631 | 3,742 |
| Dividend paid to non-controlling interest | - | 17,451 | - | 2,157 |

NOTES TO THE FINANCIAL STATEMENTS

21. NON-CONTROLLING INTEREST (Contd.)

21.1 Material Partly Owned Subsidiaries Contd.

| Summarised statement of financial position as at 31 March | TTEL Hydro Power Company (Pvt) Ltd | | TTEL Somerset Hydro Power (Pvt) Ltd | |
|---|------------------------------------|-----------------|-------------------------------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Current Assets | 50,805 | 27,562 | 50,448 | 30,900 |
| Non Current Assets | 148,159 | 160,371 | 104,291 | 111,597 |
| Current Liabilities | 27,261 | 20,329 | 17,211 | 8,849 |
| Non Current Liabilities | 2,296 | 2,122 | 1,374 | 1,206 |
| Total Equity | 169,407 | 165,483 | 136,154 | 132,442 |
| Attributable to: | | | | |
| Equity holders of parent | 86,398 | 84,396 | 69,439 | 67,545 |
| Non-controlling interests | 83,010 | 81,087 | 66,715 | 64,896 |

| Summarised statement of cash flows for the year ended 31 March | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
|--|-----------------|-----------------|-----------------|-----------------|
| Operating cash flows | (2,537) | 16,186 | (7,965) | 5,742 |
| Investing cash flows | - | (71) | - | 425 |
| Financing cash flows | - | (12,443) | - | (4,402) |
| Net increase/(decrease) in cash & cash equivalents | (2,537) | 3,672 | (7,965) | 1,765 |

22. INTEREST BEARING LOANS AND BORROWINGS

| Group/Company | 2023 | | | | | 2022 | | | | |
|------------------------------------|-------------------------|---|----------------------------|-------------------------|------------------------|-------------------------|---|----------------------------|-------------------------|------------------------|
| | Repayable within 1 year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 31.03.2023 | Repayable within 1 year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| 22.1 National Development Bank PLC | 3,492 | 2,619 | - | 2,619 | 6,111 | 3,492 | 6,112 | - | 6,112 | 9,604 |
| 22.2 Commercial Bank of Ceylon PLC | - | - | - | - | - | 4,150 | - | - | - | 4,150 |
| | 3,492 | 2,619 | - | 2,619 | 6,111 | 7,642 | 6,112 | - | 6,112 | 13,754 |

22.1 National Development Bank PLC

| Group/Company | Repayable within one year Rs.'000 | Repayable after one year less than five years Rs.'000 | Repayable after five years Rs.'000 | Sub Total over one year Rs.'000 | Total as at 2023 Rs.'000 | Total as at 2022 Rs.'000 | Rate of Interest % | Terms of Repayment |
|---------------|--|--|---|--|---------------------------------------|---------------------------------------|------------------------------|---|
| Solar Project | 3,492 | 2,619 | - | 2,619 | 6,112 | 9,604 | 6.3 | 72 Monthly installments commencing from April-2019 |
| | 3,492 | 2,619 | - | 2,619 | 6,112 | 9,604 | | |

22.2 Commercial Bank of Ceylon PLC

| Group/Company | Repayable within one year Rs.'000 | Repayable after one year less than five years Rs.'000 | Repayable after five years Rs.'000 | Sub Total over one year Rs.'000 | Total as at 2023 Rs.'000 | Total as at 2022 Rs.'000 | Rate of Interest % | Terms of Repayment |
|---------------|--|--|---|--|---------------------------------------|---------------------------------------|------------------------------|---|
| Saubagya Loan | - | - | - | - | - | 4,150 | 4 | 18 monthly installments commencing from Jan-2021 |
| | - | - | - | - | - | 4,150 | | |

23. RETIREMENT BENEFIT OBLIGATIONS

| As at 31 March | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Provision for Retirement Benefit Obligations | | | | |
| At the beginning of the year | 871,316 | 890,953 | 868,067 | 888,163 |
| Interest Cost | 125,042 | 67,621 | 124,564 | 67,398 |
| Current Service Cost | 45,116 | 46,726 | 44,820 | 46,467 |
| Gratuity Payments for the year | (196,218) | (91,182) | (196,096) | (91,182) |
| Actuarial (Gain) / Loss due to changes in experience | (82,504) | 128,897 | (82,195) | 128,897 |
| Actuarial (Gain) / Loss due to changes in financial assumptions | 38,343 | (171,699) | 38,343 | (171,676) |
| At the end of the year | 801,095 | 871,316 | 797,503 | 868,067 |

According to the actuarial valuation report issued by the Actuarial & Management Consultants (Pvt) Ltd As at 31 March 2023, the actuarial present value of promised retirement benefits amounted to Rs. 801,094,635/-. If the Group had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 1,469,644,911 /-.

NOTES TO THE FINANCIAL STATEMENTS

23. RETIREMENT BENEFIT OBLIGATIONS (Contd.)

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

The key assumptions used by actuary include the following.

| | 2023 | 2022 |
|------------------------------|-----------------|--------------------|
| (i) Rate of Discount | 20% (per annum) | 15% (per annum) |
| (ii) Rate of Salary Increase | | |
| Workers | 15% (per annum) | 8% (per annum) |
| Staff | 16% (per annum) | 13.50% (per annum) |
| (iii) Retirement Age | | |
| Workers | 60 years | 60 years |
| Staff | 60 years | 60 years |

The actuarial Present Value of Retirement Benefit Obligation is carried on annual basis.

The weighted average duration of the Retirement Benefit Obligation at the end of the reporting period is 5.57 years and 5.81 years for staff and workers respectively.

The following payments are expected from the Retirement Benefit Obligation in future years.

| | Group | | Company | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Within the next 12 months | 72,328 | 170,822 | 71,912 | 170,431 |
| Between 1-5 years | 340,559 | 356,304 | 339,039 | 354,695 |
| Between 5-10 years | 234,920 | 216,381 | 234,391 | 215,904 |
| Beyond 10 years | 153,288 | 127,809 | 152,161 | 127,037 |
| Total | 801,095 | 871,316 | 797,503 | 868,067 |

Sensitivity Analysis - Salary/ Wage Escalation Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the rate of wage increment and the salary increment. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of wage and salary has the following effect on the retirement benefit obligation.

| Group | Workers | | Staff | |
|--|----------|---------|----------|---------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rate of wage/salary increment in every two years / per annum | -1% | 1% | -1% | 1% |
| As at 31 March 2023 | (30,847) | 33,431 | (10,976) | 12,026 |
| As at 31 March 2022 | (22,018) | 23,778 | (11,859) | 12,909 |

| Company | Workers | | Staff | |
|--|----------|---------|----------|---------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rate of wage/salary increment in every two years / per annum | -1% | 1% | -1% | 1% |
| As at 31 March 2023 | (30,847) | 33,431 | (7,601) | 8,193 |
| As at 31 March 2022 | (22,018) | 23,778 | (11,659) | 12,685 |

Sensitivity Analysis - Discount Rate

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the discount rate. Simulation made for retirement benefit obligation show that a rise or decrease by 1% of the rate of the discount rate has the following effect on the retirement benefit obligation.

| Group | Workers | | Staff | |
|---------------------|---------|----------|---------|----------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rate of discount | -1% | 1% | -1% | 1% |
| As at 31 March 2023 | 35,510 | (32,309) | 11,669 | (10,573) |
| As at 31 March 2022 | 30,447 | (27,784) | 12,465 | (11,271) |

| Company | Workers | | Staff | |
|---------------------|---------|----------|---------|----------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Rate of discount | -1% | 1% | -1% | 1% |
| As at 31 March 2023 | 35,510 | (32,309) | 7,853 | (7,182) |
| As at 31 March 2022 | 30,447 | (27,784) | 12,256 | (11,086) |

NOTES TO THE FINANCIAL STATEMENTS

24. DEFERRED INCOME

| As at 31 March | Group/Company | |
|---------------------------------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| Deferred Grants and Subsidies | | |
| Balance at the beginning of the year | 136,644 | 138,717 |
| Add : Grants received during the year | 5,551 | 3,339 |
| Less : Amortisation for the year | (5,496) | (5,412) |
| Balance at the end of the year | 136,699 | 136,644 |

The Company has received funding from Tea Board during the year and received fundings in prior years are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies. Grants are amortised over the life of the assets for which they are being deployed.

25. LEASE LIABILITY

| As at 31 March | Notes | Group | | Company | |
|--|-------|-----------------|-----------------|-----------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Lease liability on Right-of-Use asset- Land | 25.1 | 261,422 | 260,540 | 261,338 | 260,458 |
| Lease liability on Right-of-Use asset- Building | 25.2 | 13,196 | 25,670 | 13,196 | 25,670 |
| | | 274,618 | 286,210 | 274,534 | 286,128 |
| 25.1 Lease liability on Right-of-Use asset-Land | | | | | |
| Balance at the beginning of the year | | 260,540 | 254,555 | 260,458 | 254,474 |
| Reassessment Adjustment | | 881 | 7,901 | 881 | 7,901 |
| Accretion of Interest | | 38,488 | 34,119 | 38,476 | 34,109 |
| Transferred to accrued Liability | | (10.00) | (9) | - | - |
| Repayment during the year | | (38,477) | (36,026) | (38,477) | (36,026) |
| Balance as at end of the year | | 261,422 | 260,540 | 261,338 | 260,458 |

| As at 31 March | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Gross Liability | | | | |
| As at 31st March | 828,882 | 838,880 | 828,604 | 838,593 |
| Reassessment Adjustment as at 01st April | 94,846 | 26,037 | 94,846 | 26,037 |
| Repayment during the year | (38,477) | (36,026) | (38,477) | (36,026) |
| Transferred to accrued Liability | (10) | (9) | - | - |
| Gross Liability as at 31st March | 885,241 | 828,882 | 884,973 | 828,604 |
| Finance cost allocated to future periods as at 31st March | (568,342) | (584,325) | (568,146) | (584,119) |
| Reassessment Adjustment as at 01st April | (92,076) | (18,136) | (92,076) | (18,136) |
| Accretion of Interest during the year | 36,599 | 34,119 | 36,587 | 34,109 |
| Finance cost allocated to future periods as at 31st March | (623,819) | (568,342) | (623,635) | (568,146) |
| Net Liability as at 31st March | 261,422 | 260,540 | 261,338 | 260,458 |

| As at 31 March | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| 25.1.2 Maturity analysis of lease liability as follows, | | | | |
| Payable within one year | | | | |
| Gross liability | 38,492 | 36,041 | 38,477 | 36,026 |
| Finance cost allocated to future periods | (36,333) | (33,869) | (36,323) | (33,859) |
| Net liability transferred to current liabilities | 2,159 | 2,172 | 2,154 | 2,167 |
| Payable within two to five years | | | | |
| Gross liability | 115,478 | 144,150 | 115,431 | 144,105 |
| Finance cost allocated to future periods | (107,026) | (132,272) | (106,984) | (132,230) |
| Net liability | 8,452 | 11,878 | 8,447 | 11,875 |
| Payable after five years | | | | |
| Gross liability | 731,272 | 648,690 | 731,065 | 648,472 |
| Finance cost allocated to future periods | (480,461) | (402,200) | (480,328) | (402,056) |
| Net liability | 250,811 | 246,490 | 250,737 | 246,416 |
| Net liability payable after one year | 259,263 | 258,368 | 259,184 | 258,291 |

The base rental payable per year Rs. 38,477,104/-.

NOTES TO THE FINANCIAL STATEMENTS

25. LEASE LIABILITY (contd.)

Maturity analysis of Gross lease liability are shown under Note 35.3.

| | Group Rs.'000 | Company Rs.'000 |
|-----------------|------------------|--------------------|
| Gross Liability | 885,069 | 884,973 |
| Finance Charge | (623,701) | (623,635) |
| Net Liability | 261,368 | 261,338 |

25.2 Lease Liability on Right-of-Use asset- Building

| | Group/Company | |
|---|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| As at 01st April | 25,670 | 36,301 |
| Accretion of Interest | 2,535 | 3,942 |
| Payments during the year | (15,009) | (14,573) |
| Balance as at 31st March | 13,196 | 25,670 |
| Current Liability | 13,196 | 12,038 |
| Non Current Liability | - | 13,632 |
| Total Lease Liability as at 31st March | 13,196 | 25,670 |

25.3 Lease Liability

| | Group Rs.'000 | Company Rs.'000 |
|---|------------------|--------------------|
| Current Liability | 15,355 | 15,350 |
| Non Current Liability | 259,263 | 259,184 |
| Total Lease Liability as at 31 March, 2023 | 274,618 | 274,534 |

26. TRADE AND OTHER PAYABLES

| As at 31 March | Group | | Company | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Trade Creditors | 148,398 | 15,581 | 148,398 | 15,581 |
| Payable to Employees | 139,593 | 114,995 | 139,593 | 114,995 |
| Statutory Payables | 194,586 | 53,280 | 194,279 | 53,280 |
| Provisions | 331,738 | 91,144 | 331,738 | 91,144 |
| Others | 169,654 | 291,154 | 169,654 | 283,837 |
| Accrued Expenses | 110,360 | 32,816 | 91,175 | 28,295 |
| | 1,094,329 | 598,970 | 1,074,837 | 587,132 |
| Less: Provision for Creditors | (73) | (201) | (73) | (201) |
| | 1,094,256 | 598,769 | 1,074,764 | 586,931 |

27. AMOUNTS DUE TO RELATED COMPANIES

| As at 31 March | Relationship | Group | | Company | |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Hayleys PLC | Ultimate Parent | 22,140 | 13,104 | 14,405 | 9,461 |
| TTEL Hydro Power Co. (Pvt) Ltd | Subsidiary Company | - | - | 13,009 | 6,721 |
| TTEL Somerset Hydro Power Company (Pvt) Ltd | Subsidiary Company | - | - | 4,544 | 623 |
| Hayleys Aventura (Pvt) Ltd | Related Company | - | 5,008 | - | - |
| Hayleys Power Ltd | Related Company | 10,736 | 5,216 | - | - |
| Hayleys Business Solutions International (Pvt) Ltd | Related Company | 361 | 299 | 315 | 288 |
| Mabroc Teas (Pvt) Ltd | Related Company | 611 | 224 | 611 | 224 |
| Kelani Valley Plantations PLC | Related Company | 4,273 | 832 | 4,273 | 832 |
| Logiwiz Ltd | Related Company | 29 | 54 | 29 | 54 |
| Hayleys Agro Fertilizer Limited | Related Company | 27,479 | - | 27,479 | - |
| Fentons Limited | Related Company | 455 | - | 455 | - |
| Hayleys Consumer Products Limited | Related Company | 9 | 9 | 9 | 9 |
| Advantis Project & Engineering (Pvt) Ltd | Related Company | - | 518 | - | 518 |
| Advantis Freight (Pvt) Limited | Related Company | 39 | - | 39 | - |
| Hayleys Aviation & Projects (Pvt) Limited | Related Company | 16,813 | - | 16,813 | - |
| Neluwa Hydro (Pvt) Ltd | Related Company | 800 | - | - | - |
| | | 83,745 | 25,264 | 81,981 | 18,730 |

NOTES TO THE FINANCIAL STATEMENTS

28. DIVIDEND PAID

| | Company | |
|---|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 |
| Dividend paid during the year | | |
| Final dividend for 2020/21-Rs 1.50/- per share | - | 71,250 |
| Interim dividend for 2021/22-Rs 0.65/- per share | - | 30,875 |
| Final dividend for 2021/22-Rs 5.00/- per share | 237,500 | - |
| First Interim dividend for 2022/23-Rs 3.00/- per share | 142,500 | - |
| Second Interim dividend for 2022/23-Rs 5.00/- per share | 237,500 | - |
| Third Interim dividend for 2022/23-Rs 6.00/- per share | 285,000 | - |
| | 902,500 | 102,125 |

29. ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

| Bank | Nature of Assets | Nature of Liability | 2022/2023 | |
|--|--|---------------------|---------------------------|------------------------------|
| | | | Facility Amount Rs. Mn | Outstanding Amount Rs. Mn |
| National Development Bank PLC | Fixed Deposits of Rs. 24 Mn. | Solar Loan | 21 | 6.1 |
| Sampath Bank PLC | Hypothecation bond over stock for Rs. 45 Mn. Overdraft agreement for Rs. 40 Mn | Over Draft | 40 | 6.3 |
| The Hongkong & Shanghai Banking Co.Ltd | Concurrent mortgage over stocks and debtors for Rs. 65 Mn. | Over Draft | 15 | 10.4 |
| Commercial Bank of Ceylon PLC | Concurrent mortgage over stocks and debtors for Rs. 165 Mn. | Over Draft | 160 | 20.7 |

30. CAPITAL COMMITMENTS

| Followings are the capital commitments as at the Statement of Financial Position date | Company | |
|---|---------------------|---------------------|
| | 2022/2023 Rs. Mn | 2021/2022 Rs. Mn |
| Approved by the Board & Contracted for | - | - |
| Approved by the Board & not Contracted for | 535 | 273 |
| | 535 | 273 |

31. COMMITMENTS AND CONTINGENCIES

No Known contingent liabilities exist as at the date of financial position other than the matter disclosed in Notes 23 & 25 to the Financial Statements.

32. EVENTS AFTER THE REPORTING PERIOD

No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to the Interim Financial statements except for following,

The fourth interim dividend of Rs. 17.35 per share for the year 2022/23 totaling to Rs. 824,125,000 which was declared on 6th April 2023, paid on 08th May 2023. This dividend was subjected to Advance Income Tax (AIT) of 15%, hence Rs. 123,618,782/- paid as AIT. In accordance with Sri Lanka Accounting Standard No. 10 on "Events after reporting period", the fourth dividend has not been recognized as a liability as at the Reporting date.

Inland Revenue (Amendment) Act passed in May 2023: The Inland Revenue (Amendment) Act of 2023 was passed in Parliament and certified by the Hon. Speaker on 8th May 2023.

33. RELATED PARTY DISCLOSURES

Transactions with related parties were made at terms equivalent to those that prevail in arm's length transactions. Details of Significant Related Party Disclosures are as follows.

33.1 Recurrent Transactions with the Parent and Ultimate Parent Company

| Name of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) | |
|--|-----------------|---|--|-------------------|-----------|
| | | | | 2022/2023 | 2021/2022 |
| Hayleys PLC | Ultimate Parent | Mr. A M Pandithage | Data Processing Services Secretarial Services , Office Rent & Management Salaries | 134,525 | 108,124 |
| | | | Loan Receivable | - | 131,469 |
| | | | Settlements | (129,582) | (105,197) |
| Hayleys Plantation Services (Pvt) Limited | Parent | Mr. A M Pandithage Mr. Merrill J Fernando Mr. Malik J Fernando Dr. W G R Rajadurai | Managing Agent's Fee (5% from Earnings before Interest, Tax, Depreciation and Amortisation.)Reimbursement of Administration Expenses | 3,962 | 16,810 |
| | | | Settlements | (3,962) | (23,573) |

The managing agent Hayleys Plantation Services (Pvt) Limited has waived the management fee hereafter with effect from 01/04/2014.

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTY DISCLOSURES (Contd.)

33.2 Transactions with the Subsidiaries

| Name of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) | |
|---|--------------|------------------------|------------------------------|-------------------|-----------|
| | | | | 2022/2023 | 2021/2022 |
| TTEL Hydro Power Company (Pvt) Limited | Subsidiary | Mr. A M Pandithage | Preference Share Dividends | - | 7,435 |
| | | Mr. Merrill J Fernando | Electricity Capacity Charges | 13,910 | 14,624 |
| | | Mr. Malik J Fernando | Settlements | (8,036) | (14,993) |
| | | Mr. A R De Silva | | | |
| | | Dr. W G R Rajadurai | | | |
| TTEL Somerset Hydro Power (Pvt) Limited | Subsidiary | Mr. J A W M Jayasekera | | | |
| | | Mr. A M Pandithage | Preference Share Dividends | - | 2,245 |
| | | Mr. Merrill J Fernando | Electricity Capacity Charges | 1,793 | 4,028 |
| | | Mr. Malik J Fernando | Settlements | (1,793) | (3,874) |
| | | Mr. A R De Silva | Lent Labour Charges | 802 | 511 |
| | | Dr. W G R Rajadurai | | | |
| | | Mr. J A W M Jayasekera | | | |

33.3 Recurrent Transactions with Other Related Companies

| Name of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) | |
|---|-----------------|------------------------|---------------------------------------|-------------------|-----------|
| | | | | 2022/2023 | 2021/2022 |
| Dipped Products PLC | Ultimate Parent | Mr. A.M. Pandithage | Proceeds on latex supplies | 28 | 4,103 |
| | | | Settlements | (28) | (4,103) |
| Hayleys Agriculture Holdings Limited. | Affiliates | Mr. A.M. Pandithage | Purchase of Equipment & Chemicals | 12,348 | 3,078 |
| | | | Settlements | (12,348) | (3,078) |
| Hayleys Agro Fertilizers (Pvt) Limited. | Affiliates | Mr. A.M. Pandithage | Purchase of Fertilizer | 475,519 | 106,134 |
| | | | Settlements | (475,519) | (129,666) |
| Kelani Valley Plantations PLC | Affiliates | Mr. A.M. Pandithage | Share of Head office maintenance cost | 26,346 | 3,218 |
| | | | Settlements | (26,346) | (2,589) |
| | | Dr. W. G. R. Rajadurai | Share of Head office maintenance cost | - | - |
| | | | Receipts | 13,243 | - |
| | | | Green Leaf Supplies | - | 50,153 |
| Hayleys Business Solutions International (Pvt) Ltd. | Affiliates | Mr. A.M. Pandithage | Settlements | - | (49,497) |
| | | | Payroll/ FA processing cost | 3,722 | 3,250 |
| | | | Settlements | (3,696) | (2,997) |
| Logiwiz Ltd | Affiliates | Mr. A.M. Pandithage | Providing of document Storing Service | 709 | 683 |
| | | | Settlements | (734) | (629) |
| Hayleys Agro Farms (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Chemicals | 8 | 127 |
| | | | Settlements | (8) | (127) |

| Name of the Company | Relationship | Name of Director | Nature of Transaction | Amounts (Rs.'000) | |
|--|--------------|------------------------|---|-------------------|-----------|
| | | | | 2022/2023 | 2021/2022 |
| Hayleys Consumer Products (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Accessories | 100 | 103 |
| | | | Settlements | (99) | (102) |
| Horana Plantations PLC | Affiliates | Mr. A.M. Pandithage | Reimbursement of Administration Expenses | 444 | 480 |
| | | Dr. W. G. R. Rajadurai | Settlements | (444) | (251) |
| | | | Receipts | 389 | - |
| Hayleys Aventura (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Office Items & Withering Fans | - | 11,700 |
| | | | Settlements | - | (11,700) |
| Mabroc Teas (Pvt) Limited | Affiliates | Mr. A.M. Pandithage | Supply of Packing Materials | 4,726 | 1,469 |
| | | Dr. W. G. R. Rajadurai | Tea Firing Charges | 1,125 | 484 |
| | | | Settlements | (4,744) | (1,906) |
| Hayleys Advantis Freight (Pvt) Limited | Affiliates | Mr. A.M. Pandithage | Payment of Freight Cost | 322 | 203 |
| | | | Settlements | (283) | (203) |
| Hayleys Aviation Projects (Pvt) Limited | Affiliates | Mr. A.M. Pandithage | Project Management Fees (KG Factory) | 16,813 | - |
| | | | Settlements | - | - |
| Fentons Limited | Affiliates | Mr. A.M. Pandithage | Purchase of Solar Panels | 84,308 | 27,189 |
| | | | Settlements | (83,853) | (40,260) |
| Singer (Sri Lanka) PLC | Affiliates | Mr. A.M. Pandithage | Purchase of Computer Item | 4,436 | 1,925 |
| | | Mr. M.H. Jamaldeen | Settlements | (4,436) | (1,925) |
| Uni - Dil Packaging Solutions Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Packing Materials | 44,596 | 3,488 |
| | | | Settlements | (44,596) | (3,488) |
| The Kingsbury PLC | Affiliates | Mr. A.M. Pandithage | AGM Expenses | 2,593 | 33 |
| | | | Settlements | (2,593) | (33) |
| Puritas Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Masks | 107 | 217 |
| | | | Settlements | (107) | (217) |
| Advantis Project & Engineering (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Construction Work | 25,016 | 5,307 |
| | | | Settlements | (25,534) | (4,789) |
| Hayleys Travels (Pvt) Ltd | Affiliates | Mr. A.M. Pandithage | Purchase of Air Tickets & Visa Charges | 5,810 | - |
| | | | Settlements | (5,810) | - |

33.4 Transactions with the Key Management Personnel of the Company or Parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 9 & 33.1 to the Financial Statements.

Details of Directors and their spouses share holdings are given in the Annual Report of the Board of Directors of the Affairs of the Company.

NOTES TO THE FINANCIAL STATEMENTS**34. RELATED PARTY TRANSACTIONS**

There are no related party transactions other than those disclosed in Notes 9, 14, 18, 27 & 33 to the financial statements.

There are no Non-recurrent Related Party Transactions where aggregate value exceeds 10% of the equity or 5% of the Total Assets and Recurrent Related Party Transactions where aggregate value exceeds 10% Gross revenue/income.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. Accordingly the Group has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Market Risks from its use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

35.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial Risk Management framework which includes developing and monitoring the Group's financial Risk Management policies.

The Group financial Risk Management policies are established to identify, quantify and analyze the financial risks faced by the Group, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The TTE PLC Audit Committee oversees how management monitors compliance with the Group's financial Risk Management policies and procedures and reviews the adequacy of the financial Risk Management framework in relation to the risks faced by the Group.

35.2 Credit Risk

Credit Risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Group's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

35.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

TTE PLC has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade and other receivables at the reporting date is Rs. 220.4 Mn (2022 - Rs.156.6 Mn).

35.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Group held short term investments of Rs. 3,513.6 Mn as at 31st March 2023 (2022 - Rs.1,901.8 Mn) which represents the maximum credit exposure on these assets.

35.2.3 Cash and Cash Equivalents

The Group held cash at bank and in hand of Rs. 173.0 Mn as at 31st March 2023 (2022 - Rs. 29.5 Mn) which represents its maximum credit exposure on these assets.

- ✎ Sampath Bank PLC - A (lka)
- ✎ Hatton National Bank PLC -A (lka)
- ✎ Bank of Ceylon - A (lka)
- ✎ Hong Kong and Shanghai Banking Corporation Ltd - AA-(lka)
- ✎ Union Bank Colombo PLC - BBB- (lka)
- ✎ Seylan Bank PLC - A- (lka)
- ✎ DFCC Bank PLC - A-(lka)
- National Development Bank PLC - A-(lka)
- ✎ Commercial Bank PLC - A (lka)

35.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity 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 risking damage to the Group's reputation.

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Group consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

| As at 31st March 2023 | On Demand | Less than 3 Months | 3 to 12 Months | 2 to 5 years | >5 years | Total |
|---|-----------|-----------------------|-------------------|-----------------|----------|---------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Group | | | | | | |
| Lease liability on Right-of-Use asset- Land | - | 9,619 | 28,858 | 153,908 | 654,111 | 846,496 |
| Lease liability on Right-of-Use asset- Building | - | 3,299 | 9,897 | - | - | 13,196 |
| Interest bearing loans & borrowing | - | 965 | 2,812 | 2,679 | - | 6,456 |
| Bank Overdraft | 37,423 | - | - | - | - | 37,423 |
| | 37,423 | 13,883 | 41,567 | 156,587 | 654,111 | 903,571 |
| Company | | | | | | |
| Lease liability on Right-of-Use asset- Land | - | 9,619 | 28,858 | 153,908 | 654,111 | 846,496 |
| Lease liability on Right-of-Use asset- Building | - | 3,299 | 9,897 | - | - | 13,196 |
| Interest bearing loans & borrowing | - | 965 | 2,812 | 2,679 | - | 6,456 |
| Bank Overdraft | 37,423 | - | - | - | - | 37,423 |
| | 37,423 | 13,883 | 41,567 | 156,587 | 654,111 | 903,571 |

NOTES TO THE FINANCIAL STATEMENTS

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

| As at 31st March 2022 | On Demand Rs.'000 | Less than 3 Months Rs.'000 | 3 to 12 Months Rs.'000 | 2 to 5 years Rs.'000 | >5 years Rs.'000 | Total Rs.'000 |
|---|----------------------|----------------------------------|------------------------------|----------------------------|---------------------|------------------|
| Group | | | | | | |
| Lease liability on Right-of-Use asset- Land | - | 9,010 | 27,031 | 108,123 | 684,718 | 828,882 |
| Lease liability on Right-of-Use asset- Building | - | 3,643 | 10,929 | 11,098 | - | 25,670 |
| Interest bearing loans & borrowing | - | 2,084 | 6,090 | 6,609 | - | 14,783 |
| Bank Overdraft | 9,834 | - | - | - | - | 9,834 |
| | 9,834 | 14,737 | 44,050 | 125,830 | 684,718 | 879,169 |
| Company | | | | | | |
| Lease liability on Right-of-Use asset- Land | - | 9,007 | 27,019 | 108,078 | 684,499 | 828,603 |
| Lease liability on Right-of-Use asset- Building | - | 3,643 | 10,929 | 11,098 | - | 25,670 |
| Interest bearing loans & borrowing | - | 2,084 | 6,090 | 6,609 | - | 14,783 |
| Bank Overdraft | 6,759 | - | - | - | - | 6,759 |
| | 6,759 | 14,734 | 44,038 | 125,785 | 684,499 | 875,815 |

35.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits, available for sale investment & derivative financial instruments.

35.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

The Group do not hold long term borrowings with floating interest rates of Nil (2022-Nil) which represents its maximum credit exposure on these liabilities.

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

| | Increase/ decrease in Interest rate | Effect on profit before tax Rs.'000 |
|---------|--|--|
| Group | | |
| 2023 | +1% | 6,306 |
| | -1% | (6,306) |
| 2022 | +1% | 849 |
| | -1% | (849) |
| Company | | |
| 2023 | +1% | 6,313 |
| | -1% | (6,313) |
| 2022 | +1% | 854 |
| | -1% | (854) |

35.4.2 Equity Price Risk

The Group's listed & unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Management of the Group monitors the mix of debt & equity securities in its investment portfolio based on market indices. Material investment within the portfolio are Managed on an individual basis and all buy and sell decision are approved by the Board. Equity price risk is not material to the financial statements. However, company does not hold any quoted shares as at the reporting date.

35.4.3 Capital Management

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retain earning & non-controlling interest of the Group. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Interest bearing borrowings | | | | |
| Current portion | 3,492 | 7,642 | 3,492 | 7,642 |
| Payable After one year | 2,619 | 6,112 | 2,619 | 6,112 |
| Liability to make Lease Payment | | | | |
| Current portion | 15,355 | 14,210 | 15,350 | 14,205 |
| Payable After one year | 259,263 | 272,001 | 259,184 | 271,923 |
| Bank Overdraft | 37,423 | 6,579 | 37,423 | 6,579 |
| | 318,152 | 306,544 | 318,068 | 306,461 |
| Equity | 6,019,311 | 4,305,724 | 5,996,448 | 4,287,696 |
| Equity & debts | 6,337,463 | 4,612,268 | 6,314,516 | 4,594,157 |
| Gearing ratio | 5% | 7% | 5% | 7% |

Appendices

| | |
|---|-----|
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| 10 Year Summary | 251 |
| Glossary | 252 |
| Greenhouse GAS Verification Opinion | 256 |
| Independent Assurance Report on Integrated Reporting | 257 |
| Notice of Annual General Meeting | 259 |

INVESTOR INFORMATION

1. STOCK EXCHANGE

Interim Financial Statements of the 4th Quarter, for the year ended 31st March 2023, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

2. COMPOSITION OF THE ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2023

Number of shareholders as at 31st March 2023 is 14,521 (31st March 2022-14,390)

| NO. OF SHARES HELD | RESIDENTS | | | NON-RESIDENTS | | | TOTAL | | |
|-----------------------|------------------------|------------------|-------|------------------------|------------------|------|------------------------|------------------|--------|
| | No. of Shareholders | No. of Shares | % | No. of Shareholders | No. of Shares | % | No. of Shareholders | No. of Shares | % |
| 1 - 1,000 | 13,967 | 4,106,821 | 8.65 | 11 | 4,313 | 0.01 | 13,978 | 4,111,134 | 8.66 |
| 1,001 - 10,000 | 453 | 1,373,000 | 2.89 | 6 | 24,146 | 0.05 | 459 | 1,397,146 | 2.94 |
| 10,001 - 100,000 | 73 | 2,259,524 | 4.76 | 1 | 12,780 | 0.03 | 74 | 2,272,304 | 4.78 |
| 100,001 - 1,000,000 | 7 | 1,706,531 | 3.59 | 1 | 143,485 | 0.30 | 8 | 1,850,016 | 3.89 |
| Over 1,000,000 | 2 | 37,869,400 | 79.72 | - | - | - | 2 | 37,869,400 | 79.72 |
| | 14,502 | 47,315,276 | 99.61 | 19 | 184,724 | 0.39 | 14,521 | 47,500,000 | 100.00 |
| CATEGORY | | | | | | | | | |
| Individuals | 14,393 | 7,579,277 | 15.96 | 18 | 41,239 | 0.09 | 14,411 | 7,620,516 | 16.05 |
| Institutions | 109 | 39,735,999 | 83.65 | 1 | 143,485 | 0.30 | 110 | 39,879,484 | 83.95 |
| | 14,502 | 47,315,276 | 99.61 | 19 | 184,724 | 0.39 | 14,521 | 47,500,000 | 100.00 |

Of the issued ordinary share capital, 99.61%, is held by residents of Sri Lanka.

3. PUBLIC HOLDING

Percentage of shares held by the public is 20.26% (2022-22.27%) held by 14,517 ordinary shareholders (2022-14,387).

4. MARKET VALUE

The market value of an ordinary shares of Talawakelle Tea Estates PLC was as follows:

| | 12 months ended 31.03.2023 Rs. | 12 months ended 31.03.2022 Rs. | 12 months ended 31.03.2021 Rs. |
|----------|--------------------------------------|--------------------------------------|--------------------------------------|
| Highest | 113.00 (07th September 2022) | 79.00 (25th January 2022) | 115.50 (22nd January 2021) |
| Lowest | 37.10 (27th April 2022) | 37.50 (01st April 2021) | 34.00 (04th March 2021) |
| Year end | 82.50 | 42.60 | 37.50 |

Float - adjusted market capitalization - Rs. 790,089,350.00.

The Company complies with option 5 of the Listing Rules 7.14.1 (i) (a) which requires a minimum public holding of 20% for a company having a float adjusted market capitalization of Less than Rs. 2.5 Bn.

5. DIVIDEND PAYMENT

| | Date of Payments |
|-------------------------------------|--------------------|
| Final Dividend for 2021/22 | July 12, 2022 |
| First Interim Dividend for 2022/23 | September 30, 2022 |
| Second Interim Dividend for 2022/23 | January 24, 2023 |
| Third Interim Dividend for 2022/23 | April 6, 2023 |
| Fourth Interim Dividend for 2022/23 | May 8, 2023 |

6. SHARE TRADING

| | 12 months ended 31 March 2023 | 12 months ended 31 March 2022 | 12 months ended 31 March 2021 |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|
| No. of transactions | 13,282 | 13,674 | 15,929 |
| No. of shares traded | 8,295,457 | 7,715,052 | 7,894,467 |
| Value of shares traded (Rs.) | 693,143,800 | 392,306,916 | 529,974,473 |

7. TWENTY MAJOR SHAREHOLDERS

| Name of the Shareholder | No. of Shares as at 31.03.2023 | % | No. of Shares as at 31.03.2022 | % |
|---|--------------------------------------|--------|--------------------------------------|-------|
| 1. Hayleys Plantation Services (Private) Limited | 35,500,000 | 74.74 | 35,500,000 | 74.74 |
| 2. Merrill J Fernando & Sons (Pvt) Limited | 2,369,400 | 4.99 | 2,369,400 | 4.99 |
| 3. Hatton National Bank PLC/K.K. Shujeevan | 735,481 | 1.55 | 772,957 | 1.63 |
| 4. Mr. N.A. Withana | 224,200 | 0.47 | 224,200 | 0.47 |
| 5. Mr. M.R. Rasheed | 207,289 | 0.44 | 1,601 | 0.00 |
| 6. Motor Service Station (Private) Limited | 182,197 | 0.38 | - | - |
| 7. Sezeka Limited | 143,485 | 0.30 | - | - |
| 8. Cocoshell Activated Carbon Company (Private) Limited | 122,298 | 0.26 | 139,240 | 0.29 |
| 9. Mr. C. B. Welagedara | 118,000 | 0.25 | 20,000 | 0.04 |
| 10. Mrs. U. D.D. N. Perera | 117,066 | 0.25 | 527,005 | 1.11 |
| 11. Dedunu Capital (Private) Limited | 98,400 | 0.21 | 26,800 | 0.06 |
| 12. PMF Finance PLC/S. Weerathunga | 97,450 | 0.21 | 97,450 | 0.21 |
| 13. Mr. T. F. Raheem | 96,498 | 0.20 | - | - |
| 14. Mr. P. Somadasa | 89,480 | 0.19 | 59,875 | 0.13 |
| 15. Mr. R. Senthilnathan | 82,996 | 0.17 | 102,996 | 0.22 |
| 16. Dialog Finance PLC/Ceylon Investment & Securities Group (PVT) LTD | 79,420 | 0.17 | - | - |
| 17. Mr. A.J.M. Jinadasa | 70,000 | 0.15 | 70,000 | 0.15 |
| 18. Mr. R.A. Rishard | 64,760 | 0.14 | - | - |
| 19. Mr. W.A.S.N. Milton | 64,179 | 0.14 | 64,179 | 0.14 |
| 20. People's Leasing & Finance PLC/Dr. W.V.P.C. Ranaweera | 52,756 | 0.11 | - | - |
| | 40,515,355 | 85.32 | - | - |
| Others | 6,984,645 | 14.68 | - | - |
| Total No. of Shares | 47,500,000 | 100.00 | 39,975,703 | 84.16 |

**CODE OF BEST PRACTICE ON CORPORATE
GOVERNANCE AND LISTING RULES****APPENDIX I: STATEMENT OF COMPLIANCE PERTAINING TO COMPANIES ACT NO. 7 OF 2007****Mandatory Provisions - Fully Compliant**

| Rule | Requirement | Complied | Reference (within the Report) | Page |
|-------------|---|----------|--|------|
| 168 (1) (a) | The nature of the business together with any change thereof | Yes | About Us | 22 |
| 168 (1) (b) | Signed financial statements of the Company and the Group | Yes | Financial Statements | 182 |
| 168 (1) (c) | Auditors' Report on financial statements | Yes | Independent Auditor's Report | 176 |
| 168 (1) (d) | Accounting policies and any changes therein | Yes | Note 2.3 to the Financial Statements | 186 |
| 168 (1) (e) | Particulars of the entries made in the Interests Register | Yes | Annual Report of the Board of Directors | 156 |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Group | Yes | Note 9 to the Financial Statements | 206 |
| 168 (1) (g) | Corporate donations made by the Group | Yes | Annual Report of the Board of Directors on the Affairs of the Company | 157 |
| 168 (1) (h) | Information on the Directorate of the Group and its subsidiaries during and at the end of the accounting period | Yes | Annual Report of the Board of Directors on the Affairs of the Company Subsidiary Review | 157 |
| 168 (1) (i) | Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered | Yes | Note 9 to the Financial Statements | 73 |
| 168 (1) (j) | Auditors' relationship or any interest with the Group and its Subsidiaries | Yes | Report of the Audit Committee | 150 |
| 168 (1) (k) | Acknowledgement of the contents of this Report and signatures on behalf of the Board | Yes | Annual Report of the Board of Directors | 156 |

**APPENDIX II- STATEMENT OF COMPLIANCE UNDER SECTION 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK
EXCHANGE (CSE) ON ANNUAL REPORT DISCLOSURES****Mandatory Provisions - Fully Compliant**

| Rule | Requirement | Complied | Reference (within the Report) | Page |
|-------|--|----------|---|------|
| (i) | Names of persons who were Directors of the Entity | Yes | Annual Report of the Board of Directors | 157 |
| (ii) | Principal activities of the entity and its subsidiaries during the year, and any changes therein | Yes | About Us | 22 |
| (iii) | The names and the number of shares held by the 20 largest holders of voting shares and the percentage of such shares held | Yes | Investor Information | 238 |
| (iv) | The float adjusted market capitalization, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement | Yes | Investor Information | 238 |
| (v) | A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year | Yes | Annual Report of the Board of Directors | 159 |
| (vi) | Information pertaining to material foreseeable risk factors of the Entity | Yes | Risk & Opportunity Management | 44 |
| (vii) | Details of material issues pertaining to employees and industrial relations of the Entity | Yes | Human and Social Capital Report | 104 |

**CODE OF BEST PRACTICE ON CORPORATE
GOVERNANCE AND LISTING RULES**

| Rule | Requirement | Complied | Reference (within the Report) | Page |
|--------|--|-------------------|--|------------|
| (viii) | Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | Yes | Note 13 A - Property plant and Equipment to the Financial Statements | 211 |
| (ix) | Number of shares representing the Entity's stated capital | Yes | Note 20 - State Capital to the Financial Statements | 218 |
| (x) | A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | Yes | Investor Information | 238 |
| (xi) | Financial ratios and market price information | Yes | Investor Information Ten Year Summary | 238 263 |
| (xii) | Significant changes in the Group's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year | Yes | Note 13A - Property plant and Equipment to the Financial Statements | 211 |
| (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year | Not Applicable | | |
| (xiv) | Information in respect of Employee Share Ownership or Stock Option Schemes | Not Applicable | | |
| (xv) | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules | Yes | Corporate Governance Report | 137 |
| (xvi) | Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower | Yes | Note 33 - Related Party Transactions, to the Financial Statements | 229 |

APPENDIX III- STATEMENT OF COMPLIANCE UNDER SECTION 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE) ON CORPORATE GOVERNANCE**Mandatory Provisions - Fully Compliant**

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page |
|-----------|----------------------------------|---|-------------------|--------------------------------|-----------|
| 7.10.1(a) | Non-Executive Directors (NED) | At least 2 or 1/3 of the total number of Directors on the Board whichever is higher should be NEDs | Yes | Board Composition | 142 |
| 7.10.2(a) | Independent Directors (ID) | 2 or 1/3 of NEDs, whichever is higher, should be independent | Yes | Board Composition | 142 |
| 7.10.2(b) | Independent Directors (ID) | Each NED should submit a signed and dated declaration of his/her independence or non-independence | Yes | Independence | 143 |
| 7.10.3(a) | Disclosure relating to Directors | <p>✎ The Board shall annually determine the independence or otherwise of the NEDs, and</p> <p>✎ Names of each IDs should be disclosed in the Annual Report (AR)</p> | Yes | Independence Board Profiles | 143 28 |
| 7.10.3(b) | Disclosure relating to Directors | The basis for the Board's determination of ID, if criteria specified for independence is not met | Not Applicable | | |
| 7.10.3(c) | Disclosure relating to Directors | A brief resume of each Director should be included in the AR including the Director's areas of expertise | Yes | Board Profiles | 28 |

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page |
|----------------|--|--|----------|------------------------------------|------|
| 7.10.3(d) | Disclosure relating to Directors | Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE | Yes | Board Profiles | 28 |
| 7.10.4 (a-h) | Criteria for defining Independence | Requirements for meeting criteria to be an Independent Director | Yes | Independence | 143 |
| 7.10.5 | Remuneration Committee (RC) | The RC of the listed parent Group may function as the RC | Yes | Remuneration Committee Report | 154 |
| 7.10.5(a) | Composition of Remuneration Committee | RC Shall comprise of NEDs, a majority of whom will be independent. One NED shall be appointed as Chairman of the committee by the Board of Directors | Yes | Remuneration Committee Report | 154 |
| 7.10.5.(b) | Functions of Remuneration Committee | The RC shall recommend the remuneration of Executive Directors | Yes | Remuneration Committee Report | 154 |
| 7.10.5.(c) | Disclosure in the Annual Report relating to Remuneration Committee | ✎ Names of Directors comprising the RC | Yes | Remuneration Committee Report | 154 |
| | | ✎ Statement of Remuneration Policy | Yes | | |
| | | ✎ Aggregated remuneration paid to Executive and Non-Executive Directors Should be included in the Annual Report | | Note 9 to the Financial Statements | 206 |
| 7.10.6 | Audit Committee (AC) | The Group shall have an AC | Yes | Audit Committee Report | 150 |
| 7.10.6(a) | Composition of Audit Committee | Shall comprise of Non-Executive Directors, a majority of whom are Independent | Yes | Audit Committee Report | 150 |
| | | Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings | Yes | | |
| | | The Chairman of the Audit Committee or one member should be a member of a professional accounting body | Yes | | |
| 7.10.6(b) | Audit Committee Functions | Should be as outlined in the Section 7.10 of the Listing Rules | Yes | Audit Committee Report | 150 |
| 7.10.6(c) | Disclosure in Annual Report relating to Audit Committee | a) Names of the Directors comprising the Audit Committee | Yes | Audit Committee Report | 150 |
| | | b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination | Yes | | |
| | | c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner | Yes | | |
| 7.14.1.(i) (a) | Minimum Public Holding | As a Listed Company in the Main Board, the Company maintained the minimum public holding under specified criteria. | Yes | Share and Investor Information | 237 |

**CODE OF BEST PRACTICE ON CORPORATE
GOVERNANCE AND LISTING RULES****APPENDIX IV- STATEMENT OF COMPLIANCE UNDER SECTION 9.3.2 OF THE LISTING RULES OF THE COLOMBO STOCK
EXCHANGE (CSE) ON RELATED PARTY TRANSACTIONS****Mandatory Provisions - Fully Compliant**

| Rule No. | Subject | Requirement | Complied | Reference within the Report | Page |
|----------|---|--|----------|--|------|
| 9.3.2 | Related Party Transactions Review Committee | a). Details pertaining to Non-Recurrent Related Party Transactions | Yes | Note 33 to the Financial Statements | 229 |
| | | b). Details pertaining to Recurrent Related Party Transactions | Yes | Note 33 to the Financial | 229 |
| | | c). Report of the Related Party Transactions Review Committee | Yes | Statements and Report of the Related Party Transactions Review Committee | 152 |
| | | d). 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 | Yes | Annual Report of the Board of Directors | 155 |

**APPENDIX V: COMPLIANCE WITH THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE ISSUED BY THE
INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA IN 2017****Voluntary Provisions**

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-----------|--|----------|---|------|
| A | Directors | | | |
| A.1 | An effective Board should direct, lead and control the Group | Yes | Strategic Leadership | 141 |
| A.1.1 | Regular Board meetings, provide information to the Board on a structured and regular basis | Yes | Meetings & Attendance | 145 |
| A.1.2 | Role and Responsibilities of the Board | Yes | Strategic Leadership | 141 |
| A.1.3 | Act in accordance with laws of the Country Independent professional advice | Yes | Compliance Informed Decision Making | 145 |
| A.1.4 | Access to advise and services of the Group Secretary | Yes | Clear Roles and Responsibilities | 143 |
| A.1.5 | Independent judgement | Yes | Board Composition | 142 |
| A.1.6 | Dedicate adequate time and effort to matters of the Board and the Group | Yes | Directors Interests, Related Party Transactions & Conflicts of interest | 146 |
| A.1.7 | Calls for resolutions by at least 1/3rd of Directors | Yes | Meetings and Attendance | 145 |
| A.1.8 | Board induction and Training | Yes | Informed Decision Making | 145 |
| A.2 | Chairman and CEO | Yes | Clear Roles and Responsibilities | 143 |
| A.3 | Chairman's role in preserving good corporate governance | Yes | Clear Roles and Responsibilities | 143 |
| A.4 | Availability of financial acumen | Yes | Board Composition | 28 |
| A.5 | Board Balance | Yes | Board Composition | 142 |
| A.5.1 | The Board should include sufficient number of NEDs | Yes | Board Composition | 142 |
| A.5.2 | If the Board includes only 3 NEDs, they should be independent | N/A | | |
| A.5.3 | Independence of Directors | Yes | Independence | 143 |

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|---------------|--|----------|--|------------------|
| A.5.4 | Annual declaration of independence by Directors | Yes | Independence | 143 |
| A.5.5 | Annual determination of independence of NEDs | Yes | Independence | 143 |
| A.5.6 | Alternate Directors | Yes | Board Profiles | 143- |
| A.5.7 & A.5.8 | Senior Independent Director (SID) | No | Considering business exigences of the Hayleys Group | - |
| A.5.9 | Annual meeting with NEDs | Yes | Chairman meets with NEDs on an informal basis | 144 |
| A.5.10 | Recording of dissent in minutes | Yes | Meetings and Attendance | 144 |
| A.6 | Supply of Information | Yes | Informed Decision Making | 145 |
| A.7 | Appointments to the Board and Re-election | Yes | Board Refreshment | 143 |
| A.7.1 | Establishing a Nomination Committee, Chairman and Terms of Reference | Yes | Nomination Committee Report | 153 |
| A.7.2 | Annual assessment of Board composition | Yes | Board Refreshment | 143 |
| A.7.3 | Disclosures on appointment of new directors | Yes | Board Refreshment | 143 |
| A.8 | Directors to submit themselves for re-election | Yes | Board Refreshment | 143 |
| A.9 | Appraisal of Board and sub-Committee Performances | Yes | The performance of the Board and its Committees are evaluated annually on a self assessment basis. | 146 |
| A.10 | Annual Report to disclose specified information regarding Directors | Yes | Board Profiles Meetings and Attendance Directors Interests, Related Party Transactions & Conflicts of interest | 28 143 146 |
| A.11 | Appraisal of the CEO | Yes | Appraisal of Managing Director (MD) | 146 |
| B. | Directors Remuneration | | | |
| B.1 | Establish process for developing policy on executive and director remuneration. | | Responsible and Fair Remuneration | 147 |
| B.2 | Level and Make Up of Remuneration | Yes | Responsible and Fair Remuneration | 147 |
| B.3 | Disclosures related to remuneration in Annual Report | Yes | Responsible and Fair Remuneration | 147 |
| | ○ Remuneration Policy statement | | Note 9 to Financial Statements | 206 |
| | ○ Aggregate Board remuneration paid | | Remuneration Committee report | 153 |
| | ○ HRRC report | | | |
| C | Relations with Shareholders | | | |
| C.1. | Constructive use of the AGM & Other General Meetings | Yes | Constructive use of the Annual General Meeting (AGM) | 143 |
| C.2. | Communication with shareholders | Yes | Communication with Shareholders | 148 |
| C.3 | Disclosure of major and material transactions | Yes | There were no major or material transactions during the year, which materially affected the net asset base of Group. | 147 |
| D. | Accountability & Audit | | | |
| D. 1 | Present a balanced and understandable assessment of the Group's financial position, performance, and prospects | Yes | Financial and Business Reporting | 147 |
| D1.1 | Balanced Annual Report | Yes | Financial and Business Reporting | 147 |
| D.1.2 | Balanced and understandable communication | Yes | Financial and Business Reporting | 147 |
| D.1.3 | CEO/CFO declaration | Yes | Chief Executive Officer's and Chief Financial Officer's Responsibility Statement | 161 |

**CODE OF BEST PRACTICE ON CORPORATE
GOVERNANCE AND LISTING RULES**

| Code Ref. | Requirement | Complied | Reference within the Report | Page |
|-----------|--|----------|--|-------------------------|
| D.1.4 | Directors Report declarations | Yes | Annual report of the Board of Directors on the Affairs of the Group | 155 |
| D.1.5 | Financial reporting -statement on board responsibilities, Statement on internal control | Yes | Directors' Responsibility for Financial Reporting - Directors' Statement on Internal Control | 160 162 |
| D.1.6 | Management Discussion & Analysis | Yes | Respective Capital Reports | 78-125 |
| D.1.7 | In the unlikely event of the net assets of the Group falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken. | Yes | There has been no serious loss of capital to convene an EGM in terms of the Companies Act No. 7 of 2017. | |
| D.1.8 | Related Party Transactions | Yes | Directors Interests, Related Party Transactions & Conflicts of interest | 146 |
| D.2. | Process of risk management and a sound system of internal control to safeguard shareholders' investments and the Group's assets | Yes | Risk Management and Internal control Report of the Audit Committee Directors' Statement of Internal Control Risk & Opportunity Management | 147 150 162 44 |
| D.3. | Audit Committee | Yes | Audit Committee Report | 150 |
| D.4 | Related Party Transactions Review Committee | Yes | Related Party Transactions Review Committee report | 152 |
| D.5 | Code of Business Conduct and Ethics | Yes | Compliance | 140 |
| D.6 | Corporate Governance Disclosures | Yes | Corporate Governance Report | 137 |
| E/F | Institutional and other investors | | | |
| | Institutional and other investors, | Yes | Relations with Shareholders | 148 |
| G. | Internet of Things & Cyber security | Yes | Information Technology & Cyber Security Governance | 149 |
| H | Principals of Sustainability Reporting | Yes | Sustainability Governance & Hayleys Life Code | 146 |

GRI CONTENT INDEX

Statement of use - Talawakelle Tea Estates PLC has reported in accordance with the GRI Standards for the period [01 April 2022 to 31 March 2023].

GRI 1 used

GRI 1: Foundation 2021

Applicable GRI Sector Standard(s)

Agriculture, Aquaculture, and Fishing

| GRI Standard/ Other Source | Disclosure | Location | Omission | Reason | Explanation | GRI Sector Standard Ref. No. |
|------------------------------------|--|-----------------|---------------------------|--------------------------|-------------|------------------------------------|
| | | | Requirement(S) Omitted | | | |
| General disclosures | | | | | | |
| GRI 2: General Disclosures 2021 | 2-1 Organizational details | 261 | | | | |
| | 2-2 Entities included in the organization’s sustainability reporting | 6 | | | | |
| | 2-3 Reporting period, frequency and contact point | 6, 8 | | | | |
| | 2-4 Restatements of information | 8 | | | | |
| | 2-5 External assurance | 8 | | | | |
| | 2-6 Activities, value chain and other business relationships | 23-25, 98-99 | | | | |
| | 2-7 Employees | 106 | | | | |
| | 2-8 Workers who are not employees | 106 | | | | |
| | 2-9 Governance structure and composition | 138, 142 | | | | |
| | 2-10 Nomination and selection of the highest governance body | 142 | | | | |
| | 2-11 Chair of the highest governance body | 143 | | | | |
| | 2-12 Role of the highest governance body in overseeing the management of impacts | 141 | | | | |
| | 2-13 Delegation of responsibility for managing impacts | 140 | | | | |
| | 2-14 Role of the highest governance body in sustainability reporting | 16 | | | | |
| | 2-15 Conflicts of interest | 146 | | | | |
| | 2-16 Communication of critical concerns | 145 | | | | |
| | 2-17 Collective knowledge of the highest governance body | 142 | | | | |
| | 2-18 Evaluation of the performance of the highest governance body | 146 | | | | |
| | 2-19 Remuneration policies | 146 | | | | |
| | 2-20 Process to determine remuneration | 140 | | | | |
| | 2-21 Annual total compensation ratio | | 2.21 (a) (b) (c) | Confidential Information | | |
| | 2-22 Statement on sustainable development strategy | 14-17 | | | | |
| | 2-23 Policy commitments | 96 | | | | |
| | 2-24 Embedding policy commitments | 96 | | | | |
| | 2-25 Processes to remediate negative impacts | 97 | | | | |
| | 2-26 Mechanisms for seeking advice and raising concerns | 97,105 | | | | |
| | 2-27 Compliance with laws and regulations | 96 | | | | |
| | 2-28 Membership associations | 93 | | | | |
| | 2-29 Approach to stakeholder engagement | 46-49 | | | | |
| | 2-30 Collective bargaining agreements | 108 | | | | |

GRI CONTENT INDEX

| GRI Standard/ Other Source | Disclosure | Location | Omission | Reason | Explanation | GRI Sector Standard Ref. No. |
|---|--|----------------------|---------------------------|--------|-------------|------------------------------------|
| | | | Requirement(S) Omitted | | | |
| Material topics | | | | | | |
| GRI 3: Material Topics 2021 | 3-1 Process to determine material topics | 51-53 | | | | |
| | 3-2 List of material topics | 54-55 | | | | |
| Economic performance | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 79,87,91 | | | | |
| GRI 201: Economic Performance 2016 | 201-1 Direct economic value generated and distributed | 75 | | | | 13.22.2 |
| | 201-2 Financial implications and other risks and opportunities due to climate change | 132 | | | | 13.22.2 |
| | 201-3 Defined benefit plan obligations and other retirement plans | 106 | | | | |
| | 201-4 Financial assistance received from government | 89 | | | | |
| Market presence | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 75,91 | | | | |
| GRI 202: Market Presence 2016 | 202-1 Ratios of standard entry level wage by gender compared to local minimum wage | 108 | | | | |
| | 202-2 Proportion of senior management hired from the local community | 107 | | | | |
| Indirect economic impacts | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 99 | | | | |
| GRI 203: Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | 88-89 | | | | 13.22.3 |
| | 203-2 Significant indirect economic impacts | 99 | | | | 13.22.4 |
| Procurement practices | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 98 | | | | |
| GRI 204: Procurement Practices 2016 | 204-1 Proportion of spending on local suppliers | 98 | | | | |
| Tax | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 78 | | | | |
| GRI 207: Tax 2019 | 207-1 Approach to tax | 84, 156, 199, 206 | | | | |
| | 207-2 Tax governance, control, and risk management | 84, 156, 199, 201 | | | | |
| | 207-3 Stakeholder engagement and management of concerns related to tax | 84,156 | | | | |
| | 207-4 Country-by-country reporting | 206, 207 | | | | |

| GRI Standard/ Other Source | Disclosure | Location | Omission | Reason | Explanation | GRI Sector Standard Ref. No. |
|--------------------------------------|---|----------|---------------------------|--------|-------------|------------------------------------|
| | | | Requirement(S) Omitted | | | |
| Materials | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 119 | | | | |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | 120 | | | | |
| | 301-2 Recycled input materials used | 120 | | | | |
| | 301-3 Reclaimed products and their packaging materials | 120 | | | | |
| Energy | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 119 | | | | |
| GRI 302: Energy 2016 | 302-1 Energy consumption within the organization | 121 | | | | |
| | 302-2 Energy consumption outside of the organization | 121-122 | | | | |
| | 302-3 Energy intensity | 121 | | | | |
| | 302-4 Reduction of energy consumption | 121 | | | | |
| | 302-5 Reductions in energy requirements of products and services | 121-122 | | | | |
| Water and effluents | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 119 | | | | |
| GRI 303: Water and Effluents 2018 | 303-1 Interactions with water as a shared resource | 123-124 | | | | 13.7.2 |
| | 303-2 Management of water discharge-related impacts | 123-124 | | | | 13.7.3 |
| | 303-3 Water withdrawal | 124 | | | | 13.7.4 |
| | 303-4 Water discharge | 124 | | | | 13.7.5 |
| | 303-5 Water consumption | 124 | | | | 13.7.6 |
| Biodiversity | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 119 | | | | |
| GRI 304: Biodiversity 2016 | 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | 24-25 | | | | 13.3.2 |
| | 304-2 Significant impacts of activities, products and services on biodiversity | 125 | | | | 13.3.3 |
| | 304-3 Habitats protected or restored | 125 | | | | 13.3.4 |
| | 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations | 125 | | | | 13.3.5 |
| Emissions | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 119 | | | | |
| GRI 305: Emissions 2016 | 305-1 Direct (Scope 1) GHG emissions | 123 | | | | 13.1.2 |
| | 305-2 Energy indirect (Scope 2) GHG emissions | 123 | | | | 13.1.3 |
| | 305-3 Other indirect (Scope 3) GHG emissions | 123 | | | | 13.1.4 |
| | 305-4 GHG emissions intensity | 123 | | | | 13.1.5 |
| | 305-5 Reduction of GHG emissions | 123 | | | | 13.1.6 |
| | 305-6 Emissions of ozone-depleting substances (ODS) | 123 | | | | 13.1.7 |
| | 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions | 123 | | | | 13.1.8 |

GRI CONTENT INDEX

| GRI Standard/ Other Source | Disclosure | Location | Omission | Reason | Explanation | GRI Sector Standard Ref. No. |
|---|---|----------|---------------------------|--------|-------------|------------------------------------|
| | | | Requirement(S) Omitted | | | |
| Waste | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 119 | | | | |
| GRI 306: Waste 2020 | 306-1 Waste generation and significant waste-related impacts | 124 | | | | 13.8.2 |
| | 306-2 Management of significant waste-related impacts | 124 | | | | 13.8.3 |
| | 306-3 Waste generated | 124 | | | | 13.8.4 |
| | 306-4 Waste diverted from disposal | 124 | | | | 13.8.5 |
| | 306-5 Waste directed to disposal | 124 | | | | 13.8.6 |
| Supplier environmental assessment | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 94 | | | | |
| GRI 308: Supplier Environmental Assessment 2016 | 308-1 New suppliers that were screened using environmental criteria | 99 | | | | |
| | 308-2 Negative environmental impacts in the supply chain and actions taken | 99 | | | | |
| Employment | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 105 | | | | |
| GRI 401: Employment 2016 | 401-1 New employee hires and employee turnover | 107 | | | | |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 109 | | | | |
| | 401-3 Parental leave | 108 | | | | |
| Labor/management relations | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 402: Labor/ Management Relations 2016 | 402-1 Minimum notice periods regarding operational changes | 114 | | | | |
| Occupational health and safety | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 403: Occupational Health and Safety 2018 | 403-1 Occupational health and safety management system | 115 | | | | 13.19.2 |
| | 403-2 Hazard identification, risk assessment, and incident investigation | 115, 116 | | | | 13.19.3 |
| | 403-3 Occupational health services | 115 | | | | 13.19.4 |
| | 403-4 Worker participation, consultation, and communication on occupational health and safety | 115 | | | | 13.19.5 |
| | 403-5 Worker training on occupational health and safety | 117 | | | | 13.19.6 |
| | 403-6 Promotion of worker health | 115 | | | | 13.19.7 |
| | 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 116 | | | | 13.19.8 |

| GRI Standard/ Other Source | Disclosure | Location | Omission | Reason | Explanation | GRI Sector Standard Ref. No. |
|--|--|----------|---------------------------|--------|-------------|------------------------------------|
| | | | Requirement(S) Omitted | | | |
| | 403-8 Workers covered by an occupational health and safety management system | 115 | | | | 13.19.9 |
| | 403-9 Work-related injuries | 117 | | | | 13.19.10 |
| | 403-10 Work-related ill health | 117 | | | | 13.19.11 |
| Training and education | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | 113 | | | | |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | 112-114 | | | | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | 109 | | | | |
| Diversity and equal opportunity | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | 106 | | | | 13.15.2 |
| | 405-2 Ratio of basic salary and remuneration of women to men | 108 | | | | 13.15.3 |
| Non-discrimination | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | 13.15.4 |
| GRI 406: Non-discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | 106-107 | | | | 13.15.4 |
| Freedom of association and collective bargaining | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 407: Freedom of Association and Collective Bargaining 2016 | 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | 108 | | | | 13.18.2 |
| Child labor | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 408: Child Labor 2016 | 408-1 Operations and suppliers at significant risk for incidents of child labor | 106-107 | | | | 13.17.2 |
| Forced or compulsory labor | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 104 | | | | |
| GRI 409: Forced or Compulsory Labor 2016 | 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | 106-107 | | | | 13.16.2 |
| Local communities | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 99 | | | | |
| GRI 413: Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | 99 | | | | |
| | 413-2 Operations with significant actual and potential negative impacts on local communities | 99-103 | | | | |

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| GRI Standard/ Other Source | Disclosure | Location | Omission | Reason | Explanation | GRI Sector Standard Ref. No. |
|--|--|----------|---------------------------|--------|-------------|------------------------------------|
| | | | Requirement(S) Omitted | | | |
| Supplier social assessment | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 98 | | | | |
| GRI 414: Supplier Social Assessment 2016 | 414-1 New suppliers that were screened using social criteria | 99 | | | | |
| | 414-2 Negative social impacts in the supply chain and actions taken | 99 | | | | |
| Customer health and safety | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 96 | | | | |
| GRI 416: Customer Health and Safety 2016 | 416-1 Assessment of the health and safety impacts of product and service categories | 96 | | | | |
| | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | 97 | | | | |
| Marketing and labeling | | | | | | |
| GRI 3: Material Topics 2021 | 3-3 Management of material topics | 96 | | | | |
| GRI 417: Marketing and Labeling 2016 | 417-1 Requirements for product and service information and labeling | 96 | | | | |
| | 417-2 Incidents of non-compliance concerning product and service information and labeling | 97 | | | | |
| | 417-3 Incidents of non-compliance concerning marketing communications | 97 | | | | |

| Topics in the applicable GRI Sector Standards and reported | | |
|--|-------------------------------|-----|
| TOPIC | Topic Name | |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | | |
| 13.4 | Natural ecosystem conversion | 125 |
| 13.5 | Soil health | 120 |
| 13.6 | Pesticides use | 120 |
| 13.9 | Food security | 99 |
| 13.20 | Employment practices | 105 |
| 13.21 | Living income and living wage | 108 |
| 13.23 | Supply chain traceability | 98 |

| Topics in the applicable GRI Sector Standards determined as not material | | |
|--|---|--|
| TOPIC | EXPLANATION | |
| GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 | | |
| 13.11 | TTE does not engage in any form of animal farming within its operations. | |
| 13.13 | TTE does not have any involvement or engagement in land and resource rights-related issues | |
| 13.14 | TTE does not engage or have any involvement in matters concerning the rights of indigenous peoples. | |
| 13.25 | | |
| 13.26 | These topics are considered low material and are excluded from reporting disclosures based on the materiality assessment. | |

10 YEAR SUMMARY

| | 2022/23 Rs.000 | 2021/22 Rs.000 | 2020/21 Rs.000 | 2019/20 Rs.000 | 2018/19 Rs.000 | 2017/18 Rs.000 | 2016/17 Rs.000 | 2015/16**** Rs.000 | 2014/15*** Rs.000 | 2013 Rs.000 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|----------------------|----------------|
| Trading Summary | | | | | | | | | | |
| Group revenue | 8,199,353 | 4,727,355 | 4,488,639 | 3,886,417 | 4,025,913 | 4,061,310 | 3,334,494 | 3,434,579 | 4,761,101 | 3,646,837 |
| Earning before Interest and taxes (EBIT) | 2,707,053 | 790,942 | 723,911 | 163,555 | 440,326 | 616,067 | 321,984 | 248,807 | 388,411 | 338,448 |
| Profit before Taxation | 3,298,269 | 837,291 | 771,718 | 218,789 | 483,681 | 616,828 | 266,388 | 186,546 | 286,380 | 236,786 |
| Income Tax Expense | (719,483) | (19,919) | (59,978) | (22,215) | (70,966) | (69,262) | (24,906) | (42,696) | (18,919) | (37,215) |
| Profit After Taxation | 2,578,786 | 817,372 | 711,740 | 196,574 | 412,715 | 547,567 | 241,482 | 143,850 | 267,461 | 199,571 |
| Non-controlling Interest | 3,636 | 2,996 | 3,178 | 876 | 7,878 | (870) | (7,713) | (28,122) | (28,165) | (26,038) |
| Profit attributable to owners of the parent | 2,575,150 | 814,376 | 708,562 | 195,698 | 404,837 | 548,437 | 233,769 | 115,728 | 239,296 | 173,533 |
| Fund Employed | | | | | | | | | | |
| Stated capital | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Revenue reserve | 5,669,312 | 3,955,724 | 3,201,716 | 2,511,115 | 2,291,935 | 2,172,318 | 1,723,744 | 1,330,415 | 1,336,757 | 1,148,363 |
| Equity attributable to equity holders of the parent | 6,019,312 | 4,305,724 | 3,551,716 | 2,861,115 | 2,641,935 | 2,522,318 | 2,073,744 | 1,680,415 | 1,686,757 | 1,498,363 |
| Non-controlling Interest | 147,848 | 144,106 | 160,709 | 170,534 | 176,828 | 170,793 | 173,609 | 179,798 | 167,338 | 152,855 |
| Lease liability | 274,618 | 286,210 | 290,856 | 282,643 | 186,353 | 187,174 | 187,901 | 188,361 | 188,971 | 189,617 |
| Interest Bearing Loans & Borrowings (short and long-term) | 43,535 | 23,589 | 41,661 | 21,263 | 67,681 | 176,018 | 225,322 | 364,201 | 501,556 | 666,006 |
| Asset Employed | | | | | | | | | | |
| Non-current assets | 4,090,522 | 3,687,646 | 3,454,870 | 3,456,053 | 3,342,791 | 3,340,876 | 3,321,693 | 3,340,891 | 3,347,168 | 3,248,131 |
| Current assets | 5,054,918 | 2,863,867 | 2,458,001 | 1,632,224 | 1,679,708 | 1,384,270 | 814,914 | 581,541 | 718,037 | 798,662 |
| Current liabilities net of borrowings | (1,178,001) | (624,032) | (626,435) | (388,586) | (631,080) | (548,688) | (391,605) | (285,346) | (368,452) | (394,373) |
| Retirement benefit obligation | (801,095) | (871,316) | (890,953) | (1,024,164) | (969,573) | (811,824) | (801,101) | (980,734) | (922,369) | (912,752) |
| Deferred tax liability | (544,333) | (159,891) | (211,825) | (200,446) | (204,222) | (158,206) | (127,898) | (92,475) | (63,145) | (41,869) |
| Deferred income | (136,699) | (136,643) | (138,717) | (139,527) | (144,826) | (150,126) | (155,426) | (151,102) | (166,617) | (190,958) |
| Capital Employed | 6,485,312 | 4,759,629 | 4,044,942 | 3,335,555 | 3,072,797 | 3,056,303 | 2,660,576 | 2,412,775 | 2,544,622 | 2,506,841 |
| Cash Flows | | | | | | | | | | |
| Net Cash inflow/(outflow) from operating activities | 3,163,722 | 730,035 | 916,596 | 505,211 | 629,399 | 815,818 | 485,370 | 393,444 | 532,290 | 301,099 |
| Net Cash inflow/(outflow) from investing activities | (489,034) | (356,457) | (134,249) | (119,142) | (134,208) | (153,229) | (103,204) | (94,286) | (259,610) | (126,460) |
| Net Cash inflow/(outflow) from finance activities | (946,902) | (192,803) | (204,435) | (208,747) | (214,306) | (201,010) | (115,128) | (209,166) | (327,359) | (168,629) |
| Increase/(decrease) in cash & cash equivalents | 1,727,785 | 180,775 | 577,911 | 177,322 | 280,884 | 461,579 | 267,038 | 89,992 | (54,679) | 6,010 |
| Key Indicators | | | | | | | | | | |
| Profitability Ratios | | | | | | | | | | |
| Net Profit margin (%) | 31.45 | 17.29 | 15.86 | 5.06 | 10.25 | 13.48 | 7.24 | 4.19 | 5.62 | 5.47 |
| Gross Profit Margin (%) | 34.85 | 19.46 | 18.28 | 7.54 | 14.75 | 18.57 | 13.08 | 9.23 | 10.57 | 12.75 |
| Operating Profit Margin (%) | 33.02 | 16.73 | 16.13 | 4.21 | 10.94 | 15.17 | 9.66 | 7.24 | 8.16 | 9.28 |
| Return on equity (%) | 42.84 | 18.91 | 19.95 | 6.84 | 15.32 | 21.74 | 11.27 | 6.89 | 14.19 | 11.58 |
| Return on Asset (%) | 28.20 | 12.48 | 12.04 | 3.86 | 8.22 | 11.59 | 5.84 | 3.67 | 6.58 | 4.93 |
| Liquidity Ratio | | | | | | | | | | |
| Current ratio (times) | 4.10 | 4.37 | 3.69 | 3.99 | 2.46 | 2.20 | 1.70 | 1.23 | 1.16 | 1.28 |
| Quick ratio (times) | 3.42 | 3.69 | 3.05 | 3.25 | 1.34 | 1.48 | 0.92 | 0.54 | 0.46 | 0.31 |
| Activities/Turnover | | | | | | | | | | |
| Inventory Turnover Ratio (Times) | 8.13 | 8.39 | 10.09 | 9.50 | 7.57 | 7.97 | 8.27 | 8.24 | 8.20 | 5.90 |
| Inventory Turnover Period (Days) | 44.89 | 43.51 | 36.16 | 38.41 | 48.25 | 45.78 | 44.11 | 44.32 | 44.49 | 61.85 |
| Investment/ Market Ratios | | | | | | | | | | |
| EPS (basic) (Rs.)***** | 54.21 | 17.14 | 14.98 | 4.12 | 17.05 | 23.09 | 9.84 | 4.87 | 10.08 | 7.31 |
| Market price per share (Rs.) | 88.6+* | 42.6+* | 37.5+* | 39.9+ | 48.7+ | 54.5+ | 32+ | 32.5+ | 35.1+ | 24+ |
| Dividend per share (Rs.) - Company***** | 19.00 | 2.15 | 3.38 | - | 6.00 | 6.50 | 2.00 | - | 3.00 | 3.00 |
| Dividend Yield (%) - Company | 21.44 | 5.05 | 9.01 | - | 12.32 | 11.93 | 6.25 | - | 8.55 | 12.50 |
| Dividend Cover ratio (times) - Company | 2.85 | 7.97 | 4.43 | - | 2.84 | 3.55 | 4.92 | - | 3.36 | 2.44 |
| Dividend payout ratio (%) - Company | 35.05 | 12.54 | 22.56 | - | 35.20 | 28.15 | 20.32 | - | 29.76 | 41.04 |
| Price earning ratio (times) | 1.63 | 2.48 | 2.50 | 4.84 | 2.86 | 2.36 | 3.25 | 6.69 | 3.49 | 3.28 |
| Capital Structure Ratios | | | | | | | | | | |
| Interest Cover Ratio | 67.09 | 20.25 | 18.27 | 4.13 | 9.26 | 12.00 | 4.99 | 3.81 | 3.68 | 3.26 |
| Net assets per share (Rs.)***** | 129.84 | 93.68 | 74.77 | 60.23 | 111.24 | 106.20 | 87.32 | 70.75 | 71.02 | 63.09 |
| Debt to equity (%) | 5.16 | 6.96 | 8.96 | 10.02 | 9.01 | 13.49 | 18.39 | 29.70 | 37.3 | 51.8 |
| Return on Capital Employed (%) | 41.74 | 16.62 | 17.90 | 4.90 | 14.33 | 20.16 | 12.10 | 10.30 | 15.30 | 13.50 |

* Market Price before share split of 2 shares for every one ordinary share held

** Market price after share split of 2 shares for every one ordinary share held

*** 15Month results, Restated - Statement of Financial Position

****Restated - Statement of Profit or Loss

***** Earning per shares, Dividend per share and Net asset per share in all reporting period were adjusted based on post sub- division of 2 shares for every one ordinary share held

GLOSSARY

FINANCIAL TERMS

ACCOUNTING POLICIES

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

AGRICULTURAL ACTIVITY

Is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

AGRICULTURAL PRODUCE

The harvested product of the entity's biological assets.

AMORTISATION

The systematic allocation of depreciable amount of an intangible asset over its useful life.

BEARER BIOLOGICAL ASSETS

Biological assets those are not to be harvested as agricultural produce or sold as biological assets. The biological assets other than the consumable biological assets.

BORROWINGS/DEBT

Bank loans, overdrafts, long term loans, debentures, finance lease obligations and interest bearing liabilities.

CAPITAL EMPLOYED

Shareholder's funds plus non controlling interests and debts.

CASH EQUIVALENTS

High liquid investments that are readily convertible to know amounts of cash and which are subject to an insignificant risk of change in value.

CONSUMABLE BIOLOGICAL ASSETS

Includes managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

CONTINGENT LIABILITY

A condition or situation existing at the balance sheet date due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non occurrence of one or more future events or,
2. a probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

COP

Cost of Production. This generally refers to the cost of producing a kilo of produce (Tea/Rubber).

COS

Cost of Sale. The cost incurred on preparation to salable condition of the goods sold.

CROP

The total produce harvested over a given period of time. (Usually during a financial year).

Current Ratio

Current assets divided by current liabilities.

DEBT/ EQUITY RATIO

Debt as a percentage of shareholders funds and non controlling interests.

DEFERRED TAXATION

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

DIVIDENDS

Distribution of profits to holders of equity investments.

DIVIDEND PAY OUT

Dividend per share divided by Earnings per share.

EARNINGS PER SHARE

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT

Abbreviation for Earnings Before Interest and Tax.

EBITDA

Abbreviation for Earnings Before Interest Tax Depreciation & Amortisation.

EBITDA Margin

EBITDA divided by Revenue.

EPF

Employee Provident Fund

ETF

Employee Trust Fund

HARVEST

Detachment of produce from a Biological Asset or the cessation of Biological Assets life processes.

IFRS

International Financial Reporting Standards.

INTEREST COVER

Consolidated profit before interest and tax over finance expenses.

LKAS

Sri Lanka Accounting Standards.

MARKET CAPITALISATION

Number of shares in issue at the end of the period multiplied by the market price at the end of period.

NET ASSETS

Total assets less current liabilities less long term liabilities less non - controlling interests.

NET ASSETS PER SHARE

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NON CONTROLLING INTEREST

Part of the net results of operations and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, through Subsidiaries, by the Parent Company.

PRICE EARNINGS RATIO

Market price of a share divided by earnings per share.

PBT

Profit before tax

RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the business.

RETURN ON EQUITY (ROE)

Profits attributable to shareholders as a percentage of average shareholders' funds.

RETURN ON CAPITAL EMPLOYED

Profit before tax and net finance cost divided by capital employed.

SHAREHOLDERS' FUNDS

Total of stated capital, capital reserves and revenue reserves.

SLFRS

Sri Lanka Financial Reporting Standards.

SORP

Statement of Recommended Practices.

RETIREMENT BENEFIT OBLIGATION

Present Value of a Retirement Benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

ACTUARIAL GAINS AND LOSSES

Is the effects of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

CURRENT SERVICE COST

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

INTEREST COST

Is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Present value of a retirement benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

REVENUE RESERVES

Reserves considered as being available for distributions and investments.

SEGMENT

Constituent business units grouped in terms of nature and similarity of operations.

WORKING CAPITAL

Capital required financing day-to-day operations (Current Assets less Current Liabilities).

UITF

Urgent Issue Tasks Force of The Institute of Chartered Accountants of Sri Lanka.

NON FINANCIAL TERMS**BIODIVERSITY**

All the different kinds of life you'll find in one area.

BIOCHAR

Charcoal - like material that is produced from plant materials such as grass, agricultural and forest residues that are decomposed at high temperatures, often during renewable energy production

BIOMASS

Bioenergy, are fuels that is developed from organic materials

BRIQUETTES

Compressed Block of coal dust or other combustible Biomass material (Eg: Charcoal, Sawdust, Wood chip, peat, or paper) used for fuel and kindling to start a fire.

Carbon Dioxide Sequestration

The capture of atmospheric carbon dioxide (CO₂) in a solid material such as growing trees, other vegetation and soils or a carbon sink through biological or physical processes, such as photosynthesis.

CBA

Colombo Brokers Association

CIPM

Chartered Institute of Personnel Management

CPFP

Child Protection Focal Points

CTTA

Colombo Tea Traders Association

CTA

Colombo Tea Auctions

ECOSYSTEM

Geographic area where plants, animals and other organisms as well as weather and landscape, work together to form a bubble of life

EMS

Environment Management System

ENMS

Energy Management System

ENERGY INTENSITY

The amount of energy used to produce a given level of output or activity

EROM

Enterprises Risk & Opportunity Management

ETHICAL TEA PARTNERSHIP (ETP)

ETP is a non-competitive alliance of 20 international tea packers who share a vision for a thriving industry that is socially just and environmentally sustainable.

EVP

Employee Value Proposition

EWHCS

Estate Worker Housing Cooperative Societies.

EXTENT IN BEARING

The extent of land from which crop is being harvested. Also see "Mature Plantation".

FIELD

A unit extent of land. Estates are divided into fields in order to facilitate management.

GLOSSARY

| | | |
|---|--|---|
| FIT Fellowship of International Tamils. | ISO International Organisation for Standardisation. A worldwide federation of national standard bodies. | NILS National Institution of Labor Studies |
| FSMS Food Safety Management System | ISO 26000 : 2010 Social Responsibility Standard | NIPM National Institute of Plantation Management |
| GAP Good Agriculture Practices | ISO 14064-1:2018 Greenhouse Gases Quantification and Reporting Standard. | NSA The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc (Also see GSA). |
| GDP Global Domestic Production | ISO 14001:2015 Environmental Management System | NVQ National Vocational Qualification |
| GESI Gender Equality & Social Inclusive | ISO 9001:2015 Quality Management System | OHS Occupational Health & Safety |
| GHG EMISSIONS Greenhouse Gas Emissions | ISO 50001:2018 Energy Management System | PHDT Plantation Human Development Trust |
| GMP Good Manufacturing Practices for Biological, Chemical and Physical hazards | ISO 22000:2018 Food Safety Management System | PPE Personal Protective Equipment |
| GMC Group Management Committee | KPI Key Performance Indicators | QMS Quality Management System |
| GSA The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage etc. | LEADS Life, Education, and Development Support | RAINFORREST ALLIANCE (RA) The Rainforest Alliance functions as the Secretariat of the SAN and administrates its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors. |
| HACCP Hazard Analysis Critical Control Point System. A Scientific system which identifies, evaluates and control hazards which are significant for food safety. | MATURE PLANTATION The extent of plantation from which crop is being harvested. Also see "Extent in Bearing". | REGENERATIVE BUSINESS A Regenerative business seeks to restore and replenish ecosystems, fostering positive social and environmental impacts while ensuring long-term sustainability |
| HRD Human Resource Development | MOH Ministry of Health | REPLANTING A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing tree/bushes and replanting with new trees/bushes. |
| HRMS Human Resource Management System | MOU Memorandum of Understanding | RSM Revenue Sharing Model |
| ILO International Labor Organization | MRL Maximum Residue Levels | |
| IMMATURE PLANTATION The extent of plantation that is under development and is not being harvested. | MSME Micro, Small and Medium Enterprises | |
| INFILLING A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested. | NAITA National Apprentice & Industrial Training Authority | |
| | NGRS National Green Reporting System - Sri Lanka. | |

SCOPE 1 EMISSIONS

Emissions are direct greenhouse (GHG) emissions that occur from sources that are controlled or owned by an organization

SCOPE 2 EMISSIONS

Emissions are indirect GHG Emissions associated with the purchase of electricity, Steam, heat, or cooling

SCOPE 3 EMISSIONS

Encompasses emissions that are not produced by the company itself, and not the result of activities from assets owned or controlled by them.

SCIENCE BASED TARGETS

Science - based targets provide a clearly-defined pathway for companies and financial institutions to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered "science-based" if they are inline with what the latest climate science deems necessary to meet the goals of the Paris Agreement limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

SDG

United Nations Sustainable Development Goals

SEEDLING TEA

Tea grown from a seed. (Also see VP Tea).

SLTB

Sri Lanka Tea Board

SOIL ASSESSMENTS

Tests of soil physical, chemical and biological parameters.

SUSTAINABLE AGRICULTURE NETWORK (SAN)

SAN is a coalition of independent nonprofit conservation organisations that promote the social and environmental sustainability of agricultural activities by developing standards. SAN Promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards.

TRI

Tea Research Institution.

TURBULENT™ TECHNOLOGY

Turbulent technologies specializes in liquid/ liquid emulsion separation and the removal of toxins and contaminants from liquids using turbulent mixers

UN CLIMATE NEUTRAL NOW

Climate Neutrality is a three step process, which requires individuals, companies and governments to:

1. Measure their climate foot print
2. Reduce their emissions as much as possible
3. Offset what they cannot reduce with UN Certified emission reductions.

UNGC

United Nation Global Compact

VP TEA

Vegetatively Propagated tea. i.e. Tea grown from a cutting of a branch of tea plant. (Also see "Seedling").

WNPS PLANT

Wild Life Nature Protection Society PLANT

WUSC

World University Services of Canada

YIELD

The average crop per unit extent of land over a given period of time. (Usually kgs per hectare per year).

ZERO EMISSION FOOTPRINT.

Carbon Neutrality is a state of zero Carbon Dioxide Emissions

EPL

The Environmental Protection License (EPL) is a regulatory/legal tool under the provisions of the National Environmental Act No: 47 of 1980 amended by Acts No 56 of 1988 and No 53 of 2000.

ESEG STEERING COMMITTEE

Environment, Social, Economic and Governance committee

ESG Team

Environmental, Social, and (corporate) Governance Team

MSDS

Document that contains information on the potential hazards (health, fire, reactivity and environmental) and how to work safely with the chemical product

GIGAJOULES

Unit of measurement of energy consumption

KILOLITER

KILOLITER is a unit of capacity equal to 1000 liters.

KILOGRAM

The kilogram, symbol kg, is the SI unit of mass

METRIC TON

The metric ton is a unit of mass, and it is defined as 1,000 kilograms.

TCO2E

tCO2e stands for tons (t) of carbon dioxide (CO2) equivalent (e).

GREENHOUSE GAS VERIFICATION OPINION



GREENHOUSE GAS VERIFICATION OPINION

Sri Lanka Climate Fund (Pvt) Ltd

Ministry of Environment

Organization Level GHG statement developed by

Talawakelle Tea Estates PLC

400, Deans Road, Colombo 10, Sri Lanka.

complying with the requirements of ISO 14064-1:2018 has been verified in accordance with the specification of ISO 14064-3:2019 with reasonable level of assurance*

Opinion No : SLCF/CFP/0159
 Date of Issue : 29.05.2023
 Period of Assessment : 01.04.2022 – 31.03.2023
 Selected Boundary : Operationally controlled business operations of Talawakelle Tea Estates PLC (Head Office and 16 Tea Estates)

Direct GHG Emissions : 4,004 tonnes of CO₂ equivalent
 Indirect GHG Emissions : 3,415 tonnes of CO₂ equivalent
Total GHG Emissions : 7,419 tonnes of CO₂ equivalent



Chief Executive Officer
Sri Lanka Climate Fund (Pvt) Ltd

Period of Validity: 29.05.2023 – 30.06.2024

Exclusions: GHG emissions from land use and management, chemical composition emissions from T250, U877, UT300, U500, T800 and employee commuting.

*Materiality threshold is below 5%

INDEPENDENT ASSURANCE REPORT ON INTEGRATED REPORTING



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

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

Independent Assurance Report to the Board of Directors of Talawakelle Tea Estates PLC on the Integrated Annual Report- 2022/23

Introduction and scope of the engagement

The management of Talawakelle Tea Estates PLC ("the Company") engaged us to provide an independent assurance on the following elements of its Integrated Annual Report for the year ended 31st March 2023 ("the Report").

- Reasonable assurance on the information on financial capital management as specified on pages 78 to 85 of the Report.
- Limited assurance on other information on management of the capitals (other than financial capital), stakeholder engagement, business model, strategy, organizational overview & external environment outlook presented in the Report on pages 40 to 43, prepared in accordance with the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Basis of our work and level of assurance

We perform our procedures to provide reasonable and limited assurance in

accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000) (Revised): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

The capital management criteria used for this limited assurance engagement are based on the Guiding Principles and Content Elements given in the IFRS Foundation/International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 (Revised) and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation and presentation and self-declaration of the information and statement contained within the Report, and for maintaining adequate records and internal controls that are designed to support the Integrated Reporting process under the Integrated Reporting Framework (<IR> Framework).

Ernst & Young's responsibilities

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).

This report is made solely to the Company in accordance with our engagement letter dated 2nd May 2023. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka,

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

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

A member firm of Ernst & Young Global Limited



Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusions. We performed such other procedures as we considered necessary in the circumstances.

Key assurance procedures included:

- ✔ Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- ✔ Checked whether the information contained in the Integrated Annual Report - Financial Capital element information has been properly derived from the audited financial statements.
- ✔ Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- ✔ Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organization creates value, the external environment, strategy, approaches to putting members first, governance and reporting.

- ✔ Obtained an understanding of the description of the organization's strategy and how the organization creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- ✔ Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- ✔ Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- ✔ Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Limitations and considerations

Social, Natural and Intellectual capital management data/information are subject

to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Report.

Conclusion

Based on our procedures and the evidence obtained, we conclude that:

- ✔ The information on financial performance as specified on pages 78 - 85 of the Report are properly derived from the audited financial statements for the year ended 31 March 2023.
- ✔ Nothing has come to our attention that causes us to believe that other information on stakeholder engagement, business model, organization overview & external environment and outlook presented in the Report are not fairly presented, in all material respects, in accordance with the Integrated Annual Reporting practices and policies which are derived from the IFRS Foundation/ International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework).

Be most + Yours

11 May 2023
Colombo

NOTICE OF ANNUAL GENERAL MEETING

TALAWAKELLE TEA ESTATES PLC
Company Number PQ 36

NOTICE IS HEREBY GIVEN that the Thirty First Annual General Meeting of Talawakelle Tea Estates PLC will be held on Monday, 26th June 2023 at 11.00 a.m. at the Conference Hall of Hayleys PLC, No. 400, Deans Road, Colombo 10 for the following purposes:

1. To consider and adopt the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2023, with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. Malik J Fernando, who retires by rotation at the Annual General Meeting in terms of Article 30(1) of the Articles of Association of the Company.
3. To re-elect as a Director Ms. M D A Perera, who retires by rotation at the Annual General Meeting in terms of Article 30(1) of the Articles of Association of the Company.
4. To re-elect as a Director Lt. Col. J M Kariapperuma, who retires by rotation at the Annual General Meeting in terms of Article 30(1) of the Articles of Association of the Company.
5. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. Merrill J. Fernando in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

‘That Mr. Merrill Joseph Fernando, who has attained the age of ninety-three years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director.’

6. To propose the following resolution as an ordinary resolution for the re-appointment of Mr. A. M. Pandithage in terms of Section 211 of the Companies Act No. 07 of 2007.

Ordinary Resolution

‘That Mr. Abeyakumar Mohan Pandithage, who has attained the age of seventy-two years be and is hereby re-appointed as a Director for a further period of one year and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the appointment of the said Director.’

7. To authorize the directors to determine donations and contributions to charities for the ensuing year.
8. To re-appoint Messrs Ernst & Young, Chartered Accountants as the Auditors of the Company for the year 2023/24 and to authorize the Directors to determine their remuneration.
9. To consider and if thought fit to pass the following Special Resolutions to amend the existing articles in the Articles of Association of the Company, in order to be in line with the model articles provided in Schedule 1 of the Companies Act No. 7 of 2007.

Special Resolution (1)

That Article 16 be deleted in its entirety and be substituted with the following;

“Article 16 – Method of Holding General Meetings

A meeting of shareholders may be held either;

- (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.”

Special Resolution (2)

That Article 17 (2) be amended as follows;

‘Article 17 (2) A quorum for a meeting of shareholders is present if three (03) shareholders are present in person or through audio visual communication, by themselves or by their proxy.’

Special Resolution (3)

That Article 19 (1) be amended as follows:

Article 19 - Voting

“(a) In the case of a meeting of shareholders held under paragraph (a) of Article 16, unless a poll is demanded, voting at the meeting shall be by whichever of the following methods as determined by the chairperson of the meeting –

- i. Voting by voice; or
- ii. Voting by a show of hands

(b) In the case of a meeting of shareholders held under paragraph (b) of Article 16, unless a poll is demanded, voting at the meeting shall be by shareholders signifying individually their assent or dissent by voice or by any other electronics means.”

By Order of the Board

TALAWAKELLE TEA ESTATES PLC
HAYLEYS GROUP SERVICES (PRIVATE)
LIMITED
Secretaries

Colombo
29th May 2023

Notes:

1. The Annual Report of the Company for 2022/23 is available on the corporate website - www.talawakelleteas.com and on the Colombo Stock Exchange website - www.cse.lk.
2. A Shareholder is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Shareholder of the Company. A Form of Proxy is enclosed for this purpose. The instrument appointing a proxy must be deposited at the office of the Company Secretaries at No. 400, Deans Road, Colombo 10, Sri Lanka not less than forty-eight (48) hours before the time fixed for the Meeting.
3. For your reference, the existing Articles are available in the Colombo Stock Exchange website - www.cse.lk
4. A shareholder who requires a hard copy of the Annual Report must post or handover the duly completed ‘Request Form’ to the office of the Secretaries.

CORPORATE INFORMATION



NAME OF COMPANY

Talawakelle Tea Estates PLC

LEGAL FORM

Public Limited company
Incorporated in Sri Lanka on 22nd June 1992

COMPANY NUMBER

PQ 36

FINANCIAL YEAR END

31st March

PRINCIPAL LINE OF BUSINESS

Cultivation and Manufacture of Black Tea

STOCK CODE

TPL.N0000

STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

DIRECTORS

Mr. A M Pandithage - Chairman
Dr. W G R Rajadurai - Managing Director
Mr. Merrill J Fernando
Mr. Malik J Fernando
Ms. M.D.A. Perera
Dr. N T Bogahalande
Mr. S L Athukorala
Mr. M H Jamaldeen
Mr. S B Alawattegama
Mr. J M Kariapperuma

AUDIT COMMITTEE

Mr. S L Athukorala - Chairman
Ms. M D A Perera
Dr. N T Bogahalande

MANAGING AGENT

Hayleys Plantation Services (Private) Limited,
400, Deans Road, Colombo 10, Sri Lanka.

REGISTERED OFFICE

400, Deans Road, Colombo 10, Sri Lanka.

HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka.
Telephone: (94-11) -2627754-5, 2697203
Fax: (94-11) -2627782
e-mail : tpl.tea@ttl.hayleys.com
website : www.talawakelleteas.com

SECRETARIES

Hayleys Group Services (Private) Limited
No.400, Deans Road, Colombo 10, Sri Lanka.
Phone : + 94 11 2627650
E-mail : Info.sec@hayleys.com

SUBSIDIARIES

TTEL Hydro Power Company (Pvt) Ltd
TTEL Somerset Hydro Power (Pvt) Ltd

SUBSIDIARIES- REGISTERED OFFICE

400, Deans Road, Colombo 10, Sri Lanka.

SUBSIDIARIES- HEAD OFFICE

400, Deans Road, Colombo 10, Sri Lanka.

BANKERS

Commercial Bank of Ceylon PLC
Sampath Bank PLC
National Development Bank PLC
Hatton National Bank PLC
Bank of Ceylon
Hongkong and Shanghai Banking Corporation Limited
Union Bank of Colombo PLC
DFCC Bank PLC
Seylan Bank PLC

AUDITORS

M/s Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10, Sri Lanka.

LEGAL ADVISORS

M/s F J & G De Saram & Company
Attorneys-at-Law
216, De Saram Place, Colombo 10, Sri Lanka.

TAX ADVISORS

M/s Ernst & Young
Chartered Accountants
201, De Saram Place, Colombo 10, Sri Lanka.



Talawakelle Tea Estates PLC
No. 400, Deans Road, Colombo 10, Sri Lanka.