



Talawakelle Tea Estates PLC  
Integrated Annual Report 2020/21

# phenomenal



# phenomenal

While the word phenomenal can stand for the unprecedented scenario that is playing out across the world, the word holds positive and progressive connotations for us at TTE.

Though the start of the year under review was mired with challenges, we were not deterred, and like a steaming cup of tea, kept brewing in strength 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 a milestone year for the company. With a prudent, thoughtful and sustainable game plan mapping out our every move, coupled with fortuitous circumstances that maintained our progress, our formula for success has continued. Building upon our strengths and maintaining our focus, we will continue to be phenomenal in more ways than one.



This Annual Report is also  
available on our website  
[www.talawakelle.com/annual-reports](http://www.talawakelle.com/annual-reports)

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# A phenomenon journey





ennial

**“We have come so far, and experienced some of the most challenging times for the country and the world but it has only made us stronger and more determined to succeed.”**

## **Company Overview**

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## ABOUT THE REPORT

GRI: 102-10, 12, 45, 46, 48, 49, 50, 51, 52, 54 & 56

We are pleased to present our seventh Integrated Annual Report which sets out the performance of Talawakelle Tea Estates PLC and its subsidiaries (herein after referred to as "TTE") for the financial year ended 31st March 2021. The report provides a balanced review of our financial, social and environmental performance, and provides concise and material information on the Group's strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance.

### Scope and Boundary

The Report covers the activities of the Group - Talawakelle Tea Estates PLC and its two subsidiaries TTEL Hydro Power Company (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd. - for the period from 1st April 2020 to 31st March 2021. An annual reporting cycle has been adopted and the most recent previous report for the financial year ended 31st March 2020 is available on [www.talawakelleteas.com](http://www.talawakelleteas.com).

The report focuses on aspects deemed material to the Group's operations and to our key stakeholders. The process for determining materiality is described on page 41 of this Report. According to our material assessment, three

material topics were changed and one new material topic added over the preceding year as per mentioned on page 45.

All financial and non-financial information presented herein represents consolidated figures for the Company and its subsidiaries, unless otherwise stated.

There are no significant changes in the organization scope and its supply chain aspect boundaries.

### Reporting Standards

The following frameworks were used to prepare the report moving beyond regulatory compliance to incorporate international best practice into our reporting processes. Principal risks and opportunities, business model, strategy, along with the progress we have made in the financial year under review and our future outlook pillars of report setup. We also elaborate on our risk management, internal controls, good governance practices, and the latest initiatives. This report has been prepared in accordance with the GRI Standards: Comprehensive option and is prepared in line with all applicable standard of Financial Reporting, Narrative Reporting, Corporate Governance and Sustainability.

### Reporting Structure

We have structured the report to provide an overview of how we nurtured our capitals to deliver value to our stakeholders. We aim to continually improve the quality of our reporting and this year's report includes the following features to enhance clarity and readability.

- ✔ Increased strategic orientation in reporting
- ✔ Improved connectivity using navigation icons
- ✔ Careful consideration of relevant and material information

### Joint Assurance

The reporting process and the content developed are jointly assured, both internally as well as externally. From an internal standpoint, the report is assured by the Board Audit Committee, the internal auditors and the senior management. From an external standpoint, our financial statements and the related notes are audited by M/s Ernst & Young - Chartered Accountants as set out on page 148 to 151. whilst sustainability reporting is audited by M/s Ernst & Young - Chartered Accountants as set out on page 21. There is no restatement this year.

#### Financial Reporting

- ✔ Sri Lanka Financial Reporting Standards
- ✔ Companies Act No. 7 of 2007
- ✔ Sri Lanka Accounting & Auditing Standards Act No.15 of 1995

#### Narrative Reporting

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

#### Corporate Governance

- ✔ Continued Listing Requirements of the Colombo Stock Exchange
- ✔ Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka.

#### Sustainability

- ✔ GRI Standards
- ✔ UN Global Compact Principles
- ✔ National Green Reporting System (NGRS) Sri Lanka - Tier 5
- ✔ Recognised ISO 26000 as a reference document that provides guidance

## ABOUT THE REPORT

[GRI: 102-53](#)

### Forward Looking Statements

Our Report includes forward-looking statements, which discuss the possible future financial position and results of TTE's operations. These statements, however, involve an element of risk and uncertainty. We are not under obligation and do not undertake responsibility to publicly update our forward-looking statements in response to the changes in our business backdrop after the date of publication.

### Board Endorsement

The TTE Board assures the veracity, reliability and transparency of our integrated reporting process.

The Board gives its assurance that the report has been prepared in accordance with the IIRC <IR> Framework and that we follow best practices in reporting, addressing material matters that represents the Company's integrated thinking in value creation, the overall performance in the year under review along with future prospects. The Board Audit Committee hereby endorses the publication of our Annual Report 2020/21 themed "Phenomenal"



### Feedback

We welcome feedback on our Annual Report as it enables us to continuously improve our integrated reporting. Kindly address your comments and suggestions to;

Deputy General Manager - Finance

Talawakelle Tea Estates PLC  
400, Deans Road, Colombo 10  
Tel : +94 11 2627785

Email : [tpl.tea@ttel.hayleys.com](mailto:tpl.tea@ttel.hayleys.com)

## INDEX OF NAVIGATION ICONS

### CAPITALS



Financial Capital



Manufacturing Capital



Intellectual Capital



Relationship Capital



Social & Human Capital



Natural Capital

### STAKEHOLDERS



Investor



Customer



Employee



Suppliers



Community and Environment



Government and Regulatory

### STRATEGIC IMPERATIVES



Customer Delighting



Environment and Climate



Responsible Stewardship



People and Community Development



Sustainable Growth

## HIGHLIGHTS

[GRI: 102-7](#)

**Rs. 4,488.6 Mn**

Turnover 

Increased by Rs. 602.2 Mn

**Rs. 711.7 Mn**

Net Profit After Tax 

Increased by Rs. 493.0 Mn

**Rs. 14.98**

Earning Per Share 

Increased by Rs. 10.86

**8.96%**

Debt to Equity

Decreased by 1.06%

**Rs. 160.3 Mn**

Dividend Paid

Increased by Rs. 17.8 Mn

**Rs. 1,716.2 Mn**

Short Term Investments 

Increased by Rs. 603.7 Mn

**Rank Number 1**

Overall Amongst  
Regional Plantation  
Companies

**6.7 Mn kWh**

Renewable Energy   
Generation Increased by  
2.3%


**8,579 tCO<sub>2</sub>e**

GHG Emissions   
Decreased by  
3.9%

**Rs. 41.5 Mn**

Community Infrastructure   
Development  
Decreased by 51%

**5.8 %**

Average Employee   
Turnover  
Decreased by  
2.1%

**165 Top Price  
Rankings**

In Colombo  
Tea Auctions

  Positive Change |   Negative Change

## CHAIRMAN'S STATEMENT

[GRI: 102-14](#)



Dear Shareholder,

I am pleased to report that Talawakelle Tea Estates PLC delivered outstanding results for the financial year ended 31st March 2021. In a year of many challenges brought on by the COVID-19 pandemic, your company has recorded the highest ever Group turnover of Rs. 4.48 Bn and profit after tax of Rs. 711.7 Mn TTE's results are even more remarkable, compared against industry performance. Our Gross Sales Average (GSA) rose considerably by Rs 58.65/kg above national elevation, the industry price benchmark, while tea production remained stable against a decline in national output by 7.6%.

The Group strongly advocates integrating Environmental, Social and Governance (ESG) priorities into policy and strategy. This year is exceptional for outstanding achievements in these spheres as well. We were delighted to be awarded an exclusive 96% satisfaction rating by our employees assessed by Great Place to Work in February 2021. The rating affirms their trust and confidence in the company and reflects the sound employee policies and practices adopted by the Group. We are also honoured to be recognized as the sector Winner for Plantations amongst the Most Respected Entities in Sri Lanka in 2020, and fourth most awarded entity of Sri Lanka, by LMD.

These achievements, with the events of 2020/21, affirm the alignment of our strategy with our Vision, as we set the right milestones for long-term value creation for our stakeholders, and progress towards becoming the most admired plantation company in the country.

### Operating Landscape

The Sri Lankan economy contracted by 3.6% in 2020, from a growth of 2.3% in 2019 reflecting the unprecedented impacts of the COVID-19 pandemic as the country recorded the deepest

recession since independence. All economic subsectors contracted, with industry, services and agriculture declining by 6.9%, 1.5% and 2.4% respectively, as a result of the halt in economic activity in the 2nd quarter 2020 due to nationwide lockdowns to curtail the contagion. The Government declaration of the Agriculture sector as an essential service in April 2020, facilitated the early return to work of the plantation industry.

The tea sector too recorded a contraction in activity. Tea production declined by 7.1% to 278.49 Mn kg, while Tea exports followed a similar trend, declining by 7.8% to USD 1.24 Bn. Adverse weather conditions and labour supply disruptions due to COVID-19 containment measures, hampered harvesting and production.

Notwithstanding the declined performance, the tea sector remained a strong pillar of the national economy during the pandemic, making a significant contribution to the overall economic and social development in the country and contributing directly to increasing foreign exchange reserves.

Colombo Tea Auction (CTA) prices remained at elevated levels throughout the year, driven by reduced local supply combined with a significant drop in production by competitor

countries, due to setbacks caused by the pandemic. Average price of tea increased by 15.4% to Rs. 628.21/kg in 2020, from Rs. 544.54/kg the previous year. A depreciating rupee and increased demand induced by the perceived health benefits of black tea and higher tea consumption amidst lockdowns, also buoyed prices. Turkey was the largest importer of Sri Lanka tea in 2020, followed by Iraq, Russia and Iran. The accelerated shift of the Colombo Tea Auctions on to an e-platform supported continuity of operations.

### Performance Amidst Uncertainty

The Consolidated turnover for the year under review increased by 15.5 % compared to the 3.1% contraction in the previous year, to reach an all-time high of Rs. 4.48 Bn for a 12 months period. Net profit after tax grew 262% to Rs. 711.7Mn ( 2019/20 - Rs. 196.5 Mn) , the highest reported profit of the Group.

Considering the Company financials, turnover increased by 15.6 % to Rs. 4.43 Bn with higher sale averages while net profit after tax grew 254.8% to Rs. 720.1Mn with disciplined cost management.

The Group's robust performance is a culmination of strong business acumen, industry insight, financial discipline, a performance-oriented

**"In a year of many challenges brought on by the COVID-19 pandemic, your company has recorded the highest ever Group turnover of Rs. 4.48 Bn and profit after tax of Rs. 711.7 Mn TTE's results are even more remarkable, compared against industry performance."**



## CHAIRMAN'S STATEMENT

**"The fact that performance was achieved amidst significant operating challenges demonstrates the resilience and agility of the organization. Astute leadership, strategic focus and the passion of our team enabled TTE to overcome challenges whilst capitalising on the opportunities that emerged."**

culture and sustainable agricultural and manufacturing practices honed over the years to produce premium quality tea consistently at competitive cost. Optimizing market potential on the tailwinds of a bullish tea market, we maintained higher prices for our teas during the year. Our GSA grew by Rs. 71.06 to Rs. 686.86 while we achieved 165 top prices by year end. TTE's teas retained the number 1 rank for both high grown and low grown elevations amongst all RPCs again this year, a position we have held for over 03 years consecutively.

The fact that performance was achieved amidst significant operating challenges demonstrates the resilience and agility of the organization. Astute leadership, strategic focus and the passion of our team enabled TTE to overcome challenges whilst capitalising on the opportunities that emerged.

### Responding to COVID-19

Since TTEs plantations are mainly based in districts that were not severely affected by the COVID-19 pandemic and following the government policy on agricultural industry as an essential service TTE was able to soon resume normal operation at fields, factories and tea centres. At Head-office, our digital architecture supported 'Working from Home' for a significant number of employees which also supported health and safety at the workplace.

Ensuring the safety of our employees was and remains our key priority. We continue to take proactive action to mitigate the risk of spread of COVID-19, in compliance with the guidelines and regulations stipulated by the health authorities, whilst rolling out additional voluntary and precautionary measures. Several welfare measures such as providing rations, cash advances to maintain livelihood of estate employees was facilitated by the Company, to support employee well-being.

The stringent health and safety protocols adopted enables us to sustain our business, avoid disruptions and continuously supply our buyers.

### Good Governance

No sooner the scale of the pandemic was becoming clear the Board crafted a strategy to transform its role. Measures taken included increased oversight by the Board, ensuring safety of our people and continuity of businesses. Teleconferencing and hybrid models for meetings was facilitated to ensure availability of members for urgent matters.

We welcome Mr. J M Kariapperuma to the Board, as a Non- Executive Independent Director. He brings a wealth of experience in plantation management. Ms Minette Perera who was appointed to the Board as a Non-Executive Director, was declared

as an Independent Non-Executive Director by the Board in November 2020. In February 2021, the Company subdivided its shares on the basis of 1 into 2, to increase affordability for smaller investors and boost liquidity of the share.

### Sustainability

As a leading plantation company, we aspire to continuously raise the bar on sustainability and sustainable growth. Through our dedicated social responsibility initiative, 'Home for Every Plantation Worker', we invested Rs 97 Mn in 2020/21 to support and uplift resident communities with better living conditions and higher quality of life.

We are aware that the effects of climate change are significant. Our efforts to mitigate climate change include driving energy efficiency, tree planting, conserving biodiversity and collaborating with our certification bodies, to minimize our carbon footprint across our estates and our subsidiaries. This year we planted 6,430 trees, under our Ecosystem Restoration of St. Clair Falls project, undeterred by the operational challenges on account of the pandemic. We also became the world's first plantation company, to commit to UN Climate Neutral pledge and set Science base validated targets towards transitioning to zero emissions by 2050.

### Dividends

An interim dividend of Rs. 6.75 per share was paid in 2020/21 and the Board recommends a further dividend of Rs. 1.50 per share as a final dividend.

### Recognition and Rewards

The many accolades we have received and the recognition we have gained over the years both at international, national and industry level stand as a testimony to our business acumen and our commitment to raise the bar and achieve operational excellence. We were honoured to receive the Silver for "Farming and Sustainability" at the Green World Awards held by

Green Organization, UK, in recognition of our commitment to uphold best environmental practices.

We strive to uphold the ideals of transparency and accountability, in our reporting initiatives. We were awarded the "Silver" for Best Integrated Report at the Asia Sustainability Reporting Awards 2019 and received accolades at the Hallbars Sustainability Reports Awards 2020, Sweden.

### Strategic Direction and Outlook

Despite the heavy toll of the COVID-19 pandemic on Sri Lanka's economy and the lives of its people, the World Bank has forecast the country's economy to recover in 2021 to 3.4% from a contraction of 3.6% in 2020, albeit with potential downside risks. In this backdrop, it is imperative we continue to maintain the precautionary measures established during this year of unprecedented challenges while positioning the Group to take advantage of emerging opportunities.

Whilst the current level of national tea prices is favourable, we are mindful that these commodity prices tend to change quickly and dramatically. Pricing prospects will largely weigh on the recovery of tea production in competitor countries, uncertainties following instability in key export markets such as geo-political tensions in the Middle East and climate change.

High cost of production, particularly in the low grown areas is of concern. The increase in the minimum daily wage to Rs 1000/- with effect from 5th March 2021, adds to the burden. Obtaining remunerative tea prices, managing productivity and prudent cost management will be vital to driving profitability. In this context, TTE has always advocated and proactively engaged in shifting towards a Non Wage Model, as a mutually rewarding solution to improving worker earnings through increasing productivity.

The Government's decision to ban import of certain agro-chemicals and chemical fertilizers, in the lapse of a viable alternative in place is of critical concern. The adverse impact on cost, quality and crop production of tea will be significant, with possible long-term repercussions on the sustainability of the tea plantation industry. We will continue to engage with all stakeholders, including the government authorities, to arrive at an amicable solution to maintain the continuity and competitiveness of our plantation industry.

We are confident in meeting these industry challenges with leadership and strategic focus that has held us in good stead in the past. We stand committed to our value proposition to produce finest quality teas with best practices in agriculture and manufacturing aligned to our certification programmes. Our team as always will be our strength and we will continue to invest on their development-empowering and ensuring their well-being.

### Appreciation

The outstanding performance set out in the report would not have been possible without the strong commitment of our team, in an exceptionally challenging year. I am sincerely appreciative of their effort and seek their continued support in the year ahead. I commend Dr. Roshan Rajadurai for his strong leadership and wish him success in the months ahead.

On behalf of the Board, I thank all our Stakeholders for their trust and confidence and look to their continued support to drive the Group to new heights.



**Mohan Pandithage**

*Chairman*

Talawakelle Tea Estates PLC

12 May 2021

## MANAGING DIRECTOR'S REVIEW



Dear Stakeholder,

In a year impacted by COVID-19, we adapted fast to ensure we continue to create value for all our stakeholders. While we were both decisive and agile in our actions, a strong focus on risk management, foresight and business acumen enabled TTE to successfully navigate diverse risks while identifying opportunities for growth. Amidst the uncertainty brought on by the pandemic, we focused our efforts on driving our core competencies to produce premium quality tea. We did this without compromising our commitments to contribute to a better society, minimize environmental harm or deliver sustainable development. We were rewarded with exceptional financial results, recording the highest profits earned since privatization over 25 years ago.

The Chairman's Message serves as a prologue, describing the operating environment and giving context to our performance.

### Corporate Results

TTE Group recorded an outstanding performance during the year under review with top line growth of 15.5% to record Rs. 4.48 Bn for the reporting year. The higher revenue was attributable to the high GSA earned, amidst a slight drop in volumes sold. Following bullish market trends on the Colombo Tea Auctions, we were able to leverage on the strength of our brand and attract premium prices for our teas. Crop volumes grew 4% year on year despite the large impact by the drought that was prevalent during the first quarter of the year.

Our cost of production is heavily weighted by the wage bill with growth outstripping productivity, which remains a concern. However, we were able to curtail the increase to just 1.2% over the previous year following a disciplined approach to cost management despite the increased

costs of health and safety precautions implemented to curtail the pandemic. Gross profit margin improved from 7.5% a year ago to 18.9% on account of the higher tea prices. Debt to Equity Ratio improved to 8.9% compared to 10.02% in year ago. Bottom line recorded Rs. 711.7 Mn for the financial year. The higher cash flow generated was utilized to settle debt and strengthen the balance sheet. Gearing improved to 9.42% from 11.62% at end 2019/20.

Our net asset position improved to Rs. 3.71 Bn by year end while return on equity in the reporting year improved to 20% over 7% in the previous year.

With regard to our Company results, revenue reached Rs. 4.43 Bn whilst profit before tax was Rs. 778.2 Mn. Our subsidiaries in the hydro power sector with plants in Radella, Somerset and Palmerston recorded a marginal performance. The "Tier 2 tariff" hydro power plants operated at the budgeted capacity levels, generating 6.5 MnKWh per annum of electricity.

### Responding to The Pandemic

The devastating impact of COVID-19 on societies and economies in 2020 intensified existing challenges such as access to resources and opportunities. However, in times of crisis, businesses play a critical role in mobilizing resources and providing

solutions. TTE stepped up to the need. we worked together with the industry stakeholders and health authorities to adopt the necessary health and safety protocols. Meanwhile, we ensured the well-being of all our employees including providing economical support through wage advances and food rations to vulnerable households and provision of emotional support. No employees were retrenched neither any pay-cuts were implemented. Other key initiatives include sanitizing the

**"TTE Group recorded an outstanding performance during the year under review with top line growth of 15.5% to record Rs. 4.48 Bn for the reporting year. The higher revenue was attributable to the high GSA earned, amidst a slight drop in volumes sold."**

### Highlights - 2020/21

**Best Turnover in history**

**Best NPAT in history**

**#1 GSA National Rank**

**#1 ranking for High Grown and Low Grown elevations**

**>96% employee satisfaction rating**



## MANAGING DIRECTOR'S REVIEW

workplaces and community homes, conducting of 8,835 hours of training and awareness programmes across all estates, providing necessary protective gear, Vitamin C and health drinks on a daily basis, at cost to the Company and creation of electronic media groups connecting over 5000 estate employees for quick and cost-effective dissemination of information. During the year we spent considerable amount on COVID-19 related expenditure.

I continue to be inspired by the remarkable lengths that our Estate Managers went to help the workers in need, as well as the genuine care our employees have for each other, our business and the communities we serve.

### People and Culture

During a most difficult year, the people of TTE demonstrated courage, determination and self-discipline to overcome the challenges faced. TTE adapted very fast to the evolving operating environment and worked extremely hard sustaining the business. This positive culture enabled TTE to swiftly commence operations on the declaration of the Agriculture sector as an essential service and work towards generating the strong results posted.

Our team as always, will be our strength and we will continue to invest on their development; empowering and ensuring their well-being.

In March 2021, an employee satisfaction survey was conducted by "Great Place to Work". An exceptional rating of 96% was returned; an endorsement of our efforts and the strong HR policies and practices we apply.

### Engagement and Productivity

Employee productivity and wages remain a key legacy issue for the entire plantation industry with employee costs accounting for 65% of total costs. The new wages model applicable

from March 5th, 2021 requires the payment of a minimum Rs 1000/- daily wage. Plantation companies have continually advocated for a higher weightage of remuneration to be linked to productivity.

TTE believes ensuring worker well-being fosters productivity and we regularly engage with our workers to maintain positive relationships. Our Managers advocate an open workplace culture and encourage healthy dialogue.

We continued to invest in our social initiatives, seeking to secure the well-being and quality of life of our workers and the communities' resident within our estates, accounting for over 42,000 persons. Through our key social development programme "A Home for Every Plantation Worker", we provided necessary infrastructure facilities, inter-alia, roads, housing, water and sanitation, recreation and learning facilities to address community needs, improve their wellbeing and better their standards of living. This year we invested Rs. 97 Mn (2019-20 - Rs. 106.6 Mn) in well-structured initiatives, We also conducted the 'Best Plucker' competition across estates, for the second consecutive year, with attractive prizes for the top three pluckers. Complemented by these initiatives, the rate of worker turnover improved

from 7.9% to 5.8%, an indication of an improvement in overall labour productivity.

### Non-Wage Model

We advocate the Non-Wage Model as a means of supplementing earnings for workers, while increasing revenue per acre for the Company. As an "entrepreneur", the estate worker takes the responsibility and independence of a 'block manager' on an assigned plot of land in terms of field upkeep and harvesting. Remuneration is based on productivity, combined with defined statutory and legal benefits and obligations. We believe it is a sustainable solution to the worker migration that has become a serious concern in the plantation sector.

TTE increased the roll out of the Non-Wage Model during the year and it is now being applied successfully across all the estates. This resulted in increase of crop intake on every estates during the financial year.

### Total Systems Management

We are committed to producing the finest quality teas in sustainable manner and we continued to give precedence to quality and sustainable management across our value chain. Our Estates maintain quality and sustainable system certifications as depicted in the table.

| Scope  | Certification       | Estates/Factories covered |
|--|---------------------|---------------------------|
| Food Safety Standards / Hygiene                            | ISO 22000:2005/18   | 93%                       |
|  | ISO 9001:2015       | 7%                        |
| Social & Environmental Sustainability Management Practices | Rainforest Alliance | 88%                       |
|  | ISO 14001:2015      | 33%                       |
|  | ISO 14064-1:2018    | 100%                      |
|  | ISO 50001:2018      | 7%                        |
|  | Great Place to Work | 100%                      |

Our commitment to consistent quality standards, has earned us our buyer's trust and confidence. Our teas regularly attract higher prices on the Colombo Tea Auctions, surpassing the National elevation averages. Our Low Grown tea prices were ranked at the top amongst the Regional Plantation Companies for the 16th



successive year whilst High Grown teas were also ranked number one.

We also uphold the sustainability principles of the UN Global Compact programme and seek to align our operations to the Sustainable Development Goals.

### Land Productivity

We continued to follow a structured mechanism to improve land productivity for higher yields. We invested in sustainable agricultural practices in our field operations; replanting, soil fertility management, water management and pest control. This year, our investment in field development stood at Rs. 107.4 mn. Continued investments over the years contributed towards our estate yield increasing from 1,370 kg/ha to 1422 kg/ha, while total production increased 3% to 5.4 Mn kg by year end.

Our non-field capital investments are focused on automating and on upgrading and modernizing our processing factories with appropriate technology, state-of-the-art factory infrastructure, machinery and equipment. Our total non-field investments registered an increase of 12% to Rs.77.1Mn. Factory output increased to 23%, above the expected industry average of 21.5%

### Environment Conservation

We are committed to Good Agricultural Practices which ensure that the environment is conserved and impact on climate change is minimized. Our water resources are protected with chemical free buffer zones and trees are planted to restrict soil erosion. 86% of our total energy is sourced from biomass, for which 25% of fuel wood is sourced from the estates itself. Solar power, generated from our roof top panels at Bearwell and Moragalla Estates and mini-hydro plants of Somerset, Radella, Palmerston remained at 6,576,664 Kwh. It is 136% of the TTE's total energy consumption.

Rainforest Alliance certification for all tea estates serve as testimony to sound environment management policies and practices. Our flagship project initiated in 2019, is focused on preserving, improving, and restoring a high conservation area of St. Clair falls catchment area with a self-sustaining business model for forest restoration and ecosystem protection. Since the launch in 2019, we have planted over 16,060 endemic trees.

### Digitization

We have begun to digitize our key processes with the expectation of driving transparency and efficacy. Digitization of the weighing process was operational across all estates and linked to the performance appraisal system. This year we invested in a fully-fledged Human Resource Management System exclusively for Executive grade employees, replacing the existing HRIS. Initiated by Hayley's Group, the investment enables effective rolling out of HR Procedures, Processes and Documentations. The timely launch of the system facilitated TTE HR team to conduct key-user trainings for personnel in all diverse locations even during the pandemic.

### Outlook

Despite the heavy toll of the COVID-19 pandemic on Sri Lanka's economy and the lives of its people, the World Bank has forecast the country's economy to recover in 2021 to 3.4% from a contraction of 3.6% in 2020, albeit with potential downside risks. In this backdrop, it is imperative we continue to maintain the precautionary measures established during this year while positioning the Group to take advantage of emerging opportunities.

Our key priority will remain the health and safety of our employees at all levels and to this end we will continue to adopt the stringent health and safety protocols in the work place. In the short term, we will seek to optimize land and labour productivity, while reinforcing

quality management practices to retain the premium market positioning of our teas.

In light of the increase in daily wages to Rs 1000/- and the expected increase in cost of production from the banning of certain agro chemical and chemical fertilizers; we advocate the non-wage model as a solution to ensuring the sustainability of the industry. While the worker is offered entrepreneurship to manage his block of land, his earnings are supplemented. Plantations companies will benefit from higher land productivity and labour retained for estate work resulting in a win-win situation.

We will also pursue efforts to consolidate our revenue streams through crop diversification including Cinnamon, Coconut and Agro Forestry.

### Appreciation

Our committed and hard-working employees at all levels are the cornerstone of our ability to create sustainable value. The review period was truly a testing one, and I thank every one of my Management Team and employees for their contribution in delivering a strong performance. I also thank our buyers, tea brokers, financiers and all other stakeholders for their continued support. My sincere appreciation to our Chairman and my colleagues on the Board for their direction and leadership in taking forward our organization through a challenging year.



**Dr. Roshan Rajadurai**  
Managing Director

Talawakelle Tea Estates PLC

12 May 2021

## ABOUT US

[GRI: 102-16](#)

Our tea plantations, spread across 6,491 hectares in the picturesque High Grown and Low Grown regions of the country, produce 6.24 Mn kilogrammes of premium quality tea and account for over 2.1% of national tea production. Our gardens produce some of the finest teas in Sri Lanka, achieving 165 Top Price Rankings during the year. The industry leader in premium tea prices amongst the Regional Plantation Companies, we rank at the top for both high and low grown elevations at the Colombo Tea auctions; a position we've held now for over 127 years.

TTE has a deep-rooted legacy in sustainability. Constantly raising the

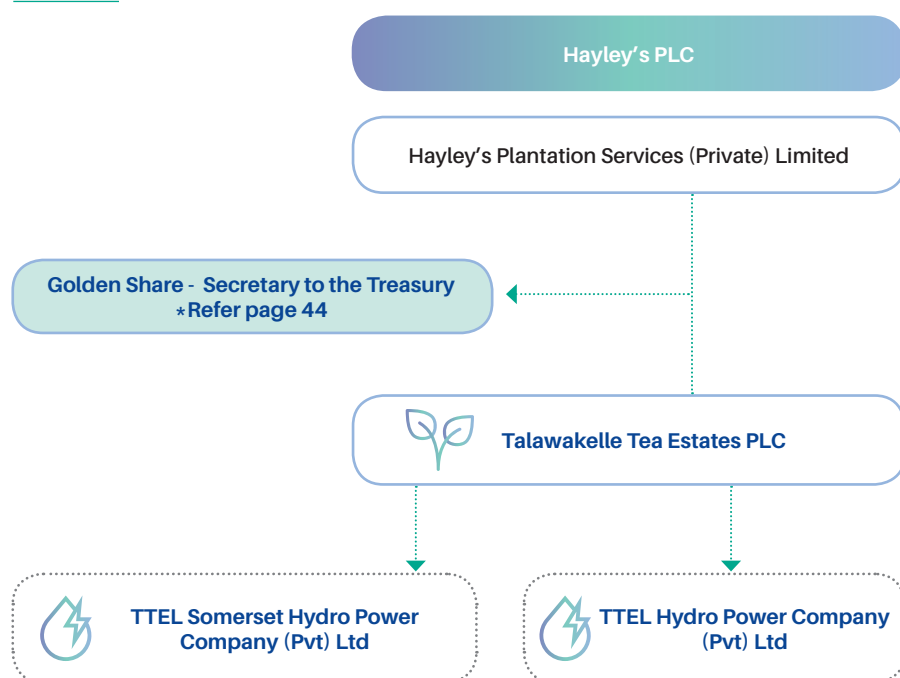
bar on sustainable growth, we are passionate about leading industry conversations and business action on sustainable agricultural practices, environmental conservation and human welfare.

Our estates are home to 5,777 people and we support the socio-economic progress of over 42,000 people living on our estates. Our two subsidiaries engage in the generation of mini hydro power.

In 2020, we were recognised as the Most Respected Plantation Company in Sri Lanka, within LMD's top 100 Most Respected Entities, 2020.

## Organisation Structure

[GRI: 102-5](#)



## Our Vision

To be the most admired plantation company in Sri Lanka.



## Our Mission

Manage the plantations to enhance Quality of life of all employees. Produce and market quality teas that delight our customers. Drive sustainable growth. Enhance shareholder value.



## Business Philosophy

We Believe in...

- 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

## Our Estates and Factories

GRI: 102-4

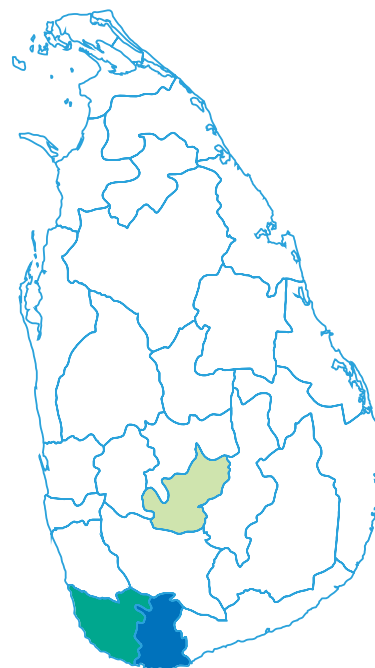
| 2020/21           |              |             |                |        |                  |                |               |                   |                       |                 |
|-------------------|--------------|-------------|----------------|--------|------------------|----------------|---------------|-------------------|-----------------------|-----------------|
| Estate            | Total Extent | Area in Tea | Area in Rubber | Others | Total Cultivated | No. of Workers | Crop with B/L | Factory Elevation | GPS Coordinates       | Type of Factory |
|                   | Ha           | Ha          | Ha             | Ha     | Ha               |                | Kg            | m                 |                       |                 |
| Talawakelle       |              |             |                |        |                  |                |               |                   |                       |                 |
| Bearwell          | 423.41       | 319.02      |                | 54.32  | 373.34           | 368            | 567,082       | 1,280             | 6.932584<br>80.679948 | Ortho/RV        |
| Great Western     | 628.48       | 401.60      |                | 84.52  | 486.12           | 536            | 534,855       | 1,448             | 6.953055<br>80.675901 | Ortho/RV        |
| Holyrood          | 465.96       | 324.10      |                | 82.40  | 406.50           | 383            | 436,603       | 1,341             | 6.961590<br>80.68297  | Ortho/RV        |
| Logie             | 329.88       | 209.65      |                | 47.74  | 257.39           | 241            | 279,498       | 1,220             | 6.931819<br>80.67604  | Ortho/RV        |
| Mattakelle        | 361.96       | 252.93      |                | 46.34  | 299.27           | 522            | 455,418       | 1,372             | 6.920910<br>80.700398 | Ortho/RV        |
| Palmerston        | 203.11       | 149.61      |                | 23.75  | 173.36           | 204            | 220,291       |                   | 6.938953<br>80.696056 |                 |
| Wattegoda         | 529.89       | 310.15      |                | 104.15 | 414.30           | 422            | 481,755       | 1,219             | 6.962324<br>80.652363 | Ortho/RV        |
| Sub Total         | 2,942.69     | 1,967.06    |                | 443.22 | 2,410.28         | 2,676          | 2,975,502     |                   |                       |                 |
| Nanu Oya          |              |             |                |        |                  |                |               |                   |                       |                 |
| Calsay            | 282.25       | 185.23      |                | 39.36  | 224.59           | 218            | 224,876       | 1,463             | 6.912483<br>80.74328  | Ortho/RV & RP   |
| Clarendon         | 191.42       | 149.28      |                | 21.66  | 170.94           | 146            | 138,151       | 1,455             | 6.922334<br>80.732852 | Ortho/RV        |
| Dessford          | 431.99       | 314.38      |                | 33.33  | 347.71           | 438            | 377,978       | 1,382             | 6.917714<br>80.729447 | Ortho/RV        |
| Radella           | 458.76       | 256.64      |                | 114.83 | 371.47           | 380            | 349,088       | 1,402             | 6.937713<br>80.71646  | Ortho/GR.T      |
| Wangi Oya         |              |             |                |        |                  |                |               |                   |                       | RP              |
| Somerset          | 456.64       | 328.45      |                | 42.59  | 371.04           | 550            | 483,276       | 1,377             | 6.928190<br>80.722115 | Ortho/RV        |
| Sub Total         | 1,821.06     | 1,233.98    |                | 251.77 | 1,485.75         | 1,732          | 1,573,369     |                   |                       |                 |
| Galle             |              |             |                |        |                  |                |               |                   |                       |                 |
| Moragalla         | 384.78       | 95.22       | 114.84         | 86.09  |                  | 150            | 231,731       | 38                | 6.035745<br>80.372533 | Ortho           |
| Pitiyagoda        |              |             |                |        |                  | 9              |               |                   |                       | RP              |
| Sub Total         | 384.78       | 95.22       | 114.84         | 86.09  | 296.15           | 159            | 231,731       |                   |                       |                 |
| Deniyaya/Urubokka |              |             |                |        |                  |                |               |                   |                       |                 |
| Deniyaya          | 578.15       | 219.01      | 13.35          | 103.60 | 335.96           | 211            | 645,158       | 310               | 6.337041<br>80.561768 | Ortho           |
| Indola            | 282.16       | 83.89       | 90.14          | 49.43  | 223.46           | 137            | 86,095        |                   | 6.26075<br>80.619826  |                 |
| Kiruwanaganga     | 482.71       | 338.40      |                | 7.52   | 345.92           | 409            | 731,129       | 310               | 6.335827<br>80.561238 | Ortho           |
| Sub Total         | 1,343.02     | 641.30      | 103.49         | 160.55 | 905.34           | 757            | 1,462,382     |                   |                       |                 |
| Grand Total       | 6,491.55     | 3,937.56    | 218.33         | 941.63 | 5,097.52         | 5,324          | 6,242,984     |                   |                       |                 |



12  
High grown

04  
Low grown

- High Grown  
Talawakelle Region & Nanu Oya Region
- Low Grown  
Galle Region
- Low Grown  
Deniyaya Region



## ABOUT US

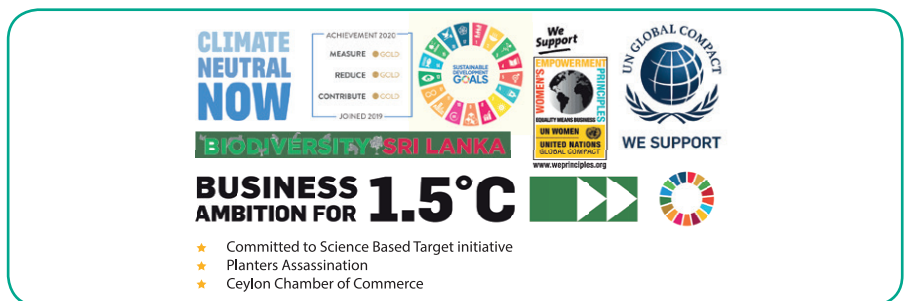
### Certifications

Certifications awarded confirm our commitment to preservation of human rights and the environment and our processes; and procedures pertaining to the quality of our produce. These also serve to benchmark our policies, agricultural practices, processes and procedures with international best practice.



### Membership of Associations

[GRI: 102-13](#)



### Awards and Recognition

#### Asia Sustainability Reporting Awards-2019

(Silver Awards)

- ✓ Asia's Best Integrated Report
- ✓ Asia's Best Integrated Report (Design)

#### Hallbars Sustainability Reports Awards 2020 Integrated Annual Report 2018-19

- ✓ - National Winner for Sri Lanka
- ✓ - Best in the World  
(under the category of F04 Design)

#### LMD

- ✓ Most Respected Entities in Sri Lanka - Sector Winner for Plantations
- ✓ "THE MOST AWARDED HALL OF FAME 2019/2020-TOP 50" - Talawakelle 4th (Only Non-Banking Entity in the Top 6)

#### Chairman's Awards 2019

Winner (Improving the Black Tea Quality & Price on Re-Processed Tea to maximize the Tea Revenue)

#### Chairman's Awards 2020

*Winner -*

Ecosystem Restoration of St. Clair Falls with Self-sustain Business Model for Forest Restoration and Ecosystem Protection

*Merit -*

Chemical Free Teas

#### Best Presented Annual Report Awards and SAARC Anniversary Awards

Corporate Governance Disclosures - 2019 Agricultural Sector - Joint Winner (Gold)

#### Green World Award

(Farming & Sustainability) - Winner (Silver)

#### Star Awards Ceremony 2020

Large Scale (Manufacturing) - 1 Star

Star Awards Ceremony 2020

Large Scale (Manufacturing) - Merit



## INDEPENDENT ASSURANCE REPORT

Building a better  
working worldErnst & Young  
Chartered Accountants  
201 De Saram Place  
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Colombo 10  
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Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com**Independent Assurance Report to  
Talawakelle Tea Estates PLC on the  
Sustainability Reporting Criteria  
Presented in the Integrated Annual  
Report- 2020/21****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 the sustainability reporting criteria presented in the annual report- 2020/21 ("the Report").

- ☑ Reasonable assurance on the information on financial performance as specified on page 66 of the Report.
- ☑ Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Comprehensive guidelines.

**Basis of our work and level of assurance**

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("ICASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Comprehensive guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

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 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. Accordingly, we do not express an opinion providing reasonable assurance.

**Management of the Company's  
responsibility for the Report**

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

**Ernst & Young's responsibility**

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 requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Comprehensive guidelines. This report is made solely to the Company in accordance with our engagement letter dated 3 May 2021. 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 for Ethics for Professional Accountants issued by the ICASL.

**Key assurance procedures**

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- ☑ Interviewing relevant company personnel to understand the process for collection, analysis, aggregation and presentation of data.
- ☑ Reviewing and validation of the information contained in the Report.
- ☑ Checking the calculations performed by the Company on a sample basis through recalculation.

- ☑ Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2021.
- ☑ Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' - Comprehensive guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations  
Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

**Conclusion**

Based on the procedures performed, as described above, we conclude that;

- ☑ The information on financial performance as specified on page 66 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2021.
- ☑ Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Comprehensive.

Ernst &amp; Young

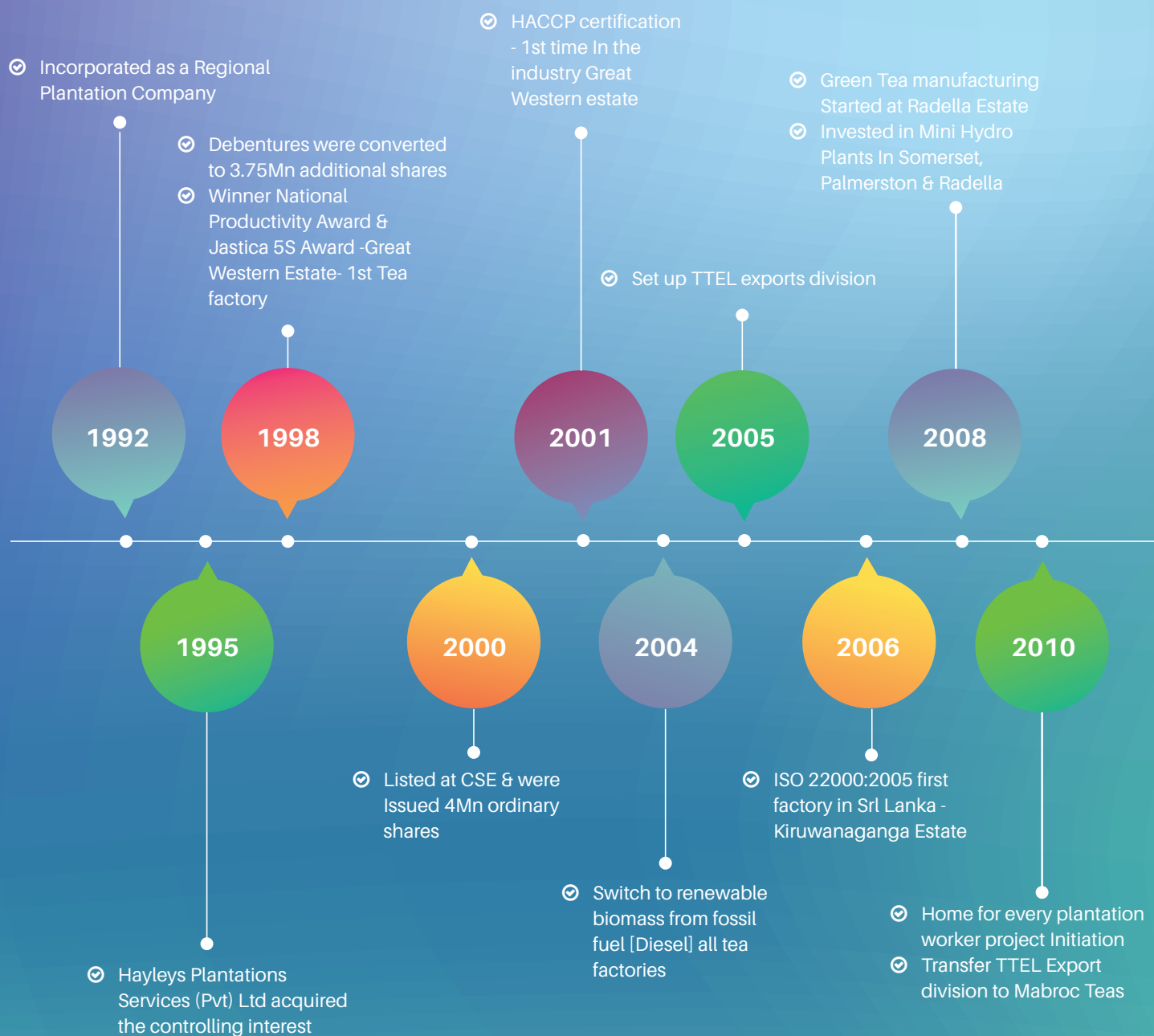
12 May 2021  
Colombo

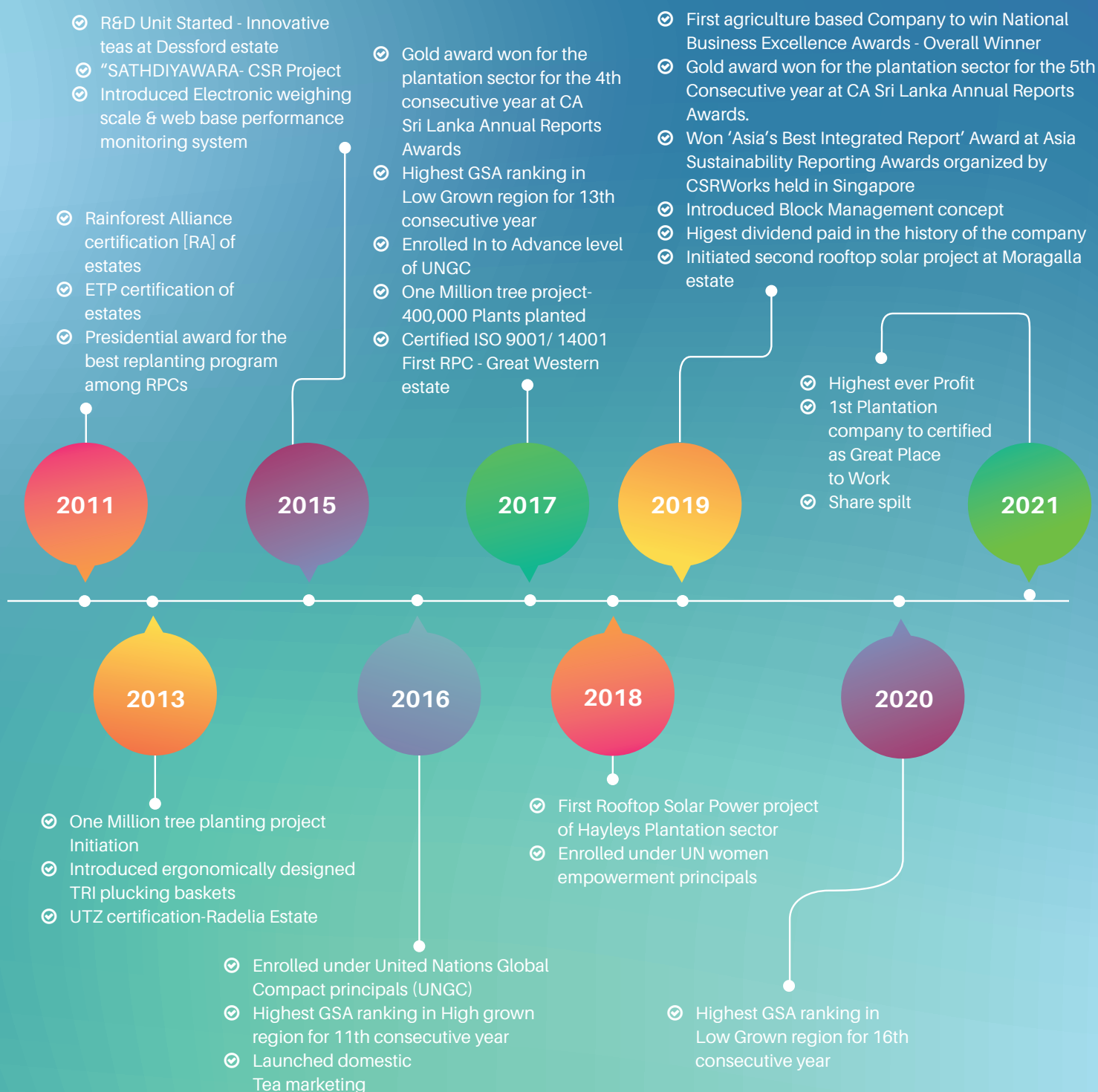
Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA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

A member firm of Ernst &amp; Young Global Limited



## MILESTONES





## BOARD OF DIRECTORS

GRI: 102-22



**Mr. A M Pandithage \***  
*Chairman*

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009.

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

Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico) to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Shipping Agents. Recipient of the Best Shipping Personality Award by the Institute of Chartered Shipbrokers; Leadership Excellence Recognition - Institute of Chartered Accountants of Sri Lanka; Honored with Lifetime Achievement Award at the Seatrade - Sri Lanka Ports, Trade and Logistics; Lifetime Award for the Most Outstanding Logistics and Transport Personality of the Year - Chartered Institute of Logistics & Transport. Member of the Advisory Council, Ministry of Ports and Shipping.



**Dr. W G Roshan Rajadurai \***  
*Managing Director*

Appointed to the Board in 2013.

Dr. Roshan Rajadurai is the Managing Director of Hayleys Plantation Sector comprising of Talawakelle Tea Estates PLC, Kelani Valley Plantations PLC and Horana Plantations PLC. A member of the Hayleys Group Management Committee. Since 1993 - 2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 - 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008 - 2012.

He holds a B.Sc Honours in Plantation Management, an MBA and an MSc. 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 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 is the Chairman of the Sustainability Working Group and the Co-Chairman of the Sri Lanka Tea Road Map Strategy 2030. He serves in the Standing Committee on Agriculture of University Grants Commission.



**Mr. Merrill J Fernando \*\***

Appointed to the Board in 1998.

Mr. Merrill J Fernando is the founder of the MJF Group of Companies and Sri Lanka's global tea brand, DILMAH. He re-launched Ceylon Tea in the 1980s and was the first tea producer to develop an origin packed, producer owned and genuinely ethical tea brand in any tea, coffee or cocoa producing country.

He pioneered value addition, packaging, branding and marketing consumer ready tea from source, enabling Sri Lanka to retain profits which traditionally enriched foreign traders at the expense of tea producers. Dilmah is a model for genuinely ethical trade. Mr. Merrill J Fernando showed producers of raw material the way out of the commodity trap and by maintaining an uncompromising commitment to its founding principles of Quality and Integrity, Dilmah has become a respected international tea brand.

**Mr. Malik J Fernando \*\***

Appointed to the Board in 1998.

He is a Director of MJF Holdings & Dilmah Tea. 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.

Mr. Fernando has a BSc in Business Management from Babson College in the US.

He is also the Managing Director of Resplendent Ceylon, the first Sri Lankan luxury resort brand. Resplendent Ceylon is developing a collection of small, luxury resorts offer discerning travellers a remarkable circuit across Sri Lanka, with a range of authentic experiences, while contributing towards local communities and the environment through the MJF Foundation & Dilmah Conservation.

**Ms. Minette D A Perera \*\*\***

Appointed to the Board in 2012.

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.

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.

**Dr. N T Bogahalande \*\*\***

Appointed to the Board in 2013.

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

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 CIPM 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 a leading scholarly journal of USA. Currently, he also functions as a member of the "Happiness Planet Research Team" of Hitachi Corporation, Japan.

Upon approval of the Committee of 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.

**BOARD OF DIRECTORS****Mr. D C Fernando \* \***

(Alternate to Mr. Malik J Fernando)

Appointed as Alternate Director to Mr. Malik J Fernando in 1998.

Dilhan C. Fernando is the younger son of Dilmah Tea Founder Mr. Merrill J. Fernando. He is the CEO of Dilmah Tea and also serves as Chair of Global Compact Network Ceylon and Biodiversity Sri Lanka.

He holds a B.Sc. Economics (Hon) Degree from the London School of Economics.

Mr. Fernando manages the Tea operations of the family's MJF Group, focusing on reimagining tea for the 21st Century, and also oversees the work of the MJF Charitable Foundation and Dilmah Conservation in fulfilling his father's philosophy of making business a matter of human service.

**Mr. S L Athukorala \* \* \***

Appointed to the Board in 2016.

Mr. Athukorala is a Fellow of the Institute of Chartered Accountants (FCA), Fellow of Chartered Institute of Management Accountants (FCMA, UK). Master of Business Administration (MBA), University of Warwickshire, UK; Certified Management Accountant (CMA, Australia).

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

Mr. Athukorala currently serves as the Chair of Audit Committee and as an Independent Director of a Number of Leading Companies. He also serves as the Vice Chair of the Audit Committee of the United Nations Industrial Development Organization.

**Mr. M H Jamaldeen \* \* \***

Appointed to the Board in 2017.

He 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.

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 Bn 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 Rs. 18 Bn within a short span of time. In 2020, Mr. Jamaldeen was recognised by Echelon as a trail blazer and disruptor in the investments sector for his contribution towards the sector.

He further serves as the Executive Director of Lanka Realty Investments PLC, Managing Director of On'ally Holdings PLC, and functions as the Non-Executive Director of Hayleys PLC, Singer (Sri Lanka) PLC, Singer Industries (Ceylon) PLC, Regnis (Lanka) PLC and Talawakelle Tea Estates PLC. He was a former director of People's Bank.

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 Alawattegama \*

Appointed to the Board in 2020.

Mr. Alawattegama has 35 years of experience in the Plantation sector. He joined Sri Lanka State Plantations Corporation as an Assistant Superintendent and since privatisation of the Estates, has been with TTE PLC from its inception. He has held the positions of Group Manager, Visiting Agent, Deputy General Manager, Senior Regional General Manager, in the company, and was Director – Plantations prior to taking over as Director/CEO, in February 2020.

He serves as the Deputy Chairman of The Planters' Association of Ceylon and an Honorary Member of the Plantation Services Group of The Employers' Federation of Ceylon.

He holds a MBA from the London Metropolitan University, UK.



### Mr. J M Kariapperuma \*\*\*

(Appointed w.e.f. 15.08.2020)

Appointed to the Board of Talawakelle Tea Estates PLC on 15th August 2020.

He 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 last year. 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 Udupussellawa Plantations PLC managed by Finlays Tea Estates Lanka Ltd., as well as the Manufacturing Advisor of Balangoda Plantations PLC.

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

He currently serves as Manager of the Sri Lanka Cricket Team and Consultant 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.

|     |                           |
|-----|---------------------------|
| *   | Executive                 |
| **  | Non-Executive             |
| *** | Independent Non-Executive |

## CORPORATE MANAGEMENT



**Mr. N P Abeysinghe**  
*Director - Plantations*



**Mr. M T D Rodrigo**  
*Director - Strategic Performance  
Management*



**Mrs. V A Perera**  
*General Manager - Finance*



**Mr. H R L S Bandara**  
*Deputy General Manager - Finance*



**Mr. L A E A Perera**  
*Deputy General Manager - Marketing*



**Mr. D M G B Dassanayake**  
*Senior Manager - Agro Forestry &  
Projects*



**Mr. M E Suraweera**  
*Senior Manager - Information  
Technology*



**Miss. S K Dharmasekara**  
*Senior Manager - Human Resource*



**Mr. Krishna Ranagala**  
*Manager - Sustainability & Quality  
Systems Development*

## ESTATE MANAGEMENT



**Mr. P G G Jayathilake**  
*Regional General Manager -  
Kiruwanaganga Estate*



**Mr. G K Wijesekera**  
*Regional General Manager -  
Somerset Estate*



**Mr. A C M Bandaranayake**  
*Senior Deputy General Manager -  
Dessford Estate*



**Mr. E S B A Egodawela**  
*Deputy General Manager -  
Bearwell Estate*



**Mr. H P W Vithanage**  
*Group Manager - Clarendon Estate*



**Mr. D M A S Dissanayake**  
*Senior Manager - Holyrood Estate*



**Mr. A G R M S Ranaweera**  
*Senior Manager -  
Great Western Estate*



**Mr. K G M N Gamage**  
*Senior Manager - Deniyaya Estate*



**Mr. S G N N Kumara**  
*Senior Manager - Mattakelle Estate*

## ESTATE MANAGEMENT



**Mr. D W A Jayathilake**  
*Senior Manager - Wattegoda Estate*



**Mr. W D Jayasinghe**  
*Manager - Pitiyagoda Factory*



**Mr. U B Udawatte**  
*Manager - Logie Estate*



**Mr. K D Manohar**  
*Manager - Radella Estate*



**Mr. V P Pelpola**  
*Manager - Calsay Estate*



**Mr. V S Kanna**  
*Manager - Palmerston Estate*



**Mr. K M N Prasan**  
*Acting Manager - Indola Estate*



**Mr. J S Vajiranath**  
*Acting Manager - Moragalla Estate*



**Mr. Kapila Bandara**  
*Senior Manager - Sustainability & Quality Systems Development*



**Mr. S Ramar**  
*Manager - Human Resource Development*



## Our Approach to Integrated thinking and Value Creation

Our approach to integrated thinking is dynamic and evolves as we respond to the challenges of the present while preparing TTE for the future. Our Business Model secure the inputs required to transform, grow and compete effectively.

**STAKEHOLDERS:** Our stakeholders are the providers of financial and non-financial capitals that we need to create value. Our proactive engagement with stakeholders provides a platform for us to share how we execute our business strategy and activities, shape products and services, help us manage and respond to their concerns as well as expectations, minimise reputational risks and positively influence the environment that we operate.

**OUR OPERATING CONTEXT:** We operate in a constantly changing environment where a complex and inter-related range of existing and emerging threats and opportunities influence our business activities and shape our future sustainability. Our organization agility enables us to respond dynamically to our operating environment. We are alert to identifying emerging opportunities for business growth and use well-developed risk models to anticipate and manage the impact of risks.

**OUR STRATEGY:** Our strategy is underpinned by our commitment to realizing our vision and focuses on creating sustainable-shared value for our people and stakeholders. Our strategic imperatives prioritise the allocation of our resources and focus our efforts. We track the progress we make in executing our strategy through these imperatives. We are aligned to the UN SDGs.

**MATERIAL ISSUES:** Shaped by the expectations of our stakeholders and prevailing economic, social and environmental trends, our material issues integrate the interests of TTE and our stakeholders and steer our priorities to create value in the short, medium and long term.

### RISK MANAGEMENT

We align our risk appetite to changes in our operating environment, instill a risk-aware culture throughout the group and proactively enhance our risk management capabilities.

### GOVERNANCE

Our approach to good governance promotes strategic decision-making that reconciles the interests of the Company and society in our pursuit of sustainable shared value in the short, medium and long term. Our governance framework supports ethical and effective leadership, corporate citizenship and sustainable organisational and societal outcomes.

### CULTURE

Our high-performance, productivity driven culture is supported by an environment in which our people are empowered and rewarded for their contribution towards achieving our goals.

### ALLOCATING OUR RESOURCES

We adopt a formal decision-making framework to optimally allocate resources, to better deal with the volatility, uncertainty, complexity and ambiguity of the environment we operate in.

We aim to deliver inclusive and sustainable growth and create value for all our stakeholders.



#### Value for Our Customers

Producing premium quality tea



#### Value for Our Employees

Shaping a workforce that is ready to meet organisation needs now and in the future



#### Value for Our Shareholders

Striving to generate sustainable returns.



#### Value for Local Communities and Government

Improving the wellbeing and uplifting living standards

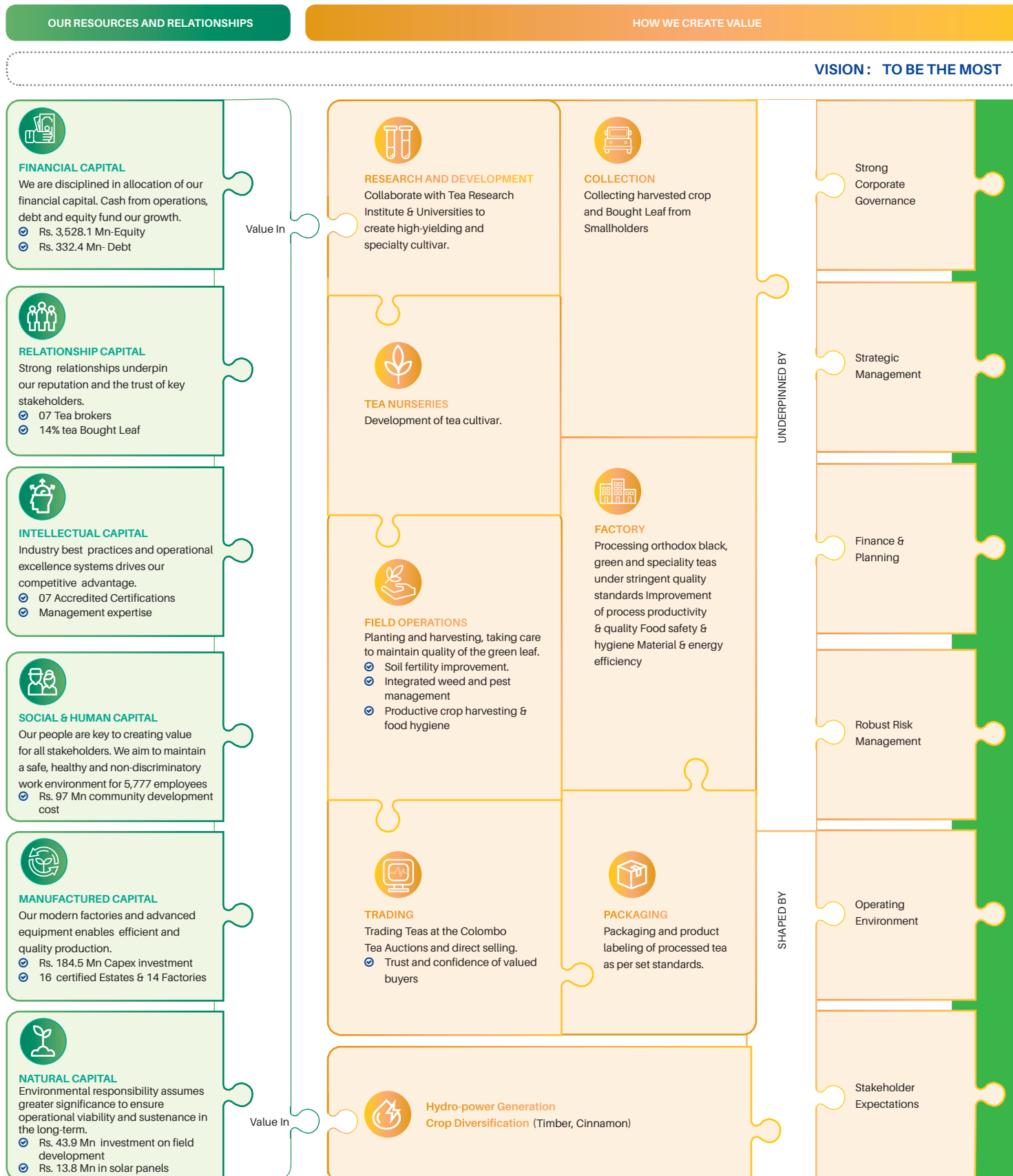


#### Value for Suppliers

Driving positive Environmental, Social and Governance (ESG) impact



## BUSINESS MODEL FOR SUSTAINABLE VALUE CREATION



OUTPUTS

OUTCOMES

STAKEHOLDERS IMPACTED

CAPITAL TRADE - OFFS

ADMIRE PLANTATION COMPANY

5,972.5 MT  
of Black tea

FINANCE CAPITAL - PAGE 68

- 262% increase in PAT
- 17.9% ROCE



266.5 MT  
of Green tea

RELATIONSHIP CAPITAL - PAGE 80

- 13.6% Increase in sales revenue
- 85% Customer Satisfaction Rate



3.9 MT  
of Specialty tea

SOCIAL & HUMAN CAPITAL - PAGE 85

- 70 new housing
- 94% retention rate



6.7Mn kWh  
of Electricity  
Generation

INTELLECTUAL CAPITAL - PAGE 75

- 13 Recognitions and awards
- RPC GSA ranking #1



Rs. 4.43 Bn  
Revenue from  
crops

NATURAL CAPITAL - PAGE 100

- 3.6% increase yield per hectare
- 2.2% increase in renewable energy generation 3.9% GHG emission reduction



MANUFACTURED CAPITAL - PAGE 72

- 23% made tea Outturn
- 3.8% increased production



Financial capital is prudently allocated to maintain appropriate balance between corporate sustainability and stakeholder benefit. Disciplined capital allocation ensures our continued growth and supports our ability to add value to all other capitals

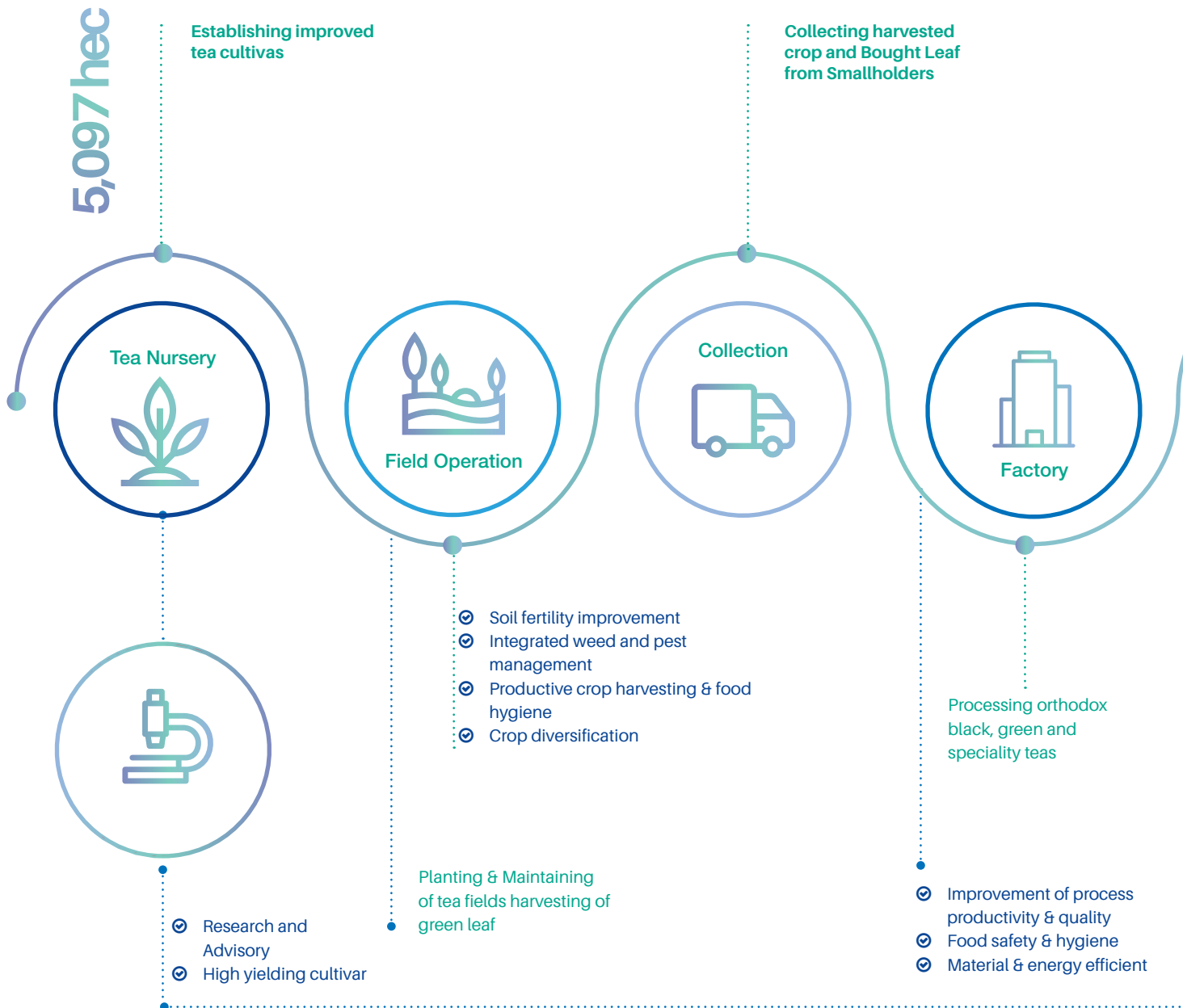
Well-being and skills development underpin productivity. While our top priorities are to keep our employees safe, healthy and to reach their full potential, TTE benefits from higher productivity.

Our communities grant our social license to operate. We invest significantly to support economic empowerment and contribute to improving the lives of those living in our local communities.

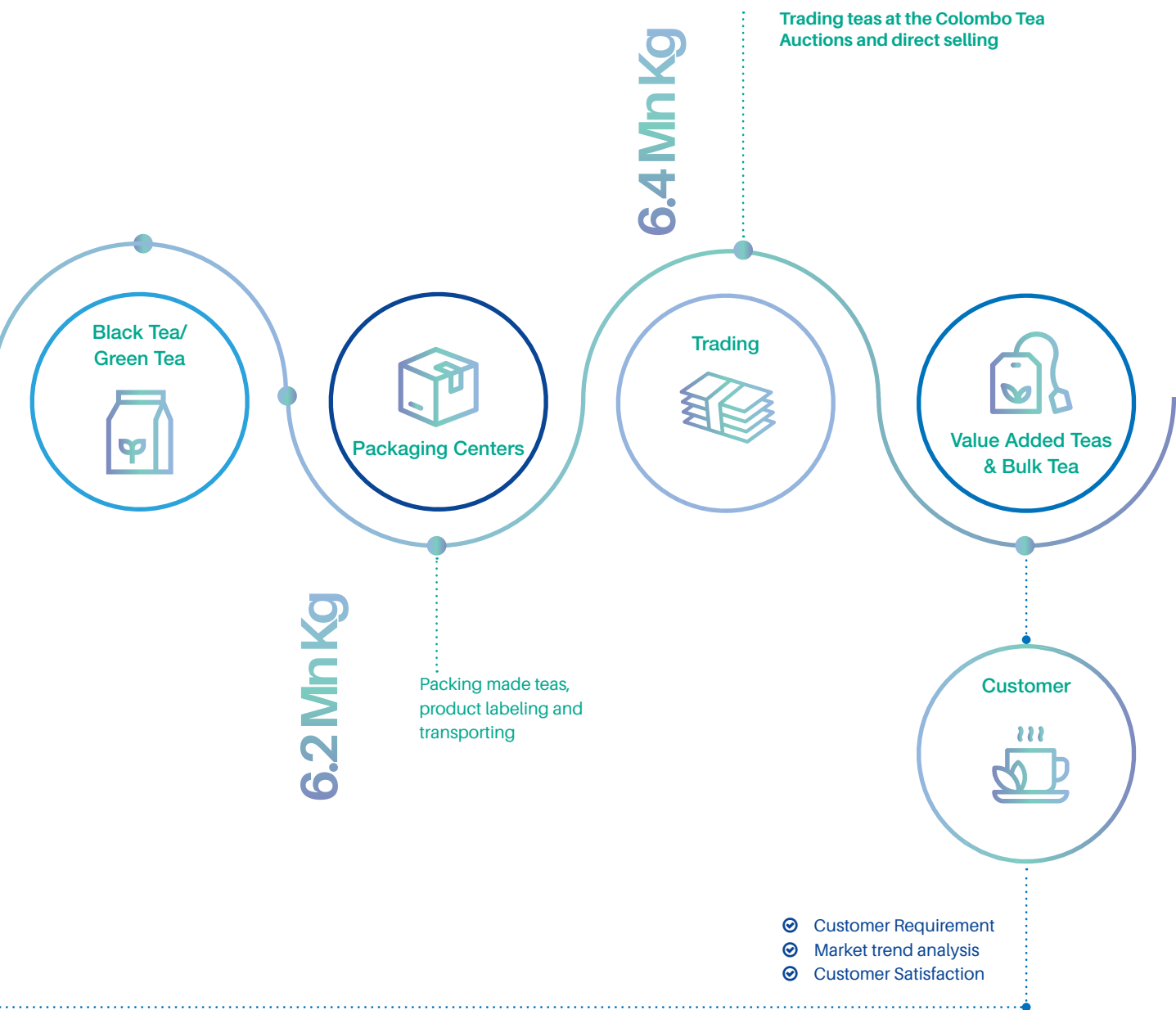
Our investment in natural capital utilizes financial capital. It is vital to protect resources for the sustainability of our business and for future generations.

Innovation, technology and strategic relationships underpin the financial viability of our business operation, and attracts investment that, in turn, ensures sustainability.







## VALUE CHAIN



As a plantation company, we follow through an extensive six-fold value chain underlined by responsible business practices. Our value chain starts at the tea nurseries where we develop our tea cultivar. Our research and development department in collaboration with the Tea Research Institute supports our tea nurseries with high-yielding and specialty cultivar. Our field operations manage our tea fields—planting and harvesting, taking due care to maintain quality of the green leaf. The harvested leaf is collected and taken into our factories where we produce orthodox black, green and specialty tea under stringent quality and standards. The processed tea is then sent to the packaging centers for packaging and product labeling as per the set standards. Our final product, both value-added and bulk tea, is transported to the Colombo Tea Auctions where we have gained the trust and confidence of our valued buyers.



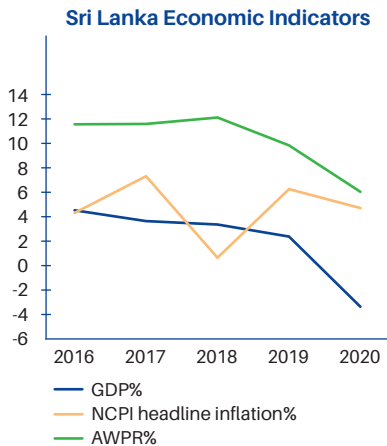
## OUR COMMITMENT TOWARDS SUSTAINABLE DEVELOPMENT GOALS

| ASPECT  | OBJECTIVE  | UNIT                                 | GOAL<br>2020/21 | ACHIEVEMENT |         |         |         |         |
|---|--|--------------------------------------|-----------------|-------------|---------|---------|---------|---------|
|   |  |                                      |                 | 2020/21     | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
| <br>Financial Capital        | 1. Revenue   | Rs.Mn                                | 4,059           | 4,433       | 3,834   | 3,958   | 4,009   | 3,262   |
|   | 2. Gross Profit  | Rs.Mn                                | 355             | 828         | 279     | 563     | 740     | 403     |
|   | 3. Return on equity (ROe)  | %                                    | 7.03            | 20.41       | 7.18    | 15.32   | 22.15   | 11.9    |
|   | 4. Debt to equity  | %                                    | 10.41           | 9.42        | 10.75   | 9.77    | 13.93   | 15.95   |
| <br>Manufactured Capital     | 1. New Machinery Acquisitions                                    | Rs.Mn                                | 37.2            | 33.7        | 16.4    | 27.34   | 24.97   | 13.2    |
|   | 2. Production  | kgs.Mn                               | 6.7             | 6.7         | 5.97    | 5.83    | 6.05    | 5.65    |
|   | 3. Made Tea Outturn  | %                                    | 21.5            | 23.4        | 22.5    | 22.13   | 22.77   | 22.33   |
| <br>Intellectual Capital     | 1. Recognitions & Awards   | Number of main awards                | 20              | 15          | 27      | 24      | 27      | 16      |
|   | 2. Certification Coverage  |                                      |                 |             |         |         |         |         |
|   | ISO 22000:2005 - FSMS  | Number of Factories                  | 15              | 15          | 15      | 12      | 12      | 12      |
|   | Rainforest Alliance  | Number of Estates                    | 16              | 14          | 14      | 14      | 14      | 14      |
|   | Great Place to Work  | Number of Estates                    | 16              | 16          | -       | -       | -       | -       |
|   | ISO 14064-1:2018 GHG   | Number of Factories                  | 16              | 16          | 16      | -       | -       | -       |
|   | ISO 14001:2015-EMS   | Number of Factories                  | 5               | 5           | 3       | 2       | -       | -       |
|   | ISO 9001:2015-QMS  | Number of Factories                  | 1               | 1           | 1       | 1       | -       | -       |
|   | ISO 50001:2011 EnMS  | Number of Factories                  | 1               | 1           | 1       | -       | -       | -       |
| <br>Social & Human Capital | 3. Reputation and Brand Value                                    | RPC GSA Ranking                      | 1               | 1           | 1       | 1       | 2       | 1       |
|   | 3. Investment on Employee Training                               | Rs. Mn                               | 1.5             | 0.64        | 8.3     | 4.2     | 2.98    | 2.2     |
|   | 4. Worker Turnover   | %                                    | 7               | 5.8         | 7.9     | 6.8     | 4.5     | 9       |
|   | 1. New Housing   | Units                                | 50              | 70          | 95      | 30      | 66      | 2       |
|   | 2. New sanitary Facilities                                       | Units                                | 25              | -           | 23      | 113     | 118     | 388     |
|   | 3. Investment on Social Infrastructure Development               | Rs.Mn                                | 70              | 56.8        | 85.3    | 54.9    | 100.6   | 38.7    |
|   | 4. Investment on Social Activities and Community Development     | %                                    | 50              | 40.2        | 21.3    | 90.9    | 26.35   | 17.4    |
| <br>Relationship Capital   | 1. Customer Complaints   | Nos                                  | 0               | 5           | 7       | 37      | 7       | 7       |
|   | 2. Customer Satisfaction Index                                   | %                                    | 100             | 85          | 84      | 81      | 73      | 73      |
|   | 3. Total Local Supplier Percentage                               | %                                    | 100             | 100         | 100     | 99      | 99      | 100     |
|   | 4. Tea Smallholder Supplies Quantity                             | kgs                                  | 999,000         | 960,277     | 754,697 | 763,012 | 689,027 | 690,960 |
|   | 5. Price Earnings Ratio  | Times                                | 8.37            | 2.47        | 4.84    | 2.86    | 2.36    | 3.25    |
| <br>Natural Capital        | 1. Yield Per Hectare   | kg/Hec/Annum                         | 1,635           | 1,422       | 1,373   | 1,335   | 1,407   | 1,305   |
|   | 2. Renewable Energy Generation                                   | kWh-Mn                               | 10              | 6.8         | 6.6     | 8.1     | 6.8     | 6.0     |
|   | 3. Energy Consumption  | TJ                                   | 175             | 196.1       | 188.7   | 187.9   | 186.6   | 171.1   |
|   | 4. Energy Intensity  | MJ/ kg of Made tea                   | 27              | 29.5        | 29.5    | 29.9    | 28.9    | 28.3    |
|   | 5. GHG emissions-carbon Footprint                                | tCO <sub>2</sub> e                   | 8,500           | 8,579       | 8,923   | 8,866   | 4,858   | 4,430   |
|   | 7. GHG emissions Intensity                                       | tCO <sub>2</sub> e/Tonne of Made Tea | 1.25            | 1.29        | 1.39    | 1.41    | -       | -       |
|   | 8. Investment on environmental Initiatives and Field Development | Rs.Mn                                | 45              | 43.9        | 46.7    | 40.8    | 43.3    | 40.4    |



## OPERATING ENVIRONMENT & STRATEGY

### Economic Landscape



Source: Central Bank of Sri Lanka (CBSL)  
Annual Report 2020

### Industry Performance

#### Tea Production

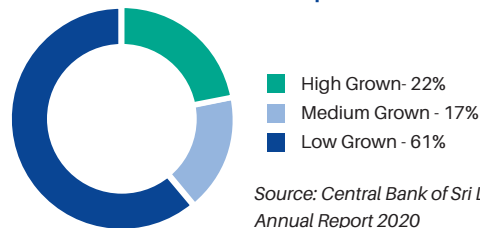
Tea production continued its declining trend observed since 2017, largely due to recurring drought.

Output fell 7.1 % in 2020, affected by adverse weather conditions during the year and disruptions to tea plucking and factory activities attributed to the COVID-19 lockdown in March 2020.

Although tea production fell by 18% during the first half of the Calendar year, production recovered in the second half, with a 4.9 % year-on-year growth.

|                                 | High Grown | Medium Grown | Low Grown |
|---------------------------------|------------|--------------|-----------|
| Production decline against 2019 | -1.3%      | -0.9%        | -10.5%    |

#### Contribution to total production



Source: Central Bank of Sri Lanka (CBSL)  
Annual Report 2020

| Measure                            | Indicator   | Impact on TTE   |
|------------------------------------|---|---|
| <b>Economic Growth - GDP%</b>      | <ul style="list-style-type: none"> <li>☑ The Sri Lankan economy contracted 3.6% in 2020, from a growth of 2.3% in 2019, recording the deepest recession since independence. Mobility restrictions and other containment measures imposed locally and globally, with a view to curbing the spread of COVID-19, hampered economic activity. All economic subsections contracted, as follows: <ul style="list-style-type: none"> <li>▶ Industrial: 6.9%</li> <li>▶ Agriculture: 2.4%</li> <li>▶ Services by 1.5%.</li> </ul> </li> </ul> | A lower GDP growth rate leads to decline in business sentiment and weak investor confidence. Lower stock returns.             |
| <b>Interest rates</b>              | <ul style="list-style-type: none"> <li>☑ Monetary policy measures since early 2020 drove decline in Rs. interest rates to historically low, single digit rate structure.</li> <li>☑ AWPLR - 2020: 5.81%, 2019 - 9.74%</li> </ul>  | Decrease in interest rates supported overall profitability.   |
| <b>Inflation</b>                   | <ul style="list-style-type: none"> <li>☑ Inflation as measured by NCPI was 5.1% you as at March 2021, remaining low and within the target range of 4-6%, reflecting the subdued aggregate demand conditions in the economy.</li> <li>☑ Food and non-food inflation moderated to 8.8 and 2.0%, respectively at end March 2021 from a year ago.</li> </ul>  | Higher food inflation and Increase in cost of living may adversely affect local demand for tea.                               |
| <b>Exchange rate</b>               | <ul style="list-style-type: none"> <li>☑ Depreciation of the Sri Lankan rupee against the USD was contained to 2.6% in 2020, supported largely by import controls and intervention by the Central Bank of Sri Lanka (CBSL)</li> <li>☑ The rate has since depreciated by 5.2% up to end March 2021.</li> </ul>   | Depreciation of the Rs. supports higher auction prices  |
| <b>External sector Performance</b> | <ul style="list-style-type: none"> <li>☑ Earnings from exports declined 15.6% from the previous year due to impacts from the pandemic locally and from lower global demand and disruptions to global supply chains.</li> <li>☑ The Trade deficit decreased to USD 5,978 Mn in 2020 largely on account of lower imports from restrictions on non-essential imports and comparably low global oil prices.</li> <li>☑ Increased worker remittances supported the current account deficit to narrow to USD 1.1 Mn at end 2020.</li> </ul> | <p>Tea is the 2nd largest national merchandise export.</p> <p>Majority of tea produced by TTE is sold to local exporters.</p> |

## OPERATING ENVIRONMENT & STRATEGY

### OUTLOOK:

The economy is expected to recover in the short to medium term supported by the Government's stimulus measures introduced, improved business sentiments fuelled by the COVID-19 vaccination drive and improving prospects of the global economy. 2021 Forecast GDP is 4.0%. (IMF, April 2021)

### Tea Prices

- During 2020, tea prices at the Colombo Tea Auction (CTA) appreciated by 15.9% to Rs. 633.85/kg the highest ever recorded, from Rs. 546.67 /kg recorded in the previous year. Tea prices were edging up from end 2019, following lower production volumes and were thrust forward consequent to the pandemic. Prices remained elevated throughout the rest of the year.

|                            | High Grown | Medium Grown | Low Grown | Overall |
|----------------------------|------------|--------------|-----------|---------|
| Average tea price increase | +15.5%     | +18.7%       | +16.0%    | +15.9%  |

Source: Central Bank of Sri Lanka (CBSL) Annual Report 2020

- Increase in prices is largely in response to the (i) decline in tea supply in the local market due to reduced production as well as(ii) increase in demand for tea from Sri Lanka following (iii) reduction in supply from global competitors due to setbacks caused by the COVID-19 pandemic and inclement weather conditions. The depreciating rupee also gave tea exports a price advantage.
- Average price received by smallholders for green leaves increased to Rs. 94.36 /kg in 2020 (2019: Rs. 80.15 / kg)

### Tea Exports

- Tea exports declined 7.8% to USD 1,240.9Mn during the year. Tea accounted for 12.4% of total exports, an increase from 11.4%, the previous year, affirming it's importance to the local economy in generating foreign exchange.
- The average export price (FOB) of tea increased by 1.6 % to USD 4.67 /kg during 2020, against US D 4.60 / kg recorded in the preceding year.
- Key markets were Turkey followed by Iraq, Russia and Iran. Middle East and the Commonwealth of Independent States (CIS) accounted for 60% of total tea exports in 2020.

### Resilience of The Tea Industry During COVID-19 Pandemic.

- Several initiatives were adopted by the Government to minimize the negative impacts of COVID-19 on the tea supply chain and ensuring the uninterrupted sale of tea. These included;
- Declaring agriculture as an essential service in April 2020. Tea plucking and factory activities resumed immediately thereafter under stringent health and safety protocols.
- Accelerated transitioning of the Colombo Tea Auction to an online platform, in April 2020. Boosted auction sales.
- Quick return to business afforded Sri Lanka tea a competitive advantage over competitors, in the global market.

### Risks & Opportunities [GRI: 102-15](#)

One of the initial steps in the formulation of the TTE strategy was to conduct SWOT and PESTEL analyses. SWOT gives an insight on TTEs internal strengths and weaknesses as well as opportunities and threats. in the external environment. The PESTEL analysis concentrates on macro-external factors that impact TTE operations and provides input to the SWOT analysis.

#### Risks

| PESTEL Factor | Measure  | Indicator  | Impact on TTE  |
|---------------|--|--|--|
| Political     | <b>Ban on certain Agri chemicals and fertilizers</b><br>Business line review<br>-Tea / Natural capital page 100.               | In April 2021, the Government of Sri Lanka, banned the import of all agro chemicals including chemicals fertilisers, except for those listed under a special import license regulation. The rationale of the decision is to promote organic agriculture.   | Reduced use of chemical weedicides, pesticides and fertiliser without a ready alternative, will lead to weed growth, pests and diseases impacting field operations and resulting in lower production, poor quality and higher cost of production.<br><br>The ban may result in the tea industry becoming unviable and unsustainable, in the long term.<br><br>Across the agricultural industry, in the long term, the ban will undermine national food security, foreign reserves from the reduction in export earnings and social security from the loss of farmer livelihoods Stakeholders are in discussion with the Government for a reconsideration of the ban. |
|               | <b>Geo-political developments in the Middle East</b>   | Middle East is one of Sri Lanka's main export markets.   | Reduced demand for tea may factor a fall in Colombo Tea Auction prices.  |
| Economical    | <b>Rising cost of production</b><br>Business line review<br>-Tea / Natural capital page 100.<br><br>Finance Capital – page 68. | Cost of production has been progressively increasing over the years, impacted mainly by high cost of fertiliser inputs and periodical wage hikes. (The fertiliser subsidy was withdrawn from the tea industry in 2006).<br><br>The scarcity of labour has resulted in constant pressure in the form of higher wage demands. In order to resolve prolonged wage issues in the tea sector, the Government appointed a Wages Board in January 2021 to review the matter. In February 2021, the Board approved a rise in the minimum daily wage to Rs 1000, applicable from 5 March 2021, for all estate workers.<br><br>Twenty Regional Plantation Companies (RPC) including TTE have applied to courts to quash the hike. They have alternatively proposed a productivity-based incentive scheme, which has been rejected by the Unions. | Reduced imports have necessitated prudent application of fertilizer within a scientific and balanced plan and as recommended by the TRI.<br><br>Application of manual weeding as an alternative is costly, time consuming and in many instances, impractical.<br><br>Adopting the wage hike will significantly escalate cost of production, adversely impacting profitability and returns, and compounding the operating losses already been made by many RPCs and small holders.<br><br>Currently, wages account for 70% of TTE's cost of production.   |

## OPERATING ENVIRONMENT & STRATEGY

| PESTEL Factor | Measure   | Indicator   | Impact on TTE  |
|---------------|---|---|--|
|               | <b>Ageing tea fields</b><br>Business line review<br>-Tea / Natural capital page 100.    | Investment in replanting is undertaken with caution. Replanting and nurturing the tree is costly and must commensurate with available labour and labour productivity levels for harvesting.<br><br>Ageing tea fields are replanted with new saplings which take long gestation to grow and be ready for harvesting. | Lower land productivity and crop production, leading to higher cost of production, squeezing profit margins.   |
|               | <b>Business Disruption due to Pandemic</b>  | Risk of spread of COVID-19 in the operating locations of TTE, affecting employee Health and Safety.   | May interrupt business operations and continuity.<br>Impacts employs confidence in the company.  |
| Social        | <b>Labour shortage</b><br>Social and Human Capital page 85.                             | Rapid urbanization and changes in lifestyles, attitudes and perceptions has lead to out-migration of labour from tea estates, particularly, the younger workforce.  | Tea plantations are highly labour intensive. Labour migration adversely impacts the industry's sustenance in the long term.  |
|               | <b>Increased demand for black tea during the pandemic</b><br>Finance Capital – page 68. | Perception that drinking warm beverages and inhaling hot vapor helps counter infection.<br><br>Further, scientific studies conducted by the TRI on the Antiviral properties of Tea have concluded black tea may help boost immunity to fight the CVOID 19 virus   | Growth opportunities for black tea.<br><br>Lower exports from global competitors due to restrictions caused by COVID-19 pandemic, increases Sri Lanka's competitive advantage.   |
|               | <b>Increased demand for specialty teas</b><br><br>Relationship Capital - page 80.       | Fruit/herbal tea and green teas are perceived as healthier and have a wider spectrum of tastes.<br><br>Further, there is growing demand for 'organic' and 'ethically traded' teas.  | New market opportunities for value-added teas  |
| Technological | <b>Technology and Digitization</b>  | Use of advanced manufacturing processes, greater mechanisation and smart agriculture technology<br><br>Digitization of key processes including performance management, HR.  | Improves yields, labour productivity and quality in produce of tea.<br><br>Digitization to drive transparency and efficacy within the organisation.  |
| Environmental | <b>Climate change</b><br>Natural Capital – page 100.                                    | Impacts from climate change resulting in extremities in weather conditions.   | Affects crop production and leaf quality, impacting pricing and revenue.<br><br>The progressive fall in national tea production since in 2017 (Refer Tea Production - page 61) is largely attributed to adverse weather. |
| Legal         | <b>Compliance</b>   | Compliance with regulations and requirements of certification bodies  | Fines and charges<br>Loss of reputation  |

## Opportunities

| Economical | Opportunity in inter-cropping  | Optimum use of asset base by growing coconut, cinnamon, timber etc  | Potential for higher earnings per hectare  |
|------------|--|---|--|
| Social     | <b>Increased demand for black tea during the pandemic</b><br><br>Finance Capital - page 68 | Perception that drinking warm beverages and inhaling hot vapor helps counter infection.<br><br>Further, scientific studies conducted by the TRI on the Antiviral properties of Tea have concluded black tea may help boost immunity to fight the COVID-19 virus | Growth opportunities for black tea.<br><br>Lower exports from global competitors due to restrictions caused by COVID-19 pandemic, increases Sri Lanka's competitive advantage. |
|            | <b>Increased demand for specialty teas</b><br><br>Relationship Capital - page 80           | Fruit/herbal tea and green teas are perceived as healthier and have a wider spectrum of tastes.<br><br>Further, there is growing demand for 'organic' and 'ethically traded' teas.  | New market opportunities for value-added teas  |

## Stakeholder Mapping

GRI: 102-40 & 42

Following GRI reporting principles, key stakeholders are identified and prioritised systematically, relying on a standard stakeholder mapping tool. Accordingly, stakeholders are mapped on a two-tier basis—level of power that stakeholders exert and their level interest on the organisation. As per the findings set out in the stakeholder map, we give top priority and closely engage with those stakeholders identified under the 'high power-high interest' category.

### External Stakeholders

- ✓ Public shareholders
- ✓ Buyers/ customers/ brokers
- ✓ Suppliers and service providers
- ✓ Financial institutions
- ✓ Neighbouring communities
- ✓ Government, industry and regulatory bodies
- ✓ Associations/societies
- ✓ Certification bodies
- ✓ Non-government organisations
- ✓ Media
- ✓ Society

### Internal Stakeholders

- ✓ Parent Company
- ✓ Employees/Trade Unions
- ✓ Resident Communities

### Stakeholder Mapping

#### High Power - Low Interest

- ✓ Suppliers/Service Providers
- ✓ Certification bodies
- ✓ Regulatory Bodies

#### High Power - High Interest

- ✓ Parent Company
- ✓ Shareholders
- ✓ Employees
- ✓ Trade Unions
- ✓ Buyers/Customers/Brokers
- ✓ Resident Communities
- ✓ Government

#### Low Power - Low Interest

- ✓ Neighbouring Communities
- ✓ Non-government organisations

#### Low Power - High Interest

- ✓ Financial Institutions
- ✓ Association
- ✓ Media
- ✓ Society



## OPERATING ENVIRONMENT & STRATEGY

[GRI: 102-43 & 44](#)

When developing strategy or taking business decisions, we consider what is meaningful and valuable to our stakeholders, to respond better to stakeholders' needs and deliver sustainable value. This requires understanding our stakeholders' priorities and expectations.

Engaging with stakeholders is a shared responsibility across the organization with both formal and informal feedback playing a key role.

| Stakeholder Group  | Relevance   | Method of Engagement   | Concerns   | Our Response  | Page reference   |
|--|---|--|--|---|--|
| <b>Parent Company, Shareholders, investors, and financial institutions</b> | <p>Shareholders and financial institutions provide capital to finance our growth.</p> <p>Priority of Engagement – High</p> <p>Engagement Strategy: Closely engage and manage</p>                                  | <ul style="list-style-type: none"> <li>Quarterly Financial Statements</li> <li>Press Releases</li> <li>Annual Report</li> <li>Annual General Meeting</li> <li>CSE Announcements</li> <li>Regular meetings with bankers, dialogue and interactions</li> </ul>   | <ul style="list-style-type: none"> <li>Profit and growth</li> <li>Sound returns</li> <li>Climate change and crop production</li> <li>Sustainability aspects</li> <li>Responsible corporate management</li> <li>Regulatory and legal compliance</li> </ul>  | <ul style="list-style-type: none"> <li>Follow through a pragmatic strategy and closely monitor performance indicators.</li> <li>Invest in sustainable agriculture and manufacturing practices.</li> <li>Disciplined financial management and good governance as per guidelines.</li> <li>Uphold social and environmental responsibility.</li> <li>Timely disclosures of corporate information</li> <li>Timely financial payments</li> </ul>                             | <p>Investor Relations page 80</p> <p>Finance Capital page 68</p> |
| <b>Employees and Trade Unions</b>  | <p>90% of our employees reside in the plantations. Our role extends to provision of a variety of welfare services.</p> <p>Priority of Engagement – High</p> <p>Engagement Strategy: Closely engage and manage</p> | <ul style="list-style-type: none"> <li>Daily Forums/ Regular dialogue with the management</li> <li>'Home for every plantation worker' programme</li> <li>Monthly Health and safety committees</li> <li>Weekly HR cluster meetings and initiatives</li> <li>Complaint registers maintained at all estates</li> <li>Monthly meetings with union representatives</li> </ul> | <ul style="list-style-type: none"> <li>Commensurate remuneration</li> <li>Responsible corporate management</li> <li>Estate infrastructure and environment</li> <li>Occupational health and safety</li> <li>Employee social and welfare care</li> <li>employee development opportunities</li> </ul> | <ul style="list-style-type: none"> <li>Uphold best labour practices and nurture a progressive workplace culture</li> <li>Regular dialogue with trade unions at company and industry level</li> <li>Industry aligned compensation and benefits.</li> <li>Comprehensive health and safety programme with staff represented committees.</li> <li>Extend training opportunities to all staff grades.</li> <li>Rewards and recognition determined on performance.</li> </ul> | <p>Social &amp; Human Capital - page 85</p>                      |

| Stakeholder Group                    | Relevance   | Method of Engagement  | Concerns  | Our Response   | Page reference                 |
|--------------------------------------|---|---|---|--|--------------------------------|
| <b>Buyers, Brokers and Customers</b> | <p>90% of our tea is sold at the Colombo Tea Auctions through Brokers. Other produce is sent direct to buyers.</p> <p>Priority of Engagement – High</p> <p>Engagement Strategy: Closely engage and manage</p> | <ul style="list-style-type: none"> <li>✔ Regular meetings</li> <li>✔ Visits to Estates</li> <li>✔ International trade fairs and road shows</li> <li>✔ Trade association meetings</li> </ul>   | <ul style="list-style-type: none"> <li>✔ Product quality and food safety</li> <li>✔ Compliance with local and international standards and regulations</li> <li>✔ Green and ethical products</li> <li>✔ Competitive Price</li> <li>✔ Climate change and crop production</li> </ul> | <ul style="list-style-type: none"> <li>✔ Good agricultural and manufacturing practices to maintain quality standards.</li> <li>✔ Adopt and maintain internationally accepted certification guidelines and standards.</li> <li>✔ Organised buyer familiarisation tours to estates and tea factories</li> <li>✔ Invest in research and development for value addition and product innovation.</li> </ul> | Relationship Capital page 80   |
| <b>Resident Communities</b>          | <p>We work with the government to facilitate the socio-economic progress of residents on our estates.</p> <p>Priority of Engagement – High</p> <p>Engagement Strategy: Closely engage and manage</p>          | <ul style="list-style-type: none"> <li>✔ Weekly Community meetings</li> <li>✔ Monthly Estate audits</li> <li>✔ Estate events and festivals</li> <li>✔ Training and awareness building programmes</li> <li>✔ Sports and recreational activities</li> <li>✔ 'Home for every plantation worker' programme</li> <li>✔ Certification programmes</li> </ul> | <ul style="list-style-type: none"> <li>✔ Housing and estate infrastructure</li> <li>✔ Water and sanitation facilities</li> <li>✔ Health and nutrition</li> <li>✔ Capacity building and education</li> <li>✔ Employment opportunities</li> </ul>                                   | <ul style="list-style-type: none"> <li>✔ Home for every Plantation Worker - comprehensive community development and wellbeing programme in place</li> </ul>  | Social & Human Capital page 85 |

## OPERATING ENVIRONMENT & STRATEGY

[GRI: 207-3](#)

| Stakeholder Group   | Relevance  | Method of Engagement   | Concerns   | Our Response  | Page reference                         |
|---|--|--|--|---|--|
| <b>Suppliers</b>  | <p>We purchase tea leaves from Small scale plantations and home gardeners which accounts for approximately 30% of leaves processed in our factories</p> <p>Priority of Engagement – Medium</p> <p>Engagement Strategy: Keep satisfied and meet their need</p>                            | <ul style="list-style-type: none"> <li>✔ Visits to ensure standards of raw material and compliance levels</li> <li>✔ Regular dialogue and interaction</li> </ul> | <ul style="list-style-type: none"> <li>✔ Price and profitability</li> <li>✔ Credit period</li> <li>✔ Sustainability of the company</li> <li>✔ Availability of raw materials</li> <li>✔ Climate change and crop production</li> </ul> | <ul style="list-style-type: none"> <li>✔ Maintain good supplier relationships with regular dialogue and fair pricing.</li> <li>✔ Advocate best practices in social and environmental responsibility.</li> <li>✔ Closely monitor supplier businesses to ensure compliance to laws and regulations</li> </ul> | Relationship Capital Report on page 80 |
| <b>Certification bodies</b>                                       | <p>Our Certifications ensure high standards of competence and quality.</p> <p>Priority – Medium Engagement</p> <p>Strategy: Keep satisfied and meet their needs</p>  | <ul style="list-style-type: none"> <li>✔ Annual Estate and factory audits</li> <li>✔ Training</li> <li>✔ Meetings</li> </ul>                                     | <ul style="list-style-type: none"> <li>✔ Sustainability aspects</li> <li>✔ Responsible corporate management</li> <li>✔ Compliance with certification standards</li> <li>✔ Reliability and reputation</li> </ul>                      | <ul style="list-style-type: none"> <li>✔ Uphold sustainable agriculture and manufacturing practices.</li> <li>✔ Comply with certification requirements and standards.</li> <li>✔ Cooperate with certification audits.</li> <li>✔ Ensure timely reporting on compliance.</li> </ul>                          | Intellectual Capital page 75           |
| <b>Government, Industry, Regulatory Bodies, Media and Society</b> | <p>The government is the Golden Shareholder in the company, the lessor of the estates we manage and the regulator of markets and the environment. The government also levies taxes on our products sold and profits.</p> <p>Priority – Low Engagement</p> <p>Strategy: Keep informed</p> | <ul style="list-style-type: none"> <li>✔ Meetings when required</li> <li>✔ Published accounts</li> <li>✔ Annual report</li> <li>✔ Press Releases</li> </ul>      | <ul style="list-style-type: none"> <li>✔ Reliability and reputation</li> <li>✔ Responsible corporate management</li> <li>✔ Meeting repayment schedule</li> <li>✔ Climate change and crop management</li> </ul>                       | <ul style="list-style-type: none"> <li>✔ Uphold sustainable operations and disciplined financial management</li> <li>✔ Timely disclosures of corporate information</li> <li>✔ Lobby for progressive plantation sector policies</li> </ul>   | Finance Capital page 68                |

GRI: 102-46 & 47

## Sustainability Context

### Economic

Spanning tea estates and processing factories across high and low grown areas along with bought leaf operations, the economic value we create is extensive and significant. We are focused in our efforts to be operationally viable, achieve sound returns and share our wealth with all our stakeholders.

- ✓ Strategy formulation
- ✓ Value creation
- ✓ Profitability and returns
- ✓ Markets
- ✓ Procurement
- ✓ Risk management
- ✓ Tax

### Environmental

As a plantation-based organisation, the value we create is inextricably linked and reliant on the environment. Our goal is to minimise our impacts on the environment with focused efforts to manage the use of non-renewable resources efficiently, conserve biodiversity and reduce our carbon footprint.

- ✓ Resource utilisation
- ✓ Waste management
- ✓ Energy management
- ✓ Emissions control
- ✓ Climate change
- ✓ Impacts on biodiversity
- ✓ Water and Effluents

### Social

With a workforce of over 5,000 and resident community of over 40,000, we are committed to develop and look into the well-being of our people. We maintain product quality and standards for our valued buyers whilst upholding ethical management and governance practices.

- ✓ Labour/Management Relations
- ✓ Compliance with labour laws
- ✓ Workforce development
- ✓ Workforce wellbeing
- ✓ Wellbeing of resident communities
- ✓ Good governance and ethics
- ✓ Quality and standards of teas produced
- ✓ Responsible marketing and promotions

## Materiality Process



**Stakeholder mapping, engagement and identifying issues**



**Assess the sustainability context based on stakeholder feedback**



**Establish the list of sustainability topics**



**Prioritise sustainability topics**



**Set out the materiality matrix**



**Define the report content**

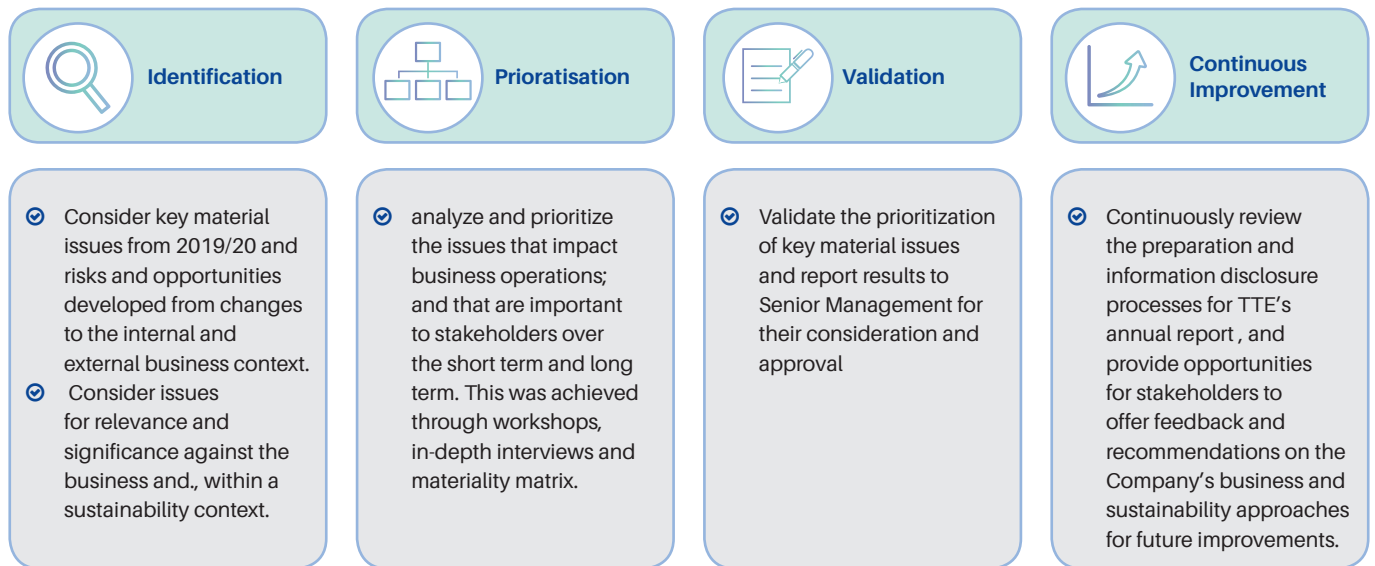


**Validate results**

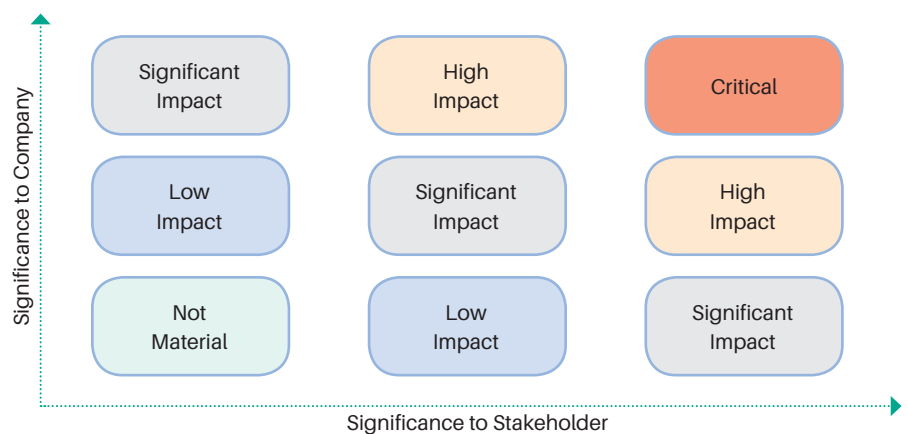
Our material issues are those that matter most to our stakeholders and impact our ability to create value. We assess our material issues annually, within a sustainability context (in relation to the economy, environment and society we operate in) in order to fully understand how to manage the risks and opportunities they present and that our strategy remains relevant in an evolving operating environment.

## OPERATING ENVIRONMENT & STRATEGY

As in the preceding year, the Global Reporting Initiative (GRI) Standards frameworks and Integrated Report framework in determining materiality guide us. The key processes and stages of the materiality assessment are discussed below.



Material aspects are considered from the perspective of the Company and the stakeholders. Material topics are identified through the stakeholder engagement process and by assessing the external environmental factors, social issues and business risks and opportunities. These are then prioritised and mapped on the matrix below and the impacts are rated as Critical, High Significant considering their significance to stakeholders and economic, social and environmental impact to the company.



| Critical  |   | High Impact   |  | Significant Impact   |
|---|---|---|--|--|
| <b>Economic</b> <ul style="list-style-type: none"> <li>Economic performance</li> <li>Tax</li> </ul> <b>Environmental</b> <ul style="list-style-type: none"> <li>Energy</li> <li>Biodiversity</li> <li>Emissions</li> <li>Waste</li> <li>Environment compliance</li> <li>Materials</li> </ul> <b>Operational</b> <ul style="list-style-type: none"> <li>Sustainable Agricultural</li> <li>Customer Satisfaction</li> <li>Product quality</li> <li>Government policy</li> <li>Operational Efficiency</li> </ul> | <b>Social</b> <ul style="list-style-type: none"> <li>Employment</li> <li>Labour/ Management Relationship</li> <li>Occupational health and safety</li> <li>Training and education</li> <li>Freedom of association and collective bargaining</li> <li>Customer health and safety</li> <li>Local communities</li> <li>Socio-economic compliance</li> </ul> | <b>Economic</b> <ul style="list-style-type: none"> <li>Indirect economic impacts</li> <li>Procurement practices</li> <li>Market presence</li> </ul> <b>Environmental</b> <ul style="list-style-type: none"> <li>Water and Effluents</li> <li>Supplier environment assessment</li> </ul> <b>Operational</b> <ul style="list-style-type: none"> <li>advanced technology in plant and machinery</li> <li>Innovation</li> </ul> | <b>Social</b> <ul style="list-style-type: none"> <li>Diversity and equal Opportunity</li> <li>Non-discrimination</li> <li>Supplier social assessment</li> <li>Public policy</li> <li>Marketing and labelling</li> <li>Child labour</li> <li>Forced labour or compulsory labour.</li> </ul> | <b>Economic</b> <ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Anti-competitive behaviour</li> </ul> <b>Social</b> <ul style="list-style-type: none"> <li>Human rights assessment</li> <li>Security practices</li> <li>Rights of indigenous people</li> <li>Customer privacy</li> </ul> |
|   |   |   |  |  |



GRI: 102-49

## Reflecting Changes in 2020/21

The heat map was reviewed to reflect the company's current business operations and the impact from industry trends discussed under Operating Environment - page 37.

| Factor   | Shifted from | Shifted to  | Reason   |
|--|--------------|-------------|--|
| Materials  | High Impact  | Critical    | The announcement by the Government in April 2021 to ban all fertilizer and pesticides chemical imports implies high risk to TTE. In the event of implementation following a gazette notification, TTE will have to seek alternatives at higher cost and negative impact to quality of produce. |
| <input checked="" type="checkbox"/> Child labour<br><input checked="" type="checkbox"/> Forced labour or compulsory labour | Critical     | High Impact | Policies and practices adopted in managing Child and Forced labour, have sufficiently mitigated risk, resulting in low net risk to the company.  |
| <input checked="" type="checkbox"/> Tax  | Critical     |             | New topic according to GRI Standards.  |

## Strategy and Resources Allocation

In striving towards achieving our vision "To Be the Most Admired Plantation Company in Sri Lanka", we have aligned our integrated thinking to adopt five key strategic imperatives, which are catalysts for delivering our strategy and achieving our short, medium and long-term targets. Strengths, Weakness, Opportunity, and Threats analysis indicate our current position and strategic imperatives are the achieving our vision of where we want to be.

### STRENGTHS

#### Brand strength

- ✔ Brand synonymous with premium quality tea
- ✔ Legacy in tea - over 25 years since inception
- ✔ Numerous awards and accolades
- ✔ Recognised for commitment to sustainability
- ✔ Member of Hayley's group - a most respected conglomerate.

#### Un-wavered commitment to quality

- ✔ Strong agricultural practices and manufacturing processes
- ✔ Experienced and skilled employees
- ✔ In-house research and development arm,

#### Motivated workforce

- ✔ >95% satisfaction rating
- ✔ 86% retention ratio

#### Access to financial resources

- ✔ Robust balance sheet, Low geared
- ✔ Unutilised banking facilities

#### Astute and strong leadership

- ✔ In-depth expertise. Industry insight. Strong business acumen.
- ✔ Strength and stability of leading Conglomerate
- ✔ Strong risk and governance

### WEAKNESS

#### Dependent on tea

- ✔ Diversification of earnings still at preliminary stages

#### High cost of production

- ✔ Aging fields
- ✔ Wages not linked to productivity
- ✔ Unutilised banking facilities

### THREATS

#### Sensitive to climate change

- ✔ Variation of Rainfall
- ✔ Temperature Increase
- ✔ Ecosystem Degradation
- ✔ Increase in Ambient CO2

#### Sensitive to government policy

- ✔ Impact to cost from banning of certain agrochemicals and fertilisers. Higher wages not linked to productivity

#### Uncertainty of industry labour

- ✔ Political influence on labour force
- ✔ Labour outmigration

#### Cybersecurity risk

- ✔ Risk of system failure and loss of data, confidentiality of information

#### Impact to demand and prices

- ✔ from Geo-political, economic and pandemic related impacts in key markets

### OPPORTUNITIES

#### Increased demand for tea during the pandemic

- ✔ Increase pure black and green tea demand
- ✔ Demand on organic and non-chemical teas

#### Increased demand for specialty teas

- ✔ Growing demand for herbal, health drinks

#### Investment in inter-cropping

- ✔ Demand on timber and firewood

#### Government policy on Renewable energy

- ✔ Renewable energy friendly energy policy

## OPERATING ENVIRONMENT &amp; STRATEGY

GRI: 102-46 &amp; 47








| GRI                  |     | Related Capital             | Material Topic                                 | Stakeholder Boundary   | Materiality Basis   | Reporting Priority |
|----------------------|-----|-----------------------------|--|--|---|--------------------|
| GRI: 200 Economic    | 201 | Financial & Social          | Economic performance                           | Parent company, shareholders, employees, resident communities, suppliers and society | Operating as a regional plantation company with extensive value creation, our economic contribution with indirect benefits permeating across society is substantial and significant.  | C                  |
|                      | 202 | Social                      | Market Presence                                |  |   | H                  |
|                      | 203 | Financial & Social          | Indirect economic impact                       |  |   | H                  |
|                      | 204 | Relationship & Manufactured | Procurement practices                          | Suppliers  | We have a wide-ranging supply chain, supporting our value creation process. Therefore, we give strategic priority to ensure that we maintain goodwill with our suppliers and follow best practices in procurement.  | H                  |
|                      | 207 | Financial                   | Tax  | Government, shareholders   | As legal requirement, compliance on tax and managing risk of tax with stakeholder concerns are high level material topic.   | C                  |
| GRI: 300 Environment | 301 | Natural                     | Materials                                      | Environment surrounding estates, factories and corporate office Society              | As a plantation based entity, we are linked and rely on natural capital. Our operational impacts on the environment and in turn, the impacts from the environment are substantial. Hence, environmental responsibility assumes greater significance to ensure operational viability and sustenance in the long-term.  | C                  |
|                      | 302 | Natural                     | Energy   |  |   | C                  |
|                      | 303 | Natural                     | Water and Effluents                            |  |   | H                  |
|                      | 304 | Natural                     | Biodiversity                                   |  |   | C                  |
|                      | 305 | Natural                     | Emissions                                      |  |   | C                  |
|                      | 306 | Natural                     | Waste  |  |   | C                  |
|                      | 307 | Natural                     | Environment compliance                         |  |   | C                  |
|                      | 308 | Relationship                | Supplier environment assessment                | Supplier environment assessment  | As a well-respected organisation, we advocate best practices to ensure that our suppliers follow best practices and that they are environmentally responsible.  | H                  |
| GRI: 400 Social      | 401 | Social                      | Employment                                     | Employees at the estates factories and corporate office                              | As a plantation company, we have a large workforce. Upholding labour laws and best practices in managing employees warrant our strategic focus. We are committed to extend a fair and progressive workplace with equal opportunity, employee development and wellbeing, whilst driving for higher productivity and securing business viability in the longterm. | C                  |
|                      | 402 | Social                      | Labour management relations                    |  |   | C                  |
|                      | 403 | Social                      | Occupational health & safety                   |  |   | C                  |
|                      | 404 | Human & Intellectual        | Training & education                           |  |   | C                  |
|                      | 405 | Social                      | Diversity & equal opportunity                  |  |   | H                  |
|                      | 406 | Social                      | Non-discrimination                             |  |   | H                  |
|                      | 407 | Social                      | Freedom of association & collective bargaining |  |   | C                  |
|                      | 408 | Social                      | Child labour                                   |  |   | H                  |
|                      | 409 | Social                      | Forced or compulsory labour                    |  |   | H                  |












GRI: 103-1

| GRI             |     | Related Capital             | Material Topic                             | Stakeholder Boundary                                  | Materiality Basis   | Reporting Priority |
|-----------------|-----|-----------------------------|--|---|---|--------------------|
| GRI: 400 Social | 413 | Social & Manufactured       | Local communities                          | Resident communities living within the estates        | Over 40,000 people reside in our high grown estates. Most of our labour requirements are sourced from the resident communities. Our boughtleaf suppliers are from the neighbouring communities. Engaging communities and ensuring their wellbeing underline our operational viability and sustainability. | C                  |
|                 | 414 | Relationship                | Supplier social assessment                 | Suppliers   | As a well-respected organisation, we advocate best practices to ensure that our suppliers follow best practices and that they are socially responsible.   | H                  |
|                 | 415 | Social                      | Public policy                              | Government, non-government agencies media and society | As a front-runner regional plantation company, we take up a significant policy advocacy role to bring in best practices, formulate progressive policies for the betterment of the industry.   | H                  |
|                 | 416 | Relationship & Intellectual | Customer health and safety                 | Buyers, brokers and customers                         | Maintaining quality and standards in producing tea is critical to ensure customer health and safety, thereby, sustain buyer confidence and attract premium pricing.   | C                  |
|                 | 417 | Relationship & Intellectual | Marketing and labelling                    | Buyers, brokers and customers                         | As a trusted tea plantation company, we maintain product responsibility in our product marketing and communications.  | H                  |
|                 | 419 | Social                      | Socio-economic compliance                  | Society   | We are a well-respected regional plantation company and social responsibility and good governance are essential for operational viability and sustainability.   | C                  |
|                 | N/A | Relationship                | Customer satisfaction                      | Buyers, brokers and customers                         | As reporting best practices we take these topic as significant material topic according to operations and business nature   | C                  |
|                 | N/A | Economic Review             | Government policy                          | Government  |   | C                  |
|                 | N/A | Intellectual                | Innovation                                 | Parent company, shareholders, employees               |   | H                  |
|                 | N/A | Manufactured                | Advanced technology in plant and machinery |   |   | H                  |
|                 | N/A | Operational Review          | Operational efficiency                     |   |   | C                  |
|                 | N/A | Natural                     | Sustainable Agricultural Practices         |   |   | C                  |
|                 | N/A | Relationship                | Product Quality                            |   |   | C                  |

## OPERATING ENVIRONMENT & STRATEGY





























### Strategic Imperatives

| 1. Strategic Imperative: Quality Teas  |   |   |   |
|--|---|---|---|
| Short-term Strategy: Produce quality teas in line with sustainable, ethical and best food safety business practices and in conformance with international certification bodies.  | Medium to Long-term Strategy: Invest in sustainable field practices and in automated solutions to improve factory processes.  |     |    |
| Strategic Actions and Resources allocation 2020/21 <ul style="list-style-type: none"> <li>Continued to invest in mechanising field operations and introducing greater automation to factory processes.</li> <li>ISO 22000:2005/18 Food Safety Management Audits were completed in 14 factories.</li> <li>ISO 14001:2015 Environmental Management System : 5 estates obtained new certification</li> <li>ISO 50001:2015 Energy Management System : 1 estates obtained certification Conduct of compliance audits on product quality and standards in line with the Rainforest Alliance Sustainable Agriculture Network and Ethical Tea Partnership certification guidelines.</li> </ul> Refer: Manufactured Capital, Page 72, Intellectual Capital, Page 75   |   |   |   |
| Key KPI <ul style="list-style-type: none"> <li>investment in PPE- Rs. 77.1 Mn. ( 2019/20 – Rs. 67.9 Mn)</li> <li>increase in GSA + Rs. 58.65/kg</li> <li>High reputation of Selling marks</li> <li>New buyers + 17</li> <li>Outturn 23%</li> </ul>   |   |   |   |
| 2. Strategic Imperative: Labour Productivity   |   |   |   |
| Short-term Strategy: Mechanise harvesting, intensify management control at the estate level, closely monitor productivity and incentivise on performance.  | Medium to Long-term Strategy: Closely engage the workforce, trade unions and other relevant stakeholders to educate and support the transition to a Non Wage Model where productivity is linked to remuneration and benefits. |    |  |
| Strategic Actions and Resources allocation 2020/21 <ul style="list-style-type: none"> <li>Adoption of the mobile application linked to digital HRIS and performance management system, to weigh green leaf, record attendance etc and incentivise performance and productivity through greater accuracy and transparency.</li> <li>Increased shear and machine harvesting to cover field operations across estates.</li> <li>Use of ergonomic plucking baskets by all employees to improve plucker productivity across estates.</li> <li>Invested 8,835 man-hours in training</li> <li>Closely monitored the key-value driver programme across all estates on improving the work-life and increasing labour productivity.</li> <li>Evaluated performance of all employees across and paid emoluments base on their performance.</li> <li>Refer: Social &amp; Human Capital, Page 85</li> </ul> |   |   |   |
| Key KPI <ul style="list-style-type: none"> <li>Training hours 4.5 employee</li> <li>Plucking average 20kg day</li> </ul>   |   |   |   |

| 3. Strategic Imperative: Land Productivity   |  |  |   |
|--|--|--|---|
| Short-term Strategy: Continue with timely soil management practices including weeding and fertiliser applications to prevent soil degradation  | Medium to Long-term Strategy: Continue with replanting and rationalise the land use by planting fuelwood in uneconomical land  |       |    |
| <p>Strategic Actions and Resources allocation 2020/21</p> <ul style="list-style-type: none"> <li>✔ Strengthen agronomy practices. Continued to take precautionary measures in terms of soil management and conservation at estates. Continued adoption of 4R Nutrient Stewardship Framework for application of fertiliser.</li> <li>✔ Replanted 14.13 hectares of tea</li> <li>✔ Planted other crops including cinnamon and Agarwood planting.</li> <li>✔ Invest in R &amp; D to enhance quality of cultivars. Collaborate with experts i.e., TRI</li> <li>✔ Refer: Our Estates / Natural Capital, Page 100</li> </ul> |  |  |   |
| <p>Key KPI</p> <ul style="list-style-type: none"> <li>✔ Increase in production + 3%</li> <li>✔ increase in yield per Hectare Kg + 52 Kg</li> </ul>   |  |  |   |
| 4. Strategic Imperative: Value Addition.   |  |  |   |
| Short-term Strategy: Focus on value added teas and secure synergies with sister organisation, Mabroc Teas (Pvt) Ltd to market new products   | Medium to Long-term Strategy: Further invest in research and development to increase the value-added product range and draw up long-term marketing plans with Mabroc Teas (Pvt) Ltd. |    |   |
| <p>Strategic Actions and Resources allocation 2020/21</p> <ul style="list-style-type: none"> <li>✔ Further invested in research and development (R&amp;D) to produce better quality cultivar and to add value to product range.</li> <li>✔ Produced a selection of specialty teas in four of our estates.</li> <li>✔ Chemical free fields for growing premium tea in 3 estates</li> <li>✔ Positive feedback and confirmed orders for specialty teas received from key markets including China</li> </ul> <p>Refer: Intellectual Capital, Page 75 , Relationship Capital , Page 80</p>                                  |  |  |   |
| <p>Key KPI:</p> <ul style="list-style-type: none"> <li>✔ Investment in R&amp;D - 36.7% Mn</li> <li>✔ Revenue from speciality teas - Rs. 14.5 Mn</li> </ul>   |  |  |   |
| 5. Strategic Imperative: New Revenue Streams.  |  |  |   |
| Short-term Strategy: Study feasibilities and secure new market opportunities for crop diversification and to provide plantation management consultancy services  | Medium to Long-term Strategy: Invest in non-core crop operations including cinnamon, coconut and agar wood. Bring timber and fuelwood planted into commercial use.                   |    |  |
| <p>Strategic Actions and Resources allocation 2020/21</p> <ul style="list-style-type: none"> <li>✔ Planted an area of 15.42 hectares of cinnamon, 5 hectares of agar wood as part of the crop diversification programme.</li> <li>✔ Expensed Rs. 23.4 Mn are on fuel wood and timber</li> <li>✔ Harvesting trees as per approved forestry plan Rs. 2.1 Mn</li> <li>✔ Business line Review: Diversification Page 64</li> </ul>  |  |  |   |
| <p>Key KPI</p> <ul style="list-style-type: none"> <li>✔ Revenue from new streams - Rs. 1.7 Mn</li> </ul>   |  |  |   |



## OPERATING ENVIRONMENT & STRATEGY

| 6. Strategic Imperative: Cost Controls and Management  |  |   |  |
|--|--|---|--|
| Short-term Strategy: Control production costs through productivity based incentives, adoption of energy efficient technologies and maintain a lean overhead cost structure.  |  | Medium to Long-term Strategy: Ongoing   | <div><div></div><div></div><div></div></div> <div></div>         |
| Strategic Actions and Resources allocation 2020/21   |  |   |  |
| <div><div></div>Continued wage negotiations to come to a consensus on a realistic minimum wage.</div> <div><div></div>Continued to advocate and educate workforce of the necessity to transition into a productivity-based wage model.</div> <div><div></div>Invested in 3rd roof-top solar energy projects to reduce energy costs and the dependence on non-renewable fossil fuels.</div> <div><div></div>Installed variable speed drives in electrical equipment in 7 factories as an electricity saving measure.</div> <div><div></div>Cost management of overheads and monitor field and factory productivity drivers</div>               |  |   |  |
| I Refer: Financial Capital, Page 68 Natural Capital, Page 100  |  |   |  |
| Key KPI  |  |   |  |
| <div><div></div>Increase in renewable energy sources 1.6%</div>   |  |   |  |
| 7. Strategic Imperative: Climate Change and Environmental Management   |  |   |  |
| Short-term Strategy: Maintain environmental-friendly business practices, focus on reducing greenhouse gas emissions and protect biodiversity and water sources.  |  | Medium to Long-term Strategy: Take forward the tree planting programme, switch to renewable energy sources and work towards carbon neutrality               | <div><div></div><div></div><div></div></div> <div></div>     |
| Strategic Actions and Resources allocation 2020/21   |  |   |  |
| <div><div></div>First plantation company to adopt Science Based Target Initiative. Established a 50% GHG emissions reduction target</div> <div><div></div>Initiated roof-top solar at 3rd factory in line with the national renewable energy policy.</div> <div><div></div>Installed variable speed drives in electrical equipment in 7 factories as an electricity saving measure.</div> <div><div></div>Initiated forestry management programme and planted 6,430 native fruits and other plant species to enhance biodiversity across estates.</div> <div><div></div>Recycled 12,781 kilograms of non-biodegradable waste.</div> |  |   |  |
| Refer: Natural Capital, Page 100   |  |   |  |
| Key KPI –  |  |   |  |
| <div><div></div>Increase in Energy intensity 0.2%</div> <div><div></div>Generated hydro power 6.5 Mn kWh which is 136% more electricity than TTE annual consumption</div> <div><div></div>Increase in Renewable energy sources1.6%</div> <div><div></div>Decrease in Agro Chemical intensity 24.3%</div> <div><div></div>Contributed 275,872 kWh renewable energy to the national grid through Net plus scheme in 2020/2021.</div>  |  |   |  |
| 8. Strategic Imperative: Workforce Development   |  |   |  |
| Short-term Strategy: Create a performance-oriented workplace, invest in learning and development and employee wellbeing.   |  | Medium to Long-term Strategy: Build an empowered workforce enhancing their quality of life and change the mindset to be a stakeholder rather than a worker. | <div><div></div><div></div><div></div></div> <div></div> |

## Strategic Actions and Resources allocation 2020/21

- ✔ Took proactive action to mitigate the risk of a spread of COVID-19, in compliance with the guidelines and regulations stipulated by the health authorities.
- ✔ Enhanced efficacy of HR function through launch of new fully integrated, digital HRIS system documenting all functional areas from employee On-Boarding to Performance Management
- ✔ Extended 25,813 hours of training to staff in all grades across estates.
- ✔ Extended 11,993 hours of training to the manual grade staff to boost productivity.
- ✔ Extended 830.5 hours of training on occupational health and safety aspects across estates.
- ✔ Organised best plucker competition across estates and recognised and rewarded the winners.
- ✔ Organised staff awards ceremony at the estate levels to recognise and reward high achievers.
- ✔ Allocated land for block plucking under the Non Wage Model.

Refer: Social &amp; Human Capital page 85, Business Review, Page 60

## Key KPI

- ✔ Expenditure on COVID-19 related activities – Rs. 1 Mn.
- ✔ Training hours 8,835/employee
- ✔ Plucking average 20 kg/day

**9. Strategic Imperative: Community Development**

Short-term Strategy: Consolidate 'Home for Every Plantation Worker' programme to ensure the wellbeing of resident communities.

Medium to Long-term Strategy: Maintain a dialogue and build long-term and reciprocal ties with resident and neighbouring communities.



## Strategic Actions and Resources allocation 2020/21

- ✔ Carried out community development initiatives including providing infrastructure facilities, capacity building and welfare under the 'Home for Every Plantation Worker' programme.
- ✔ Community initiatives in preventive healthcare, antenatal and post-natal care, nutrition, early childhood development and vocational training for youth reached out to 12,574 beneficiaries.
- ✔ Invested Rs 286,480 to upgrade field rest-room facilities in estates.
- ✔ Refer: Social & Human Capital, Page 85

## Key KPI

- ✔ Social Development spend – Rs. 97 Mn
- ✔ 70 new Houses built
- ✔ zero hindrances to business activities
- ✔ No complaints filed

**10. Strategic Imperative: Governance and Risk Management**

Short-term Strategy: Ensure effective risk management, internal controls and uphold current best practices in governance.

Medium to Long-term Strategy: Ongoing



## Strategic Actions and Resources allocation 2020/21

- ✔ Intensified internal controls and risk management across estate operations and at the corporate office. Particularly following increased dependency on ICT with the onset of the pandemic ie video conferencing, work from home practices
- ✔ Necessary measures were adopted to comply with the latest Corporate Governance Code 2017 issued by the Institute of Chartered Accountants of Sri Lanka.
- ✔ Trained officers on compliance with relevant codes and regulations.









Refer: Corporate Governance, Page 123











## Key KPI :

- ✔ No whistle blower complaints made.













## OPERATING ENVIRONMENT &amp; STRATEGY

## Our Commitment to SDG's







| SDG   | Link to SDG                     |   | Our Commitment   | Link to Our Strategy and Priority Level   | Key Highlights  |
|---|---------------------------------|---|--|---|---|
|   | Target                          | Indicator   |  |   |   |
|  <p>End poverty in all its forms everywhere</p>  | 1.1<br>1.3<br>1.4<br>1.5        | 1.1.1<br>1.3.1<br>1.4.1<br>1.5.1<br>1.5.2                   | Improving the living environment, Community capacity building and Empowerment of Youth under "Home for Every Plantation Worker" programme ensure continual improvement of living condition, earning potential of plantations workers, their families and depending community.  |  <p>Material ●</p>   | <ul style="list-style-type: none"> <li>97 Mn Community development investment</li> </ul> <p>Refer page: 85</p>  |
|  <p>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>           | 2.1<br>2.2<br>2.4               | 2.1.1<br>2.1.2<br>2.2.1<br>2.2.2<br>2.4.1                   | Health and nutrition under "Home for Every Plantation Worker" programme focuses to food security, nutrition requirement of workforce and relevant community with special care for children, pregnant and lactating women and older persons. Our sustainable agriculture management system focus to increase productivity and strengthen capacity of adaptation to climate change |  <p>Material ●</p>   | <ul style="list-style-type: none"> <li>6.4 Mn Investment on food security and Nutrition</li> <li>1 Mn contribution under COVID-19 pandemic to plantations community</li> <li>3.6% increase yield per hectare</li> </ul> <p>Refer page: 85</p> |
|  <p>Ensure healthy lives and promote well-being for all at all ages</p>                                      | 3.1<br>3.2<br>3.5<br>3.9        | 3.1.1<br>3.1.2<br>3.2.1<br>3.2.2<br>3.5.2<br>3.9.1<br>3.9.2 | Health and nutrition under "Home for Every Plantation Worker" programme and health and safety programme under rainforest alliance certification, focuses to ensure better health and safety indicator of our workforce and plantation community.   |  <p>Material ●</p> | <ul style="list-style-type: none"> <li>Zero Maternal Mortality Rate and Still birth rate</li> <li>1.3 Female Anemic rate</li> <li>15 No health and safety programme and training for community</li> </ul> <p>Refer page: 85</p>               |
|  <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> | 4.1<br>4.2<br>4.3<br>4.4<br>4.6 | 4.1.1<br>4.2.2<br>4.3.1<br>4.4.1<br>4.6.1                   | Community capacity building and Empowerment of Youth under "Home for Every Plantation Worker" programme ensure access to free and quality education, vocational and tertiary education and including university of plantation community.   |  <p>Material ●</p> | <ul style="list-style-type: none"> <li>113 scholarship for university selected and grade 5 scholarship exam passed student</li> <li>1,666 of Vocational training</li> </ul> <p>Refer page: 85</p>   |

| SDG  | Link to SDG                            |   | Our Commitment  | Link to Our Strategy and Priority Level  | Key Highlights  |
|--|--|---|---|--|---|
|  | Target                                 | Indicator   |   |  |   |
|  <p>Achieve gender equality and empower all women and girls</p>                         | 5.1<br>5.2<br>5.3<br>5.5               | 5.1.1<br>5.2.1<br>5.2.2<br>5.3.1<br>5.5.2                                     | Company social policies endorse and align with the United Nation "Women's Empowerment Principles", ensure the any kind of discrimination or human right violation within the organization. Regular training and awareness programme address domestic violence, sexual and other types of exploitation within plantation sector community  |  <p>Material ●</p>  | <ul style="list-style-type: none"> <li>✓ Training and awareness on human rights and gender equality</li> <li>✓ 3366:2411 women men ratio of work force</li> </ul> <p>Refer page: 85</p>   |
|  <p>Ensure availability and sustainable management of water and sanitation for all</p> | 6.1<br>6.2<br>6.3<br>6.4<br>6.5<br>6.6 | 6.1.1<br>6.2.2<br>6.3.1<br>6.3.2<br>6.4.1<br>6.4.2<br>6.5.1<br>6.5.2<br>6.6.1 | Our integrated water management system ensure proactive water stewardship within all our location. Water stewardship initiatives focus to conserve natural water bodies, water efficiency, clean water and sanitation for community.  |    <p>Material ●</p>    | <ul style="list-style-type: none"> <li>✓ 147 water sources protection</li> <li>✓ 94 percent compliance of waste water discharge</li> <li>✓ Rain water harvesting within fields and factories</li> <li>✓ 96 Waste water treatment units within fields and factories</li> </ul> <p>Refer page: 100</p>  |
|  <p>Ensure access to affordable, reliable, sustainable and modern energy for all.</p> | 7.1<br>7.2<br>7.3                      | 7.1.1<br>7.2.1<br>7.3.1   | Our energy management policy and relevant procedures addresses to enhance clean and renewable energy portion of the energy mix. To increase energy efficiency and energy intensity on production, we are continually working according ISO 50001:2018 energy management standard. Living environment under 'Home for Every Plantation Worker' programme focus to ensure access of affordable, reliable, sustainable and modern energy for our plantations community |    <p>Material ●</p> | <ul style="list-style-type: none"> <li>✓ 24.3 TJ Renewable energy generation</li> <li>✓ Our entire high grown production is achieving energy intensity above industry benchmarks.</li> <li>✓ 1.6% increase of renewable energy portion percentage of energy mix</li> </ul> <p>Refer page: 100, 72</p> |

## OPERATING ENVIRONMENT &amp; STRATEGY

| SDG  | Link to SDG                                   |   | Our Commitment   | Link to Our Strategy and Priority Level   | Key Highlights  |
|--|---|---|--|---|---|
|  | Target  | Indicator   |  |   |   |
|  <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</p> | 8.2<br>8.3<br>8.4<br>8.5<br>8.6<br>8.7<br>8.8 | 8.2.1<br>8.3.1<br>8.4.1<br>8.5.1<br>8.6.1<br>8.7.1<br>8.8.1 | To ensure sustainable economic growth with resources efficiency, decent jobs and productivity base labor management practices are key concerns of our economic sustainability pillar. Estates safety committees are working to ensure work place health and safety. Labor relationship approach of the company ensure compliance and best practice on labor practices. |   <p>Material ●</p>   | <ul style="list-style-type: none"> <li>24.3% decreased of agro chemical while achieving 3.6% increment of yield per hectare.</li> <li>84.3% of renewable material consumption on total material usage</li> <li>103 Youth empowerment programmes conducted</li> </ul> <p>Refer page: 100, 85, 68</p> |
|  <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>            | 9.1<br>9.2<br>9.4                             | 9.1.1<br>9.2.1<br>9.2.2<br>9.4.1                            | Investment and infrastructure development with new technology and management concepts are significant strategic priority of our overall business approach. This is include estate community infrastructure development Ex. Roads, housing, and other facilities. New technological implications on industry innovation also supporting to this.                        |    <p>Material ●</p> | <ul style="list-style-type: none"> <li>70 new houses constructed with involvement of PHDT</li> <li>2.5 Mn investment for road development</li> <li>33.3 Mn investment for new machinery and factory renovation with new technical applications</li> </ul> <p>Refer page: 100, 72</p>                |
|  <p>Reduce inequality within and among countries</p>  | 10.2<br>10.3                                  | 10.2.1<br>10.3.1  | Our "Human Right Policy" and social policy provide clear direction to avoid any kind of discrimination in employment, new recruitment.   |   <p>Material ●</p>   | <ul style="list-style-type: none"> <li>Well-structured non-discrimination management systems</li> <li>Dedicated team to ensure compliance enhancement on human right and relevant policies</li> </ul> <p>Refer page: 80, 85</p>   |
|  <p>Make cities and human settlements inclusive, safe, resilient and sustainable</p>  | 11.1<br>11.5                                  | 11.1.1<br>11.5.1  | Improve and maintain minimum Living condition of our plantation community is covered by Home for Every Plantation worker programme. Estate level disaster management plan and risk mitigation implication focus to reduce impact on community from any kind of disasters.  |  <p>Material ●</p>   | <ul style="list-style-type: none"> <li>Formed estate level disaster management teams and continuously capacity development of those team</li> <li>Periodical risk assessment and risk mitigation action taken</li> </ul> <p>Refer page: 85</p>  |



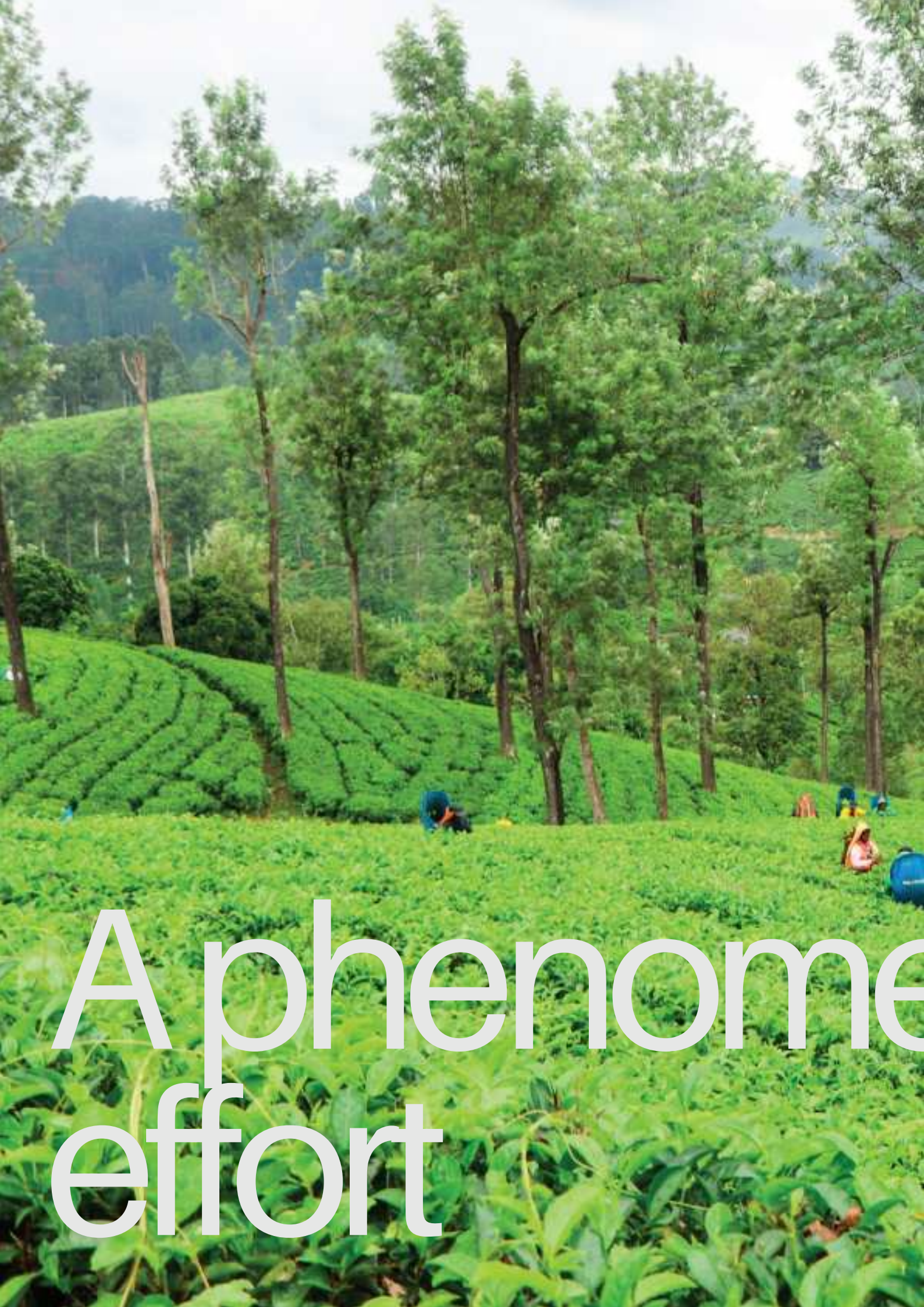
| SDG   | Link to SDG  |  | Our Commitment   | Link to Our Strategy and Priority Level  | Key Highlights  |
|---|--|--|--|--|---|
|   | Target   | Indicator  |  |  |   |
|  <p>Ensure sustainable consumption and production patterns</p>   | 12.1<br>12.2<br>12.3<br>12.4<br>12.5<br>12.6<br>12.8 | 12.1.1<br>12.2.1<br>12.3.1<br>12.4.1<br>12.5.1<br>12.6.1<br>12.8.1           | Our management approach for resources and sustainable value creation through capital focusing to ensure sustainable consumption and production patterns. Efficient Material footprint, maximum possible use of recycle and reuse material are key focus while maintain the transparency through public report on sustainability. |  <p>Material ●</p>   | <ul style="list-style-type: none"> <li>Reduction of production foot print</li> <li>Use of IoT for increase production efficiency reduce wastage</li> <li>29,806 kg waste recycling</li> </ul> <p>Refer page: 100, 68, 75, 72</p>  |
|  <p>Take urgent action to combat climate change and its impacts</p>   | 13.2<br>13.3   | 13.2.1<br>13.3.1<br>13.3.2   | TTE climate emergency action plan focus to reduce GHG emission through approach of UN climate neutral now initiatives (Measure, Reduce, and contribution). Our emission reduction targets established according Science Base Target initiatives. All of these strategies fully integrated.                                       |  <p>Material ●</p>   | <ul style="list-style-type: none"> <li>344 tCO<sub>2</sub>e Absolute GHG reduction over 2019/20</li> <li>Obtain "Gold" status for all stages of Measure, reduce and contribution phases according UN climate neutral now initiatives</li> <li>Became Climate neutral organization</li> </ul> <p>Refer page: 100</p> |
|  <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p> | 15.1<br>15.2<br>15.3<br>15.4<br>15.5<br>15.9         | 15.1.1<br>15.1.2<br>15.2.1<br>15.3.1<br>15.4.1<br>15.4.2<br>15.5.1<br>15.9.1 | Our ecosystems and biodiversity conservation implication approach addresses to ensure zero ecosystem and biodiversity degradation with assurance of Rainforest Alliance and ISO 14001:2015 certification. Our forestry management approach ecosystem restoration to enhance biodiversity.  |  <p>Material ●</p> | <ul style="list-style-type: none"> <li>6,430 Native plant planted</li> <li>4 Hectare restored</li> <li>Established financial partnership and collaboration for reforestation activities</li> </ul> <p>Refer page: 100</p>   |



Not reported due to outside the Scope of Operation

High - ●  
Medium - ●  
Low - ●





A phenomenon  
effort





# Annual

**"We worked hard and pulled through together. Our resilience and teamwork really did help us make it through a difficult year with flying colours"**

## **Management Discussion & Analysis**

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# Operations Review

## 1.0 Tea

### 1.1 Profile of estates



|                      |                              |              |                       |              |
|----------------------|------------------------------|--------------|-----------------------|--------------|
| Region               | High Grown                   |              | Low grown             |              |
| Location             | Talawakelle and Nanu Oya     |              | Deniyaya and Galle    |              |
| Estates              | 12                           |              | 4                     |              |
| Tea extent           | 3141.62Ha                    |              | 637.14 Ha             |              |
| Factory capacity     | 6.02 Mn Kg                   |              | 2.16 Mn Kg            |              |
| Factory type         | Orthodox Black and Green Tea |              | Orthodox Black Tea    |              |
| Tea production       | 4.56 Mn Kg                   |              | 1.69 Mn Kg            |              |
| No. of workers       | 4,408                        |              | 916                   |              |
| Resident communities | 36,715 people                |              | 5,250 People          |              |
| Certifications       | ISO 22000:2005 - FSMS        | 11 Factories | ISO 22000:2005 - FSMS | 03 Factories |
|                      | Rainforest alliance          | 12 Estates   | Rainforest alliance   | 02 Estates   |
|                      | ISO 14064-1:2018             | 12 Estates   | ISO 14064-1:2018      | 04 Estates   |
|                      | ISO 14001:2015-EMS           | 05 Factories | ISO 14001:2015-EMS    | -            |
|                      | ISO 9001:2015-QMS            | 01 Factory   | ISO 9001:2015-QMS     | -            |
|                      | ISO 50001:2018 EnMS          | 01 Factory   | ISO 50001:2018 EnMS   | -            |
| Revenue              | Rs. 3,085.2 Mn               |              | Rs. 1,245.6 Mn        |              |
| Gross profit         | Rs. 578.2 Mn                 |              | Rs. 192.5 Mn          |              |
| Operating profit     | Rs. 448.1 Mn                 |              | Rs. 192.4 Mn          |              |
| Yield / hectare      | 1448 Kg/hectare              |              | 1295 Kg/hectare       |              |
| Plucking average     | 20.1 Kg / day                |              | 24.6 Kg / day         |              |
| NSA                  | Rs. 649.88                   |              | Rs. 636.54            |              |
| Replanting           | 3.23 hectares                |              | 10.90 hectares        |              |

| Agricultural and field development strategic imperatives and strategy |   |  |
|---|---|--|
| Strategic Imperative  | Strategic Actions   | Key Highlights   |
| Nursery management  | Produce tea plants with latest TRI cultivars that will increase yields, adaptable to climate change and resistant to pest and disease.<br>Produce cultivar for fuel wood, timber, and native plants to enhance biodiversity and renewable energy and carbon management. | Increased crop production by 3% to 5,374,224kg, notwithstanding adverse impact of incremental weather<br>Expanded the Non Wage Model to cover 30% of estates, from 25% in 2019/20. A win-win programme- driving productivity as well as employee earnings. |
| Harvesting  | Ensure timeliness of operations with 'best-fit' plucking intervals and standards to improve the efficiency in harvesting and to enhance the quality of Tea<br>Closely engage with the workforce to boost their work morale.   | Deployed the Future Navigator Total Management System, to monitor performance. Driving a hands-on approach to in monitoring and managing estates<br>Replanted 14.13 hectares of tea under the replanting programme.  |
| Soil management   | Ensure the soil management process meets the prescribed norms under the Tea Research Institute, Rainforest Alliance, and International Plant Nutrition Institute.<br>Refer Natural Capital – page 100 for details   |  |
| Research and development  | Collaborate with agriculture research institutions to develop value-added specialty, innovative tea products.   |  |

## 2. Agriculture and Field Development

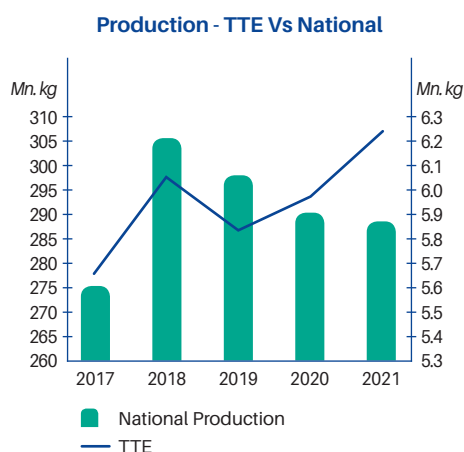
As a leader amongst the topmost plantation companies in the country, we are inspired to continually produce the finest of quality teas. Through the years, we have nurtured the art of making premium teas, upholding standards and best practices across our estates. Our brand is synonymous with quality and it underlies our ability to attract some of the most remunerative

prices at the Colombo Tea Auction. Our estate marks are ranked at the top in their respective elevations, having won the trust and confidence of our buyers.

Adopting and maintaining good agricultural practices is critical for nurturing high-quality leaf, apart from the benefits of driving land productivity and ensuring the conservation of environment. We are focused in our efforts in developing our agricultural and field operations across all estates. Our certification bodies including the Rainforest Alliance and Ethical Tea Partnership gives us clear guidelines in adopting and monitoring sustainable practices. We also work closely and collaborate with the Tea Research Institute, the International Plant Nutrition Institute and the faculties of agriculture at the national university level to further our efforts and develop teas that delight our buyers.

Inclement weather conditions that prevailed during the year adversely reflected crop production and our ability to meet budgeted production levels. Yet, our focused efforts to drive for higher productivity and sustainable field development work supported us to keep our production levels in check. Our overall production volumes, including estate and bought leaf, increased by 4.5% to 6.24 Mn kg from 5.97 Mn kg in the previous year.

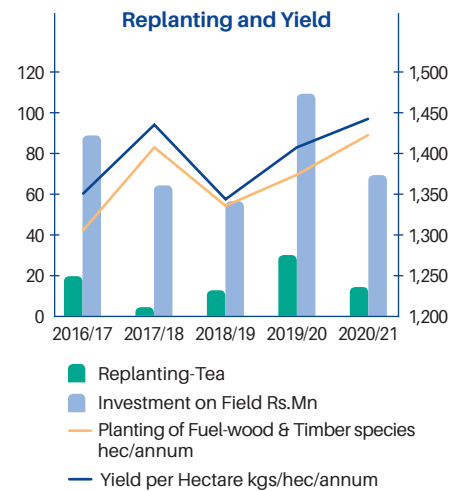
It is noteworthy that TTE recorded an increase in output for the year, while National tea production, recorded a decline. The increase is a testament to our right strategy and focused efforts to drive higher productivity and investments in field development work. TTE accounts for 2.1% of national production.



In our approach to agricultural and field development, we focus on six strategic imperatives, as highlighted below.



## OPERATIONS REVIEW

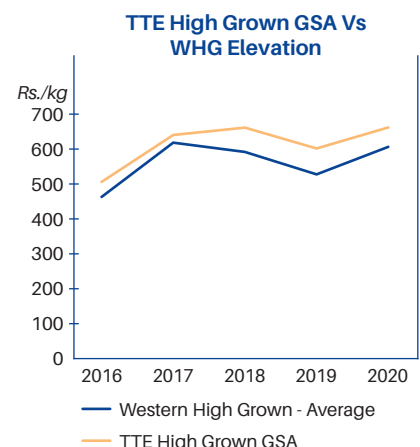
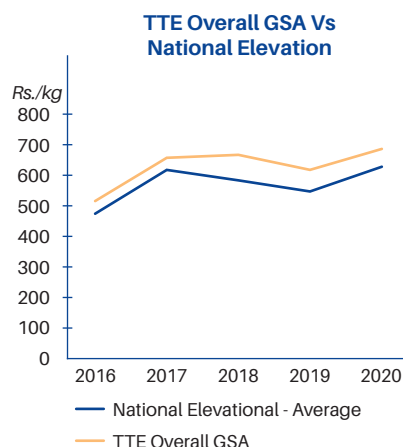


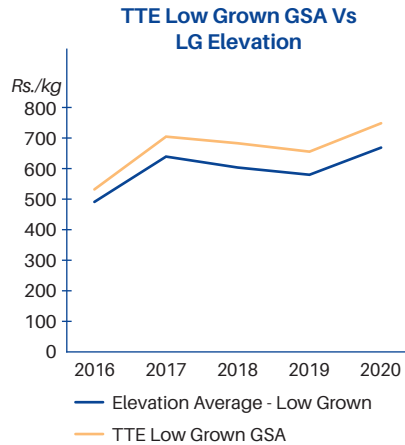
We reap the benefits of our continuous investments over the years in field development and structured replanting through are rising yield/ ha.

**Approx. 14% of production is from bought leaf. We purchase bought leaf to optimise factory capacity and maximise output.**

### 1.4 Price Rankings

Our teas attracted premium prices at the Colombo Tea Auction, maintaining price rankings synonymous with the TTE brand, renowned for its finest quality and standards and optimizing market potential in a bullish tea market,. TTE Gross Sales Average (GSA) increased Rs. 71.06 to Rs 686.86 against the previous year, to be position as the top most ranked GSA amongst all RPCs. The GSA was positioned Rs. 58.65/kg above the National Elevation. TTE's teas retained the number 1 Rank for both High Grown and Low Grown elevations amongst all RPCs again this year and achieved 165 top prices by year end.





### Price Ranking Colombo Tea Auction

1. Rank No 01 - High Grown for the 3rd consecutive year.
2. Rank No 01 - Low Grown for the 16th Consecutive year.
3. Rank No 01 - National for the 3rd consecutive year.
4. 5 factories Mattakelle, Somerset, Radella, Wattegoda and Bearwell are amongst First 10 Rankings in the Western High Grown (excluded factories with less than 10,000kg).
5. Three others in the next 10, Great Western, Dessford and Holyrood making it eight factories in the Top 20 of the Western High grown (excluded factories with less than 10,000kg).
6. Great Western Estate BOP Set a new All Time Record price for BOP of Rs. 2550/- in March 2020.
7. Kiruwanaganga Estate Rank No1. In Low Grown elevation RPC Rankings while Deniyaya (3rd) and Moragalla (4th).

- ✔ All our estates continued to focus on curtailing the rising cost of production with strict controls on managing expenses and wastage. The wage bill remained our main concern accounting for over 70% of the total cost of production. Our focused efforts to improve productivity across the estates enabled us to curb the increase in the overall cost of production to Rs. 612.96 per kilogram.
- ✔ In the reporting year, the minimum daily wage increase from Rs 700/- to Rs 1000/-, as determined by the Wages Board, was effected from March 2021. Given wages were realised at the higher rate for only for 1 month, the impact on this year's cost of production was less intense. However, the full impact of the hike will be felt next year, compounded by the fact that the hike is not linked to productivity.
- ✔ We will continue to strengthen our focus and discipline in managing and optimising our cost of production at the estate-level. We promote programmes to drive worker productivity as described in Social & Human Capital - page 85 including advocating the Non Wage Model (RSM) and implementing reward schemes for best tea pluckers.
- ✔ In light of the successful implementation of the Non Wage Model programme and the growing acceptance of the model by estate workers as a means to increase earnings, we have expanded the Non Wage Model to 30% from 25% in 2019/20.

## OPERATIONS REVIEW

### 1.6 Estate Profitability

Notwithstanding the challenging operating environment, our focused strategy and implementation plan enabled all 16 estates of the company, to sustain and improve profitability levels. We had a structured plan in place to turnaround the loss making estates, and are closely monitoring progress on a quarterly basis through our Future Navigator performance monitoring system. Refer intellectual capital – page 78

#### Number of Estates Making Profits

| Category   | Total Estates | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|------------|---------------|---------|---------|---------|---------|---------|
| High Grown | 12            | 10/12   | 7/12    | 10/12   | 12/12   | 10/12   |
| Low Grown  | 4             | 3/4     | 2/4     | 4/4     | 4/4     | 3/4     |

### 2.0 Rubber

Rubber reflected an improved performance. Revenue grew 165% to Rs. 35.1 Mn while losses reduced to Rs. 9.8 Mn from Rs. 20.90 Mn, a year ago. Improved performance is attributed to increase in the percentage of mature plantations and a rise in Rubber Auction prices. Auction prices increased by 21.8% to Rs. 351.46 / kg (RSS 1) consequent to the Government restricting the import of rubber-based products. Although the ban was a part of the Government's broader policy to curb the import of non-essential items as a means to contain the pressure on foreign exchange, the policy serves to support the Government's interest in providing assistance to local rubber based producers, to ramp up production.

| Rs. Mn              | 2019/20 | 2020/21 |
|---------------------|---------|---------|
| Revenue             | 13.25   | 35.16   |
| GP                  | (20.9)  | (9.8)   |
| Assets              | 101.8   | 96.3    |
| Hectares cultivated | 187.46  | 203.84  |

### 3.0 Crop Diversification

Reducing our dependence on a monocrop business model, we continued in the year to look for and invest in alternative crop businesses. Our exposure to cinnamon 32.06 hectares of land in Moragalla and Indola Estate, while coconut covered another 21.52 hectares of land in Kiruwanaganga, Moragalla and Indola estate and 5 hectares of Agar wood in Kiruwanaganga Estate respectively. We commenced the cultivation of turmeric and strawberries' this year at Kiruwanaganga and Radella Estates, Strawberries are being cultivated in greenhouses.

### 4.0 Commercial Forestry

TTE has cultivated commercial forestry with a total biological assets value of Rs.326.3mn as at the end of FY 2020/21. Profit from sales of trees amounted to Rs. 34.3 Mn during the year (2019/20 – Rs 34.1Mn) . While enhancing our revenue streams, we invest in cultivation of forestry as part of our drive towards sustainable agricultural practices and land optimization. Trees planted include Eucalyptus, Grevillea robusta and Agarwood.

### 5.0 Solar Energy

Reinforcing our commitment to renewable energy sources, this year we broadened our investments by establishing our 3rd roof top solar power project at Deniyaya factory, three years after we ventured into our first project. Our first roof-top solar power project was at the Bearwell estate in 2018, followed by our second solar power project at the Moragalla Estate, in 2019.



All projects are commissioned under the Net Plus System under 'Soorya Bala Sangramaya'.

At Deniyaya, we have installed solar panels with a capacity of 117.75 KV for an investment of Rs. 13.8 Mn. The project is being finalised and generation of solar power expected from June 2021.

## SUBSIDIARY REVIEW

### TTEL Somerset Hydro Power (Pvt) Ltd

- ✔ Share Ownership: 51%
- ✔ Date of Incorporation: 25th August 2008
- ✔ Directors
  - ▶ A M Pandithage - Chairman
  - ▶ Merril J Fernando
  - ▶ Malik J Fernando
  - ▶ W G R Rajadurai
  - ▶ A R De Silva
  - ▶ J A W M Jayasekara
- ✔ Location Nanu Oya - Capacity - 1.1MW



### TTEL Hydro Power Company (Pvt) Ltd

- ✔ Share Ownership: 51%
- ✔ Date of Incorporation: 11th August 2008
- ✔ Directors
  - ▶ A M Pandithage - Chairman
  - ▶ Merril J Fernando
  - ▶ Malik J Fernando
  - ▶ W G R Rajadurai
  - ▶ A R De Silva
  - ▶ J A W M Jayasekara
- ✔ Location - Talawakelle/Nanu Oya
- ✔ Plant - Palmerston - Capacity- 0.8MW
- ✔ Plant- Radella - Capacity- 0.2MW



| Rs. '000          | TTEL Somerset Hydro Power (Pvt) Ltd |         | TTEL Hydro Power Company (Pvt) Ltd |         |
|-------------------|-------------------------------------|---------|------------------------------------|---------|
|                   | 2019/20                             | 2020/21 | 2019/20                            | 2020/21 |
| Revenue           | 23,101                              | 25,397  | 29,235                             | 30,146  |
| Profit After Tax  | 639                                 | 2,228   | 1,178                              | 4,258   |
| Total Assets      | 153,184                             | 137,178 | 214,411                            | 194,483 |
| Total Liabilities | 5,950                               | 4,076   | 18,292                             | 6,506   |

Hydro Power generated from the three Mini-Hydro Power plants in Radella, Palmerstone and Somerset, recorded an improved performance in the year under review.

Total electricity generated and supplied to the national grid increased by 0.5 percent to 6.5 Mn Kilo-watt hours as compared to 6.4 Mn kilo-watt hours in the previous year. Total revenue from the hydropower companies increased to Rs. 55.5 Mn, representing a 6% percent increase over the preceding year. Meanwhile, Profit After Tax increased to Rs. 6.5 Mn. Hydro Power operations contributed to 1.2 percent of the consolidated revenue.

Total capacity of the three plants is 2.1 Mega-Watt hours.

## ECONOMIC VALUE ADDED

The Economic value created on a consolidated basis inclusive of hydropower operations, increased by 12.8% to Rs. 3,358.4 Mn in 2020/21. This was distributed amongst key stakeholders as given below. The largest amount of wealth distributed was to employees accounting for 71% of Total Value Added in our compensation, incentives, benefits and all statutory payments in the reporting year reached Rs. 2.3 Bn.

### GRI: 103-2 & 3

#### Management Approach

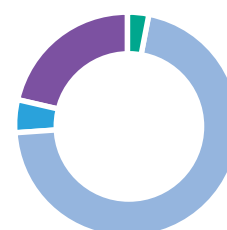
We believe that the only way to create long-term value for all our stakeholders is through our own sustainable growth. We do this by engaging with our stakeholders to understand their requirements better and thereafter adopting a triple bottom line (TBL) approach to creating shared value. This approach involves considering economic, social and environmental aspects in a holistic manner, underlined by good governance, sound risk management and ethical business practices.

Our certification programmes underscore our operational and management systems, processes and products, thereby, ensuring quality and standards in the value we create.

### GRI: 201-1

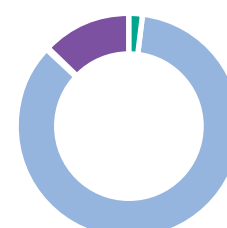
|  | 2019/20   |     | 2020/21   |     |
|--|-----------|-----|-----------|-----|
|  | Rs. Mn    | %   | Rs. Mn    | %   |
| Total Revenue  | 3,886.4   | 130 | 4,488.6   | 135 |
| Purchase of goods and services   | (1,057.9) | -35 | (1,274.5) | -37 |
| Other income   | 149.1     | 5   | 144.2     | 4   |
| Value Added by Operating Activities                                    | 2,977.6   | 100 | 3,358.4   | 100 |
| Distributed as follows to;   |           |     |           |     |
| Employees: Salaries, wages & other benefits                            | 2,534.9   | 85  | 2,373.9   | 71  |
| Government: Income Tax and Other Taxes                                 | 58.7      | 2   | 108.4     | 3   |
| Lenders of capital: Interest on Loan Outstanding and Minority Interest | 3.3       | 1   | 5.3       | 1   |
| Shareholders: Dividends  | -         | -   | 160.3     | 5   |
| Shareholders : Retained for re-investment and future growth            | 380.7     | 12  | 710.5     | 20  |
| Total Value distributed  | 2,977.6   | 100 | 3,358.4   | 100 |

#### Distribution of Economic Value Generated 2020-21



- Government - 3%
- Employees - 71%
- Lenders of Capital - 1%
- Shareholders - Dividends - 5%
- Retained for Re-investment - 20%

#### Distribution of Economic Value Generated 2019-20



- Government - 2%
- Employees - 85%
- Lenders of Capital - 1%
- Shareholders - Dividends - 0%
- Retained for Re-investment - 12%

| Stakeholder                                     | Shareholder                     | Employees                        | Resident Communities             | Suppliers                      | Finance Institutions        | Government Taxes            |
|---|---------------------------------|----------------------------------|----------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Reference for more details on value distributed | Investor Information - page 204 | Social & Human Capital - page 88 | Social & Human Capital - page 85 | Relationship Capital - page 82 | Financial Capital - page 68 | Financial Capital - page 70 |



In creating Economic Value, our footprint is far reaching and extensive. We strive for TTE to be a force for positive change and a partner in building a more sustainable future for the country.

### Contribution to National Economy

As a leading Plantation Company, we produced 6.24 Mn kg of tea during the year, our contribution to National Production is 2.1%. Our teas are of premium quality and were sold for remunerative prices at the Colombo Tea Auction. The average prices recorded were above the elevation averages, realizing in a high value addition against which we paid income tax to the Government. Income tax paid amounted to 31.5 Mn, an increase of 54.8% from the previous year. We also paid Rs. 34.9 Mn as lease rentals and interest to the Government. These payments made an important contribution to the fiscal budget of the Government.

As a critical export-oriented industry, the tea sector has been a pillar of strength to the economy, during the pandemic. Following the declaration of agriculture sector as an essential service TTE and other Regional Plantations Companies (RPC's) were quick to mobilize employees and return to work, notwithstanding the operating challenges. The tea produced was sold at the auctions and exported to global buyers. As the second largest merchandise export after garments, tea sector played a pivotal role in generating foreign exchange revenue for the Government. National Tea Exports amounted to USD 1.24 Bn for the year.

### Socio Economic Development of Local Communities

We employ over 5,700 persons, across our 16 estates located in the Central hills and South of the country. The employees are mainly resident on our estates or in the neighbouring communities. Together with their families they constitute the majority of the local communities, totaling over 42,000 people. Apart from remuneration and other employment benefits we are responsible and caring for our communities, providing their basic amenities, ensuring their wellbeing and upliftment of living standards. We engage in specific structured programmes including 'Home for Every Plantation Worker' and Non Wage Models that supports socio economic development of our employees and local communities. During the year we spent Rs. 97 Mn (2019/20 - Rs. 106.6 Mn) on Social Development. Refer Social & Human Capital - page 90 for further details.

### Empowerment of Micro and Small and Medium Enterprises (MSME)s,

We purchased 4.5 Mn Kg of bought leaf accounting for 14% of total leaf production, from over 7,453 tea smallholders and micro entrepreneurs, providing a livelihood and contributing to their economic empowerment. Payment for bought leaf amounted to Rs. 598.9 Mn as at year end. Refer Relationship Capital - page 83 for more details.

MSMEs are recognized as the backbone of the Sri Lankan economy, accounting for approximately 80 percent of all businesses and contributing to about 35 percent of total employment in Sri Lanka (source: National Human Resource and Employment policy).

Unfortunately, SMEs were the most affected by the fall-out of the pandemic. Our demand for bought leaf helps to sustain their businesses, while at the same time we work with them to improve the sustainability of their supply chains.

### Environmental Management

#### GRI: 201-2

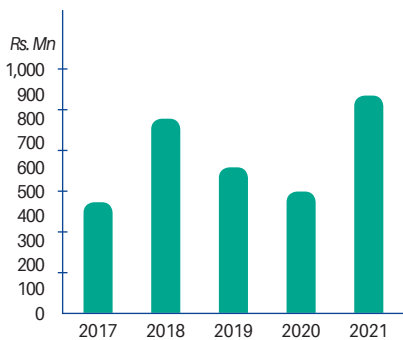
As a plantation company, our field operations are highly susceptible to the impacts of climate change, with adverse implications on the sustainability of our business. Amid a year of unique challenges, we continued to pursue our strategic priorities on minimizing our environmental footprint. During the year, we spent Rs. 43.9 Mn on environmental management. Key initiatives during the year include, driving climate action by committing to the UN Climate Neutral Now Initiative and committed to Science-Based Targets Initiative to reduce emissions across our entire value chain, planting 6400 trees under the St Claire's Falls project and increasing our energy mix to 1.6% of renewable energy. We also supplied the Ceylon Electricity Board with 275,872 kwh of solar power and 6.5 Mn kwh of hydro power. Refer: Respect for the Environment / Natural capital Page 100.



# Financial Capital

2020/21 was an exceptional year. TTE posted phenomenal results, beating historical best performance. Turnover grew 15.6% to Rs 4.43 Bn while PBT surpassed Rs. 778.2 Mn to support a strong balance sheet and healthy cashflows. The achievement is more pronounced where other players are grappling to cope with the complexities inherent to the industry compounded by the uncertainties and challenges brought on by the pandemic. The outstanding performance is a testament to TTE's distinct strategy, resolutely reimplemented over the years.

Cashflow From Operations (Mn)

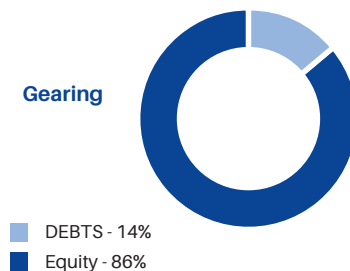


Company Net Profit After Tax-  
**RS. 720.1 Mn**

GP Margin  
**18.7%**

Growth in Net Profit  
**254.8%**

Gearing



Total Assets  
**RS. 5.72BN**

## GRI: 103-2 & 3

### Management Approach

How we manage and utilize our financial capital is fundamental to our ability to create sustained value for our shareholders. The following are key elements of our approach.

- ✓ Utilise financial resources efficiently to create and share value responsibly.
- ✓ Follow prescribed best practices and standards in accounting, auditing, and management.
- ✓ Comply with rules and regulations set by relevant statutory and regulatory bodies.
- ✓ Adopt focused risk management techniques and internal controls to ensure responsible financial management.

Evaluation: 3rd party assurance by internal and external auditors of financial statements and financial reporting processes and systems.  
Local and international awards for excellence in integrated reporting.

### Strategic Priorities

Drive for top-line growth responsibly to ensure sustainable earnings, profitability, and remunerative returns on equity.



Maintain a healthy financial position and positive cash flows to ensure adequate liquidity and solvency to sustain the operations as a going concern.

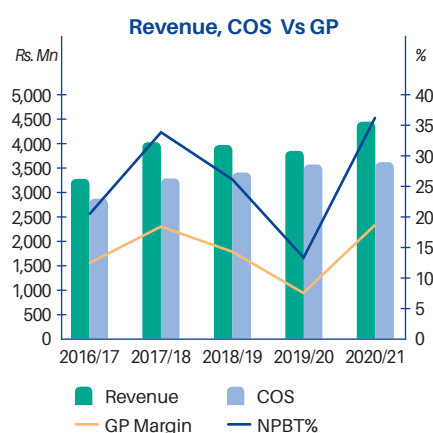


Comply with relevant laws and regulations standards in accounting, auditing, and management to be a responsible corporate citizen.

### Our Contribution to SDGs



| Strategic imperatives                      | How we create value   | Highlights - 2020/21   |
|--|---|--|
| Topline Growth, Profitability and Return   | <ul style="list-style-type: none"> <li>☑ Budget financial resources efficiently and uphold and follow best business practices to drive a sustainable topline growth.</li> <li>☑ Be focused and drive cost controls across operations to minimise waste and non-value adding overheads.</li> <li>☑ Optimise operational viability through prudent capital expenditure management</li> </ul>  | <ul style="list-style-type: none"> <li>☑ Posted highest ever revenue of Rs. 4.43 Bn in the Company's history.</li> <li>☑ Increase in GP Margin to 18.7%.</li> <li>☑ Posted highest ever PAT of Rs. 720.1Mn</li> <li>☑ Return on equity improved to 20.4% from 7.2%.</li> </ul>   |
| Treasury, Cash Flow and Financial Position | <ul style="list-style-type: none"> <li>☑ Proactive treasury and cash flow management to ensure sufficient funds for internal operations.</li> <li>☑ Maintain sound relations with financial institutions to ensure availability of debt capital and to raise lower cost of funds.</li> <li>☑ Maintain a healthy capital structure and control the gearing ratio.</li> <li>☑ Maintain a sound asset base to cover liabilities and ensure a healthy financial position</li> </ul> | <p>Strong balance sheet structure.</p> <ul style="list-style-type: none"> <li>☑ Low Debt to Equity of 9.42%</li> <li>☑ Utilised cash from operations to pay dividends, invest in capex,</li> <li>☑ dividend pay-out 45%</li> <li>☑ Increased short term investments by 53.8% to Rs. 1.71 Bn</li> <li>☑ Prudent working capital management. Current Ratio remained stable at 3.64 times during the year.</li> </ul> |
| Compliance with Laws, Rules and Regulation | <ul style="list-style-type: none"> <li>☑ Comply with laws, rules and regulations prescribed by relevant statutory and regulatory bodies.</li> <li>☑ Comply with current prescribed accounting and auditing standards.</li> <li>☑ Comply with disclosure requirements in a timely manner</li> </ul>  | <ul style="list-style-type: none"> <li>☑ TTE PLC awarded Gold - Joint winner - Agricultural Sector - at the Best Presented Annual Report Awards and SAARC Anniversary Awards for Corporate Governance Disclosures</li> <li>☑ Awarded Silver at the Asia Sustainability Reporting Awards-2019 For Asia's Best Integrated Report</li> </ul>  |



In 2020/21, new milestones were established.

|  |                        |              |
|--|------------------------|--------------|
|  | #1 - Revenue           | Rs. 4.4 Bn   |
|  | #1 - GP margin         | 18.7%        |
|  | #1 - Profit Before tax | Rs. 778.2 Mn |

Revenue grew 15.6% to tip Rs. 4.4 Bn, while PAT recorded at Rs. 720.1 Mn. Higher profits drove healthy cashflows and strengthened the balance sheet structure. ROCE stood at 18.9% by year end and Debt to Equity improved to 9.42%. The performance is even more remarkable in that it was achieved amidst the uncertainty and operational difficulties of an unpredictable pandemic. The results are a testament to the Company's resilience and steadfast commitment to its strategy underpinned by 3 key strategic imperatives – higher productivity, premium quality tea and prudent cost management.

### Revenue

Revenue growth is underpinned by an increase in GSA by Rs. 106.46/Kg. TTEs GSA rose Rs 58.65 above National elevation, clinching the top position amongst all RPCs in 2020. Both low grown and high grown teas retained

their top rankings, a position they have held for over 3 years. The higher GSA is attributed to the high quality of tea produced by TTE and buoyed by a bearish tea market. Refer Our estates – page 19.

Higher output is attributed to TTE's steadfast commitment to enhancing field and labour productivity, as explained in Our Estates – page 19.

### Cost Management

We exercise high levels of cost consciousness and proactively manage costs across the organisation,

**Cost of sales** - Cost of production is largely a fixed cost consisting of worker wages, expenses on social activities and community development and depreciation. Our efforts in stringent financial discipline and prudent cost management resulted in holding costs, flat at Rs. 3,605.0 Mn.

## FINANCIAL CAPITAL

| Gross Profit |         |         | Profit Before Tax |         |         | Profit After Tax |         |         |
|--------------|---------|---------|-------------------|---------|---------|------------------|---------|---------|
| Rs. Mn       | 2020/21 | 2019/20 | Rs. Mn            | 2020/21 | 2019/20 | Rs. Mn           | 2020/21 | 2019/20 |
| 828.1        | 18.70%  | 7.30%   | 778.2             | 17.60%  | 5.70%   | 720.10%          | 16.20%  | 5.30%   |

### GRI: 202-1

Wages account for 65% of cost of production, given it is attendance based rather than performance. Until March 2021, a daily wage of Rs 700/- was paid, as required by the last Collective Agreement signed in January 2019.

The wages model was revised by the Wages Board in February 2021 and the minimum daily wage increased to Rs 1000/- with effect from March 2021. Although the matter is being addressed in the Court of Appeal, wages are being paid at the higher rate pending a ruling.

**Administration costs** - Administration expenses increased by 2.7% to Rs. 193.3Mn, consisting largely of Corporate expenses.

### Income Tax GRI: 207-1, 2 & 3

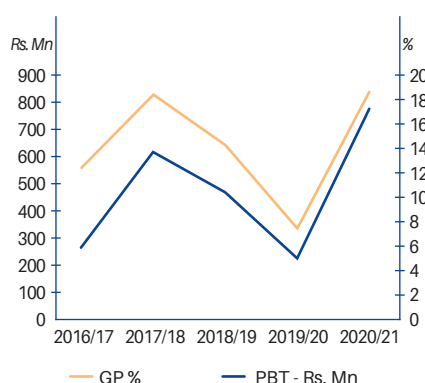
Income Tax comprises both Current and Deferred Tax. Income Tax expenditure for the year recorded at Rs. 58.1 Mn which is 233.3 percent higher than the previous financial year. Income from Agro Farming is exempt from Current Income tax and taxable profit from Agro Processing is taxed at 14 percent. Other sources of Income was taxed at 24% and the total Current Income Tax expenditure for the year recorded at Rs. 69.9Mn (Rs. 19.9 Mn- 2019/20). Deferred tax is calculated on the same basis of Agro Farming and Processing, hence the Deferred Tax reversed by Rs. 11.8Mn compared to Rs 2.4Mn in year 2019/20.

Risk Management with regard to statutory requirements discussed at the Board Audit Committee with consultation of Hayleys Group Tax Division. A leading Audit Firm has appointed as a consultant and handles communications with Tax regulatory

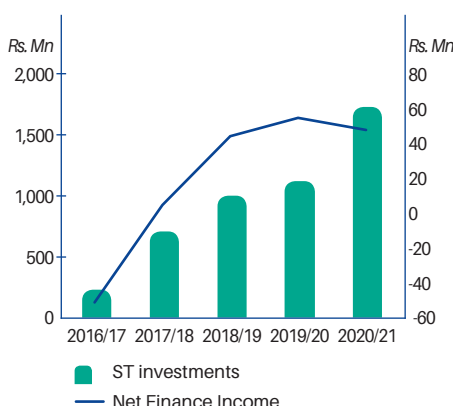
on behalf of TTE. TTE is complied with all regulatory requirements with regard to Corporate taxations during the year under review.

### **Profitability**

Gross Profit grew almost 3-fold to Rs. 828.1Mn (2019/20 - Rs. 278.6Mn) while Profit After Tax increased to Rs. 720.1Mn, upheld by the higher revenue growth.



Distinctive from most players in the industry, TTE has enjoyed healthy cash flow surpluses over the years.



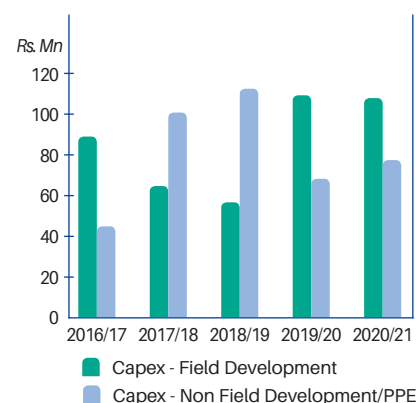
### **Employee Benefits GRI: 201-3**

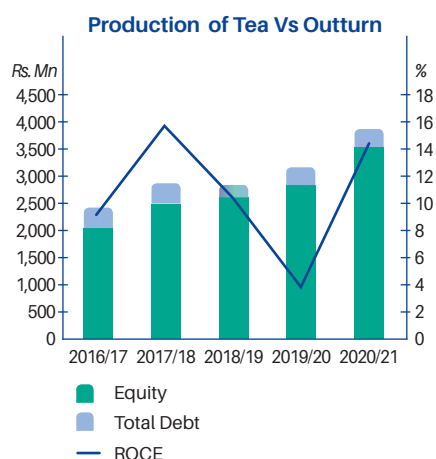
Retirement Benefit obligation is actuarially valued. An actuarial valuation involves making various assumptions that may differ from actual development in the future. Retirement Benefit Obligations reduced to Rs. 888.1 Mn from Rs. 1,021.6 Mn as of 31st March 2020. Employee's Provident Fund is available for TTE's employees where the employee contributes 10% and the Company contributes 12% and Company contributes 3% for the Employee's Trust Fund.

**Operating cash flows** - grew significantly to Rs. 888.6 Mn, following growth in revenue. This was primarily utilized to invest in Field Development Expenditure, purchase property plant and equipment and pay dividends.

TTE maintains tight control of its working capital, as a means to drive efficacies and enhance operating cashflows.

Despite the growth in short-term investments by a significant 54% to Rs. 1.71 Bn by year end, net finance income fell to Rs. 47.6Mn from Rs. 54.6Mn the previous year, on account of lower market rates prevailed during the year.





TTE maintains a strong balance sheet structure. ROCE improved to 18.9% from 5.3% the previous year. Gearing is nominal at 9.42%.

In February 2021, the Company subdivided its shares on the basis of 1 into 2, to increase affordability for smaller investors and boost liquidity of the share. Earnings per Share, Net Assets per Share, Dividend per Share adjusted to reflect the impact of share split for the comparative period.

During the year under review, TTE has received subsidized funding from Sri Lanka Tea Board amounted to Rs. 4.5 Mn.

### Investor Returns

**Earnings per share** - We continued to generate sustainable shareholder returns with earnings per share increasing to Rs.15.16 from Rs. 4.27 a year ago.

**Dividends** - Returns in the form of dividends also increased during the year.

Three interim dividends for Rs. 2.75 per share, Rs. 2.00 per share and Rs. 2.00 per share were paid during the year July 2020, November 2020, and October 2020 respectively. A final dividend of Rs. 1.50 per share recommended by the Board.

**Share Split** - Further, the Company subdivided its shares based on 1 into 2, in February 2021, to increase affordability for smaller investors and boost liquidity of the share.

**Share price** - The share price remained strong at Rs. 37.50 even after the subdivision in February 2021.

|                                | 2019/20 | 2020/21 |
|--------------------------------|---------|---------|
| Earnings per share - Rs.       | 4.27    | 15.16   |
| Return on equity - %           | 7.2%    | 20.4%   |
| No of shares                   | 47,500  | 47500   |
| Net assets per share - Rs.     | 59.49   | 74.27   |
| Market price per share- Rs.    | 39.90   | 37.50   |
| PE Ratio-Times                 | 4.85    | 2.47    |
| Total Dividend per share - Rs. | -       | 6.75    |
| Dividend yield-%               | 0%      | 18%     |
| Dividend pay-out -%            | -       | 45%     |

### Segmental Analysis and Other Income

|            | Rs. '000 |         |
|------------|----------|---------|
|            | Revenue  | Revenue |
|            | 2019/20  | 2020/21 |
| Rubber     | 13,246   | 35,161  |
| Mini Hydro | 52,301   | 55,543  |
| Others     | 59,111   | 67,062  |
|            | 124,658  | 157,766 |

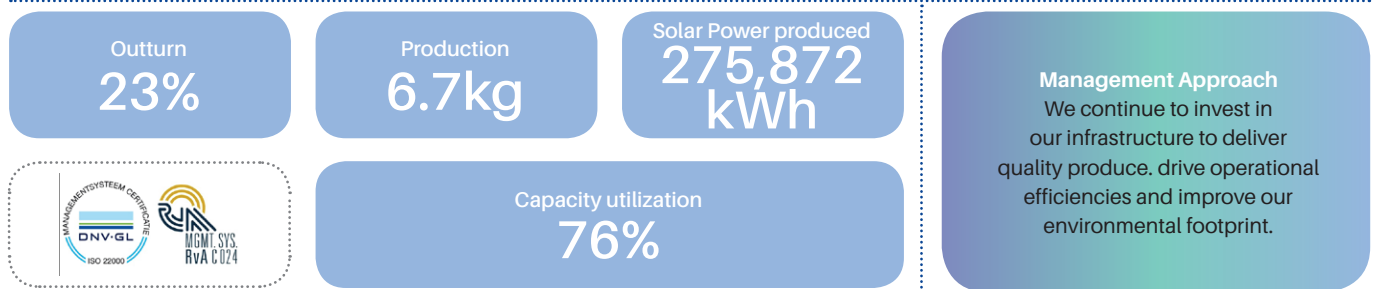
Profit from sale of trees accounted for Rs. 34.3 Mn (2019/20 - Rs. 34.2 Mn), Dividend from Hydro Investments accounted at Rs. 15.8 Mn and Solar Income Rs. 7.2Mn (2019/20 - Rs. 2.7 Mn) under Other Income.



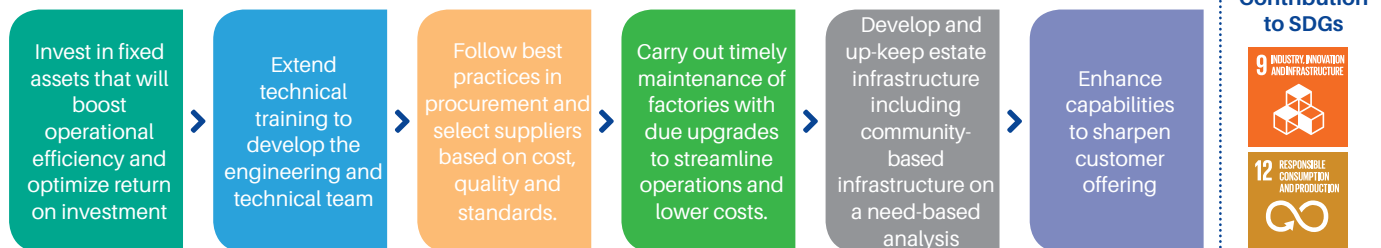
# **Manufactured Capital**

Our manufactured capital encompassing production facilities, machinery and equipment is a critical value driver fortifying our tea manufacturing process, and ensuring the production of tea efficiently and in a hygienic and safe environment.

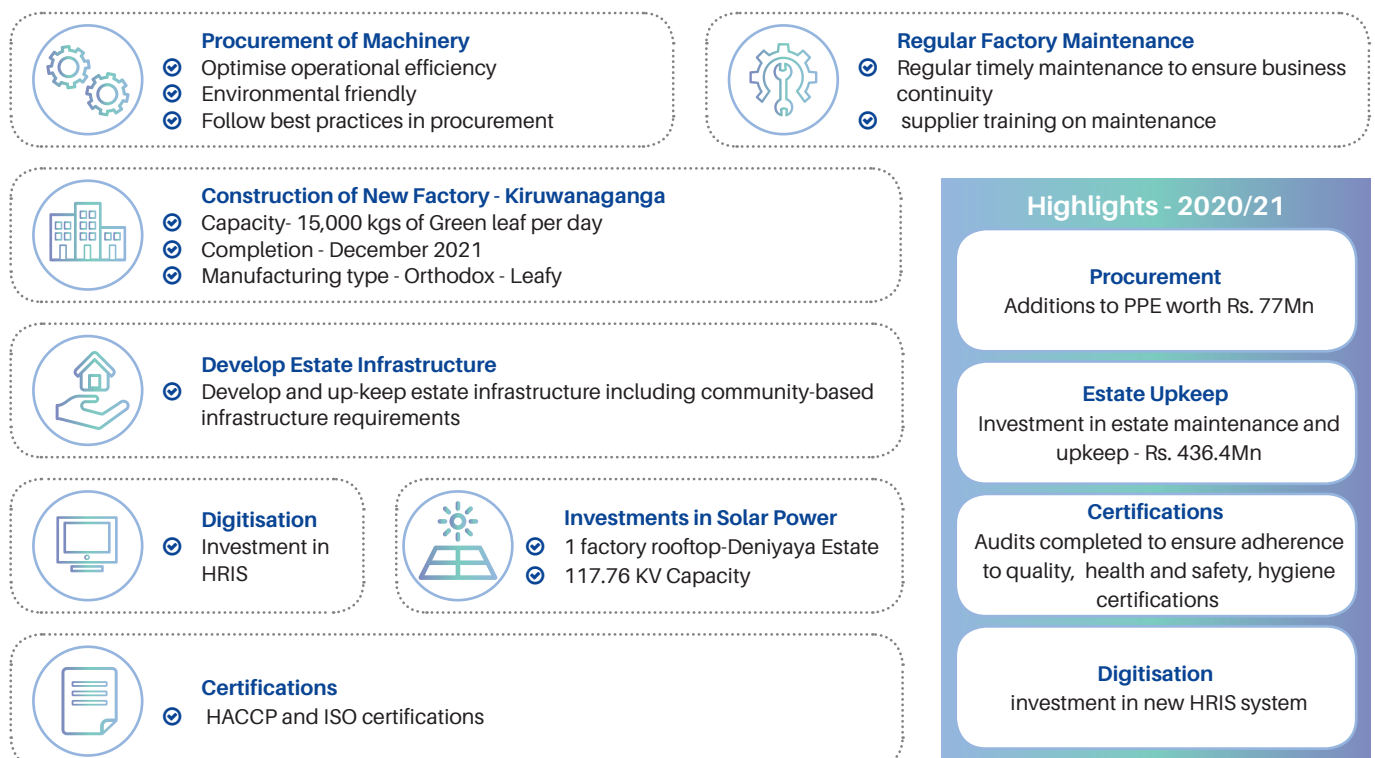
[GRI: 103-2 & 3](#)



## Strategic Priorities



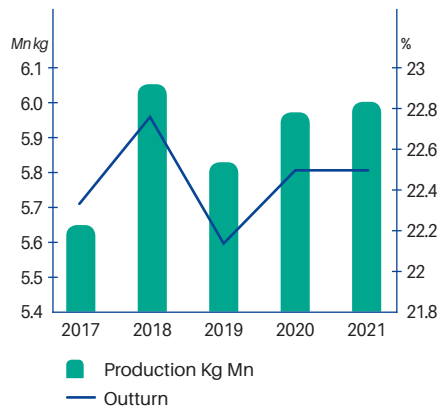
## How We Create Value



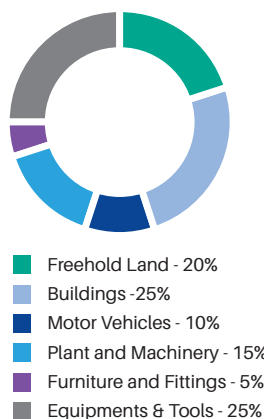
Property Plant and Equipment primarily consists factories and community based infrastructure. Our 15 factories are located in Talawakelle, Nanu Oya, Galle and Deniyaya regions (encompassing high grown and low grown categories) and the factories produce both Orthodox and CTC teas and Green Tea. Factory capacity comprises 68% of Orthodox - Rotor vane, 26% of Orthodox - Leafy and 6% of Green Tea.

We have continuously invested in upgrading our factories with emphasis on innovation and value addition in order to enhance capacity, product quality and cost efficiency. TTE leads the industry, setting benchmarks for sustainable processing and operational excellence, improving our competitiveness and bottom line.

Production of Tea Vs Outturn



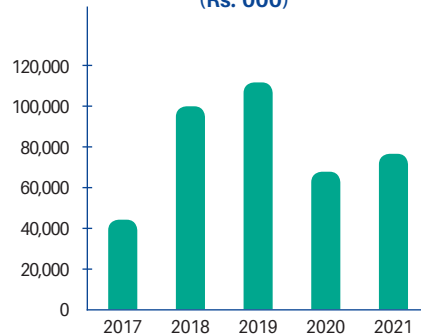
Property, Plant and Equipments



## Procurement of Machinery and Equipments

When procuring our machinery and equipments we give due consideration to quality and follow TTE standard procedures and guidelines in procurement. Key considerations include suppliers' credentials and after sales service. In the reporting year we invested Rs. 45.5Mn on new machinery and equipment.

Capital Expenditure on PPE (Rs.'000)



## Regular Factory Maintenance

Our team of engineers and technical staff are well trained to manage our maintenance work following a systematic time schedule, with periodic servicing of machinery and equipment as per guidelines set by the manufacturers' specifications.

## Certifications

We maintain best practices, particularly, following through the procedures set under ISO 22000:2005/18 on Food Safety Management Standards, ISO 9001:2015 Total Quality Management System, ISO 14001:2015 Environment Management System, ISO 50001:2018 Energy Management System, ISO 14064-1:2018 Greenhouse Gas Emission and Removal Quantification System and Great Place to Work Certification.

## Develop Estate Infrastructure

GRI: 203-1

This includes construction and revamping of factory buildings along with community-based estate infrastructure like roads, housing, water, sanitation, healthcare and education. Estate infrastructure development work is undertaken by reputed building contractors selected through a formal tender process. We carry out community infrastructure work in collaboration with plantation sector based governmental and non-governmental organizations. In the reporting year, we invested Rs. 436 Mn on estate infrastructure.

70 New Houses

Rs. 10.6Mn on Child Development Centres



New Housing Scheme  
Radella Estate



Child Care Facilities - Somerset Estate

## MANUFACTURED CAPITAL

### Digitisation

We have embarked on digitizing our key processes to create a dynamic work place.

TTE invested in a "Future Navigator" performance management system as described under Intellectual Capital – page 79. The system enables real-time data collection across the production chain, and facilitates data analytics and key performance dashboards for management information and decision making.

This year TTE invested in a fully-fledged Human Resource Management system exclusively for Executive grade employees, replacing the existing HRIS. Initiated by Hayleys Group, the investment seeks to strengthen the access to information and thereby better support TTE's strategic intents. Refer -Social & Human Capital - page 93 for more details.

### Investment in Solar Power

#### Rooftop Solar Panels

We have reinforced our commitment to renewable energy sources and supported the national initiative under the Ministry of Power and Renewable energy by broadening our renewable energy sources. We ventured into our first Roof-Top Solar Power Project at the Bearwell Estate in 2018 and our second Solar Power Project at the Moragalla Estate in the Low Grown Region, under the Net Metering system in 2019. Deniyaya Estate is the latest addition to our Roof Top solar initiation.

These initiatives are expected to increase renewable energy generation, with offset Greenhouse Gas Emissions are forecast to 207 tCO<sub>2</sub>e.

Refer – Natural Capital – page 108 for more details



Total capacity  
installed 340.4Kwh

Total Electricity  
generated  
275,872Kwh

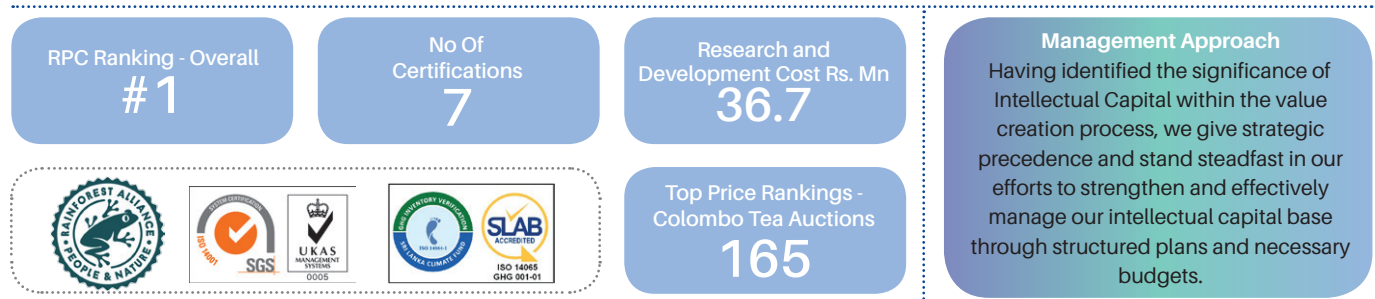


5.2% of  
TTE's annual  
consumption  
offset

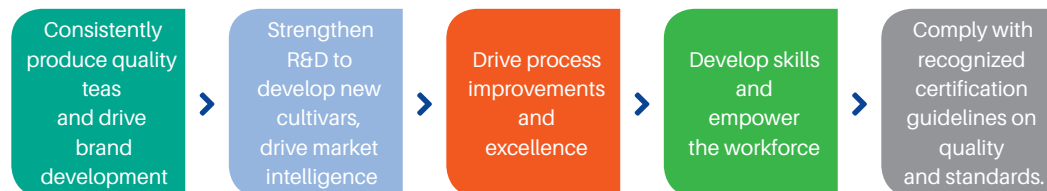
# Intellectual Capital

At Talawakelle, Our Intellectual Capital distinguishes us from industry peers. Our distinct tea gardens renowned for premium teas, international certifications affirming our passion for environmental conservation and community upliftment, the Agri-crop specific tacit knowledge, performance monitoring system and the foresighted strategic leadership of the management drives our operational excellence and competitive edge.

GRI: 103-2 & 3



## Strategic Priorities



## Our Contribution to SDGs



## How We Create Value



## Highlights - 2020/21

**Reputation Tea**  
prices exceed National Elevation price by 9.3%

**Research and Development**  
Developed 7 new cultivars

**New Certifications**  
Committed to UN Climate Neutral pledge

**Certification Audits**  
79 audits covering all estates

## INTELLECTUAL CAPITAL

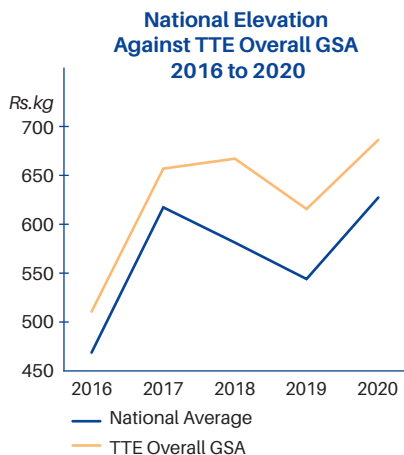
### Sound Reputation and Brand

*Refer: Relationship Capital – Buyer, Broker and Customer, Page 81.*

The Talawakelle Tea Estates brand is synonymous with high quality Ceylon Tea and maintains the leading position in the Sri Lankan tea plantation industry.

Over a span of three decades, we have honed our agricultural and manufacturing practices to achieve operational excellence, as reflected in tea prices obtained at the Colombo Tea Auction.

In 2020 TTE's Gross Sales Average (GSA) increased by a considerable Rs. 58.65/kg above national elevation, to retain the top position in the industry. Our GSA grew by Rs. 71.06 compared to year 2019 by establishing ever highest GSA of Rs. 686.86 while we achieved 165 top prices by year end.



### Tea gardens

Our tea gardens, listed on page 19, are each distinct in its own taste, quality, character and appearance based on the soil and climatic conditions the tea estate is located in. Many of our tea gardens, are renowned for their superior quality and are ranked at the top from their respective agro climatic regions, commanding premium auction prices.

TTE has retained the number 1 rank for High Grown elevation for the past 3 years, Low Grown elevation for the past 16 years and National elevation for the past 3 years amongst all RPCs.,

### Pioneering Efforts

2005

Great Western estate; The First tea estate in Sri Lanka to obtain the Hazard Analysis Critical Control Points (HACCP) certification.

2006

Kiruwanaganga Tea Factory: The First factory in Sri Lanka to obtain the ISO 22000:2005 standard (Food Safety Management System)

2011

Certified under Rainforest Alliance certification

2016

Adopted United Nations Global Compact principals (UNGC) and Enrolled in to Advance level of UNGC

2017

Great Western Estate; Certified under ISO 14001:2015 Environmental Management System and ISO 9001:2015 Quality Management System as a first Regional Plantations Company in Sri Lanka.

2018

Being the leader to the Sri Lankan plantation industry, the first plantation company to certified both estates and head office under ISO 14064-1:2018 Greenhouse Gas emission (GHG) inventory.

2018

Enroll and adopt to United Nations Women's Empowerment Principles.

2018

First ever Plantation Company in history to be crowned as the Overall Winner (Gold) in the National Business Excellence Awards 2018 held by National Chamber of Commerce.

2019

First ever Plantation Company in the world and first organization in Sri Lanka, committed to Science Based Target initiative to become NetZero-2050

2020

First Plantations Company certified under Great Place to Work (GPTW) certification.

2020

Enrolled United Nation Climate Neutral Now by 2019 and achieved 'Gold' status for all stages of Measure, Reduce and Contribute as a first organization in Sri Lanka.



## Awards and Recognitions

The awards and the recognition we received at the national, International and Industry levels over the years stand as a testimony to our good corporate reputation and commitment to excellence.

13 Awards and  
Accolades

Our awards and recognitions during the year are listed  
on page 20

## Certifications & Compliances

Certifications confirm our compliance with defined criteria that assess our practices against international benchmarks on environment and social responsibility, including product responsibility. They also serve to ensure that our sustainable environment and social policies are embedded in to our value creation processes.



### QUALITY

- ✔ ISO 22000:2005/18 Certifies Food Safety Management Systems addresses the food safety management risks across the food supply chain. - 14 factories certified
- ✔ ISO 9001:2015 Quality Management System - 1 estate certified



### SUSTAINABILITY

- ✔ Rainforest Alliance Certification Certifies that we conformed and met the principles of social and environmental responsibility - 14 estates certified
- ✔ ISO 14064-1:2018 Green House Gas Emission (GHG) Inventory/ Carbon Footprint Standard - All our Estates and Head Office Certified.
- ✔ ISO 14001:2015 Environmental Management Systems standard - 5 factories certified Holyrood, Wattegoda, Somerset and Bearwell estates.
- ✔ ISO 50001:2018 Energy Management Systems - Holyrood factory certified.
- ✔ Sustainable Development Goals under the United Nations We have aligned our operations to meet the 17 Development Goals
- ✔ Science Based Target Initiatives (SBTi) Committed, SBTi for reduce GHG emission with Short Term and Long Term targets
- ✔ United Nations Global Compact and United Nations Women's Empowerment, Integrated Company strategies with principles of UNGC and UNWEP
- ✔ United Nations Climate Neutral Now Align with criteria of Measure, Reduce and Contribute



### FOOD SAFETY & HYGIENE

- ✔ HACCP & GMP Comply to Hazards Analysis and Critical Control Points systems and Good Manufacturing Practices for Biological, Chemical and Physical hazards from raw material production, procurement and handling to manufacturing, distribution and consumption is compliant with international best practice - All factories and estates comply

## INTELLECTUAL CAPITAL

### Maximum Residual Level (MRL) Assurance

MRL assurance testing on all our teas, confirms compliance them with stringent standards set on MRL under health and safety regulations by Japan and European Union. This underlined our competitive edge, we enjoyed in the year at the Colombo Tea Auctions where we fetched premium pricing, surpassing the National Averages.

### Tacit knowledge and processes

Talawakelle is committed to the use of best agricultural management

practices to optimize yields and quality. We provide substantial training and development to estate workers and management to learn new and modern concepts and technologies for application at the fields and factories. What may initially be introduced as 'Explicit' knowledge is nurtured into tacit knowledge, through regular practice of skills and experience.

### Innovation, Knowledge Sharing & Learning

Refer: Social & Human Capital, Training and Education page 86

At Talawakelle, managers are empowered in their roles and responsibilities, encouraging out of the box thinking and innovation in an increasingly challenging industry environment. Further, employees are encouraged to pitch ideas to senior managers contributing towards the improvement of the company. This has given employees a sense of ownership and a number of the pitched ideas have been implemented. All employees are recognized and rewarded for their contributions. Such examples include the following;

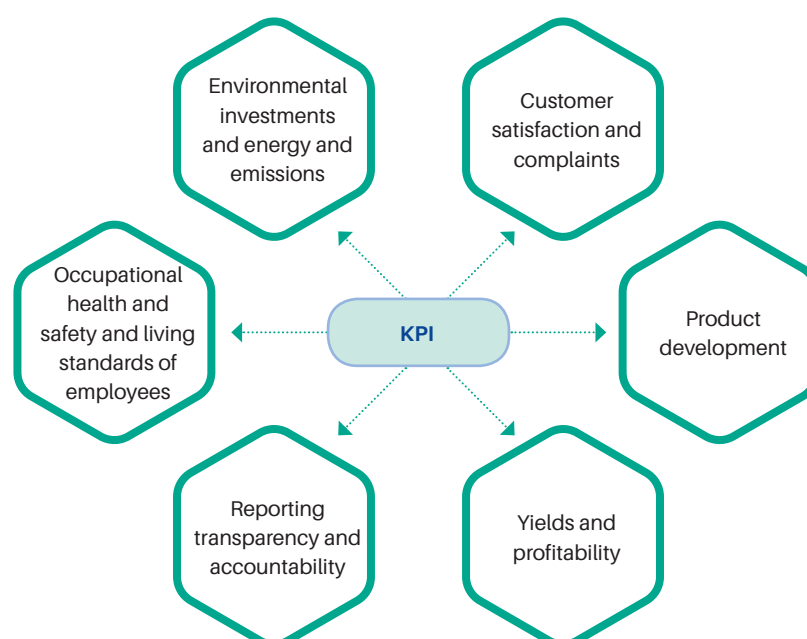
| Example of innovation   | Impact  | Benefits   |
|---|---|--|
| Ecosystem Restoration of St. Clair Falls With Self-sustain Business Model for Forest Restoration and Ecosystem Protection | 8 hectares with 16,500 trees 4.3 Mn fundraisers for project 360 labour days generated | 175.7 tCO2 sequestration up to now<br>Community awareness on reforestation and biodiversity conservation |

### Process Improvements

We have continuously improved, innovated and optimized our operations, strengthening internal systems and processes, to create a leaner, flexible and cost-efficient business with the latest tea manufacturing technology and techniques ensuring quality is maintained throughout the value chain. Our commitment to operational excellence is reflected in the stringent accreditations and certifications obtained as well as constant achievement of GSA above national elevations.

### Performance Monitoring System [GRI: 404-3](#)

Refer: Social & Human Capital, Productivity and Performance Management, Page 92



Strengthening our performance monitoring process, we adopted 'Decision support system' (DSS), an app to track, monitor and assess operations across estates and factories from a triple-bottom-line perspective and on a real time basis.

The software platform facilitates performance analysis and capacity planning. It enables to track and assess the level of efficiency in our estates and manage worker activities aligned to our operational targets.

**100% employees' evaluated through  
Performance monitoring system**

Through the performance monitoring system KPI is fed into the system from the fields itself. Data is collated across fields, division, estates and regions and analyzed. Results are displayed on performance dashboards and subsequently, factored into management information reports compiled for quick and effective decision making.

The system also supports effective performance appraisal of employees' productivity, leading to transparency in promotions, increments, rewards and recognition. Performance is measured and ranked based on predetermined key performance indicators. Training is provided for any skills gaps.

- ☑ All Staff & Executives are evaluated through "Performance Evaluation System" – Balanced Score Card
- ☑ Manual Grade is also evaluated with a "Colour Card System"

### Research and Development

We invest in research and development which supports our Intellectual Capital base through new products and new techniques. At TTE, we collaborate closely with the Tea Research Institute and the national universities to further our research and development initiatives, including developing high-yielding and specialty cultivar at the tea nurseries; developing cost effective and alternative solutions to weeding, soil management and blending specialty teas for product diversification.

### Group linkages

As a member of the Hayley's Group, Talawakelle taps into high standards of Corporate Governance, highly evolved systems of management and expertise of leading professionals in the country. Monitoring of industry trends and developments by Group Strategy Division enables timely and perceptive decisions on exploiting opportunities and overcoming challenges in driving performance and growth.

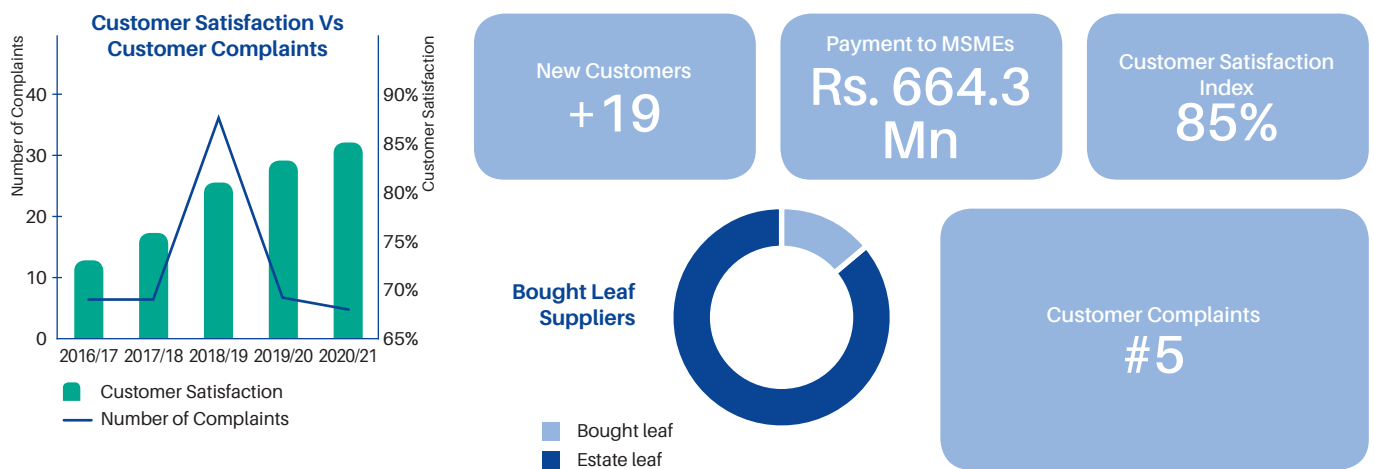
### Way Forward

We will continue to reinforce our brand by focusing on the impeccable quality of our teas and strong compliance with best practices.



# Relationship Capital – Buyers, Brokers and Suppliers

We engage with our brokers, buyers and suppliers to nurture robust and mutually beneficial relationships that build trust and confidence and reinforce our identity as a responsible producer of the finest quality teas.



## Strategic Priorities

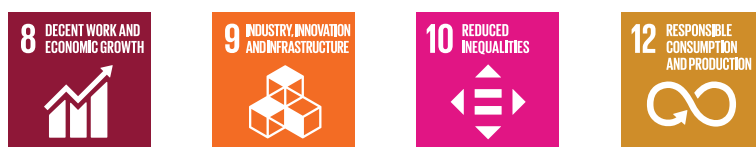


## GRI: 103-2 & 3

### Management Approach

Our management approach is relationship centric. Closely engaging, we give strategic priority to build, strengthen and sustain the trust and confidence of our buyers, brokers and suppliers. Product responsibility is key to our management approach which in effect is the premise underlining our 'Quality and Food Safety Policy', given below. We practice fair trade and give an assurance on the product with due information, meeting labelling requirements and being responsible in our marketing and brand communications. Evaluation: Certification audits/ internal control/ estate-level and corporate office monitoring

## Our Contribution to SDGs



## Highlights - 2020/21

### Supported MSMEs Empowerment

Payments made for bought leaf and fuel wood amounted to Rs. 694.3 Mn

### Digitalisation

Customer Engagement through online platforms.

### Customer Care

Diligent follow up and engagement contributed to improved customer satisfaction index

### Certification Audits

79 Audits covering all estates

## How We Created Value



### Proactive Engagement with buyers to drive Satisfaction

- ✓ 1% increase in satisfaction index
- ✓ 19 new buyers
- ✓ Virtual Tea tasting Sessions



### Maintain Product Quality and Standards

- ✓ 43 - Internal audit for system compliance
- ✓ 36 - External audits for certification



### Compliance with product labelling standard

- ✓ Zero complaints



### Systematic process for handling Customer complaints

- ✓ Increase in customer satisfaction ratings



### Empower MSME suppliers through supply chain

- ✓ 14% Bought Leaf Suppliers
- ✓ Rs. 598.9 Mn paid to Small Holders

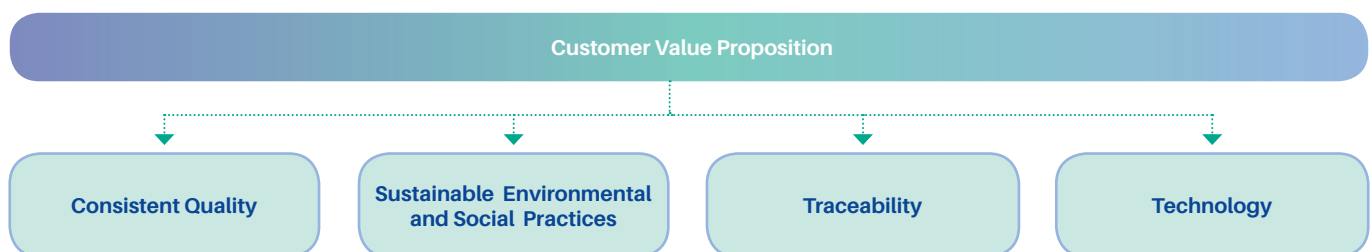
### Quality and Food Safety Policy

- ✓ As a market leader for finest quality tea, we are firm in our assurance of quality and food safety standards of our products.
- ✓ Good agricultural and manufacturing practices to be upheld in all our plantations.
- ✓ Upgrade and improve production facilities and manufacturing processes in every stage to conform with stringent global food safety standards.
- ✓ Execute the Food Safety Management System with consistent communications across all levels.
- ✓ Comply with relevant statutory and regulatory requirements.

GRI: 102-6

Over 95% of our tea produce is sold through brokers at the Colombo Tea Auction and the balance sold direct to wholesalers and exporters. Our "buyers" are tea exporters and wholesalers who seek our teas through the brokers. The teas are sold in the key markets of Turkey, Iraq, Russia and Iran.

## Customer Value Proposition



**Premium quality** – we apply best agricultural and manufacturing practice to produce premium quality teas. Our teas fetch prices above national average, at the Colombo Tea Auction. Refer Our Estates – page 19.

**Sustainable practices** – Our sustainable agricultural, environmental and social practices are described under Our Estates- page 9, Natural Capital - page 100 and Social & Human Capital Report - page 86. Our certifications and accreditations are disclosed on page 20.

**Traceability** – 86 % of the tea leaf is sourced from our own estates and balance from small holders / other estates. Full traceability assures our customers that we are in control of our operations, driving responsible production.

**Technology & Innovation**– We continuously invest in agricultural technology keeping abreast of the latest trends in enhancing yields and quality. Our open organization culture encourages suggestions for improvement, stimulating innovation and growth.

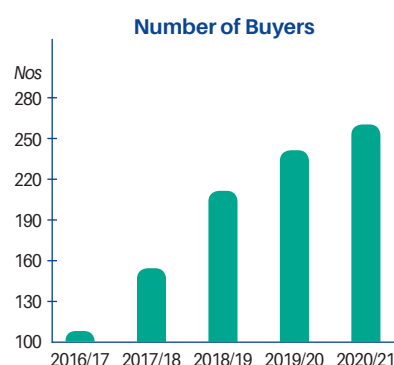


## RELATIONSHIP CAPITAL –BUYERS, BROKERS AND SUPPLIERS

### Proactive Engagement

**GRI: 417-3**

Our engagement initiatives are focused on strengthening ties and nurturing relationships through common understanding and shared experiences, contributing towards building trust in the TTE brand and reinforcing the customer value proposition.



Prior to the onset of the pandemic, our key engagement mechanism would be to regularly invite our brokers and buyers to visit our plantations and factories and to engage in tea-tasting sessions. We would showcase our production processes and technologies and apprise them on the best agricultural practices and manufacturing processes we have adopted to produce teas that meet high quality standards, in an environmentally and socially sustainable manner. However, with the onset of the pandemic given the stringent hygiene and safety protocols in place and the adoption of a 'no visitors' policy since March 2020, we were unable to facilitate visits to the factories this year.

We maintain regular contact with buyers and brokers through online mediums including video conferencing. The critical tea tasters meeting with the participation of estate and head office marketing personnel, is held online facilitating continuity of business. Shifting of the Colombo Tea Auction to an e-platform also supported operations.

Feedback from formal satisfaction surveys and informal interactions supports to fine-tune and develop our products and services.

In the year under review, our organisation did not report on any incidents of non-compliance with regulations and voluntary codes with regard to marketing communication aspects.

#### Topics Covered Under the Customer Satisfaction Survey.



### Driving Customer Satisfaction

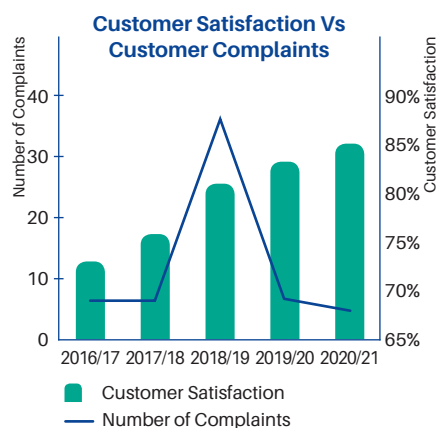
**GRI: 419-1**

We conducted our online customer satisfaction survey in March 2021. The survey was sent to 15 key buyers and a satisfactory response rate of over 50% was received. It is noteworthy our satisfaction index had improved to 85% (2019/20 - 84%) amidst the operating challenges present.

This is an affirmation of our effective engagement practices, in the new normal. Further, we were also successful in increasing our buyer base to 260 buyers by attracting 19 new buyers to year under review we haven't received any substantiated complaints regarding breaches of customer privacy and losses of customer data.

### Customer Complaints

Our structured customer complaints handling procedure, as documented below, ensures buyer/ broker grievances are systematically addressed and resolved. During the year, only 5 complaints were received, and the concerns swiftly addressed.



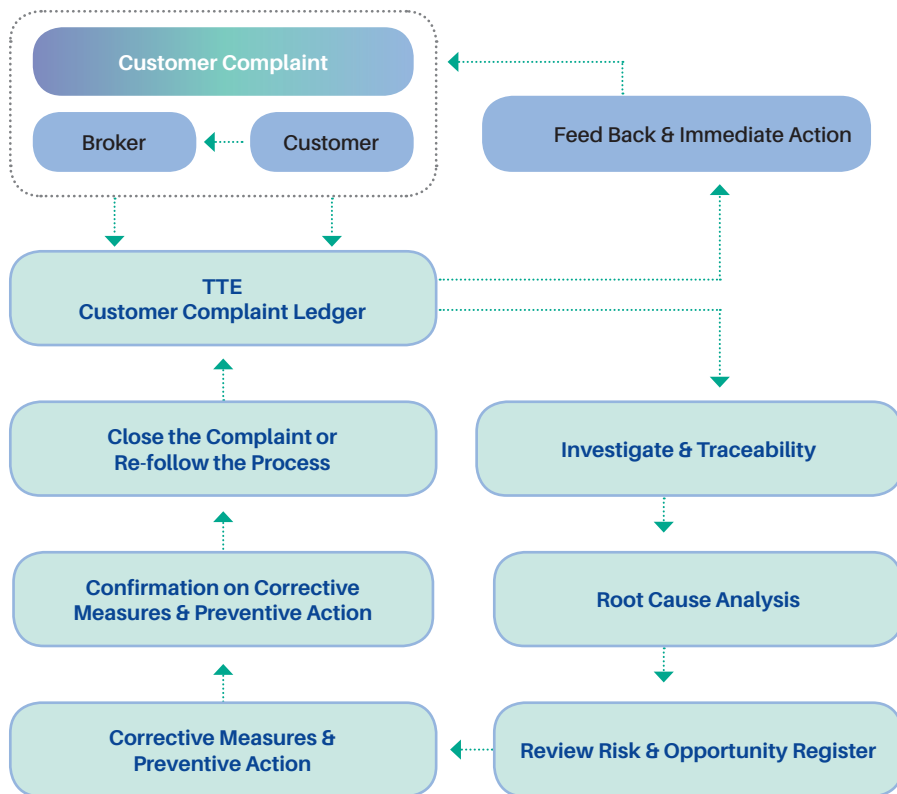
### Product Responsibility

**GRI: 416-1&2**

We are conscious of our responsibility towards the sustainability of the environment and in the health and wellbeing of our consumers. As such, we ensure that our supplier materials, produce and agricultural practices conform to international standards and invest in certification to provide assurance regarding the same.

Our tea estates are certified with Rain Forest Alliance, Ethical Tea Partnership, Fair Trade, ISO 22000:2005, ISO 14064-1:2018, ISO 14001:2015-EMS, ISO 9001:2015-QMS, ISO 50001:2018 EnMS and HACCP voluntarily. We comply with the regulatory requirements of Sri Lanka Tea Research Institute (TRI) and Sri Lanka Standards Institution - Sri Lanka Tea Board, including concentration of agro chemicals, gestation period and permitted materials. Certifications are accreditations are detailed on page 77.

## Customer Complaint Handling Procedure



## Product Labelling

**GRI: 417-1&2**

We are bound by the guidelines and standards set by The Sri Lanka Tea Board and Ceylon Tea Traders Association on product labelling to ensure the relevant information is supplied to customers to take an informed decision on the quality of the tea. All our products met the labelling requirements of these authorities and industry best practice.

We have not received any incidents of non-compliance with regulations concerning product labelling during the reporting year.



## Compliance

During the year, TTE did not record any monetary fines for non-compliance with laws and regulations nor any rejections in any of our product categories.

## Suppliers

**GRI: 102-9, 204 - 1**

Our regular suppliers are bought leaf, Agro-chemical suppliers and packing material suppliers.

Year under focus, out of Rs. 664.3 Mn, 79% to Tea Small Holders, 15% to Agro-chemical and Fertiliser, Packing material, 3% to Transporters.

## Bought Leaf Suppliers

Bought leaf volumes account for 14% of green leaves processed and are met through over 7,453 suppliers, of whom 1,673 are regular and key. All bought leaf suppliers are Micro, Small and Medium Enterprises (MSME) and are either tea small holders registered with TSHDA (Tea Small Holders Development Association) or collectors from groups of out growers, registered with the Tea Commissioners Division. MSMEs form an integral part of the economy. However, the sector was severely affected by the fall out of the pandemic, given the inherent vulnerabilities. Payments by TTE for the purchase of bought leaf supports MSMEs to create value and strengthen their businesses, with trickle down benefits spreading across the society.

## Developing our bought leaf suppliers and empowering MSMEs

We advise and share knowledge on plucking, manuring, storing and transporting goods with our bought leaf suppliers supporting their capacity building whilst ensuring quality produce and the adoption of environmentally sustainable practices throughout our supply chain.

Apart from sharing best practices, we also provide financial support to our bought leaf suppliers by paying

**100%**  
Local Suppliers

**14%**  
Bought Leaf Suppliers

**Rs. 664.3 Mn**  
Towards Empowerment  
of MSMEs

## RELATIONSHIP CAPITAL –BUYERS, BROKERS AND SUPPLIERS

for goods on delivery, despite the substantial lead time until tea auction sales proceeds are received by TTE. Selected smallholders are provided further support in the form of agro-chemical inputs which are dispensed from our warehouses directly and cost subsequently recovered by deducting from earnings from the next consignment.

### Fertiliser Supplier

Majority of Fertiliser and Agro-Chemicals are supplied by a Group company who is a licensed importer and recognized in the industry for high quality goods and reliability in supply. They meet the regulated certification and quality norms.

The cost of fertiliser is of concern. TTE focuses on improving the cost-effectiveness of fertilizer application through initiatives including soil mapping and leaf analysis.

In May 2021, certain Agro-Chemicals and Fertilisers were banned by the Government of Sri Lanka with immediate effect, with no suitable alternative in place. Stakeholders are in negotiation with the Government to arrive at a consensus to implement a mutually beneficial, rational policy.

### Other Suppliers

Other suppliers include those supplying packing materials, fuel wood and plant and machinery. All suppliers are selected under our stringent supplier selection programme and conform to relevant regulations and quality assurance certifications.

### Supplier Audits

GRI: 308-1 & 2, 414-1 & 2

Procurement department at Corporate and Estate Offices carries out periodic audits on supplier operations and conducting assessment to validate social and environmental practices of them to ensure their compliance with relevant laws, rules, regulations and standards.

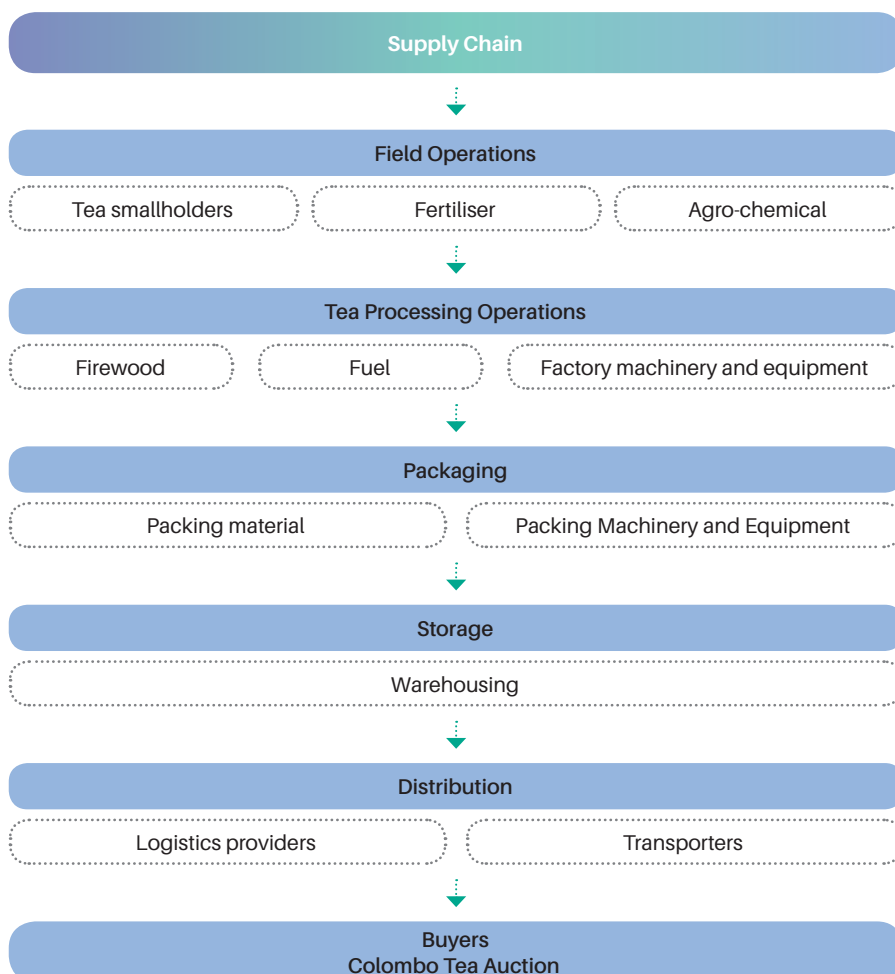
This includes monitoring of our fuelwood suppliers, through a structured questionnaire to ensure the validity and relevance of licenses they possess. Further this will ensure the suppliers obedience towards required laws and regulations and whether they meet the supplier requirements of us. Once after assessing each and every supplier – Suppliers will meet our requirements will be included into the approved supplier list. Likewise this process will carryout for any kind of a supplier before listing them under approved supplier list.

In 2020/21 also, Suppliers audits and assessments were carried out at estate level and corporate level for relevant suppliers. No significant issues were identified during the year.

### Supplier Selection

All potential suppliers are evaluated through a rigorous and documented process, which includes assessments on fair pricing, conformity to quality and standards, timeliness of delivery, after sales service (for plant and machinery) and compliance with environmental and social criteria. References are obtained wherever possible. Suppliers are selected purely on merit ascertained through this screening process. No significant issues were identified during the year.

### Supply Chain



# Social & Human Capital

TTE is committed to making a positive difference in society. With a team of 5777 employed in our tea estates and over 82% resident on these estates with their families-largely representing the local community of +40,000, we have a great opportunity to empower, uplift livelihoods and provide development prospects to all our workers and local communities.

Total Employees  
**5,777**

Employees Resident  
on Estates  
**82%**

Investment in  
Communities  
**97Mn**

Investment in COVID-19  
Related Expenditure For  
Employees  
**1 Mn**

GRI: 103-2 & 3

## Management Approach

We are guided in our commitment by international standards as set out in the UN Sustainable Development Goals and our activities are benchmarked against international best practices through external certifications. Our strong governance structure ensures that we balance the interests of our employees with those of other stakeholders

## Strategic Priorities

Fair Labour Practices



Training and  
Development



Productivity and  
Performance  
Management

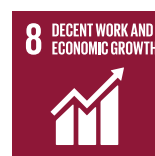


Occupational Health  
and Safety



Community  
Development and  
well-being

## Our Contribution to UNSDGs



## SOCIAL & HUMAN CAPITAL

### How We Create Value



#### Fair Labour Practices

Extend a fair workplace with best practices to create an enabling and inclusive work environment to achieve collective and individual goals.

- ✓ UN Global Compact
- ✓ 96% employee satisfaction rating



#### Occupational Health and Safety

Support the well-being of the workforce to enhance their work-life, their morale, productivity and loyalty to the organisation.

- ✓ 70% worker attendance rate
- ✓ Numerous programmes to ensure employee and family welfare during lockdown



#### Training and Development

Develop employee skills to improve their level of productivity and ensure the business viability and sustainability.

- ✓ 25,813 training hours
- ✓ 9,108 training coverage



#### Productivity and Performance Management

Enhance productivity for higher production volumes, business viability and returns.

- ✓ 94% retention rate
- ✓ 2.4% productivity rate



#### Labour Relations

Maintain cordial relationship with the workforce and with their trade unions to ensure smooth and continuous flow of operations

- ✓ 98% employees are members of trade unions



#### Local Community Enrichment

Contributes towards the socio- economic development of the local community the company operates in.

- ✓ 70 houses built
- ✓ Rs. 97 Mn spend on Social and infrastructure development

### Highlights - 2020/21

**Home for  
Every  
Plantation Worker**

**Team Leaders and  
Field Officers  
Development  
Programs**

**COVID-19  
Pandemic Impact  
Mitigation and  
Management**

**Mother and  
Child Friendly  
Tea Plantations  
Program**

### Why we have combined the Social & Human Capital and Community Engagement Reports

- ✓ Our team of 5,777 employees work in 16 estates located in 2 regions and our Head Office, driving TTE's performance. 82% of our employees reside on the estates with their families, creating a higher level of interdependency between employees and community. Consequently, we are conscious that our HR function is governed wisely, balancing stakeholder interests in an equitable manner.
- ✓ Our HR policies and practices are benchmarked with international best practice through external certifications.. They cover aspects relating to employment and the wider local community in their assessments.
- ✓ Responsibility for employee development is shared across roles in our HR Department with 15% HR Personnel engaged directly in employee welfare related activities.
- ✓ Given our communities are largely represented by the families of our employees and activities are implemented by the same HR teams, we have decided to combine the Social & Human Capital Report and the Community Engagement Report this year. We trust the report will provide insight into the significant time and resources we invest in affording our employees (and by extension the local communities) dignified work in a decent work environment.



## Human Resource Management

### Policy Framework

Our comprehensive Human Resource policy framework is shaped on the guidelines and principles of the following bodies. Our goal is to elevate the lives of our people by providing decent work that is accompanied by economic stability and secure homes. We treat all our employees with dignity, provide equal opportunity and respect their human rights.

#### UN Global Compact

The 10 Principles of the UN Global Compact

- ✓ Human Rights (2)
- ✓ Labour (4)
- ✓ Environment (3)
- ✓ Anti-Corruption (1)

#### UN Women's Empowerment Principles

7 Principles of UN Women's Empowerment guides to ensure women friendly workplace, marketplace and community. Equality Means Business, the Principles emphasize the business case for corporate action to promote gender equality and women's empowerment.

#### Hayley's Group Corporate HR Policies

- ✓ Recruitment
- ✓ Leave & Attendance
- ✓ Learning & Development
- ✓ Performance Management
- ✓ Disciplinary
- ✓ Grievance Handling
- ✓ Health & Safety
- ✓ Whistleblower
- ✓ Anti Sexual Harassment

#### Team Profile [GRI: 202-2, 405-1, 406-1](#)

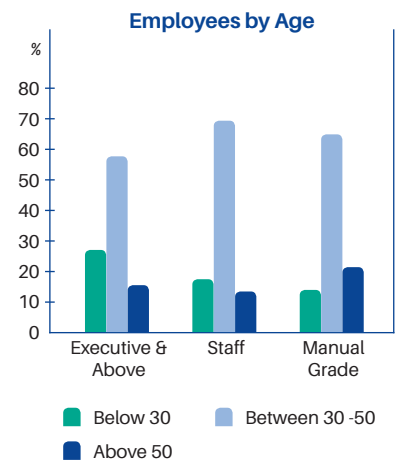
Our workforce is predominantly female, manual grade employees, responsible for plucking Tea within our estates.

- ✓ Total employees - 5,777
- ✓ 65% aged between 30 to 50 years
- ✓ 92% manual grade.

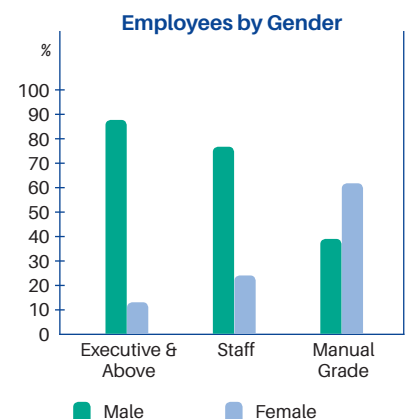
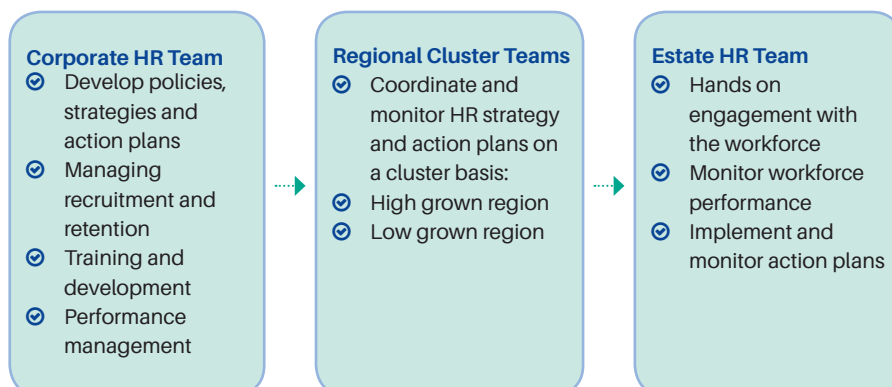


Male : Female  
2411 : 3366

|                  | Permanent        | Contract         |
|------------------|------------------|------------------|
| <b>By Gender</b> |                  |                  |
| Male             | 2405             | 6                |
| Female           | 3364             | 2                |
| <b>By Region</b> |                  |                  |
| High Grown       | 4725             | 4                |
| Low Grown        | 1014             | 1                |
| Western          | 30               | 3                |
|                  | <b>Full-time</b> | <b>Part-time</b> |
| <b>By Gender</b> |                  |                  |
| Male             | 2411             | -                |
| Female           | 3366             | -                |



Policies set at corporate level HR teams are implemented and monitored carefully by our regional and estate level teams.



## SOCIAL & HUMAN CAPITAL

We have stringent non-discriminatory policies to ensure race, age and gender do not impact our recruitment process. However, recruitment as a tea plucker is highly dependent on region and residential status. Consequently, ethnicity of our workforce leans toward being minority Tamil, following the main ethnicity of persons living on our estates. There were no incident of discrimination reported during the year.

### Great Place to Work [GRI: 406-1](#)

Focus on the wellbeing of our employees is top-down with the support of our Chairman and the Board of Directors. Management and

ground level teams are passionate about promoting employee welfare and believe in always putting people before profits.

Living through the pandemic this year has been an exemplar in putting this belief to the test. TTE team has worked tirelessly to diminish the harsh economic impacts of pandemic on our manual workforce, as explained in Health and Safety - page 95 An exceptional rating from Great Place to Work, is an endorsement of our efforts and the strong HR policies and practices we apply.

### Recruitment & Attrition

#### [GRI: 401-1, 202-2](#)

As an equal opportunity employer, we recruit employees based on objective criteria applied in a consistent manner, seeking to match experience and capacity to job description. We give precedence to internal transfers and promotions before hiring from outside. We offer employment opportunity to residents from the Estates, nurturing trust with the Company while driving economic empowerment.

Company senior management of board level and top management team represent 100% nationally composition. 80% of estate management and 98% of estate supervisory grades are representing locally hired members, which mean within the same provincials.

As a labour intensive operation we are faced by the challenge of a declining workforce, as discussed in Operating Environment - industry issues/ threats page 39. Yet we compare better than the industry rate of minimum 10%.



>96%

Record high satisfaction rating by over 1000 employees surveyed in January 2021, including estate workers.

New  
Recruits  
+129

Recruitment  
Rate  
2.2%

New Recruits by Age



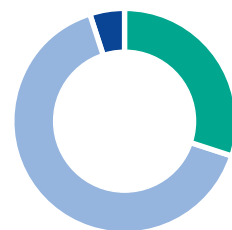
Below 30 - (56 - 44%)  
Between 30-50 - (61 - 47%)  
Above 50 - (12 - 9%)

New Recruits by Gender



Male 76 - 58%  
Female 53 - 42%

New Recruits by Region



High Grown 39 - 30%  
Low Grown 84 - 65%  
Head Office 6 - 5%

Turnover Rate  
2019/20  
7.9%

Turnover Rate  
2020/21  
5.8%

Turnover by Age



Below 30 - (83 - 17%)  
Between 30 - 50 - (177 - 36%)  
Above 50 - (227 - 47%)

Turnover by Gender



Male 179 - 37%  
Female 308 - 63%

Turnover by Region



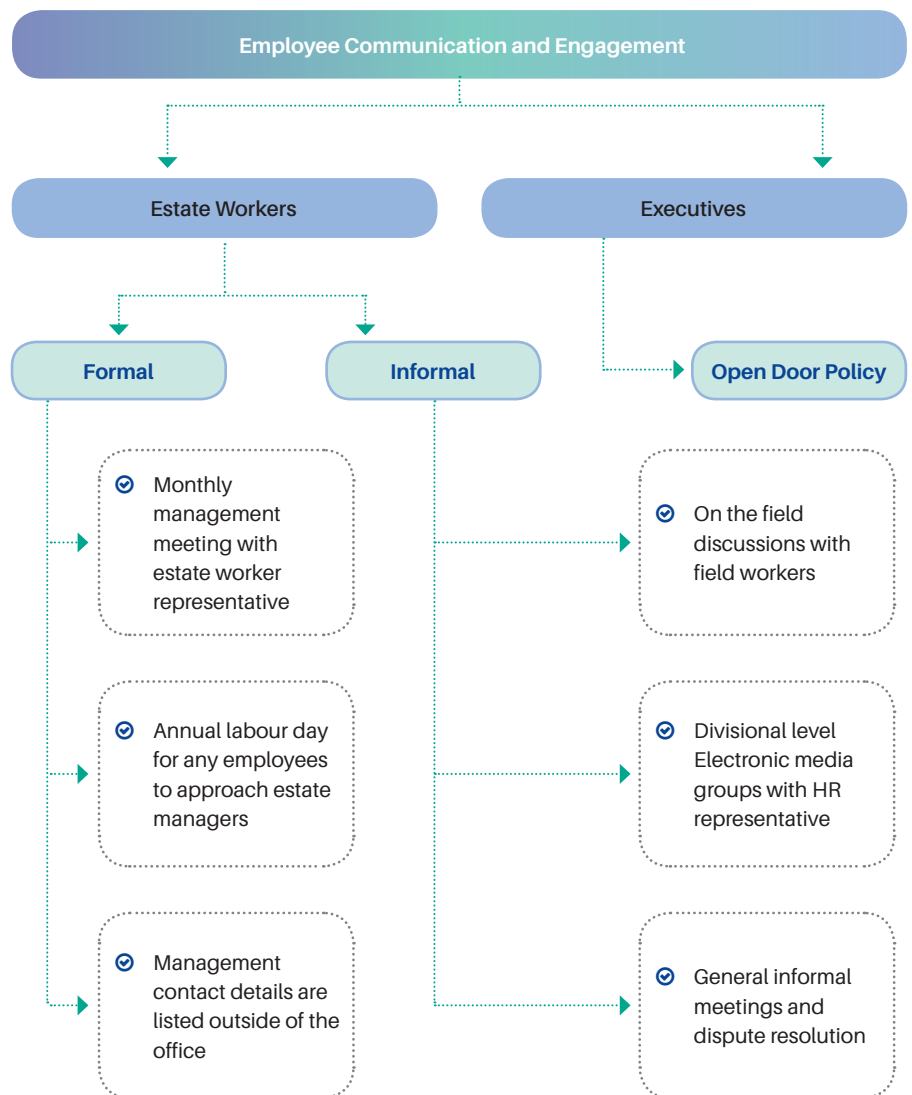
High Grown 302 - 62%  
Low Grown 181 - 37%  
Head Office 4 - 1%

### Communication and Engagement [GRI: 402-1](#)

Apart from our formal communication structure with employees, we maintain dialogue through regular staff and team meetings. We advocate an open workplace culture where workers have access to the management to address their grievances or their concerns through a healthy dialogue. We endeavour to ensure harmonious labour relations across our organization.

#### Labour Grievance Mechanism

Workforce grievances on the estates are addressed by the estate management and the trade union representatives. Our collective agreements and certifications set out the standard labour practices and the procedures to be followed in addressing grievances and disputes. TTE did not record any formal grievances related to labour practices including human rights within the 12 months ended 31st March 2021.



## SOCIAL & HUMAN CAPITAL

### Fair Remuneration GRI: 102-41, 401-2, 407-1

TTE is committed to providing fair remuneration to all its employees commensurate to their contribution. We have been abiding by the Collective Bargaining Agreements in place for members of trade unions while remuneration of other employees is determined with reference to market rates.

The estate workers wages model is currently under dispute as explained below, and is pending determination in the Court of Appeal.

#### Plantation Industry Wages Crisis

In February 2021, the Wages Board appointed by the Minister of Labour to review the Wages issue, announced its decision for estate workers to be paid the minimum daily basic wage of Rs.1000/- (Rs.900/- + Rs. 100/- BRA), (Rs.1,150/- with EPF/ETF) with effect from 5th March 2021.

The Regional Plantation Companies have sought legal action, and this matter is on-going. Prior to this, the minimum daily basic wage was Rs. 700/-, under the Collective Agreement, signed in 2019. Labour unions have continued to agitate, requesting for the daily wage to be increased to minimum Rs. 1,000/-. Meanwhile RPCs have advocated a more equitable, productivity linked wage model.

98% employees are members of trade unions.

In addition to the wages, employees receive the following benefits:

| Executives-Estates            | Manuar Grade Employees                       |
|-------------------------------|--|
| Medical Insurance             | Housing                                      |
| Accommodation                 | Electricity and Water                        |
| Tea allowance                 | Tea allowance                                |
| Mobile allowance              | Free drugs                                   |
| Fuel/Travelling/Vehicle       | Medical facility                             |
| Accommodation                 | Free clinics                                 |
| Water, Electricity, Gas       | Ambulance                                    |
| <b>Executives-Head Office</b> | Maternity Benefits and Child care facilities |
| Medical Insurance             | Milk and mid-day-meal nutritions to children |
| Mobile Allowance              | Death Donation                               |
| Tea allowance                 |  |
| <b>Staff-Head Office</b>      | <b>Staff-Estates</b>                         |
| Medical Insurance             | Medical facility                             |
| Tea Allowance                 | Tea allowance                                |
| Mobile Allowance              | Accommodation                                |
|                               | Water, Electricity                           |
|                               | Maternity Benefits                           |

Estate Welfare Teams also promote estate residents to supplement the family income through Non Wage Model (explained on page 92), home gardening, inland fishing, supply of food items etc., to engage unemployed family members to develop micro entrepreneurs within the estate community through workshops and fairs.

Additionally, numerous welfare activities support schooling for their children, managing their lifestyles and finances, providing access to banking facilities and safe housing.

TTE maintains positive labour relations with workers and trade unions and uphold the spirit of collective bargaining process and the collective agreement in force. The agreement stipulates salary increments, industrial dispute resolution, health and safety obligations, minimum notice periods regarding changes to operational conditions and other worker conditions. There were no risks of incidents of violating these agreements during the year.

### Leave Entitlement

Leave entitlement at TTE meets the regulatory criteria and collective agreements respectively for Executive/staff grade and manual grade employees.

| Employee Category    | Legal Requirement |        | Talawakelle |        |         |
|----------------------|-------------------|--------|-------------|--------|---------|
|                      | Annual            | Casual | Annual      | Casual | Medical |
| Executives and above | 14                | 7      | 16          | 7      | 0       |
| Staff                | 14                | 7      | 14          | 7      | 21      |
| Manual Grade         | 14                | -      | 14          | -      | -       |

**Compensation Payments & Statutory Benefits** [GRI: 201-3](#)

| For the Year Ended                           | Basis of Contribution | 2019/20 | 2020/21 |
|--|-----------------------|---------|---------|
| Rs Mn  |                       |         |         |
| <b>Defined Contribution Plan Obligations</b> |                       |         |         |
| Employees' Provident Fund                    | 10%                   | 125.33  | 110.79  |
| Employees' Trust Fund                        | 3%                    | 37.59   | 33.23   |
| <b>Defined Benefit Plan Obligations</b>      |                       |         |         |
| Gratuity Provision                           |                       | 174.23  | 150.05  |
| Gratuity Payments                            |                       | 129.38  | 118.06  |

Note: 3% and 12% is contributed by the employer

**Gender Parity** [GRI: 405-1 & 2](#)

Female participation in the estate workforce is well above the national average.

Basic salary ratio for male to female employees for both staff and manual grade is 1:1 whilst executives and above salary is based on performance.

**TTE strives** to attract and retain female employees at executive level. Policies in place that encourage and empower women in the workplace, include the following:

- ☑ Flexible Working Policy
- ☑ Human Rights Policy
- ☑ Policy to Prevent Sexual Harassment at the Workplace
- ☑ Maternity leave policy
- ☑ Medical Leave Policy

**53 Early childhood development centres, located in their respective divisions**

**Monitoring school attendance of children up to 18 and providing counsel and support**

**Female Representation**

|                    |     |
|--------------------|-----|
| Board of Directors | 1%  |
| Senior Management  | 10% |
| Executives         | 35% |
| Plantation workers | 61% |

Facilities provided to our female estate workforce to support their continued employment include:

**Maternity Leave** [GRI: 401-3](#)

| Maternity Leave & Retention -2020/21                                    | Number | % of Female Workforce |
|---|--------|-----------------------|
| Maternity Leave Aailed  | 114    | 3.3%                  |
| Returned to work after maternity leave                                  | 54     | 1.6%                  |
| Resignations after maternity leave                                      | 3      | 0.1%                  |
| Retained within the organization after 12 months taking maternity leave | 119    | 3.5%                  |
| Return to work rate : 47%   |        |                       |
| Retention rate : 83%  |        |                       |

As per the labour laws, male workers are not entitled to Paternal Leave. During the reporting period 114 mothers have been utilized Maternity Leave and 54 have returned to work after the leave.



## SOCIAL & HUMAN CAPITAL

### Financial Empowerment

We encourage financial empowerment of our female employees through regular training and informal communication on increasing their knowledge of money management, income generation, work life balance, developing core values and various aspects of health to uplift their lives. TTE's non negotiable agricultural practices clearly states that the female pluckers should receive their salaries themselves to enable the female pluckers to improve their purchasing power thereby making them financially independent and encouraging to increase the saving habits.

### Responsible Branding

In marketing these products and others, TTE has been conscious of portraying both women and men proportionately, respectfully and realistically. We are aware gender-stereotyped portrayals may limit the aspirations, expectations and participation of girls and women in society, contributing to negative outcomes in health and wellbeing.

### Employee Retention and Absenteeism Management

#### 100% Attendance at Work for Increased Earnings

We have set a target for ourselves to help reduce absenteeism by working with our estate employees. We carried out the following actions in 2020/21 to encourage employees to attend work and increase their remuneration.

#### Productivity and Performance Management

We remained steadfast in our efforts to create and advocate a performance-based work culture within our organisation. Our Performance management mechanism is well-structured, fair and transparent with clear measurement and evaluation criteria to assess employee performance on a set of pre-agreed key performance indicators. The system includes

#### Non Wage Model (Tea)

We are addressing employee retention and declining labour availability within our estates through an entrepreneurship model. A plot of land is granted to selected employees to manage and collect green leaves, in turn we pay them revenue share at market rate. The entrepreneurs are required to maintain the soil conditions that are essential to the preserving the quality of the green tea leaves.

1085



Training programmes to educate employees on the importance of estate work and the advantages and disadvantages

595



Monthly meetings for poor and good performers, and improve the divisional outturn

9



Arranged internal and external; study tours for employees such as factory visits

146



Conducted award ceremonies for employees

237



Celebrated birthdays, sent thank you cards and condolence letters to employees

708



Home visits to meet poor attendance tea pluckers/ Tappers and support them to overcome their problems

275



Educate the employees on importance of outgrow module (Non Wage model) and advantages and benefits of being an entrepreneur

systematic monitoring, evaluating and supporting our employees to perform at their best whilst developing their personal career aspirations. The new Oracle performance management system launched this year, streamlined the performance appraisal process driving efficiency and transparency. Refer - Manufactured capital for more details on the software.

All employees were assessed under the new system this year.

**Manual Grade** - We set standardized daily expectation of productivity on our estate workers. Currently the incentives are based on plucking daily expected tea kilograms and any additional kilograms being incentivized. We

provide guidance and training to our estate employees on maximizing their plucking capacity within an 8-hour day while balancing the required rest periods to avoid fatigue. Our Future Navigator mobile application facilitates to track, monitor and assess each employees performance daily. Refer manufactured capital - page 74 for more details.

**Human Resource Information System - Oracle**

In 2021, as invested in a fully-fledged Human Resource Management system exclusively for Executive grade employees, replacing the existing HRIS. Initiated by Hayleys Group, the investment seeks to strengthen the access to information and thereby better support TTE's strategic intents.

Advantages;

- ✔ Driving efficacy - The entire process of Human Resource Management was successfully digitalized beginning from On-Boarding to Performance Management of Employees. This enabled TTE to become more effective in rolling out HR Procedures, Processes and Documentations and to transition into a paperless, cost effective office.
- ✔ TTE operates in diverse locations such as Colombo, Nanu-Oya, Talawakelle, Deniyaya and Galle. Hence, this cutting-edge HRM System, permits us to link all executive-level employees by covering aspects from absence management to performance management thereby eliminating the need for physical presence.
- ✔ **Ensuring continuation of Training and Performance Appraisal during COVID-19** - Pre-eminently, this system was set in motion during the COVID-19 pandemic. We were able to conduct key-user trainings for personnel in all diverse locations and ensured the launch of the system in a timely manner. Evaluations were successfully done using the system for the year 2020/21.

**"Next to Excellence, is the Appreciation of it"**

A virtual award ceremony was conducted in January 2021, to recognize Assistant managers for their exceptional commitment towards the company during the period of April 2020-September 2020.

**Best Tea Plucker Awards**

We believe in rewarding the hard work from our employee. Our best tea plucker award system rewards our field workers who pluck the best quality and highest quantity monthly. linked to the future navigator app, our fully digitalized system maintains records of quantity of Greenleaf tea handed in on a daily basis and each tea pluckers productivity is monitored carefully by our corporate teams. At the end of the month the estate manager awards the best tea plucker within the estate with a certificate of recognition and rewards.



Best Pluckers - Calsay Estate



Best Pluckers - Deniyaya Estate



Virtual Award Ceremony

## SOCIAL & HUMAN CAPITAL

### Child Labour, Forced or Compulsory Labour Policies [GRI: 408-1, 409-1](#)

We do not sanction child labour or forced/ compulsory labour within our estates. All our employees are required to be over 18 and free to choose to work for us.

#### Mother and Child Friendly Tea Plantations

Along with Save the Children Sri Lanka, a Public – Private Partnership Agreement was signed by Talawakelle Tea Estates PLC. on the 08th of August 2019. The agreement articulates and validates the prominence of Child Protection and Maternal Health in our Plantation.

During the previous year, Child Protection Focal Points (CPFPs) were appointed for each estate and Village Child Development Committees (VCDCs) were formed. The policy was fully operationalized at our High Grown Estates (Nanu-Oya and Talawakelle Regions) through these programs.

This year, we took our first steps to operationalize the child protection policy in our Low Grown Estates (In Galle and Deniyaya Region) by appointing CPFPs and forming VCDCs. A 3-day in-depth training was given to our CPFPs by the Save the Children personnel, on successful implementation of the Child Protection Policy at Low Grown Region.

Continuous Monitoring of Performance is key to greater results. We conducted a progress review of the implementation of Child Protection Policy at the Estate Community. These Progress reviews are conducted half-yearly. We assess the performance of the Child Protection Focal Points in terms of their capability of driving the intended results at the Estate Community whilst measuring the effectiveness of the operationalization of the policy.

### Health and Safety [GRI: 403-1-10](#)

TTE is committed to providing a safe and clean work environment to all employees with high levels of awareness and strict enforcement of safety procedures. We are guided by a comprehensive Health and Safety policy, national regulatory requirements, and collective agreement requirements.

| Year    | No of Injury | Rate of Injury | Occupational Diseases | Lost Days | Work Related Fatalities |
|---------|--------------|----------------|-----------------------|-----------|-------------------------|
| 2019/20 | 101          | 0.42           | 0                     | 109       | 0                       |
| 2020/21 | 109          | 0.45           | 0                     | 120.5     | 0                       |

During the reporting year, there were no any work related ill health reported.



Awareness on Health & Safety - Bearwell Estate



How to handle Spray Tanks - Holyrood Estate



Safety Methods - Somerset Estate

**Health and Safety Committees** – have been established at each division within the estate comprising of 10 - 15 people. The H&S committees have representatives from: Estate management, Manual workers, Staff. The estate committee is required to hold a monthly meeting to discuss any safety concerns.

167 males and 116 females were trained on awareness through training on health, nutrition and hygiene, maintaining clean and tidy homes and workplace, boiler operation, occupational health & safety, sexual harassment remediation, create a safe work environment for workers and handling hazardous agro chemicals and substances.

**A Clean and Healthy Home** - As 82% of our workforce lives within our Estates, we extend our health and safety management approach to include the homes of our community. We provide clean water, healthcare, and access to medical clinics to our employees and families and provide awareness programs to encourage healthy attitudes towards nutrition for adults and children. More details included under Employee benefits in this section in social integration.



## Ensuring Employee Health and Safety During COVID-19

During the year, the Health and safety of our employees was of primary

concern. Pro-active action was taken as the pandemic unfolded and TTE implemented stringent health and safety protocols across all our estates

and offices, adhering to WHO and National health guidelines.

Key actions include;

### Adaptation Measures

- ✓ Provided coriander, Vanive, Cummins water and dates for employees in the field to increase the immunity level of the employees
- ✓ Provided ginger powder for employees to make ginger tea in the field
- ✓ Supplied iron and vitamin C tablets for employees, all free of charge

### Mitigating economic Impacts

- ✓ Approached PHDT and other grocery shop owners and institutions and obtain food rations for the employees
- ✓ Offered maximum no of days' work for employees when the entire country was lockdown
- ✓ Paid salary advances on time
- ✓ Granted leave for the employees to go to town to purchase food rations when curfew lifted
- ✓ Encouraged all employees and non-estate employees to grow vegetables and start home garden in their available lands.
- ✓ Allocated buildings to stock food rations for two to three months

### Health and safety protocols

- ✓ Formed working committees to share information between the management, community and relevant authorities
- ✓ Water facilities provided to wash the hands in offices, plucking fields, factories, CDCs and other common places
- ✓ Provided masks, hand wash and soaps for the employees
- ✓ Maintained a record system to record the temperature level of employees in the morning hours
- ✓ Provided Thermometers to all plucking fields, office and factories

### Awareness

- ✓ Displayed posters on COVID-19 in all the common places in both Tamil and Sinhala
- ✓ Continuous meetings with workers, estate leaders, youth and non-workers and educated about the situation and precautionary
- ✓ Special education programs for Child Development Officers(CDOs) on the role and responsibilities during the pandemic situation.
- ✓ Provided all necessary assistance for the PHI officers to visit to the estates
- ✓ With the guidance of Head office, developed a proper communication system to provide all the required details regarding the No of Outsiders arrival to the estate/divisions, no of person on quarantine and COVID-19 positive cases to head office

### Preventing spread of disease in the estate

- ✓ Dry rations issued to the most vulnerable families on company account
- ✓ Sprayed disinfectant in all living areas, factories, offices, child development centers through Red Cross, Sri Lanka and other service providers
- ✓ Continuous meetings and coordination with government, health and security officials
- ✓ Activated emergency teams in the estates/ divisions and conducted regular meetings
- ✓ Maintain a register to record all new comers to estates and kept the new comers under quarantine for 14 days with the supervision of PHI and Department of Police
- ✓ Provided all the required details to PHDT, Police and PHI as required
- ✓ Constant meetings and coordination with company senior officials (MD, CEO, DP)
- ✓ Formed Zoom and WhatsApp groups in each estate (Worker representatives, Staff and management)



Temperature Checking - Great Western Estate



COVID-19 Awareness - Wattegodde Estate



Distributing Vitamin C - Somerset Estate

## SOCIAL & HUMAN CAPITAL

### Training and Development

#### GRI: 404-1,2

We invest in our employees to equip them with the necessary technical skills and competencies in enhancing land and labour productivity, driving higher yields and profits.

Key Programmes conducted during the year;

- ✔ 40 - Field based team leaders trained on enhancing productivity through leadership and employee motivation through tree training workshops
- ✔ 22 - Field Officers trained on Technical Skills Development
- ✔ Over 10 training sessions were conducted by the National Productivity Secretariat on National Productivity Awards for staff & manual grade employees
- ✔ 4 - training sessions were conducted by Department of Labour on Social Dialogue and Workplace cooperation for manual grade employees

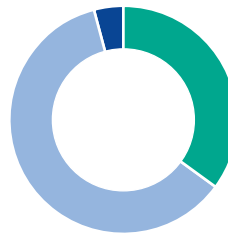
Apart from the mentioned Training categories, we have ongoing diverse training sessions at our Regions, targeted at our Manual Grade Employees.

Average Hours of Training by Gender



Male - 4.5  
Female - 4.5

Average Hours of Training by Category



Executives - 18.8  
Staff - 32.9  
Manual Grade - 2.3

#### Field Officers Technical Skills Development Programme

The Technical Skills Development Programme was initiated in 2019, with the objective to improve and enhance the knowledge, skills and competency levels of our Tea Field Officers.

Despite the challenges of the pandemic, the training programme was conducted during the year for 22 Field Officers selected from our TTE Estates. These training sessions were mainly conducted by internal resource persons such as estate, and corporate managers and a few sessions conducted by the TRI and University of Peradeniya.

Implementation included a well-defined evaluation procedure comprising classroom evaluations, final written test and final VIVA test.



Field Officers Technical Skills Development Programme

We work closely with National Institute of Plantations Management, Tea Research Institute, Rubber Research Institute, National Institute of Business Management, Universities and other institutions, to develop programs to upgrade employee skills and transition assistance that addresses training requirements identified during performance appraisals.

Further, Executives are provided training in leadership and soft skills to be groomed to take on greater responsibility.

|                             |        | 2019/20 | 2020/21 |
|-----------------------------|--------|---------|---------|
| Investment in Training      | Rs. Mn | 8.3     | 0.64    |
| Training Coverage           | Nos    | 10,520  | 9,108   |
| Hours of Training /Employee | Hrs    | 15,199  | 25,813  |



42,000

Residents on the Estates

70

New Houses

Rs. 41.5 Mn  
for Housing**Driving Social Integration**GRI: 203-1 & 2, 413-1 & 2

We are conscious of our responsibilities and are committed to uplifting the living standards of the local communities by investing in and providing opportunity for economic independence, access to education, healthcare and housing while driving social integration. These programs are built into our benefits package offered to our staff and extends to the families that live within the estate.

There were no incident of negative impact on local communities during the year.

**Home for Every Plantation Worker**

'A Home for Every Plantation Worker' is our dedicated social development programme, with well-planned initiatives to address community needs, improve their wellbeing and better their standards of living. This programme is comprehensive and is mainly implemented in the high grown region where we have communities residing within our estates.

Focused areas under this programme and related initiatives are outlined below.

☑ **Improving the Living Environment**  
- Investment Rs. 56.8 Mn

We invest and work towards developing and improving the living environment of our estate communities. Under this initiative, we provide necessary infrastructure facilities, inter-alia, roads, housing, water and sanitation, recreation and learning facilities. The Estate Worker Housing Cooperative Societies together with the Plantation Human Development Trust collaborate with us in implementing these initiatives.

Many of our estate workers live in the estates with their families. We invest and work towards uplifting our estate worker community and enhancing the quality of their life in collaboration with the Plantation Human Development Trust, Estate Worker Housing Cooperative Societies (EWHCS) and National Housing Development Authority by developing and improving their living environment.

Provisions through our social welfare program include:

1. 7 perch land for eligible workers free of charge.
2. Assistance to clean the land and obtain approvals for building a house.
3. Electricity and water supply.
4. Construction of proper drainage system and issuing waste management bins.
5. Allocation of plots for growing vegetables.
6. Common facilities for animal husbandry.



*New Houses - Indola Estate*

Additionally, we offer training and awareness programs that ensure the health and safety of our communities through maintain a clean environment.

☑ **Community Capacity Building**  
- Investment Rs. 32.1 Mn,  
**Beneficiaries - 27,833**

We extend skills development opportunities for our communities, strengthening their livelihoods and uplifting their quality of life. In this regard, our communities are offered housing loans, saving schemes along with training on household finance management, microfinance, home gardening etc.



*Saving Habits - Deniyaya Estate*

☑ **Health and Nutrition - Investment Rs. 6.4 Mn, Beneficiaries - 223,079**

We focus on healthcare in terms of nutrition and preventing communicable and non-communicable diseases. Under this, we have in place a comprehensive immunization programme to prevent Tuberculosis, Polio, Hepatitis B, Influenza Type B, Mumps, Measles, Rubella etc. We also carry out awareness building programmes on health and nutrition; initiate early childhood development programmes; antenatal and postnatal care; and providing medical services.

## SOCIAL & HUMAN CAPITAL

### Zero Underweight Children

Childcare is provided for resident employees in their divisions and Welfare Officers monitor attendance of children to ensure that they avail themselves of the early childhood development opportunities, nutrition and other measures taken to promote their health and well-being. This has contributed towards zero anaemia in children under 5 years old facilitating their growth and development. We have 53 child development centers at our estates.

Zero Anemia in  
Children  
<5 Years

53 Child  
Development  
Centres

### Healthy Communities

Our estates comprise of 11 medical clinics that provide regular health checks to our employees, minor medical treatment for the estate community under the supervision of a Medical Assistant, 24-hour ambulance service and implements our key programs for promoting healthy lifestyles. We believe health and well-being to be paramount in driving sustainable development. In addition to providing healthcare to workers and their families, our clinics are open to local communities, providing them with basic healthcare facilities.

11

Medical Dispensaries

Awareness on communicable and non-Communicable diseases

We have provided more than 30000 residents with immunization coverage during recent years under our preventative healthcare program

Education and awareness programs in Health and Nutrition

Conducting dental and medical clinics annually

Provide nutritious food packs for children who are identified as underweight children

### Zero Anemia

Anemia was discovered to be prevalent among our employees and affecting their productivity. Under our healthy lifestyle program, we are committed to reducing the incidents of anemia among our employees to zero. We conduct awareness programmes and provide free iron supplement tablets to employees.

Awareness of  
Health & hygiene, Anemia,  
Nutrition and Worm infestation for  
community members

Re-analyze the HB levels for the  
identified anemic patients

Encourage and educate the  
employees on the  
importance of drinking  
cumin seeds water and dates

Provide deworming /  
Iron supplement tablets for the  
employees



Distributing Iron Tablets- Great Western Estate



Distributing Coriander Water - Dessford Estate



Distributing Cumin Water - Mattakelle Estate

### ✔ Youth Empowerment - Investment Rs.1.5 Mn, Beneficiaries - 32,145

We follow through a focused youth development programme by engaging our youth, create awareness on significant social issues and extend vocational training opportunities to support them to build their skills and confidence, so as to aspire and achieve better livelihoods and life goals.

### Promoting Quality Education

We believe access to quality education empowers individuals and communities to breakout of poverty and build meaningful lives. A range of services and benefits are provided to ensure our workers' children are motivated to learn and have access to daycare and education while their parents are at work.

Last year despite the pandemic and scaling down of several activities, the T-Field education programme

continued to operate ensuring the children had continued access to education. During the pandemic situation:

- ✔ Train on Trainer (TOT) members were trained on e-learning.
- ✔ Through the trained teachers; secondary grade children were registered to access the e-thaksalwa education site.
- ✔ A You-Tube education channel was launched by T-Field and 18 WhatsApp groups were formed.
- ✔ E-based education materials were shared through this e-platforms and children who lack access to e-platforms were provided hard copies.
- ✔ With the collaboration of TTE, T-Field conducted community awareness programs on Child protection.
- ✔ Created a friendly classroom by providing smart boards and initiated SMART classrooms in the schools within TTE.

- ✔ To support the children in Ordinary level education, seminars were facilitated through T-Field and SMART education packs were distributed to the children in the entire division.

### Micro Entrepreneurship and Women Empowerment

Estate Welfare teams encourage estate residents to supplement family income through home gardening, inland fishing, sewing and supply of food items. Workshops, fairs and training (on financial literacy) are conducted to support the micro entrepreneurs, of whom many are women.

Welfare teams engage with women on the estates as they face daily hardships including domestic violence, alcoholism, child health and personal health issues which have given rise to many of the programmes initiated for their well-being including awareness on alcoholism and communicable diseases including HIV AIDS, elders days, health camps, and scholarship schemes.

Assistance to Improve the standard of the Child Development Centres and expand the CDOs knowledge, skills and positive attitude towards the centre and the child development.

Scholarships are provided to all students passing Grade 5 scholarship exams, O/L and A/L to inspire them to continue studies. Students gaining university admissions are also provided with scholarships.

School attendance of all children under 14 years is monitored by the welfare officers to ensure compliance with current legislation requiring all children under 14 to attend school. We identified the school dropouts and assisted them to reinstate into schools.

Assisting organizations to conduct tuition classes in the estate vicinity.

Issuing educational materials to the school going children to support the children start up their education.

### Public Policy [GRI: 102-13, 201-4, 415-1](#)

We maintain memberships in governmental and non-governmental bodies related to the industry, actively participating both in terms of policy making and lobbying to address industry issues and challenges. Our senior management holds key positions in policy making committees.

Our main membership associations are Ceylon Chamber of Commerce, Plantation Human Development Trust, Planters' Association of Ceylon, Biodiversity Sri Lanka & Employers' Federation of Ceylon.

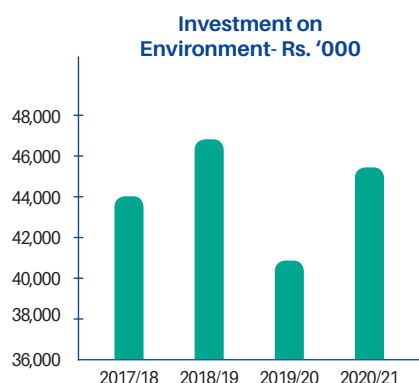
Apart from our engagement at the policy level, we do not have any political memberships and do not support for political agendas. This reporting year, we did not record any monetary or nonmonetary political contributions.



# Natural Capital

Talawakelle Tea Estates is an industry leader in environmental sustainability, with substantial investments directed every year towards preserving natural resources. TTE has played a key role in raising awareness and promoting best practices in agriculture that drive environmental conservation; and in emission management and addressing implications of climate change.

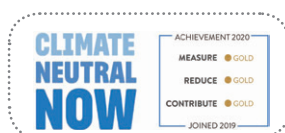
## Continuous Investment In Environment Conservation



GHG Emission Savings  
 5,463 tCO<sub>2</sub>e

Decrease in GHG emission intensity  
 7.3%

Native Plants Planted  
 6,430



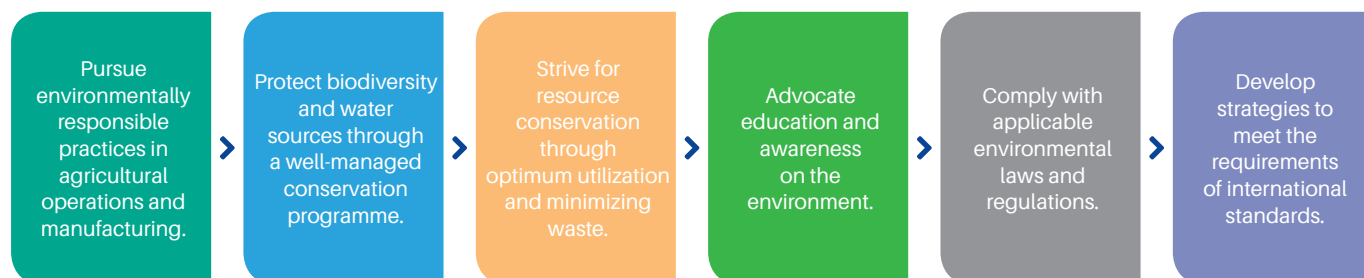
Reduction of Agro-chemical  
 24%

GRI: 103-2 & 3

### Management Approach

"We are committed to work in partnership with the plantation and local community to conserve and manage the environment in which we operate for the benefit and well-being of the present and future generations within plantations and its neighbourhood."

## Strategic Priorities



## Relevance to Capitals



Natural Capital

## Our Contribution to SDGs



## How we created value



### Material Consumption Management

- ✓ Replaced fertilizer with alternative natural fertilizer
- ✓ Increased 1.6% Greenleaf output per hectare



### Energy Management

- ✓ ISO 50001:2018 Energy Management Certification
- ✓ 7% energy reduction through VFD installation



### Water Resource Management

- ✓ Rainwater harvesting
- ✓ Annual wastewater testing



### GHG Emissions Management

- ✓ Established target 50% GHG Emissions reduction by 2030
- ✓ 5,463 tCO<sub>2</sub>e Emissions reduced through renewable energy projects



### Solid Waste Management

- ✓ 12,781 kg non-hazardous waste recycled
- ✓ 222 kg Hazardous waste recycled



### Biodiversity Conservation and Protection

- ✓ 6,430 Native trees planted
- ✓ IUCN listed 31 flora and 113 fauna protected

## Highlights - 2020/21

### Driving Energy Efficiency

Variable Frequency Drivers (VFD) to optimize the electricity consumption for motor speed

### Committed to Climate Action

Science Based Targets Initiative (SBTi) to develop Emissions reduction targets to manage climate change impacts

### Responsible Chemical Consumption

Defining chemical free fields for growing premium tea

### Promoting Biodiversity Conservation

St. Clair Restoration project: planted 16,000 native trees for non commercial purposes as an conservation effort

## Driving Environment Sustainability In Our Business

Dedicated sustainability team that drives the initiatives within the estates and reports to corporate sustainability team and Estate Management Steering Committee.

Environmental and social sustainability representatives in the Estate Management Steering Committee

Monthly reporting of sustainability KPI to Estate Management Steering Committee for review

Monthly updates to the Hayley's Group sustainability portal for board review

Clear standard operating procedure for business as usual

Our estate follow ISO14001:2015 and Rainforest Alliance standards for developing environmental management systems

Regular audit mechanism to measure our performance in terms of our environmental sustainability goals

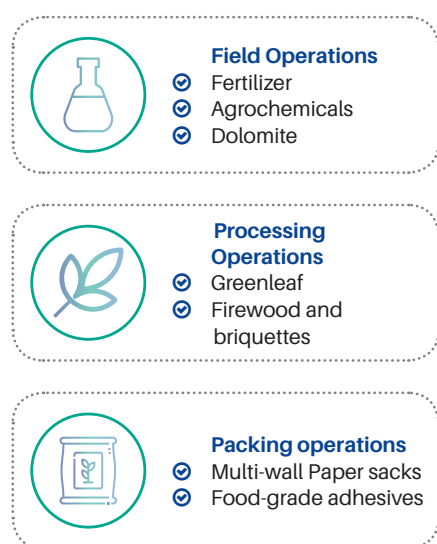


## NATURAL CAPITAL

### Responsible Material Consumption

As our operations are spread over 6000 acres of plantation, our raw material requirement is substantial. We are conscious of our consumption of agrochemicals and fertilizer, and focus on minimizing the use of non-renewable materials, while progressively shifting to use of alternative renewable resources and recycled material, wherever possible.

### Raw Materials in our operation GRI: 301-1,2,3



### TTE Key Measures for Responsible Consumption

Maximising raw material utilisation

Using alternative renewable resources whenever possible

Increasing recycled material wherever possible

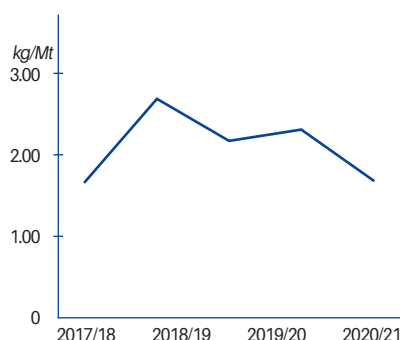
We engage in the following practices to optimize sustainable consumption.

1. Procurement only of fertilizers and agro chemicals approved by the regulators and certified for as per international health and safety standards.

2. Optimize chemical and fertilizer consumption under a focused fertilizer plan. Align with 4R Nutrient Stewardship framework, is described in Our Estates - page 19.
3. Adoption of an Integrated Weed Management system to minimize herbicide use. Engaging in manual weeding for half the weeding cycles.
4. We rely on biological control measures to manage pest and insect attacks since 2014.

There is no any recycle material involvement as direct raw material for tea manufacturing process due to nature of tea manufacturing process and food safety requirement. We invest in natural erosion management methods within our estates. More details in environment investment section.

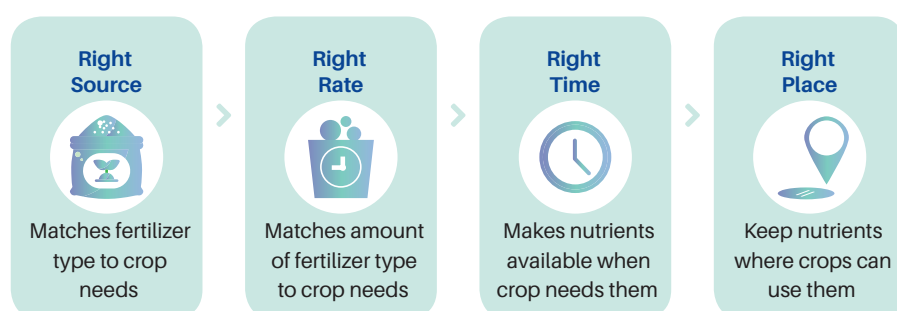
Agrochemicals Intensity - kg/ MT of Greenleaf



Agrochemical intensity of green leaf production has been reduced due to over best agriculture practices according to 4R Nutrient method

We invest in natural erosion management methods within our estates. More details in environment investment section.

### 4R Nutrient Stewardship Framework



| Raw Material                     | 2019/20      | 2020/21      |
|----------------------------------|--------------|--------------|
| Greenleaf (MT)                   | 26,431       | 26,681       |
| Packing material (MT)            | 137          | 151          |
| <b>% Renewable materials</b>     | <b>84.2%</b> | <b>84.3%</b> |
| Fertilizer (MT)                  | 3,240        | 3,336        |
| Dolomite (MT)                    | 1,727        | 1,651        |
| Agro-chemicals (MT)              | 15           | 11           |
| <b>% Non-Renewable materials</b> | <b>15.8%</b> | <b>15.7%</b> |

All packaging is exported along with the products and therefore, there are no reclaimed products.

#### Chemical Free Field

During 2020/2021 our high grown estates established a project to grow tea in chemical free fields. This trial project was set up develop a brand of sustainable tea that has low impact on the environment.

1. Production is batch wise to avoid contaminants from tea from other fields.
2. Branded and directly sold at a premium price to the customer.
3. 1-2% of our production

#### Energy Management *GRI: 302-1,2,3,4,5*

Energy is a critical input in the manufacture of tea, accounting for significant amount of input in the manufacture of tea, accounting for significant portion of cost of production. Withering and drying processes are the most energy intensive consuming over 45% of total energy. Thermal energy used in these activities is produced by burning firewood, a requisite for producing "quality" tea. Consequently, biomass accounts for 86% of total energy sources, as reflected in the energy diagram given below. We ensure the sustainable sourcing of our firewood requirement as discussed in Relationship Capital – Suppliers, while driving towards self-sufficiency by growing 17% of requirement on our estates.

#### TTE Key Measures for Energy

Firewood and briquettes used to operate tea driers

Energy efficient machinery and equipment

Lighting and Variable Speed Drives in Factories

Machinery and light switch on/off plans

Power factor correction

Optimising natural light in factories

Monitoring and controlling energy usage

| Category                | Measure | 2020/21 | 2019/20 | Variance (%) |
|-------------------------|---------|---------|---------|--------------|
| <b>Energy by Type</b>   |         |         |         |              |
| Renewable Energy        | GJ      | 168,865 | 159,986 | ↑ 5.5%       |
| Non-Renewable Energy    | GJ      | 27,204  | 28,702  | ↓ 5.2%       |
| <b>Energy by Source</b> |         |         |         |              |
| Electricity             | GJ      | 19,017  | 19,114  | ↓ 0.5%       |
| Biomass                 | GJ      | 167,609 | 159,986 | ↑ 4.8%       |
| Diesel                  | GJ      | 6,260   | 6,336   | ↓ 1.2%       |
| Gasoline                | GJ      | 3,182   | 3,252   | ↓ 2.1%       |
| <b>Energy by Scope</b>  |         |         |         |              |
| Direct                  | GJ      | 178,307 | 169,575 | ↑ 5.1%       |
| Indirect                | GJ      | 17,762  | 19,114  | ↓ 7.1%       |

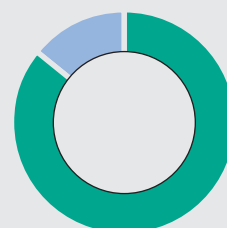
#### Energy Mix



- Firewood - 83%
- Briquettes - 2%
- Diesel - 3%
- Gasoline - 2%
- Electricity - 10%

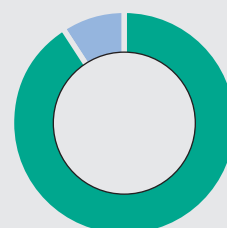
#### Energy Consumption Breakdown 2020/21

##### Energy by Type



- Renewable Energy - 86%
- Non-Renewable Energy - 14%

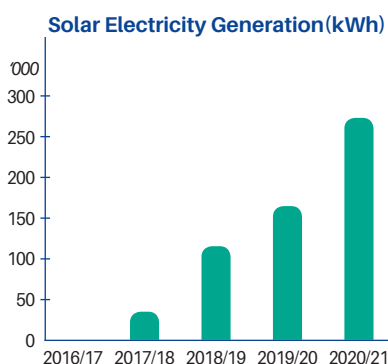
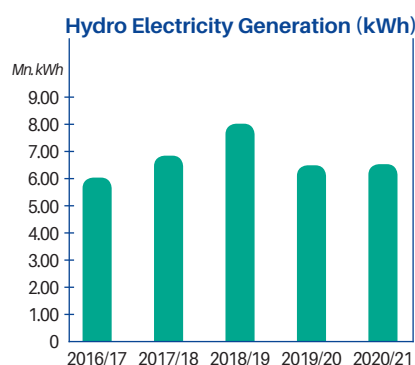
##### Energy by Scope



- Direct - 91%
- Indirect - 9%

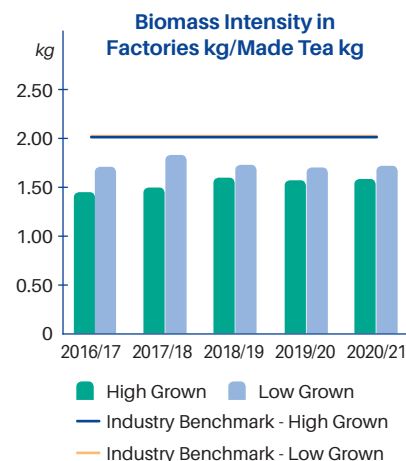
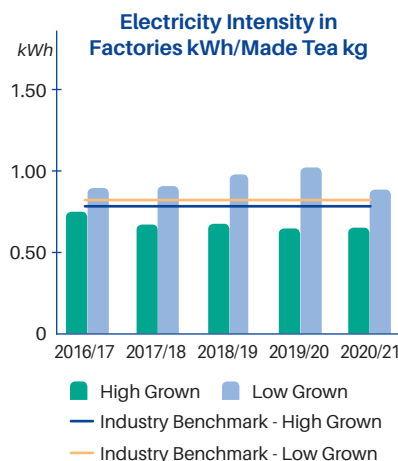
## NATURAL CAPITAL

We support our own goals and national UNSDG commitments towards transitioning to renewable energy sources, by supplying the national grid with electricity produced through our 3 mini-Hydro plants and 2 Solar rooftop projects. Refer - Emissions page 105.



*Electricity generated through the solar panels is supplied to the main grid under the Net Plus scheme.*

We are conscious in our efforts to improve energy efficiency through investments in technology and process improvements and have been successful in improving electricity intensity by reducing 2.9% in over 2019/20. Firewood intensity has been increased unfavorable weather condition.



### Key Initiatives in 2020/21

#### Improving fuelwood energy efficacy by preheating system

Preheating system is the process of drying wood to reduce and maintain optimal moisture level. Benefits of proper preheating include efficient boiler operation and reduced wood consumption. During the year, we built a chamber next to our boiler to store our biomass, using waste heat to reduce moisture content. This project is expected to improve firewood energy intensity of factory operations,

| Fuelwood energy intensity/ kg of made tea |      |
|---|------|
| Current                                   | 1.62 |
| Forecast                                  | 1.54 |

#### Installation of Variable Frequency Drivers (VFD) to improve Electricity Energy intensity.

The withering process consumes 49% of total energy. In a pioneering project in Sri Lankan tea estates by the United Nations Development Programme (UNDP), we collaborated to install VFD's to withering fans to optimize the electricity consumption of motor of withering fans. 33 VFD units installation have been completed in seven factories.

| Electricity energy intensity/ kg of made tea |      |
|--|------|
| Current                                      | 0.71 |
| Forecast                                     | 0.66 |

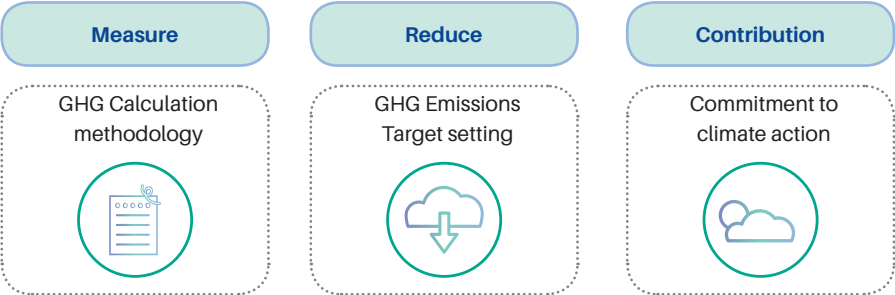


GHG Emissions Management [GRI: 305-1, 2, 3, 4, 5, 6, 7](#)

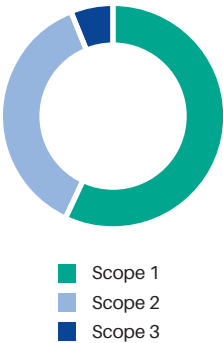
As a tea producer our business is highly dependent on weather and rainfall patterns. We consider contributing to improve climate impacts as a strategic business imperative of the organization, applying globally recognized standards for managing emissions.

How We Manage Emissions

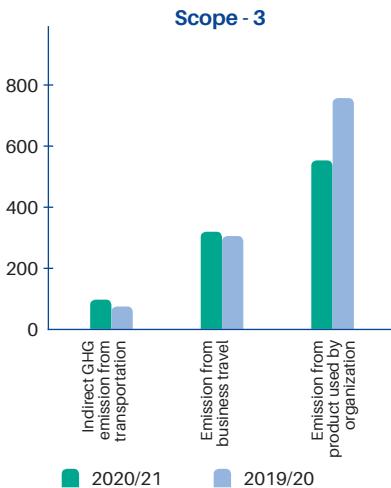
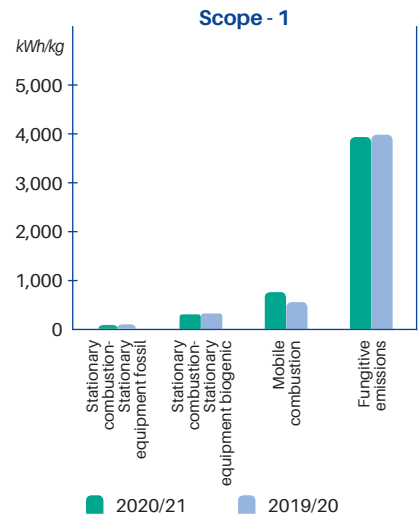
Adopt low carbon business model according to UN Carbon Neutral Now



By Scope

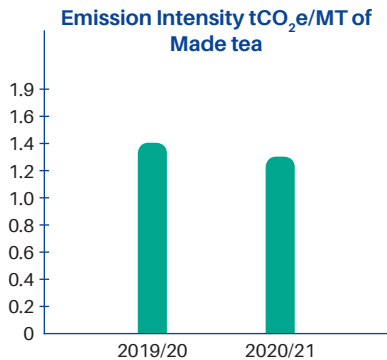


By Type



Action to Reduce GHG emission

- Measure and monitor GHG emissions
- Implement cleaner production technologies i.e. converting to biomass boilers
- Drive investments in renewable energy
- Promote tree planting campaigns
- Drive self-sufficiency in fuelwood by growing own sustainable supply
- Reforestation and Biodiversity enhancement
- Agronomics - i.e. developing cultivar adapted to inclement weather



## NATURAL CAPITAL



### First Ever

Plantation Company in the world to;



Committed to UN  
Climate Neutral Now



Set Science Based  
Targets towards zero  
emissions



Engage with NetZero  
2050 Team, towards  
zero emissions

**Measure** – TTE has 3rd party verified Comprehensive GHG inventory covering Scope 1, Scope 2 and Scope 3 (13 out of 15 categories excluding 2 categories which are Not applicable for Company Scope) according to ISO 14064-1:2018 and latest GHG Protocol.

**Reduce** – Established GHG emission reduction targets according to “Science Based Targets initiatives” (SBTi)

**Contribute** – Became Climate Neutral company through fulfilling gold level requirement of measure and reduce stages and continual increasing capacity of GHG emission insetting projects

### Sustainable Biomass and Resource Management

We focus on reducing our Greenhouse Gas (GHG) Emissions by minimizing the fossil fuel dependency at our estates. In 2020/21, we replaced all our fossil fuel-based boilers with biomass/fuelwood boilers. We are committed to ensuring our fuelwood is only collected from sustainable sources and carefully track the fuelwood usage.

1. 83% uprooted rubber, furniture offcuts and other types of fuelwoods from licensed suppliers with strict screening process of the company.
2. 17% Fuelwood grown internally within the estates.

### Planting Fuelwood Trees

In 2020/21, we increased the extent of fuel wood planted to 14.13 hectares.

### Science Based Targets Initiative

We are the first Sri Lankan company to voluntarily commit to set Science Based Target Initiative (SBTi) towards limiting global temperature rise to 1.5°C in May 2019. This year science-based targets Initiative (SBTi) for reducing emissions and methodology development have been completed for submission to the SBTi for validation.



- ✓ Computed according to ISO 14064-1:2018 and GHG protocol
- ✓ Gasses included are CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and HFC's
- ✓ Calculation includes Direct emissions, Indirect emissions from Energy use, Biogenic emissions and Other indirect energy
- ✓ Emissions intensity calculated Metric Tons of CO<sub>2</sub> equivalent per Metric tonne of product

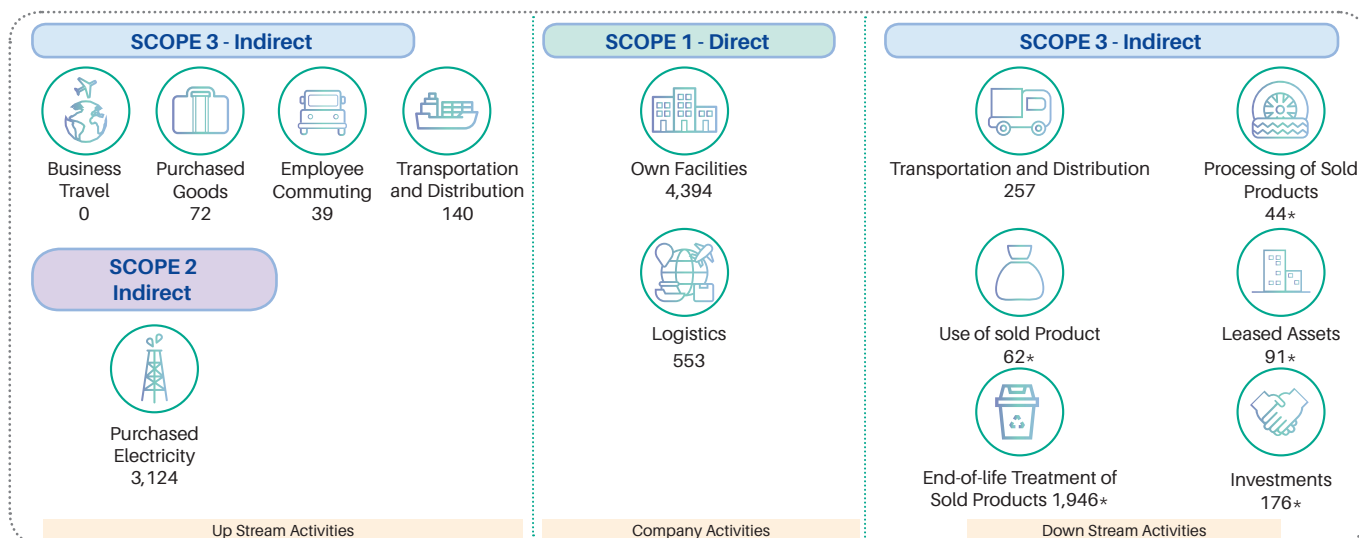


- ✓ Proposed SBTi Target with a base year of 2018/19 (Pending validation from SBTi)
- ✓ Direct Emissions and Indirect Emissions from energy use (scope 1 and 2) - 50.4% absolute reduction by 2030.
- ✓ Other indirect emissions (Scope 3) - Emission reduction by 2030 and 34.2% absolute reduction by 2030.
- ✓ Target boundary includes bio-genic emissions and removals from renewable energy and bioenergy



- ✓ Through our renewable energy projects producing hydro- power and solar power electricity.
- ✓ Sustainable forest management project Commercial forestry, Social forestry and conservation forestry





\*In Screening Stage, not included to GHG inventory | All Values in tCO<sub>2</sub>e

| Item   |   | tCO <sub>2</sub> e |              | Variance %  |
|--|---|--------------------|--------------|-------------|
|  |   | 2019/20            | 2020/21      |             |
| Direct   | <b>Scope-1</b>  |                    |              |             |
|  | Stationary combustion-Stationary equipment fossil             | 74                 | 96           | 29.7%       |
|  | Stationary combustion-Stationary equipment biogenic           | 304                | 318          | 4.8%        |
|  | Mobile combustion   | 757                | 553          | 27.0%       |
|  | Fugitive emissions  | 3,940              | 3,980        | 1.0%        |
|  | <b>Subtotal Scope 1</b>                                       | <b>5,075</b>       | <b>4,947</b> | <b>2.5%</b> |
| Indirect                                       | <b>Scope-2</b>  |                    |              |             |
|  | Indirect GHG emission from imported energy                    | 3,323              | 3,124        | 6.0%        |
|  | <b>Subtotal Scope 2</b>                                       | <b>3,323</b>       | <b>3,124</b> | <b>6.0%</b> |
|  | <b>Scope-3</b>  |                    |              |             |
|  | Indirect GHG emission from transportation                     | 433                | 436          | 0.7%        |
|  | Emission from business travel                                 | 27                 | 0            | 100.0%      |
|  | Emission from product used by organization                    | 65                 | 72           | 10.9%       |
|  | <b>Subtotal Scope 3</b>                                       | <b>525</b>         | <b>508</b>   | <b>3.3%</b> |
|  | <b>Total Scope 1, 2 &amp; 3 (Excluding Biogenic Emission)</b> | <b>8,923</b>       | <b>8,579</b> | <b>3.9%</b> |
|  | Biogenic Emission from Firewood and Briquettes                | 17,918             | 18,772       | 4.8%        |
| <b>GHG Saving</b>                              |   |                    |              |             |
| GHG saving from electricity generation (Hydro) |   | 5,225              | 5,256        | 0.6%        |
| GHG saving from electricity generation (Solar) |   | 116                | 207          | 78.5%       |
| <b>Total GHG Saving</b>                        |   | <b>5,341</b>       | <b>5,463</b> | <b>2.3%</b> |

**Calculation approach compiles to ISO 14064-1:2018, GHG protocol and IPCC guidelines**

- ✓ Emission factors - Most relevant and latest factors
- ✓ Energy factors - 2006 IPCC AR5
- ✓ Global warming potential - IPCC Fifth Assessment Report, 2014 (AR5)

**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:**

- Purchased goods and service - Screening and Calculation
- Capital goods - Screening
- Fuel and energy-related activities - N/A included to Scope 1 & 2
- Transportation and distribution of goods (Upstream) - Screening and Calculation

- Waste management in operations - Screening and Calculation
- Business travel - Calculation
- Employee commuting - Screening and Calculation
- Leased assets - Screening and Calculation
- Transportation and distribution of goods (Downstream) - Screening and Calculation
- Processing of sold products - Screening
- Use of sold products - Calculation
- End-of-life treatment of sold products - Screening
- Leased assets - Screening
- Franchises - N/A
- Investments - Screening

## NATURAL CAPITAL

| Type                        | 2020/21 kWh | Percentage on total consumption | tCO <sub>2</sub> e Saving | Percentage over total emission |
|-----------------------------|-------------|---------------------------------|---------------------------|--------------------------------|
| Total Hydro Power Generated | 6,482,480   | 123%                            | 5,255.99                  | 59%                            |
| Total Solar Power Generated | 275,872     | 5%                              | 207.37                    | 1%                             |
| Total Renewable Generation  | 6,758,352   | 128%                            | 5,463.37                  | 60%                            |



Hydro Power Plant

### Hydro Power Energy

Hydro power electricity is provided to the Sri Lanka National Grid through under Three Mini Hydro projects in Radella, Palmerston and Somerset under our subsidiary operations. Hydropower generated in 2020/21 increased marginally by 3.2% to 6.48kWh following inclement weather patterns. Hydro-electricity generated was over 123% more than that purchased by TTE annually from the Ceylon Electricity Board.

| Plant      | Capacity | Generated in 2019/20 - kWh'000 | Generated in 2020/21 kWh '000 |
|------------|----------|--------------------------------|-------------------------------|
| Radella    | 0.2MW    | 833                            | 859                           |
| Somerset   | 1.1MW    | 3,202                          | 3,282                         |
| Palmerston | 0.8MW    | 2,409                          | 2,341                         |
| Total      | 2.1MW    | 6,444                          | 6,482                         |



Rooftop Solar

### Solar Power Energy

As explained under Manufacturing Capital – page 72, TTE has installed 2 roof top solar power plants at Bearwell and Moragalla Estates. Electricity generated through these projects is supplied to the main grid under the Net Plus scheme.


Total electricity generated increased 65.9% to 275,872kWh in 2020/21, accounting for 5% percent of the total electricity consumed across the organisation.

| Solar Rooftop | Commissioned in | Capacity | Generated in 2019/20 - kWh '000 | Generated in 2020/21 kWh '000 |
|---------------|-----------------|----------|---------------------------------|-------------------------------|
| Bearwell      | 2017/18         | 108.2kW  | 113                             | 97                            |
| Moragalla     | 2019/20         | 114.4kW  | 51                              | 178                           |
| Total         |                 | 222.6kW  | 164                             | 275                           |

Our production facilities and domestic equipment do not generate emissions of Ozone depleting substances; NOx or SOx gasses produced through our daily operations and community households too, are negligible.


Water Conservation GRI: 303-1, 2, 3, 4 & 5

Water in our operations




**Water for our plants**

- ✓ As an estate primary water usage is for our plants
- ✓ The water source is limited to direct ground water withdrawn by our plants and rain.



**Water for our process**

- ✓ Water usage within our manufacturing process is limited to humidification and washing rolling rooms
- ✓ Ground water is extracted from springs within the estates, for this purpose.



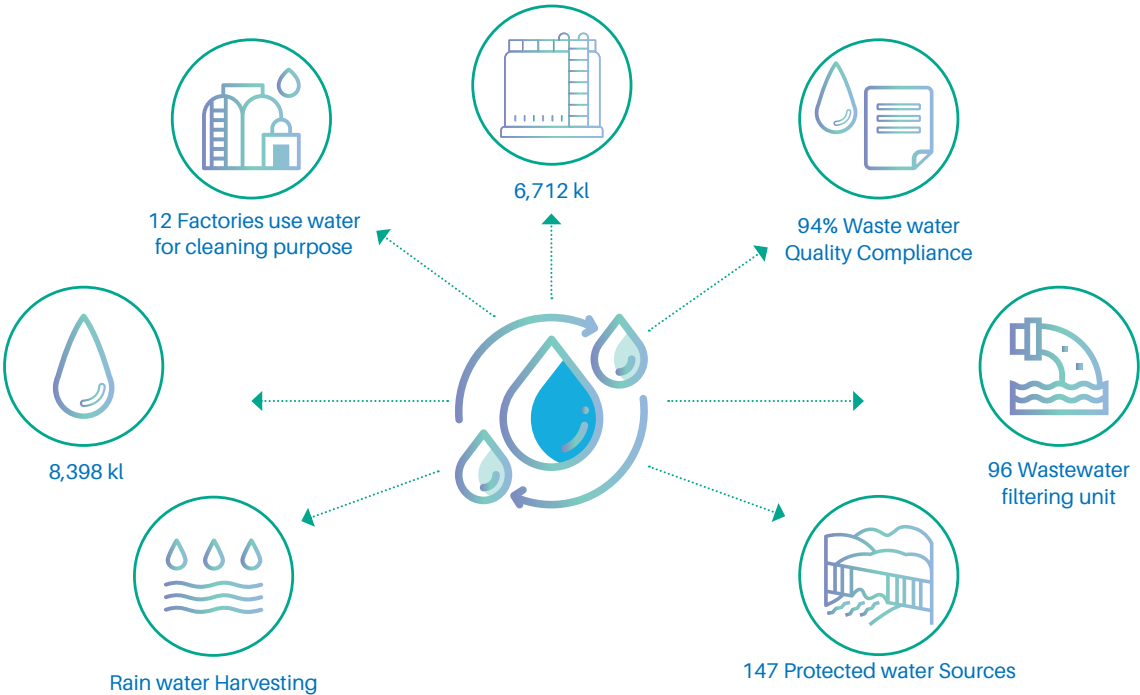
**Water for our people**

- ✓ National water supply is only used in the corporate office
- ✓ Water used by our staff in the estates is extracted from springs and streams within the estate

Key Measures for Water Conservation

- Mechanical fences and meshes to prevent water contamination
- Chemical free buffer zones
- Rainwater harvesting
- Monitoring and reducing in agrochemical usage
- Wastewater purification systems
- Annual water quality testing
- Vegetative barriers

Water Management Approach



## NATURAL CAPITAL

As guided by Company environment policy, the Rainforest Alliance certification and ISO 14001:2015 programme, our water management is well-structured with focused efforts to manage water use sustainably, monitor and protect all water sources within our estates. We have done extensive research on water sources initially in our water stewardship journey and regularly conducting impact assessment to plan water conservation measures and efficient water management practices, water as shared resource. Wastewater harvesting is another important measure to maintain proper ground table.

Our well-structured wastewater management measures are addressing to ensure minimum impact natural waterbodies. Wastewater purification systems set up in all our estates ensure that we purify wastewater from factory and domestic operations before releasing into natural water bodies. Apart from the purification system, we also rely on bioremediation through conservation of natural vegetation and plants as recommended in wastewater channels. Rainforest Alliance certification guidelines underline this process. Due laboratory testing is done annually to verify and ensure that the water purification process meets the required standards.

| Water Source                     | 2019/2020 | 2020/2021 | Change% |
|----------------------------------|-----------|-----------|---------|
| Total water withdrawn (kl)       | 7,613.31  | 8,397.52  | ▲ 10.3% |
| Total Wastewater discharged (kl) | 6,654.23  | 6,712.81  | ▲ 0.9%  |
| Total Water Consumption (kl)     | 1,684.71  | 959.08    | ▲ 75.7% |

### Non Hazardous waste by disposal method



■ Recycled  
■ Reused  
■ Other

#### Waste Management at TTE

Implement an integrated solid waste management programme.

Measure and monitor solid waste recycled and produce compost from biodegradable waste

### Water Withdrawal

We are committed to conserving water through maximizing utilization, as ground water retention is vital for our business:

1. Quality and Quantity of the tea production depends on ground water availability.
2. In our estates, our community consisting of our employees are dependent on the same water sources as our plantations as well as the surrounding villages.
3. Some of our estates are in high value water conservation areas.

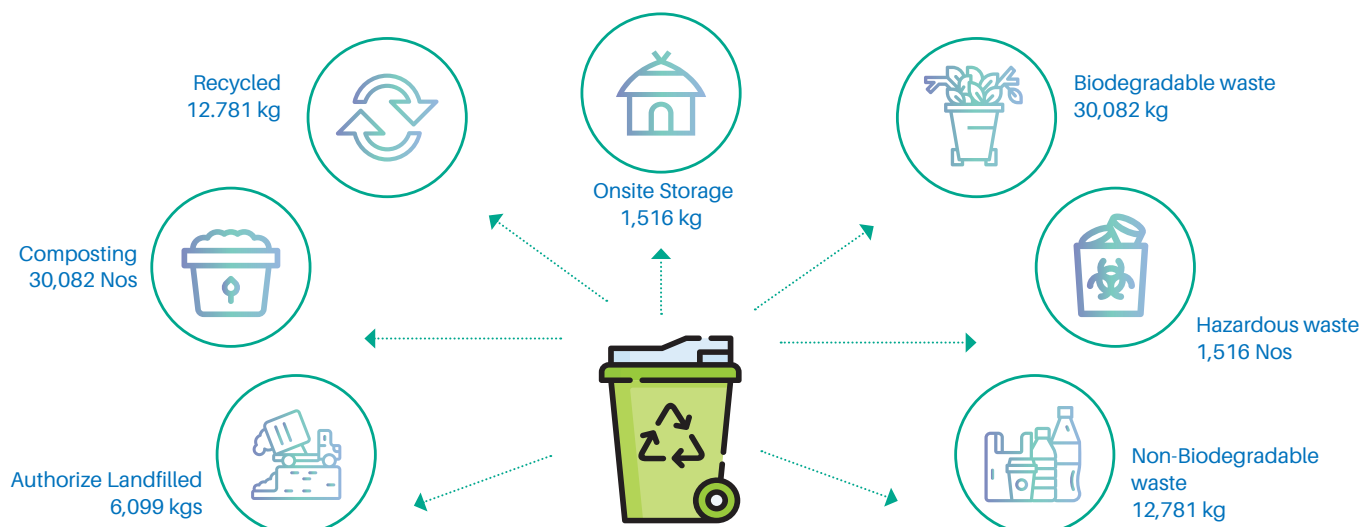
### Wastewater management

- ✓ TTE has 96 Wastewater purification systems within our estates to treat water after domestic and factory usage before releasing into the natural water bodies.
- ✓ There were no instances of significant spills or water bodies affected by water discharge during the year.

### Solid Waste Management

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

At TTE we practice an Integrated Solid Waste Management system underlined by the '3Rs'—reduce, reuse and recycle focused on ensuring both waste management and waste reduction. The use of unauthorized landfill sites and open burning waste are prohibited in our estates.



1. Briquettes used as biomass fuel is produced from recycled agricultural waste and accounts for 2% of our fuel usage for processing tea.
2. We recycle our biodegradable solid waste to produce compost for tea fields and home garden plots.
3. All the non-degradable and hazardous waste is collected, segregated and recycled or disposed of responsibly through authorized collectors.
4. As majority of our employees live on the plantation Ecosystem, they are both beneficiaries and violators and education play a key role in waste management. We engage in awareness building initiatives and train our employees and communities on how to be responsible in disposing of biodegradable and non-biodegradable waste. TTE is guided by certification standards under Rainforest Alliance and ISO 14001:2015.
5. We have taken all precautionary and preventive measures, to ensure that hazardous material storage facilities are well covered. There were no incidents of spills reported during the year.

| Waste Type and Disposal Method      |         | 2019/20 | 2020/21 |
|-------------------------------------|---------|---------|---------|
| <b>Waste Diverted from Disposal</b> |         |         |         |
| <i>Composting</i>                   |         |         |         |
| Biodegradable mix waste             | kg      | 30,091  | 30,082  |
| <i>Recycling</i>                    |         |         |         |
| Glass                               | kg      | 1,261   | 1,436   |
| Plastic                             | kg      | 2,600   | 1,869   |
| Polythene                           | kg      | 2,130   | 2,001   |
| Metal/Iron                          | kg      | 14,790  | 4,968   |
| Paper                               | kg      | 4,565   | 2,507   |
| Total Recycling                     | kg      | 25,345  | 12,781  |
| <i>Onsite Storage</i>               |         |         |         |
| E-waste                             | Numbers | 254     | 222     |
| Bulbs-used                          | Numbers | 432     | 1,294   |
| Total Onsite Storage                | Numbers | 686     | 1,516   |
| <b>Waste Directed to Disposal</b>   |         |         |         |
| Authorized Landfill                 |         |         |         |
| Non-Hazardous mix waste             | kg      | 4,461   | 6,099   |

### Ecosystem and Biodiversity Conservation [GRI: 304-1, 2, 3 & 4](#)

Our estates are located in watershed and catchment areas, feeding national rivers while others border National Forest Reserves. Located in wet zones, these lands are rich in biodiversity and are home to several endangered species of fauna and flora. We are committed to conserving the biodiversity within our estates and making minimum impact on biodiversity through our operations and have established a well-structured biodiversity conservation programme as guided by the Rainforest Alliance. Key initiatives are highlighted alongside.

### Key Measures for Biodiversity Conservation

Identify biodiversity blocks, wildlife and habitats on maps through periodic surveys

Assess impacts of operations on flora and fauna and take migratory actions

Track and record flora and fauna species in our estate

Organise tree planting campaigns in the estate

Protect Biodiversity areas with a five-meter chemical free buffer zone

Conservation of Riparian habitats



313,420  
Trees Planted



4 Hectare  
Ecosystems  
Restoration



6,430  
Native trees  
planted



## NATURAL CAPITAL

| Type of species | Total No. of species | No. of endangered/ threatened/ vulnerable species as per the IUCN   |
|-----------------|----------------------|---|
| Fauna           | 113                  | 0 Globally Threatened<br>06 Critically endangered<br>44 Endangered<br>37 Vulnerable<br>26 Near threatened |
| Flora           | 31                   | 0 Globally Threatened<br>02 Critically endangered<br>02 Endangered<br>02 Vulnerable<br>27 Near threatened |

### Chemical Free Buffer Zones

We have established chemical free buffer zones near waterways, vegetation barriers and greenbelts to ensure our operations do not impact the surrounding flora and fauna negatively.

### Training and Awareness

We provide training and awareness to the staff and community within the estate on conservation and protection of ecosystems.

### Ecosystems Connectivity to Estate Land Extend

| Region              | Extent (ha) | Connectivity to Natural Reserves   |
|---------------------|-------------|--|
| <b>Up country:</b>  |             |  |
| Talawakelle         | 2,942.69    | Great western natural forest, Devon water fall , St Clair water fall Horton plains, Kikiliyamana natural forest, Pidurutalagala natural forest, Ambewela natural forest, Pattipola natural forest, |
| Nanu Oya            | 1,821.08    | Kotamala Oya, Nanu Oya, Upper Kotmale hydro power reservoir  |
| <b>Low country:</b> |             |  |
| Deniyaya            | 1,343.02    | Sinharaja forest, Kannaliya forest, Diyadawa forest Patna, Ranmale forest, Ginganga  |
| Galle               | 384.78      | Kottawa forest, Kannaliya forest, Madolduwa Koggala, Unwatuna jungle beach, Rumassala  |

#### Ecosystem Restoration of St. Clair Falls

This project is focused on preserving, improving, and restoring a high conservation value area of St. Clair falls catchment area with a self-sustaining business model for forest restoration and ecosystem protection. Project was launched World Environmental day in 2019.

Project Rationale: As a responsible plantation company investing in self-sustaining business model to restore an ailing forest ecosystem as it is an investment in provision of clean water, improved livelihoods, enhanced biodiversity while combating climate change.

#### Project Design:

##### Project planning

- ✓ Forestry model design
- ✓ Resource planning
- ✓ Design of monitoring plan and evaluation

##### Project execution

- ✓ Financial
- ✓ Land preparation
- ✓ Tree planting
- ✓ Replanting
- ✓ Promotional campaign
- ✓ Training/ Awareness and education

##### Project monitoring

- ✓ Tree census
- ✓ Financial and other resource auditing

##### Evaluation and re-planning

- ✓ Performance evaluations on KPI's
- Re-planning on failed actions

## Project Impact



### Immediate

- ✓ Environmental - improve biodiversity, water retention and quality, soil health, and air quality. Develop forest corridors and reduce soil erosion. Sequestration of atmospheric CO2 and enhance forest carbon stock
- ✓ Social - improve earning capacity, job opportunities, food availability, accessibility to medicine and fuelwood, water availability, and air quality.
- ✓ Economical - Competitive advantage for business, improve crop levels, favourable microclimatic conditions for plantations, carbon credits, corporate recognition and goodwill

### Medium term

- ✓ Collective engagement on reforestation and biodiversity enhancement
- ✓ Develop and strengthen business model for restoration projects
- ✓ Promote sustainable land management in the plantation sector
- ✓ Contribute to private sector commitment on reforestation projects

### Long term

- ✓ Environmental protection and conservation
- ✓ Raise awareness on importance of reforestation in local community, corporate sector and future generations (school children)
- ✓ Support mitigation actions to climate change

### Project status:

| Project phase and year launched | No. of trees planted |
|---------------------------------|----------------------|
| Phase 1 (2019/2020)             | 9,630                |
| Phase 2 (2020/2021)             | 6,430                |
| Total                           | 16,060               |

The project consists of 8 hectares of land and TTE has established a nursery with 13,775 with native plants. The project benefits 20,000 people.

## Environmental Certification, Awards and Compliance

TTE has obtained accreditation and certifications that confirm compliance to globally recognized best environmental management standards and practices. These certifications together with list of awards and accolades received over the past year are listed on page 20. Periodic internal and external audits confirm compliance with, ensure that licenses, certifications and permits are up to date, and renewed on time. TTE is compliant with all relevant environmental regulations.

## Biological Assets

We manage 6491.55 hectares of plantations of which 78.5% is cultivated. Of the total land extent 60.6% is tea, 3.4% rubber and balance other crops including timber. Refer Operations Review - page 60, for details on operations and performance.

## Environmental Grievance

### GRI: 307-1

Steering committees have been established to monitor environmental aspects at each of our estates. Surrounding communities can reach out to estate management or corporate managements teams to lodge environmental grievances. During the reporting year, there has been no violation of regulatory requirements.

## FUTURE OUTLOOK

### Global Economic Outlook

Global prospects remain highly uncertain. After an estimated contraction of -3.3 % in 2020, the World Economic Outlook (WEO), in April 2021, has projected global economy to grow at 6% in 2021, moderating to 4.4 % in 2022, albeit with potential high upside and downside risks. While vaccine rollouts across the globe have lifted business sentiment, new virus mutations and rising death tolls raise concern. Recovery is expected to be broad based across the globe, with recovery in each country based on speed of inoculation, emergence of new variants that elude the vaccine, severity of impact of the pandemic on the economy and effectiveness of stimulus policy action taken by the respective Governments.

The USA and China, the world's largest economies are leading the path to recovery following nationwide accelerated inoculation and supporting policy action. Recovery in Sri Lanka's key tea export markets is mixed.

|                              | 2020 (estimated) | 2021 (forecast) | 2022 (forecast) |
|------------------------------|------------------|-----------------|-----------------|
| World                        | -3.3             | 6.0             | 4.4             |
| Russia                       | -3.1             | 3.8             | 3.8             |
| Middle East and North Africa | -2.9             | 3.7             | 3.8             |
| Turkey                       | 1.8              | 6.0             | 3.5             |

Source: WEO, April 2021

### Sri Lanka's Economic Outlook

In April 2021, the World Bank forecast a recovery of 3.4% for Sri Lanka in 2021, amidst uncertainty, citing the stimulus measures introduced, foreign investments as well as normalizing tourism and other economic activities. However, the report notes, the slow global recovery, coupled with continued trade restrictions, economic scarring from the slowdown, and the high debt burden may continue to affect growth.

The subsequent outbreak of the third wave in May 2021 has compelled the Government to re-impose stringent health and safety measures to control the transmission of COVID-19, including imposition of restrictions on inter-provincial travel. While it is too early to ascertain the full scale of this outbreak, a slowdown of operations can be expected in the short term.

### Tea Industry Outlook

Forbes and Walter Tea Market Report, released in January 2021, expects tea production in SL to recover in 2021, albeit to a lower level than witnessed over 5 years ago. Supply is expected to remain tight.

Tea prices are difficult to predict and would depend on the global supply and demand factors. The recovery of tea production in competitor countries, instability in key export markets following renewed geo-political tension in the Middle East and climate change implications on crop volumes will be key competing forces. A weak Sri Lankan rupee will augur well for local prices.

Notwithstanding the optimistic prices forecast at least for the short term the tea industry will continue to be challenged in its way forward. The high cost of production, the highest amongst other tea producing countries, will be compounded by the increase in the wages bill consequent to the minimum daily wage being increased to Rs 1000/- with effect from March 2021, and significant cost implications from the banning of certain agrochemicals and chemical fertiliser. This will compromise the competitiveness of Ceylon Tea, further.

### Way forward

As the country grapples a 3rd wave and the pandemic continues, our priority will remain ensuring the safety of our people. The longer-term implications of the pandemic on lives, livelihoods, economies and markets, remain

uncertain. TTE has demonstrated this year that it has the strategic and operational resilience to flourish in a volatile environment.

We will capitalise on our strengths to maintain the high level of operational performance that we have achieved over the past year and seek to capture any opportunities we see in 2021/22 and beyond. In driving operational excellence, we will continue to invest in sustainable agricultural practices, conserve the environment, implement automation and mechanization of operations and obtain international certifications for quality assurance and ethical practices. We will collaborate with relevant stakeholders to mitigate the impacts where we can, and to contribute to build an economy that seeks to deliver value to all stakeholder groups.

in light of the industry challenges and rising costs, our response is to promote and encourage the more sustainable, productivity aligned, model on revenue share where the workers see themselves more as partners rather than wage-earners. The model has been successfully implemented across 30% of TTEs estates, and we will seek to expand our operations further.

**Our plan, actions and targets in line with our strategic imperatives are set out for the year ahead, 2021/22:**

| Strategic Imperatives, Strategic Action and Key Targets - 2021/22  |   |                                   |                               |
|--|---|-----------------------------------|-------------------------------|
| Strategic Imperatives/Strategic Action   | Key Indicators                                    | Unit                              | Target                        |
| <b>Quality Teas</b><br>Follow best business practices and maintain certification on quality and standards in products, processes and systems.  | Ranking in prices amongst RPCs in both elevations | Rank                              | 1                             |
| <b>Land and Labour Productivity</b><br>Invest in sustainable agricultural practices. Comply with guidelines and maintain certification. Monitor workforce performance and productivity and take timely actions for any lapses.   | High grown yields                                 | Kilogram/hectare                  | 1,444                         |
|  | Low grown yields                                  | Kilogram/hectare                  | 1,307                         |
|  | Tea replanting extent                             | Hectare                           | 28.22                         |
|  | Tea production volumes                            | Million kilograms                 | 6.2                           |
|  | Worker productivity                               | Kilogram/No of Labour Days        | 2.75                          |
| <b>Value Addition</b><br>Invest in research on value addition and create innovative products. Collaborate with the Tea Board to market Ceylon brands at the national level. Strengthen existing buyer network and build new relationships in new markets.                                      | New products                                      | Number                            | 10                            |
|  | Buyers  | Percentage                        | 10                            |
| <b>New Revenue Stream</b><br>Diversify into new revenue streams through crop diversification.  | Cinnamon  | Hectare                           | 14.12                         |
|  | Coconut   | Hectare                           | 11.12                         |
| <b>Cost Controls and Management</b><br>Maintain a lean cost structure and control leakages.  | Labour cost                                       | Percentage of COP                 | 72                            |
|  | Profit before tax margin                          | Percentage                        | 1                             |
|  | Capital expenditure                               | Rs. million                       | 584.1                         |
|  | Current ratio                                     | Times                             | 2.66                          |
|  | Operating cash flow                               | Percentage of profit before tax   | 81                            |
| <b>Climate Change &amp; Environmental Management</b><br>Reduce dependency on non-renewable resources through solar and hydropower. Manage greenhouse gas emissions responsibly. Manage solid waste and wastewater responsibly. Engage in biodiversity conservation and protection initiatives. | Greenhouse gas intensity                          | tCO <sub>2</sub> e/MT of made tea | 1.25                          |
|  | Energy consumption                                | MJ/kg                             | 27                            |
|  | Planting native, fruits and other plants          | Number of plants/annum            | 15,000                        |
|  | Planting fuelwood                                 | Number of plants/annum            | 80,000                        |
|  | Recycle solid waste                               | kg                                | 10% increase on previous year |
| <b>Workforce Development</b><br>Empower employees through focused training and drive a performance-based culture. Advocate clean, tidy and safe workplaces to address employee wellbeing.  | Employees trained                                 | Number                            | 100                           |
|  | Training hours                                    | Number                            | 100                           |
|  | Training investments                              | Rs. Million                       | 0.5                           |
|  | Training programmes on health and safety          | Number                            | 25                            |
|  | Employees trained on health and safety            | Number                            | 250                           |
|  | Training hours on health and safety               | Number                            | 500                           |
| <b>Community Development</b><br>Consolidate the 'Home for Every Plantation Worker' programme.  | Expenditure on 'Home for Every Plantation Worker' | Rs. Million                       | 75                            |





# A phenomena strategy





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**“Getting through this year has been the result of great minds coming together to formulate a plan that focused on our strengths.”**

## **Risk and Governance**

|   |            |
|---|------------|
| Risk Management   | <b>118</b> |
| Corporate Governance Report   | <b>123</b> |
| Report of the Audit Committee   | <b>136</b> |
| Related Party Transactions Review Committee Report  | <b>137</b> |
| Remuneration Committee Report   | <b>138</b> |
| Annual Report of the Board of Directors on the Affairs of the Company                                 | <b>139</b> |
| Statement of Directors' Responsibility  | <b>144</b> |
| Managing Director's, Chief Executive Officer's and General Manager-Finance's Responsibility Statement | <b>145</b> |

3

## RISK MANAGEMENT

GRI: 102-11

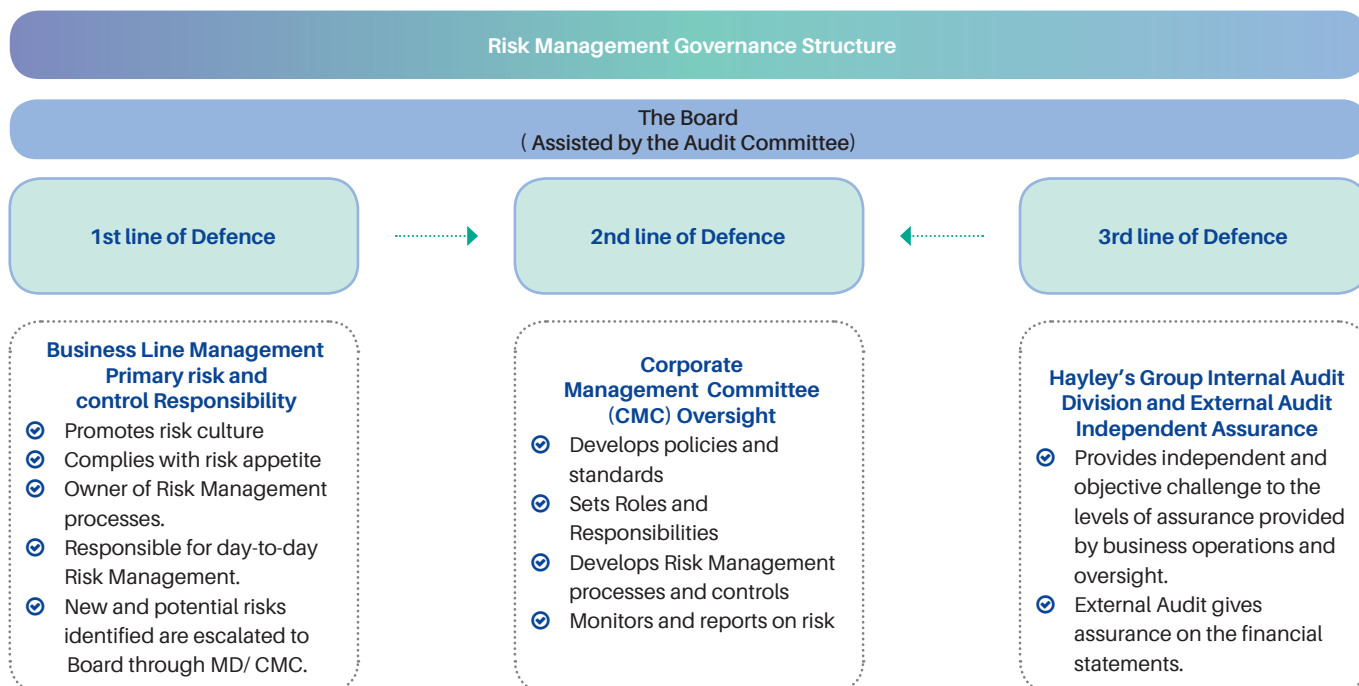
### Risk Management Framework

Growing complexity and uncertainty arising out of internal and external factors has increased the associated risks and the difficulties in risk identification and management. TTE's effective Risk Management framework has facilitated the Board to gain access to required insights for strategic and informed decision-making. The Company understands the risks associated with the business and manages them proactively and effectively, in driving strategy.

At TTE, Risk Management is a structured process facilitating high levels of risk awareness at all levels of the company. This is a necessity due to the vulnerability of our business to internal and external factors and their impacts.

**Within a volatile business environment, we believe we must anticipate and adapt to threats and challenges as we pursue growth opportunities. Managing the associated risks rigorously and systematically has enabled TTE to successfully create and protect value, for all our stakeholders.**

### Risk Governance



Ultimate responsibility for Risk Management lies with the Board of Directors and the Board has set in place a framework that ensures risks are managed in a consistent way across the Company with appropriate oversight and accountability.

The Board is assisted in the discharge of duties by the Audit Committee. The Hayley's Group Internal Audit Division and the outsourced audit firms supports the Audit Committee in performing its assurance role through regular reviews and recommendations on the robustness of the internal control systems in place.

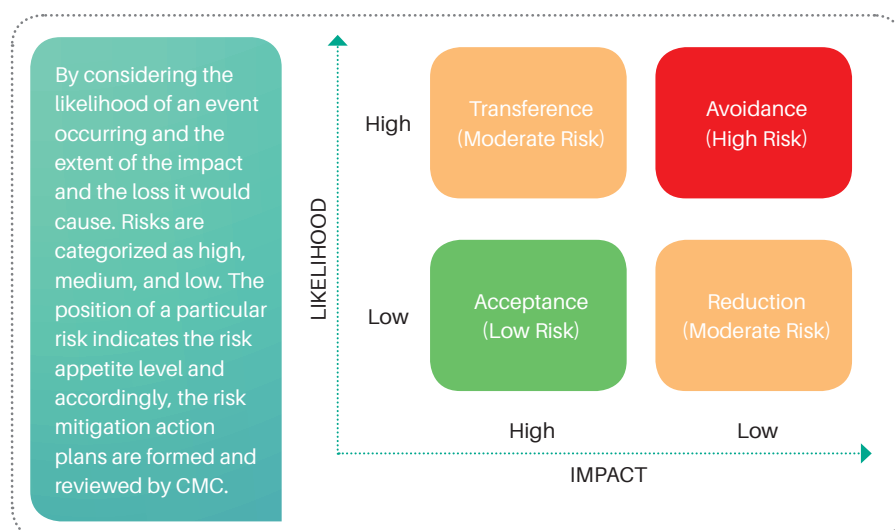
Responsibility for effective execution of Risk Management lies with the Corporate Management Committee lead by the Managing Director. Risk identification is the responsibility of all employees who form the first line of defense.

### Risk Universe

Our risk universe represents the risks that are core to our business. We regularly scan our operating environment for changes to ensure that it remains relevant.

Refer Risk and Opportunities from page 39 to 41.

In an increasingly challenging business landscape, we constantly monitor, manage and mitigate both current and emerging risks to ensure the sustainability of our business. Our principal risks and the risk mitigating strategies adopted, are outlined below.





## RISK MANAGEMENT

| Net Assessment | High | Medium | Low |
|----------------|------|--------|-----|
|                | ●    | ●      | ●   |

| Strategic Risks   | Potential Impact | Mitigants | Further information |      |                    |   |                    |   |   |  |                                  |
|---|------------------|-----------|---------------------|------|--------------------|---|--------------------|---|---|--|----------------------------------|
| <b>1. Government Policy - Wage Hike</b><br>In February 2021, the Government Wages Board announced the increase in daily wage, to minimum Rs. 1,000 wef 05.03.21. The hike is not aligned to productivity. <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Assessment-2020/21</td><td>●</td></tr><tr><td>Assessment-2019/20</td><td>●</td></tr></table>   | Impact           | High      | Likelihood          | High | Assessment-2020/21 | ● | Assessment-2019/20 | ● | <ul style="list-style-type: none"><li>High cost of production</li><li>Pressure on liquidity,</li><li>Loss of global cost competitiveness</li><li>Loss of business viability and impact to going concern of certain estates</li><li>Pressure on Working Capital Management</li></ul>   | <ul style="list-style-type: none"><li>Collective lobbying for a productivity based wage structure. Court action in progress.</li><li>Introduction of Non Wage Model.</li><li>Engage/motivate associates to improve productivity.</li><li>Better HR practices at estates leading to higher productivity.</li></ul>  | Social & Human Capital - page 85 |
| Impact  | High             |           |                     |      |                    |   |                    |   |   |  |                                  |
| Likelihood  | High             |           |                     |      |                    |   |                    |   |   |  |                                  |
| Assessment-2020/21  | ●                |           |                     |      |                    |   |                    |   |   |  |                                  |
| Assessment-2019/20  | ●                |           |                     |      |                    |   |                    |   |   |  |                                  |
| <b>2. Government Policy - Ban on Agri Chemicals and Fertilizers</b><br>In April 2021, the Government banned the import of all Agro Chemicals and Fertilisers, except for those listed under a special import license regulation, hindering best agricultural practices. <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Assessment-2020/21</td><td>●</td></tr><tr><td>Assessment-2019/20</td><td>●</td></tr></table> | Impact           | High      | Likelihood          | High | Assessment-2020/21 | ● | Assessment-2019/20 | ● | <ul style="list-style-type: none"><li>Lower yields, lower crop, Lower revenue</li><li>Deployment of additional labour for manual weeding increases cost of production and impacts operational viability.</li><li>Deployment of labour for manual weeding resulting in lower labour productivity and crop volumes.</li></ul> | <ul style="list-style-type: none"><li>Collective lobbying to the Government through Planters Association.</li><li>Engage in Research and development. Seek cost effective and alternative solutions to weeding.</li><li>Train workforce to enhance skills in weeding, plucking.</li><li>Introduce new technology on plucking, ie mechanise, and invest in other agricultural practices to boost efficiency.</li><li>Increase use of suitable organic fertiliser.</li></ul>   | Our Estates - page 19            |
| Impact  | High             |           |                     |      |                    |   |                    |   |   |  |                                  |
| Likelihood  | High             |           |                     |      |                    |   |                    |   |   |  |                                  |
| Assessment-2020/21  | ●                |           |                     |      |                    |   |                    |   |   |  |                                  |
| Assessment-2019/20  | ●                |           |                     |      |                    |   |                    |   |   |  |                                  |
| <b>3. Business Disruption due to Pandemic</b><br>Risk of spread of COVID-19 in the factory/ estates/ head office affecting employee Health and Safety and interrupting business operations and continuity. <table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Assessment-2020/21</td><td>●</td></tr><tr><td>Assessment-2019/20</td><td>●</td></tr></table>  | Impact           | High      | Likelihood          | High | Assessment-2020/21 | ● | Assessment-2019/20 | ● | <ul style="list-style-type: none"><li>Loss of crop and revenue</li><li>Low land productivity resulting in high cost of labour</li><li>Lower bottomline</li><li>Inhibit growth prospects</li></ul>   | <ul style="list-style-type: none"><li>Implementation of stringent, regulatory COVID-19 health and safety guidelines across the organisation and facilitate adoption of additional measures to maintain workers and staff immunity levels ie provision of Vitamin C, Coriander and Dry Foods free of charge.</li><li>Close and timely relationship with government authorities to prevent spreading of diseases.</li><li>Establishment of protocols as per the Business Continuity Plans (BCP) on action to be taken in the event of an active case.</li><li>Training on health and safety measures.</li><li>Regular communication and close engagement with workers to proactively identify health concerns.</li><li>Online and remote working facilities to staff and executives.</li></ul> | Social & Human Capital page 85   |
| Impact  | High             |           |                     |      |                    |   |                    |   |   |  |                                  |
| Likelihood  | High             |           |                     |      |                    |   |                    |   |   |  |                                  |
| Assessment-2020/21  | ●                |           |                     |      |                    |   |                    |   |   |  |                                  |
| Assessment-2019/20  | ●                |           |                     |      |                    |   |                    |   |   |  |                                  |

|  |                  |           |                     |      |                    |   |                    |   |   |  |                                |
|--|------------------|-----------|---------------------|------|--------------------|---|--------------------|---|---|--|--------------------------------|
| <div><div>4. Climate Change</div><div>Unfavourable weather patterns and natural disasters.</div><table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>High</td></tr><tr><td>Assessment-2020/21</td><td>●</td></tr><tr><td>Assessment-2019/20</td><td>●</td></tr></table></div>  | Impact           | High      | Likelihood          | High | Assessment-2020/21 | ● | Assessment-2019/20 | ● | <div><div>✔ Loss of crop, lower yields, higher cost of production</div><div>✔ lower revenue</div><div>✔ In the case of natural disasters, potential physical damage to employees, estate residents, fields and factories.</div></div>                     | <div><div>✔ R&amp;D to develop drought tolerant cultivars.</div><div>✔ Best agricultural practices to retain soil moisture.</div><div>✔ Adequate Insurance covers.</div><div>✔ Optimise product portfolio from high and low grown regions.</div><div>✔ Promote crop diversification to Coconut, Cinnamon and Timber.</div></div>   | Natural Capital - page 100     |
| Impact   | High             |           |                     |      |                    |   |                    |   |   |  |                                |
| Likelihood   | High             |           |                     |      |                    |   |                    |   |   |  |                                |
| Assessment-2020/21   | ●                |           |                     |      |                    |   |                    |   |   |  |                                |
| Assessment-2019/20   | ●                |           |                     |      |                    |   |                    |   |   |  |                                |
| <div><div>5. Market and Market Prices</div><div>Impact to demand and prices from</div><div><div>✔ Changes in customer’s buying preferences</div><div>✔ Changes in market rules and regulations</div><div>✔ Geo-Political, economic and Pandemic related impacts in key markets</div></div><table><tr><td>Impact</td><td>Medium</td></tr><tr><td>Likelihood</td><td>Low</td></tr><tr><td>Assessment-2020/21</td><td>●</td></tr><tr><td>Assessment-2019/20</td><td>●</td></tr></table></div> | Impact           | Medium    | Likelihood          | Low  | Assessment-2020/21 | ● | Assessment-2019/20 | ● | <div><div>✔ Changes in consumer perspectives and requirements</div><div>✔ Lowering of threshold MRL causing regulatory barriers for entry.</div><div>✔ Increased competition from global suppliers</div><div>✔ Increase in rejects and claims</div></div> | <div><div>✔ Regular buyer engagement, satisfaction surveys to understand and meet buyer requirements.</div><div>✔ Certifications and accreditations to drive brand value.</div><div>✔ Increase value addition in collaboration with Group Company - Mabroc Teas (Pvt) Ltd.</div><div>✔ Explore new markets.</div><div>✔ Develop alternate revenue streams from Hydro Power, Timber, Fuel-Wood.</div></div>   | Relationship Capital - page 80 |
| Impact   | Medium           |           |                     |      |                    |   |                    |   |   |  |                                |
| Likelihood   | Low              |           |                     |      |                    |   |                    |   |   |  |                                |
| Assessment-2020/21   | ●                |           |                     |      |                    |   |                    |   |   |  |                                |
| Assessment-2019/20   | ●                |           |                     |      |                    |   |                    |   |   |  |                                |
| Operational Risks  | Potential Impact | Mitigants | Further information |      |                    |   |                    |   |   |  |                                |
| <div><div>6. Product Quality</div><div>Below quality teas, lower outturn of products,</div><div><div>✔ Includes manufacturing concerns in respect of complying with Minimum Residual Level (MRL)</div></div><table><tr><td>Impact</td><td>High</td></tr><tr><td>Likelihood</td><td>Low</td></tr><tr><td>Assessment-2020/21</td><td>●</td></tr><tr><td>Assessment-2019/20</td><td>●</td></tr></table></div>   | Impact           | High      | Likelihood          | Low  | Assessment-2020/21 | ● | Assessment-2019/20 | ● | <div><div>✔ Lower NSA</div><div>✔ Loss of reputation/loss of markets</div></div>  | <div><div>✔ Adhere to a ‘Quality Policy’.</div><div>✔ Field level supervision to get quality leaf.</div><div>✔ Good Agriculture Practices to ensure quality leaf standard.</div><div>✔ Modern manufacturing facilities and substitutions with digital technology.</div><div>✔ Quality control and assurance in the manufacturing process.</div><div>✔ Factory certifications such as ISO, HACCP.</div></div> | Our Estates - page 19          |
| Impact   | High             |           |                     |      |                    |   |                    |   |   |  |                                |
| Likelihood   | Low              |           |                     |      |                    |   |                    |   |   |  |                                |
| Assessment-2020/21   | ●                |           |                     |      |                    |   |                    |   |   |  |                                |
| Assessment-2019/20   | ●                |           |                     |      |                    |   |                    |   |   |  |                                |



## RISK MANAGEMENT

|  |  |  |   |
|--|--|--|---|
| <div><div><div>7. Estate labour</div><div>Concerns relating to Estate labour from</div><div><div><div>✓</div><div>Labour unrest</div></div><div><div>✓</div><div>shortage of skilled/unskilled labour</div></div><div><div>✓</div><div>lower labour productivity</div></div><div><div>✓</div><div>Out migration</div></div></div><div><div><div>Impact</div><div>High</div></div><div><div>Likelihood</div><div>High</div></div><div><div>Assessment-2020/21</div><div><div></div></div></div><div><div>Assessment-2019/20</div><div><div></div></div></div></div></div></div> | <div><div><div>✓</div><div>Loss of crop/revenue</div></div><div><div>✓</div><div>Low land productivity/ high cost of labour</div></div><div><div>✓</div><div>Lower bottomline</div></div><div><div>✓</div><div>Inhibits growth prospects</div></div></div>   | <div><div><div>✓</div><div>Moving towards Non Wage Model to improve productivity and resolve labour scarcity.</div></div><div><div>✓</div><div>Recognition and rewarding of associates. Productivity incentive schemes.</div></div><div><div>✓</div><div>Maintain healthy working environment through effective two-way communication system. Close contact and engagement.</div></div><div><div>✓</div><div>Training &amp; development programs to improve performance.</div></div><div><div>✓</div><div>Improvement of working conditions, facilities and estate housing infrastructure.</div></div><div><div>✓</div><div>Cordial relationships with unions.</div></div></div> | <div>Social &amp; Human Capital Report - page 85</div>  |
| <div><div><div>8. Information Systems and Cyber Security -IT Risk</div><div>Risk of system failure and loss of data<br/>Ensuring the integrity, confidentiality and availability of information.</div><div><div><div>Impact</div><div>Medium</div></div><div><div>Likelihood</div><div>low</div></div><div><div>Assessment-2020/21</div><div><div></div></div></div><div><div>Assessment-2019/20</div><div><div></div></div></div></div></div></div>   | <div><div><div>✓</div><div>Absence of reliable information for timely decision making</div></div><div><div>✓</div><div>Discontinuity in financial reporting system</div></div><div><div>✓</div><div>Breach of system security.</div></div><div><div>✓</div><div>Loss of reputation.</div></div><div><div>✓</div><div>Financial damages</div></div></div> | <div><div><div>✓</div><div>Dedicated IT team to ensure IT security, privacy and confidentiality with adequate systems and controls.</div></div><div><div>✓</div><div>Disaster recovery programme.</div></div><div><div>✓</div><div>Use of licensed software and security systems.</div></div><div><div>✓</div><div>Strengthened internal control systems and procedures to avoid frauds and malpractices.</div></div></div>  | <div>Governance &amp; Cyber Security - page 133</div>   |
| <div><div><div>9. Risk of fraud</div><div>Theft, Misappropriation of assets<br/>Misstatements of Financial statements.</div><div><div><div>Impact</div><div>Medium</div></div><div><div>Likelihood</div><div>Low</div></div><div><div>Assessment-2020/21</div><div><div></div></div></div><div><div>Assessment-2019/20</div><div><div></div></div></div></div></div></div>   | <div><div><div>✓</div><div>Loss of revenue/profits</div></div><div><div>✓</div><div>Impact on corporate reputation</div></div></div>   | <div><div><div>✓</div><div>Sound internal controls.</div></div><div><div>✓</div><div>Pre-employment screening.</div></div><div><div>✓</div><div>Effective Internal audit.</div></div><div><div>✓</div><div>Sound control environment.</div></div></div>  | <div>Governance &amp; Internal Control - page 131</div> |
| <div>Compliance Risks</div>  | <div>Potential Impact</div>  | <div>Mitigants</div>   | <div>Further information</div>                          |
| <div><div><div>10.Compliance Risks</div><div>Non-compliance with regulatory and certification requirements</div><div><div><div>Impact</div><div>Medium</div></div><div><div>Likelihood</div><div>Low</div></div><div><div>Assessment-2020/21</div><div><div></div></div></div><div><div>Assessment-2019/20</div><div><div></div></div></div></div></div></div>   | <div><div><div>✓</div><div>Fines and charges</div></div><div><div>✓</div><div>Loss of reputation</div></div><div><div>✓</div><div>Adverse impact on the profitability</div></div></div>  | <div><div><div>✓</div><div>Inculcate a culture of compliance.</div></div><div><div>✓</div><div>Strong effective monitoring mechanism.</div></div></div>  | <div>Governance &amp; Compliance - page 131</div>       |

### Way forward

We expect uncertainty and rapid change to remain features of our operating environment in 2021/22 and we are alert to the ongoing impacts of COVID-19 on TTE, our employees, our buyers and communities we serve. Our reputation as a trusted partner is built on the strong foundation of our Risk Management processes and systems and we will continue to leverage our capabilities to protect the value we create for all our stakeholders.

## CORPORATE GOVERNANCE REPORT

### Chairman's Introduction to Corporate Governance Report

Dear Shareholders

As Chairman, I am pleased to introduce our Corporate Governance Report for 2020/21, which sets out the principles of good governance that we practice at TTE. Collectively, the Board is aware of the need for sound corporate governance to maintain an appropriate balance between stakeholder interests while driving sustainable growth for TTE, in the discharge of our fiduciary duties and responsibilities.

#### Our Approach to Governance

We believe that the way we approach governance and leadership in our business supports our overall value creation process and organisational growth.

Good governance is central to our business conduct, shapes our organisational culture and earns us the continued trust of our stakeholders. Appropriate governance structures and processes ensure that our business is well-managed and controlled.

#### Delivering Stakeholder value

TTE is committed to understanding and being responsive to the interests and expectations of all stakeholders in delivering shared value. This is evident from our response to the pandemic, where our first priority was to ensure the health, safety and wellbeing of our employees, and by extension their families and the local communities.

The Board continues to follow an integrated approach, incorporating Environmental, Social and Governance (ESG) factors into strategy formulation, ensuring the organization's growth is responsible and sustainable. Feedback from stakeholder engagement mechanisms forms a key input in strategy formulation.

#### Framework and Structure

The challenges presented by COVID-19 underscored the importance of a robust framework. Our board-approved governance framework is fit for purpose, aligned to core values and is designed to provide clear direction for responsive decision-making and support responsible behaviour. It encompasses structures and processes that drive a culture of enhanced accountability, strong risk and performance management, transparency and effective and ethical leadership. Many of these practices conform to those of the Hayleys Group. We regularly review the framework to adapt to internal and external developments and aligned to evolving best practice.

#### Leading through the Pandemic

Over the past year, the Board has been mindful of ensuring the long-term resilience and strength of the business. Vigilance and oversight by the Board increased significantly as the Board spent a considerable amount of time assessing the impact and risks to the Group and its stakeholders. Safety was our priority, followed by ensuring business continuity and positioning TTE to take advantage of emerging opportunities to foster sustainable growth over the long term. TTE remained guided by our values and vision of becoming the most admired plantation company in Sri Lanka.

#### Culture and Values

Our strong corporate culture is fundamental to our business continuity and success, and the Board plays a critical role in shaping the culture of TTE by promoting growth-focused and values-based conduct. Our culture is also underpinned by the Hayleys Group Code of Business Conduct and Ethics, "The Hayley's Way", as explained on page 131 - which articulates the standards of conduct expected of Directors and employees.

We recognise that the Board must lead by example to ensure these values are embedded not just in the Boardroom, but are shared and understood throughout the business and form an integral part of interaction with all stakeholders.

#### Compliance

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

#### Looking Ahead

The Board will continue to support good governance and the application of sound corporate governance principles based on effective and ethical leadership. We will remain vigilant over the evolving business landscape while continuing to support Management in the implementation of the Group's strategic plan in building a future fit and sustainable business.

As required by the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka, I hereby confirm that, I am not aware of any material violations of any of the provisions of the Company's Code of Business Conduct and Ethics by any Director or employee of Talawakelle Tea Estates PLC.

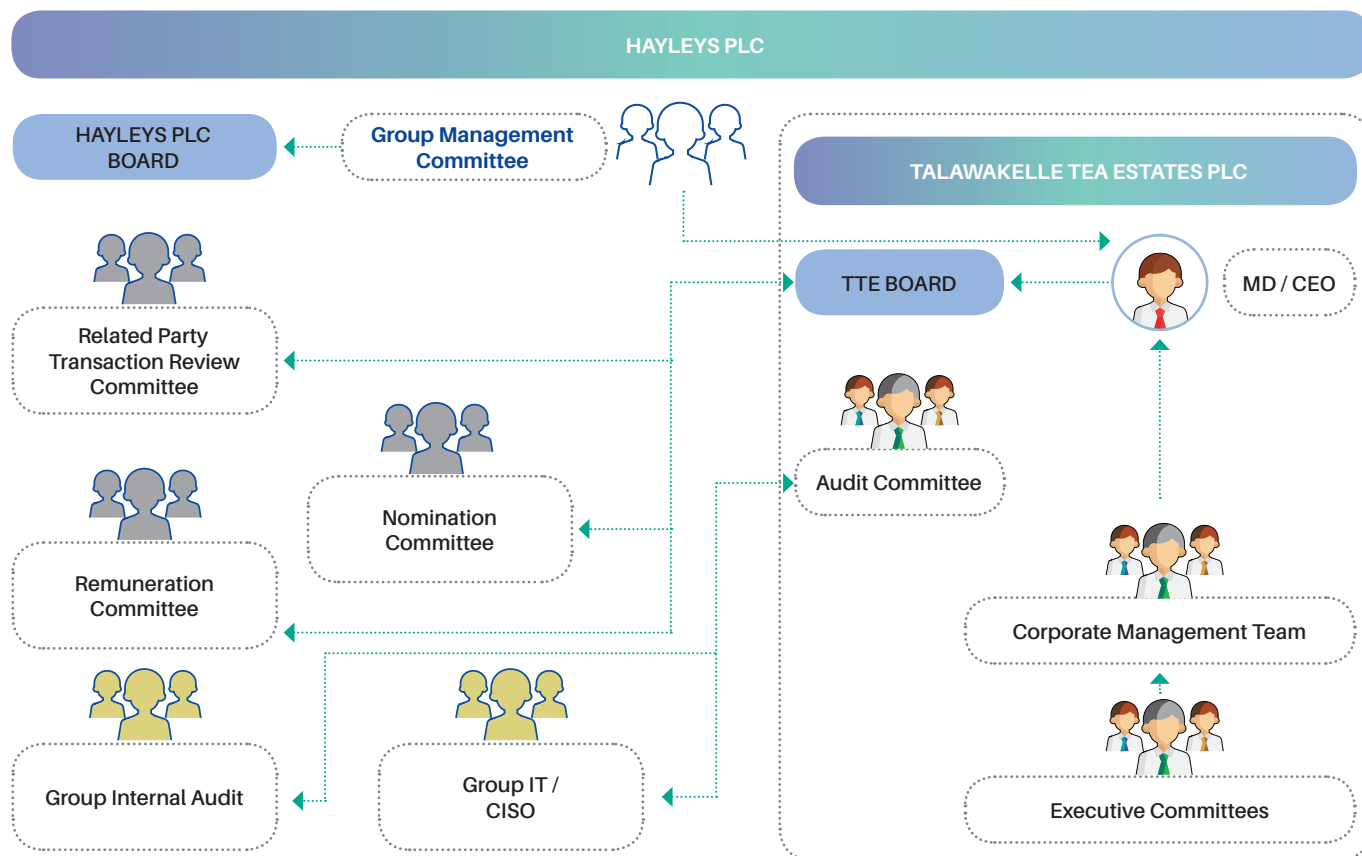


**Mohan Pandithage**  
Chairman

May, 12th 2021

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Structure *GRI: 102-18, 19 & 20*



### Compliance Summary

| Regulation / Code   | Adoption             | Adherence  | Page Ref      |
|---|----------------------|--|---------------|
| The Companies Act No.7 of 2007 and regulations  | Mandatory            | Fully Compliant  | 144, 140, 206 |
| Listing Rules of the Colombo Stock Exchange (CSE)   | Mandatory            | Fully Compliant  | 144, 140, 206 |
| Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars  | Mandatory            | Fully Compliant  | 123, 140, 206 |
| Code of Best Practice on Corporate Governance (2013) jointly issued by SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) | Voluntary provisions | Fully Compliant  | 123, 140, 210 |
| Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka   | Voluntary provisions | Compliant with the majority of the Code, to the extent of business exigency and as required by TTE | 123, 140, 210 |

#### GOVERNANCE HIGHLIGHTS -2020/21

- ✔ Continued to regularly review the impact and risks to the organization arising from the COVID-19 pandemic.
- ✔ Provided direction over negotiations with Government and Trade Union over wage increase, on lapse of the collective agreement in 2020.
- ✔ Approved capital investment on Property Plant and Equipment totaling Rs. 77.1 Mn, for the year.
- ✔ Appointment of Mr. J M Kariapperuma as an Independent Non-Executive Director with effect from 15 August, 2020.
- ✔ Ms. M D A Perera who was appointed to the Board as Non - Executive Director was declared as an Independent Non-Executive Director with effect from 17th November 2020.
- ✔ Ms. M D A Perera and Dr. N T Bogahalanda will retire by Rotation and Mr. A M Pandithage and Mr. Merrill J Fernando will be re-appointed to the Board by an Ordinary Resolution at the AGM to be held on 25th June 2021.
- ✔ In February 2021, the Company subdivided its shares on the basis of 1 into 2, to increase affordability for smaller investors and boost liquidity of the share.

#### Navigating the Corporate Governance Report

This report has been structured as follows, highlighting the ethical and effective governance practices adopted by TTE:

1. An Effective Board
2. Responsible and Fair Remuneration
3. Gender Parity
4. Board Accountability
5. Relations with Shareholders
6. Information Technology & Cyber Security Governance
7. Sustainability Governance Details of Compliance with respective statutes and codes as described in the Compliance Summary on page 134 tabled at the end of the report.

### 1. An Effective Board [GRI: 102-20](#)

Our commitment to the highest standards of corporate governance begins at Board level.

The ensuing sections from 1.1 Board Composition to 1.9 Succession Planning, highlights the good governance practices adopted by the TTE Board, in ensuring the Board's role is effective and ethical.

#### 1.1. Board Composition [GRI: 102-22](#)

The Board comprises 10 members, 70% of whom are Non-Executive Directors. The collective background of the Board of Directors provides a balanced mix of skills and experience to enable the Board to fulfill its roles and responsibilities objectively and effectively.

Independent Directors are eminent professionals in their respective fields and bring invaluable insights and varied perspectives to board deliberations. All Directors exercise independent judgment in the effective discharge of duties, engaging in constructive Board deliberations and objective evaluation of matters set before them. The Board, through the Hayley's Group Nomination Committee reviews the composition on an ongoing basis.

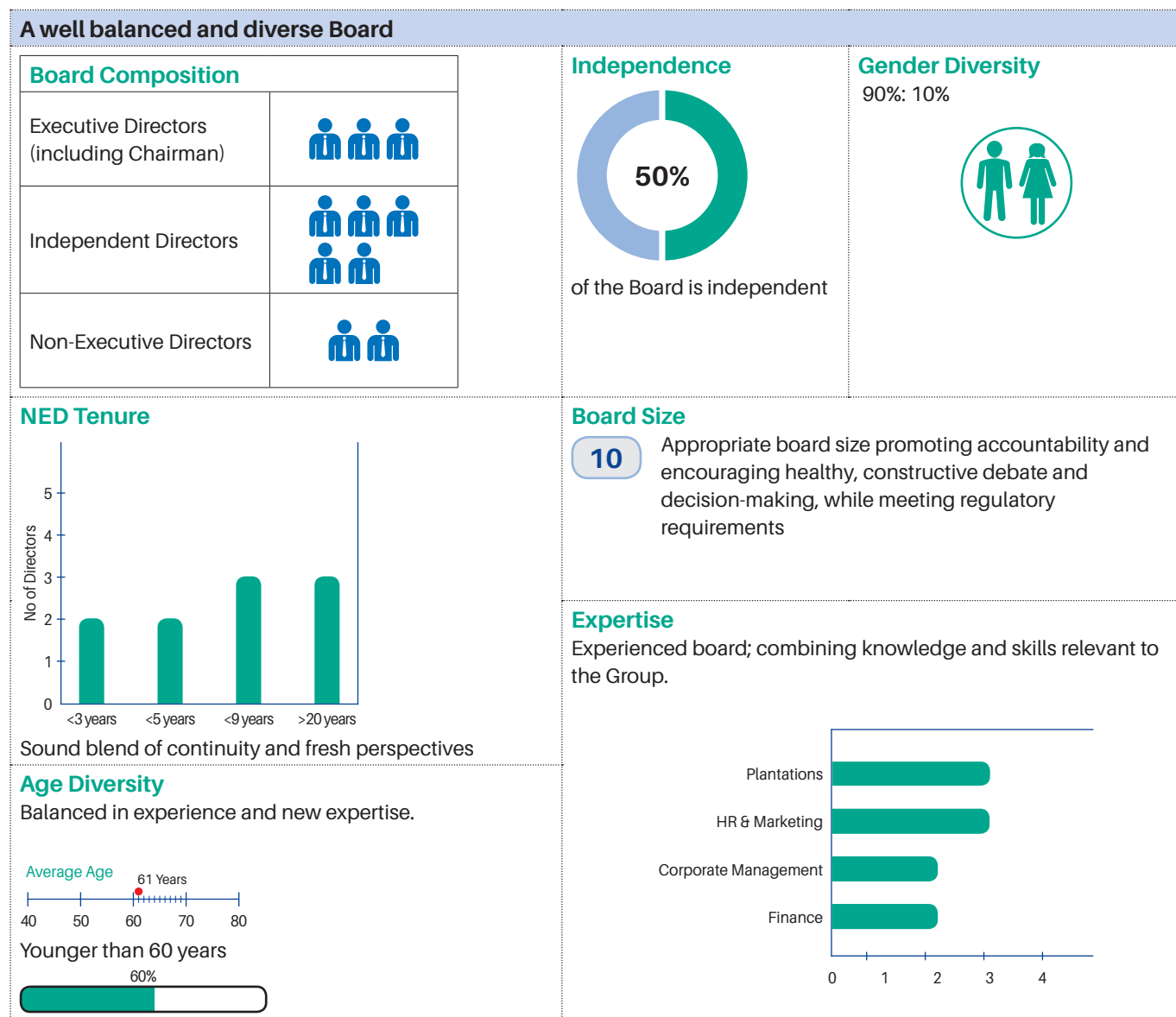
Directors possess financial acumen and knowledge gained through experience from leading large enterprises. Two Directors including the Chairman of the Board Audit Committee, are finance professionals ensuring sufficient financial acumen within the Board. The profiles of the Board of Directors are set out on pages 24 to 28 of the Annual Report.

Ms. M D A Perera served on the board for more than 9 years. The board is of the opinion that the said Director conducts herself in an impartial manner on matters deliberated by the Board and that the independency will not be affected by her being on the Board for a period exceeding 09 years.

#### 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

## CORPORATE GOVERNANCE REPORT

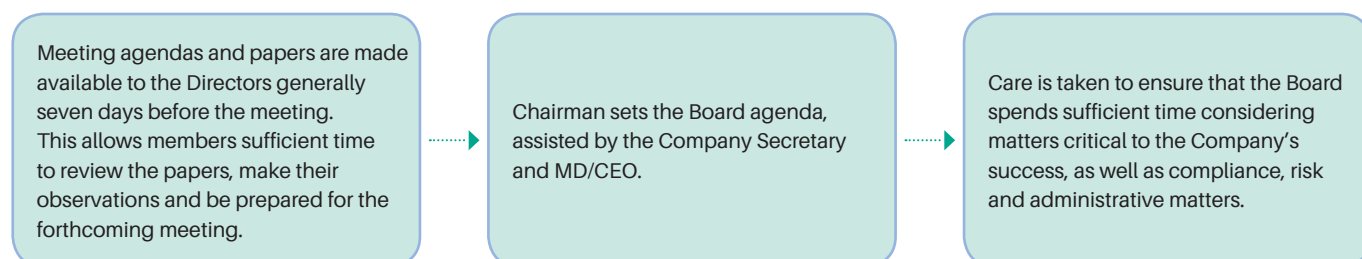


### 1.2 Meetings & Attendance

Board and Sub-committee meetings were held on a quarterly basis, with the flexibility to arrange ad-hoc meetings to supplement these when required.



## Board Meeting Planning



## Attendance at Meetings and Composition

|  |        |                                  | Eligibility / Attended |       |            |              |  |
|--|--------|----------------------------------|------------------------|-------|------------|--------------|--|
| Directors  | Status | Year of Appointment to the Board | Board                  | Audit | Nomination | Remuneration | Related Party Transaction Review Committee |
| A.M. Pandithage (Chairman )  | ED     | 2009                             | 04                     |       | 01         | -            | -  |
| Dr. W G R Rajadurai (MD)   | ED     | 2013                             | 04                     | -     | -          | -            | -  |
| Mr. Merrill J Fernando   | NED    | 1998                             | -                      | -     | -          | -            | -  |
| Mr. Malik J Fernando   | NED    | 1998                             | -                      | -     | -          | -            | -  |
| Mr. D C Fernando (alternate to Mr. Malik J Fernando)                             | NED    |                                  | -                      | -     | -          | -            | -  |
| Ms. Minette D A Perera   | INED   | 2012                             | 04                     | 04    | -          | -            | -  |
| Dr. N T Bogahalande  | INED   | 2013                             | 04                     | -     | -          | -            | -  |
| Mr. S L Athukorala   | INED   | 2016                             | 04                     | 04    | -          | -            | -  |
| Mr. M H Jamaldeen  | INED   | 2017                             | 04                     | -     | -          | -            | -  |
| Mr. S B Alawattegama (CEO)   | ED     | 2020                             | 04                     | -     | -          | -            | -  |
| Mr. J M Kariapperuma   | INED   | 2020                             | 02                     | -     | -          | -            | -  |
| <b>Directors of Hayley's PLC who are on the sub-committees applicable to TTE</b> |        |                                  |                        |       |            |              |  |
| Total No. of Meetings  |        |                                  | -                      | -     | -          | -            | -  |
| Mr. K D D Perera   | NED    | 2008                             | -                      | -     | 01         | 01           | -  |
| Dr. H Cabral   | INED   | 2011                             | -                      | -     | 01         | 01           | 04   |
| Mr. M Y A Perera   | INED   | 2016                             | -                      | -     | -          | 01           | 04   |
| Mr. S C Ganegoda   | ED     | 2009                             | -                      | -     | -          | 01           | 04   |

ED – Executive Director NED- Non-Executive Director INED – Independent NED

## CORPORATE GOVERNANCE REPORT

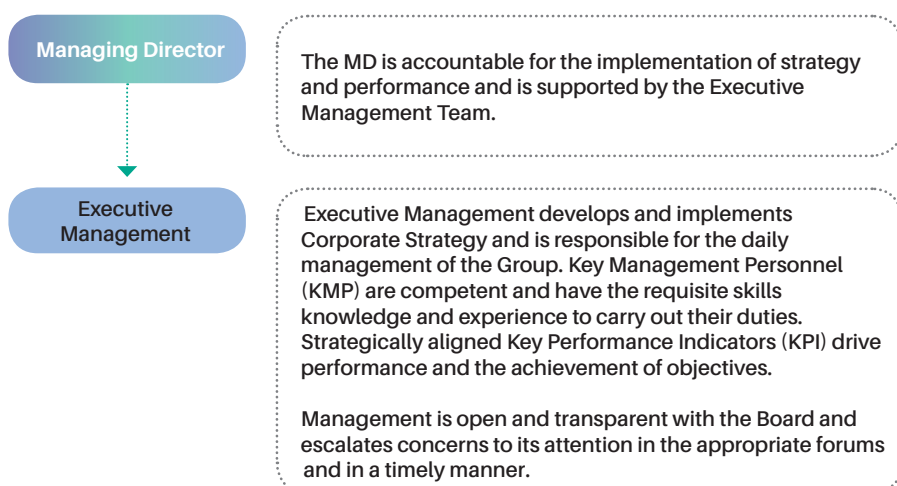
### 1.3 Clear roles and responsibilities [GRI: 102-23 & 26](#)

A clear division of roles and responsibilities ensures that none of the Directors have unfettered powers in the Board decision-making process. Key roles of Chairman and MD are separately strengthening the Board's effectiveness and ensuring objective decision making in the discharge of duties.

The Chairman of Hayley's PLC (parent Group) serves as Chairman of TTE.

| Chairman   | Managing Director (MD)   |
|--|--|
| <b>Role</b>  | <b>Role</b>  |
| 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.   |
| <b>Responsibilities</b>  | <b>Responsibilities</b>  |
| Setting the ethical tone for the Board and Group;<br>✓ Setting the Board's annual work plan and the agendas, in consultation with the Company Secretary and the MD<br>✓ Building and maintaining stakeholder trust and confidence;<br>✓ Ensuring effective participation of all Board members during Board meetings.<br>✓ 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).<br>✓ Monitoring the effectiveness of the Board. | Appointing and ensuring proper succession planning of the corporate management team, and assessing their performance;<br>✓ Developing the Group's strategy for consideration and approval by the Board;<br>✓ Developing and recommending to the Board budgets supporting the Group's long-term strategy.<br>✓ Monitoring and reporting to the Board on the performance of the Group and its compliance with applicable laws and Corporate Governance principles.<br>✓ Establishing an organizational structure for the Group which is appropriate for the execution of strategy;<br>✓ Ensuring a culture that is based on the Group's values;<br>✓ Ensuring that the Group operates within the approved risk appetite. |

### 1.4 Corporate Management



### 1.5 Company Secretary

The office of the Company Secretary is integral to the effective functioning of the Board. 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.

### 1.6 Board Refreshment [GRI: 102-24](#)

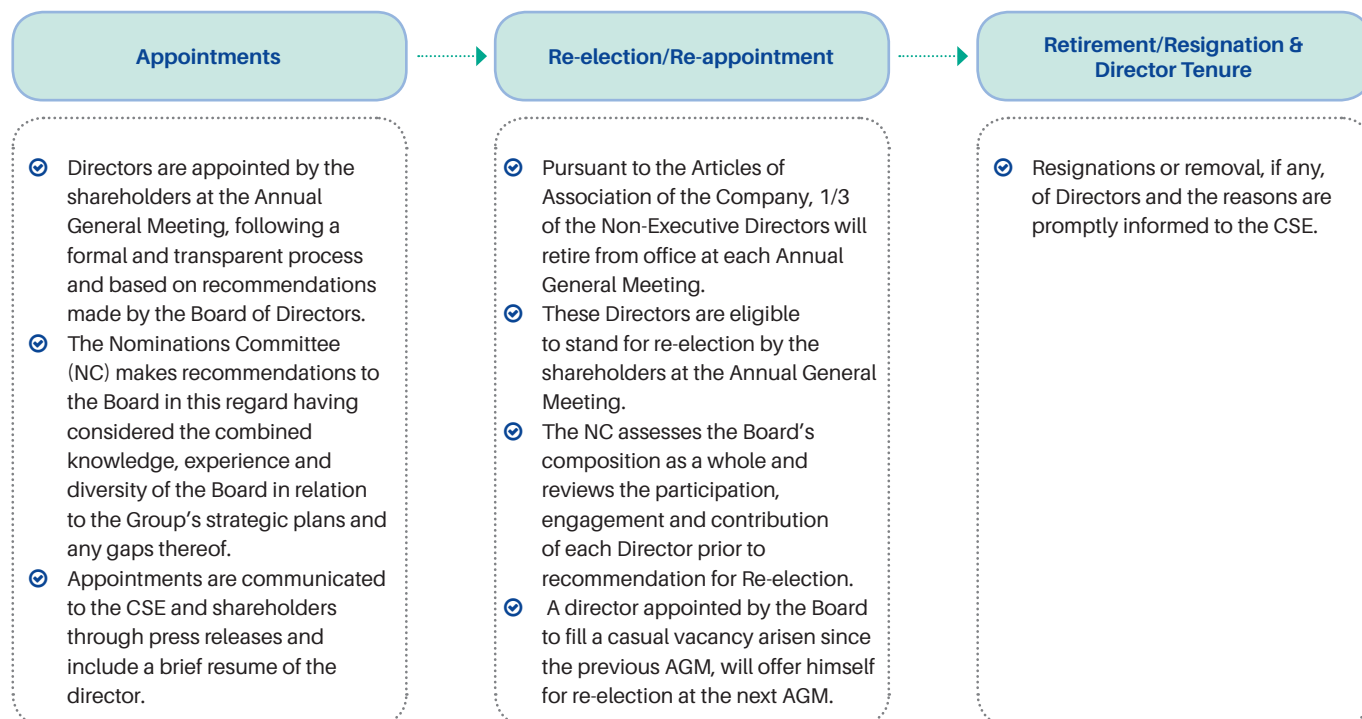
The Board is refreshed periodically through new appointments, retirement, resignation, and Re-election. Board refreshment has allowed for the introduction of members with new skills, insights, and perspectives, while retaining valuable industry knowledge and maintaining continuity.

#### Re-election

Ms. M D A Perera and Dr. N T Bogahalanda will retire by Rotation and Mr. A M Pandithage and Mr. Merrill J Fernando will be re-appointed to the Board by an Ordinary Resolution at the AGM to be held on 25th June 2021.

#### Appointments

Mr. J M Kariapperuma as an Independent Non-Executive Director with effect from 15 August, 2020.



### 1.7 Informed Decision Making [GRI: 102-27](#)

Good decision-making requires possessing the right knowledge. TTE's reporting and information systems ensures the Board receives relevant and objective information, in a timely manner.

#### 1.7.1 Supply of Information

The Board pack, generally circulated seven (7) days in advance of a Board Meeting, provides comprehensive qualitative and quantitative information on matters to be raised at the Board Meeting. The MD briefs the Board on the business operations, financial performance, industry trends and ensures that the Board is apprised of developments impacting the Group. Key Management Personnel (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.

#### 1.7.2 Access to Information

Directors have unrestricted access to Management, organisation information, and resources to facilitate discharge of their duties. Directors are entitled to seek independent professional advice, co-ordinated through the Group Secretaries, at Group's expense. Copies of such advice obtained are circulated to Directors who request for it.

#### 1.7.3 Induction and Training

On appointment, directors are apprised of the Company and a tour of the key Estates and factories provided as requested.

Directors are kept abreast of applicable legislation and regulation, relevant sector developments and changes in the risk and general business environment 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.

### 1.8 Appraisal of Managing Director (MD) [GRI: 102-28](#)

The Board assesses the performance of the MD annually using criteria aligned to the short, medium and long-term objectives of the Group which are agreed with the MD at the beginning of the year. Performance is reviewed quarterly and at the end of the financial year against the backdrop of the operating environment. Remuneration Committee assists in the evaluation process, recommending a revised remuneration based on performance.

## CORPORATE GOVERNANCE REPORT

### 1.9 Succession Planning GRI: 102-28

Board reviews succession plans to ensure TTE attracts and retains the right talent for core and critical roles in the Group. The Board is assisted by the Remuneration Committee in identifying suitable candidates and developing succession plans for KMP, which plans are then rolled out with set targets and metrics by the HR Dept. The Nomination Committee reviews Board succession, to ensure the Board has the relevant mix of skills and experience that supports delivery of the Group's strategic plan.

### 2. Responsible and Fair Remuneration GRI: 102-35, 36 & 37

#### HAYLEY'S GROUP REMUNERATION POLICY

- ✔ To attract and retain a highly qualified and experienced work force
- ✔ 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.

#### 2.1 Remuneration Policy

The Board strives to ensure that remuneration is fair, responsible and transparent.

Remuneration of KMP and Executive Directors is linked to sustainable value creation objectives in line with TTE's strategy and is based on clear performance targets that have adequate stretch and benchmarked to local market rates. The Group Remuneration Committee (RC) is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors. Please refer page 138 for the Report of the Remuneration Committee.

The Board as a whole determines the remuneration of the NED's who receive a fee for being a Director of the Board and additional fee for being a member of a committee. Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related / incentive payments. Services of HR professionals are sought when required, by the Board and RC in discharging their responsibilities.

#### 2.2 Level and Make Up of Remuneration

The Remuneration packages of Executive Directors are designed to attract eminent professionals as directors with the requisite skills and experience. Remuneration is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance.

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 and comprises two components, fixed remuneration and variable remuneration comprising of an annual performance bonus. 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 by the Board of Directors.

The aggregate remuneration paid to Directors in Financial Year 2020/21 is Rs. 22.3 Mn.

### 3. Gender Parity



1:1  
Basic Salary

The Board has long understood the vibrant role of women in building a progressive and prosperous country. The Group has been at the forefront of women empowerment in Sri Lanka actively supporting women's advancement and forging gender parity. In particular, the Group emphasizes female empowerment at our Estate Communities through various Projects and Assignments.

Our policies seek to harness the full potential of all our employees by providing equal opportunity and a safe environment, in the workplace.

- ✔ 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
- ✔ Code of Ethics

#### 3.1 Policies and practices

The Board appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. TTE has in place policies that promote equal opportunity, a safe workplace and flexible work arrangements and has implemented flexible, family friendly practices, disclosed on page 85, HR Capital that support female employees to fulfill their career aspirations. The success of these initiatives is demonstrated in the increase in female representation to 61% of the workforce and 18% of senior management in 2020/21.

|                   | Female Representation |
|-------------------|-----------------------|
| Board             | 10%                   |
| Senior management | 18%                   |
| Workforce         | 61%                   |

Our workforce is predominantly female, manual grade employees responsible for plucking Tea within our estates

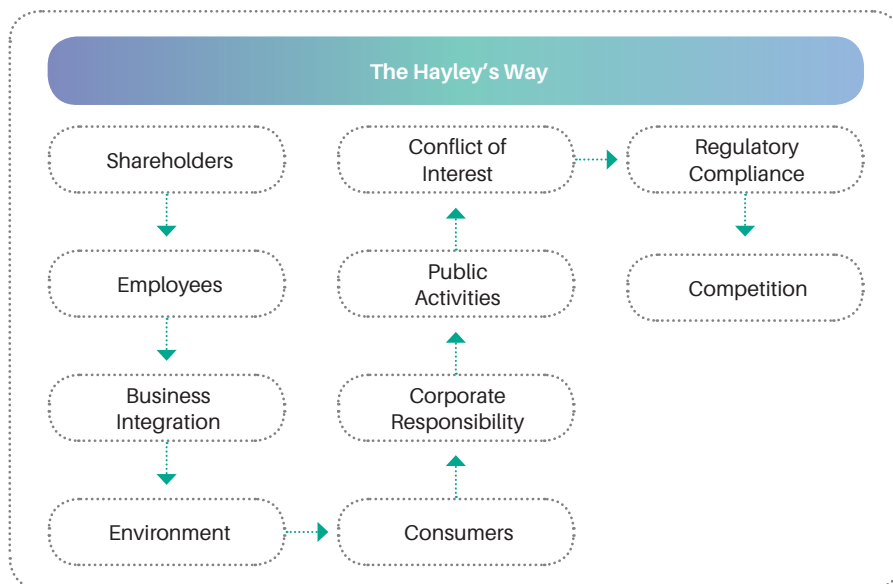
### 3.2 Responsible branding

In marketing, and other related communications of Group branding, TTE is conscious of ensuring positive and progressive gender portrayals. The Group is aware gender-stereotyped portrayals limits the aspirations, expectations, interests and participation of girls and women in society, contributing to negative outcomes in health and wellbeing.

## 4. Board Accountability

The Board is accountable for the Group's activities and presenting a fair, balanced and understandable assessment of TTE's position and prospects to stakeholders. The Board ensures accountability to stakeholders through various means as explained below.

### 4.1. Code of Conduct and Ethics [GRI: 102-16](#)



TTE is committed to conducting its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders.

The Group is bound by the "The Hayleys Way" - the Code of conduct developed by Hayleys PLC (Parent Group) for the Hayleys Group. It applies to all employees including key management personnel and Directors, and is reinforced at all levels through structured communication. The Code fosters an ethical culture and promotes compliance with relevant laws and legislation, an imperative to retaining the trust of stakeholders. The Board is not aware of any material violations of any

of the provisions of the Code by any Director or employee of TTE.

### 4.2 Whistle Blowing [GRI: 102-17](#)

The Whistle-blower policy enables anonymous reporting of matters of concern regarding possible inappropriate financial reporting, internal controls or other issues that may require internal investigation. All complaints are received for review by Chairman and Managing Director. Information on accessibility, anonymity, processes, and the policy relating to the whistle-blowing service is available on the intranet and communicated to all employees.

### 4.3 Risk Management and Internal control [GRI: 102-11 & 30](#)

The Board is responsible for formulating and implementing effective Risk Management and internal control systems to safeguard shareholder interests and the assets of the Group. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The Board increased the rigor of oversight functions in managing risks as the environment continued to be uncertain and challenging. The Hayley's Group Internal Audit Department supports the Audit Committee, reviewing the adequacy and effectiveness of TTE's internal control systems and reporting to the Audit Committee on a regular basis. The Board is satisfied with the integrity of financial information and the soundness of the internal controls and systems of TTE.

### 4.4. Financial and business reporting

The Board has sought to present a balanced and understandable assessment of the Group's financial position, performance and prospects through the annual report, combining narrative and visual elements to facilitate readability and



## CORPORATE GOVERNANCE REPORT

comprehension. Interim Quarterly Reports have also been published. All statutory requirements have been complied with and the reports reviewed and recommended by the AC and approved by the Board of Directors, prior to publication.

Apart from the Annual Report, the following reports set out further information required by the Code:

- ✔ The Directors' Report on pages 139 to 143
- ✔ The Statement of Directors' Responsibility on page 144
- ✔ Report of the Auditors on page 148 to 151

### 4.5 External Auditor

The External Auditor is appointed subject to the provision of the Companies Act. The Audit Committee (AC) makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements. The AC monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the audit process considering relevant professional and regulatory requirements.

In assignment of non-audit services to External Auditors, the AC ensures that the external auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity of the External Auditor in carrying out his duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the reappointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2020/21 at the last AGM. In compliance with Section 163 (3) of the Companies Act No. 07 of 2007, the External Auditors submit a statement annually confirming their independence in relation to the external audit.

### 5. Relations with Shareholders

The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. Information is communicated accurately and in such a manner as to avoid the creation of a false market.

#### 5.1 Communication with Shareholders

Shareholders are engaged through multiple channels of communication, including the Annual General Meeting (AGM) (detailed below), annual report, interim financial statements, a dedicated investor relations page on the Group's website and notification of key events through announcements in the CSE.

The Annual Report presents a fair and balanced review of TTE's financial position, performance and prospects combining narrative and visual elements to facilitate readability and comprehension. The Annual Report and the interim financials have been reviewed and recommended by the Audit Committee and approved by the Board of Directors, prior to publication.

TTE posts on its website ([www.talawakelletea.com](http://www.talawakelletea.com)) as soon as practicable and after they have been released to the stock exchange, copies of annual reports, interim reports, stock information, stock exchange announcements, shareholder circular etc.

Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Group Secretaries. All significant issues and concerns of Shareholders are referred to the Board with the views of the Management.

#### 5.2 Constructive use of Annual General Meeting (AGM)

The Board ensures that proactive engagement with shareholders is encouraged by the Group, including engagement at Group AGMs. Board Sub-Committee Chairmen, Directors and key members of management, are 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 the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 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.

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. In the event there are a significant proportion of the votes cast against a resolution, the Board will take steps to understand the reasons behind the vote results and determine if any actions are required. The outcome of the vote on each resolution is informed to the CSE, soon after conclusion of the AGM.

Similar to the AGM held in 2020, this year's AGM will be held electronically on 25th June 2021, to manage and reduce the health risk to all participants.

## 6. Information Technology & Cyber Security Governance

Hayley's Group IT Department 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). Coverage and scope of related Group Policies and Guidelines are given below.

Cybersecurity is an agenda of the monthly Group Management Committee meetings with matters escalated to the TTE Board where deemed necessary considering risk, impact and other prudential measures. IT and Cyber security formed part of the Group's annual statutory audit of financial statements.

| Group IT Policy  | Group Information Security Policy   | Principles   | Guidelines for Corporate Websites  |
|--|---|--|--|
| <ul style="list-style-type: none"> <li>✔ Group Connectivity</li> <li>✔ Access requirements/ Resource utilisation</li> <li>✔ Individual Sector Networks/System Management</li> <li>✔ Backup &amp; Recovery/ Software Modification</li> <li>✔ IT Equipment &amp; Software &amp; Third Party Involvement</li> <li>✔ IT Assets &amp; Media disposal and procurement</li> <li>✔ Responsibility for Adherence</li> </ul> | <ul style="list-style-type: none"> <li>✔ Protection of information from unauthorised access</li> <li>✔ Confirmation of information</li> <li>✔ Confidentiality, availability and integrity of information</li> <li>✔ Regulatory requirements</li> <li>✔ Business continuity plans</li> <li>✔ Information security training</li> <li>✔ Reporting breaches of information security</li> <li>✔ IT policy embedded in to employee induction programme</li> </ul> | <ul style="list-style-type: none"> <li>✔ Acceptable IT Use</li> <li>✔ Password Protection Standards</li> <li>✔ Email Usage</li> <li>✔ Internet Usage</li> <li>✔ Monitoring</li> <li>✔ Enforcement</li> </ul> | <ul style="list-style-type: none"> <li>✔ Guidelines for web hosting</li> <li>✔ Guidelines for secure</li> <li>✔ Web development Enforcement</li> </ul> |

## 7. Sustainability Governance

GRI: 102-18, 19, 20, 21, 26, 29, 30, 31, 32, 33 & 34

The Board places significant emphasis on sustainable development ensuring TTE creates value, both for the organisation and its key stakeholders. The Board satisfies itself that Environmental, Social and Governance (ESG) metrics are incorporated into the business model and the creation of value as disclosed in the following sections of the Annual Report. Feedback obtained from our stakeholder engagement mechanisms continues to form a key input in strategy formulation. The annual report is approved by the Board, prior to publication.

### Approach to Sustainability

TTE perceive sustainability as a critical factor to achieving Company's mission and ensuring its long-term competitiveness. Operating ethically and sustainably is not just a responsibility for TTE; it is a fundamental enabler of its commercial success.

### Commitment to Sustainability

Sustainability considerations are firmly embedded into Hayleys Group's governance structures. The Group Management Committee oversees how TTE manages its most material sustainability matters, while the Audit Committee reviews the principal risks to TTE, including those related to sustainability.

### Sustainability Framework

The Company's Sustainability Framework highlights its economic impact while adhering to environmental, social and governance best practices. accordingly, the Company performs its social responsibilities by taking management measures methodically and orderly, while considering the possible overall effects of its decisions and actions on the economy, society and environment at large.

To achieve this, the Company has established a social responsibility management system comprising joint actions of three levels, namely leadership level, organisation level and execution level. Such system enables us to fully implement social responsibility

## CORPORATE GOVERNANCE REPORT

management as it effectively procures a deep involvement at the management level, a horizontal coordination between various business departments and estates at organisation level, as well as an implementation by subordinate units at the execution level.

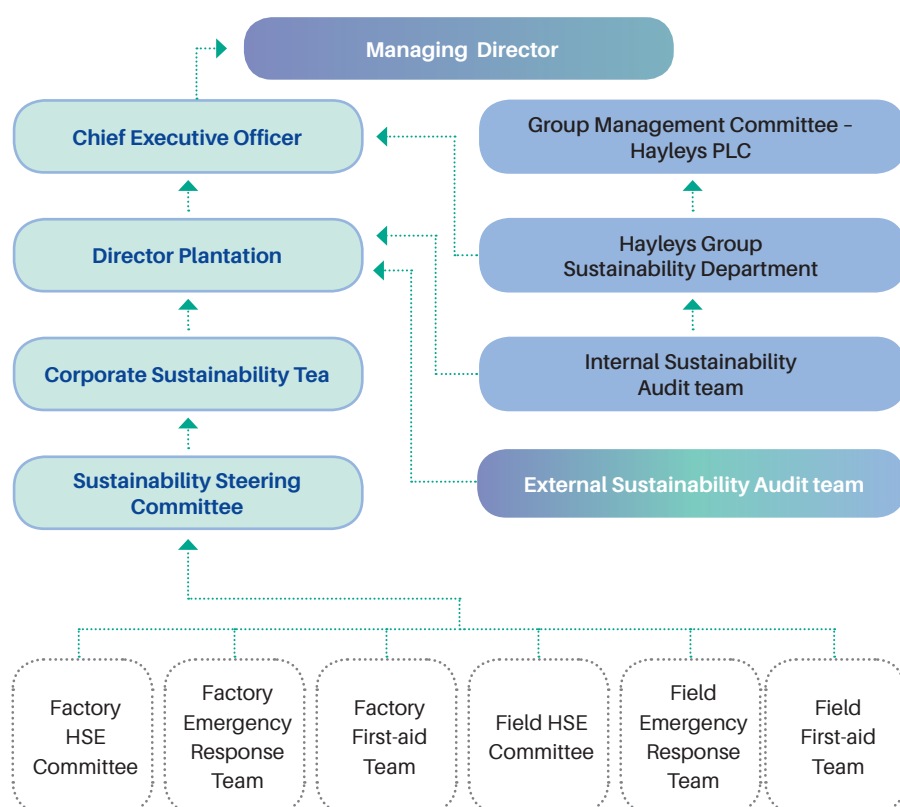
### Executive Involvement in Sustainability Governance

The responsibility for the day-to-day management of economic, environmental and social topics rests with the Corporate Management Committee comprising the Managing Director, Chief Executive Officer, Director-Plantations and the Senior Management of the Company thereby making the formal and informal scanning of the environment in which the Company operates an everyday executive responsibility. TTE's Board is regularly apprised of developments that could have a bearing on the performance and sustainability of the Group.

The cross-functional committees formed at the management level ensure the conduct of Company's internal operations within ethical and governance parameters defined by the Board. Under the stewardship of the Board, these committees implement approved policies and strategies and manage the business and affairs to ensure that the Company creates sustainable growth for all its stakeholders.

In addition, the committees formed at the group level namely, the Group Management Committee and Chief Financial Officer Forum provides a platform for the Group to review sector performance, formulate policies, share best practices and discuss risks and concerns impacting the business activities of their respective sectors, thus ensuring the sustainability of the Group as a whole.

### Sustainability Governance Structure



### Sustainability Reporting

The Corporate Management Committee which is the hierarchy in the management level committees, review, from time to time, the vision, mission and values of the Company as well as the Company's strategies and policies relating to economic, social and environmental impacts and report all critical issues arising or discussed at their meetings to the Board through the Managing Director. Except for the matters arising in the ordinary course of business no critical matters were reported to the Board during 2020/21.

The Sustainability Department of the Company which is headed by an executive level employee is charged with the responsibility of focusing on TTE's sustainability strategy. The Corporate Management Committee who is delegated with the authority for day-to-day management of economic, environmental and social topics, in turn delegates the co-ordination and monitoring of the sustainability initiatives undertaken at various levels of the organisation to the Sustainability Department.

The Sustainability Department submits periodical updates to the Board through the Managing Director on Company's sustainability initiatives, risks and opportunities arising from economic, social and environmental factors impacting its business operations and stakeholder concerns thereon.

The Company's integrated annual report, which is approved by the Board prior to it being released, provides a detailed account to Company's stakeholders of its sustainability strategy and initiatives.

### Stakeholder Engagement

TTE acknowledges that engaging with stakeholders is the basis of its licence to trade. Therefore understanding the Company's stakeholders' concerns, expectations and priorities and engaging with them on an ongoing

basis through a structured, inclusive, transparent process is one of the key drivers in the continuous improvement of TTE's sustainability performance. to achieve this, TTE strives to be a leader in transparent, open and clear communication with all its stakeholders. In this regard, the Hayleys Group seeks to improve continuously upon its communication efforts through more detailed disclosure of relevant financial and other information.

The Sustainability Department, who, in consultation with the Corporate Management Committee, engages with the Company's stakeholders in identifying economic, social and environmental factors that impact its business operations as well as risks and opportunities arising from the same.

|  |                        |          |
|--|------------------------|----------|
| Economic Sustainability  | Financial Capital      | page 68  |
| Environment  | Natural Capital        | page 100 |
| Labour Practices   | Social & Human Capital | page 85  |
| Society  | Relationship Capital   | page 80  |
| Product Responsibility   | Relationship Capital   | page 80  |
| Shareholder Identification, Engagement and Effective Communication | Investor Relations     | page 68  |

## 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 127 to 128.

### Composition of the Audit Committee

The Audit Committee, appointed by and responsible to the Board of Directors, comprises two Independent Non-Executive Directors. The Company Secretary acts as the secretary to the Audit Committee. The Managing Director, Chief Executive Officer and the General Manager - Finance attend the meetings. The Chairman, Head of Management Audits and Systems Review Department and Director Plantations attend meetings by invitation.

The Chairman of the Audit Committee is a Senior Qualified Accountant.

The names of the members of the Committee are given below along with their brief profiles are given on pages 24 to 27 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 4/4  
Ms. M D A Perera 4/4

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 recognised 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 Management Audit & Systems Review Department 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 Management Audit and Systems Review Department 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 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 continue as Auditors for the year ending 31st March 2022.

#### 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

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 recommendation 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 Messers Ernst and Young 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

12th May 2021



## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

GRI: 102-25

The Related Party Transaction Review Committee of the parent Company, Hayleys PLC, functions as the Committee for the Company and is in line with the Section 9 of the Listing Rules of the Colombo Stock Exchange.

### Composition of the Committee

The Related Party Transactions Review Committee comprises two Independent Non-Executive Directors and one Executive Director. The Committee comprised of the Following members;

Dr. H Cabral, PC (IND/NED) - Chairman  
Mr. M Y A Perera (IND/NED)  
Mr. S C Ganegoda (ED)  
(ED- Executive Director, IND- Independent Director, NED- Non-Executive Director)

### 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 communicated the same to the Board.

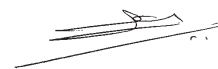
The Committee in its review process recognized the adequate content and quality of the information forwarded to its members by the management.

### Meetings

The Committee Meetings were held four times during the year under review on 15th June 2020, 11th August 2020, 6th November 2020 and 10th February 2021. The attendance at the meetings is given in table on page 127 of the Annual Report.

### 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 197 to 199 in this report.



**Dr. Harsha Cabral, PC.**

*Chairman*

Related Party Transactions Review Committee of Hayleys PLC

17th May 2021

## REMUNERATION COMMITTEE REPORT

GRI: 102-35, 36 & 37

### Composition

Dr. H Cabral, PC (IND/NED) – Chairman  
 K D D Perera  
 M Y A Perera (IND/NED)  
 M H Jamaldeen (IND/NED)

IND/NED – Independent Non-Executive Director

NED – Non-Executive Director

The Remuneration Committee of the parent Company Hayleys PLC functions as the Committee to the Company and consists of three independent Non-Executive Directors.

Refer to page 127 for a brief profile of the Directors.

The Chairman & Chief Executive assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

**Duties of the Remuneration Committee**  
 The Committee vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matter that may affect Human Resources Management of the Company and the Group and specifically include:

- ☑ Determining the compensation of the Chairman & Chief Executive, Executive Directors and the Members of the Group Management Committee.

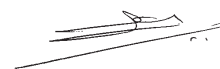
- ☑ Lay down guidelines and parameters for the compensation structures of all management staff within the Group taking into consideration industry norms.
- ☑ Formulate guidelines, policies and parameters for the compensation structures for all Executives staff of the Company.
- ☑ Review information related to executive pay from time to time to ensure same in in par with the market/industry rates.
- ☑ Evaluate the performance of the Chairman & Chief Executive and Key Management Personnel against the predetermined targets and goals.
- ☑ Assess and recommending to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- ☑ Approving annual salary increments and bonuses.

### Remuneration Policy

The remuneration policy is to attract and retain highly qualified and experienced work force, and reward performance accordingly in the backdrop if industry norms. These compensation packages provide compensation appropriate for each business within the Group and commensurate with each employee's level of expertise and contributions, bearing in mind the business' performance and shareholder returns.

### Activities in 2020/21

- ☑ During the year the Committee reviewed the performance of the Chairman & Chief Executive, Executive Directors and Group Management Committee based on the targets set I the previous year and determined the bonus payable and the annual increments.
- ☑ Recommended the bonus payable and annual increments to be paid to Executive and Non-Executive staff based on the ratings of the Performance Management System.



**Dr. Harsha Cabral, PC**  
*Chairman*  
 Remuneration Committee

19th May 2021

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Talawakelle Tea Estates PLC (TTE PLC) has pleasure in presenting the Annual Report of the Board of Directors on the affairs of the Company and audited Consolidated Financial Statements of the Group for the year ended 31st March 2021.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices. The Financial statements were reviewed and approved by the Board of Directors on 12th May 2021.

### Principal Activities

Talawakelle Tea Estates PLC is the holding company, of TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) Limited. The principal activity of Talawakelle Tea Estates PLC is cultivation and manufacture of black tea and the subsidiaries are engaged in generation of 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 18.

### Vision, Mission and Corporate Conduct

The company vision and mission are given on page 18, 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 10 to 13) Managing Director's Review (Pages 14 to 17) and Management Discussion and Analysis (Pages 60 to 115) 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 No. 07 of 2007.

The Financial Statements of the Company and the Group for the year ended, 31st March 2021, have been duly signed by the Chief Financial Officer and two directors of the Board are given on page 154.

### 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 2021, and their Report is given on pages 148 to 151.

### Accounting Policies

The Significant Accounting Policies adopted in the preparation of the Financial Statements of the company and the group are given on pages 158 to 173.

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. 4,488.6 Mn (2020- Rs. 3,886.4 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.

The contribution to revenue from tea increased by Rs. 569.2 Mn (2020 - decreased by Rs. 124.6), and revenue from rubber increased by Rs. 21.9 Mn (2020- decreased by Rs. 0.2 Mn). Revenue contribution from hydro power Increased by Rs. 3.1 (2020- decreased by Rs. 15.9 Mn) during the year ended 31.03.2021.

Trade between Group Companies is conducted at fair market prices.

### Operational Results and Dividends

The Group profit before taxation, amounted to Rs. 771.7 Mn (2020-Rs. 218.7 Mn) during the period under review. After charging Rs. 59.9 Mn (Rs. 2020 - Rs. 22.2 Mn) for taxation and a consolidation profit of Rs. 3.2 Mn (2020 - profit of Rs. 0.87 Mn) for non-controlling interests, the Group profit attributable to equity holders of the Company from operating activities for the period was Rs. 708.6 Mn (2020 - Rs. 195.7 Mn).

Following Interim Dividends were paid for the financial year 2020/21  
1st Interim Dividend - Rs. 2.75 per share paid on 31.08.2020  
2nd Interim Dividend - Rs. 2.00 per share paid on 22.10.2020  
3rd Interim Dividend - Rs. 2.00 per share paid on 23.12.2020

## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors has recommended a final Dividend of Rs. 1.50 per share subject to the approval of the shareholders at the Annual General Meeting.

The Directors have confirmed that the Company satisfied the solvency test requirement under Section 56 of the Companies Act No.07 of 2007 for the interim dividends paid and the final dividend proposed. A solvency certificate was obtained from the Auditors in respect of the interim dividends paid and one has been sought in respect of the final dividend proposed.

### Group Investment

Total capital expenditure of the Group including investments in field development during the year amounted to Rs. 184.6 Mn (2020 – Rs. 176.8 Mn)

### Property, Plant & Equipment

Group investment on property, plant & equipment and capital work in progress during the year amounted to Rs. 77.1 Mn (2020 - Rs. 68.0 Mn) whilst that of the Company was Rs. 77.1 Mn. (2020 - Rs. 67.9 Mn). The Company investment on replanting of tea and timber during the year amounted to Rs. 69 Mn (2020 – Rs. 73.7 Mn) and Rs.17.3 Mn (2020- 15.1 Mn) respectively.

Information relating to movement in property, plant & equipment on 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 2021 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.

The ordinary shares of the company were subdivided by splitting each issued ordinary share into two (02) ordinary shares from 10th February, 2021. Consequently the total number of existing issued Ordinary Shares were increased from 23,750,000 to 47,500,000 without changing the Stated Capital of the Company which will remain at Rs. 350,000,000/-

Total Group reserves at 31st March 2021 amounts to Rs. 3,201.7 Mn (2020 – Rs. 2,511.1 Mn) comprising retained earnings of Rs. 2,988 Mn.(2020– Rs. 2,318.3 Mn), biological crop reserve of Rs. 22.6 Mn (2020- Rs. 4.4 Mn) and timber reserves of Rs. 191.1 Mn (2020- 188.3 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 on Agro Framing is exempt, Agro processing and Dividend Income are liable at 14% and Interest Income is liable at 24%.

TTEL Hydro Power Company (Pvt) Ltd and TTEL Somerset Hydro Power (Pvt) Ltd liable at 14% .

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 2021 the company holds 14% Redeemable Cumulative Preference Shares of TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power(Pvt) Ltd amounting to Rs. 53.1 Mn (31.03.2020 –

Rs. 53.1Mn) and Rs. 16 Mn (31.03.2020 – 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 No. 07 of 2007, maintains an Interests Register. Shareholders of subsidiary Companies have unanimously agreed to dispense with the requirement to maintain an Interest Register.

In compliance with this requirement, the following particulars of entries in the Interest Register during the year are as follows;

|                     |             |          |
|---------------------|-------------|----------|
| Dr. W G R Rajadurai | 1000 shares | Purchase |
|---------------------|-------------|----------|

### 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 2021 is Rs. 18.4 Mn (31.03.2020 - Rs. 20.6 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 31.03.2021 is Rs. 3.7 Mn (31.03.2020 - Rs. 2.7 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

Donation of Rs. 0.3 Mn was made during the year ended 31.03.2021 toward COVID-19 Assistance program (31.03.2020- Nil) 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 24 to 27.

### Executive Directors

Mr. A M Pandithage (Chairman)  
Dr. W G R Rajadurai (Managing Director)  
Mr. S B Alawattagama (CEO)

### Non- Executive Directors

Mr. Merrill J Fernando  
Mr. Malik J Fernando  
(Alternate Mr. D C Fernando)

### Independent Non- Executive Directors

Dr. N T Bogahalande  
Mr. S L Athukorala  
Mr. M H Jamaldeen  
Mr. 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

Mr. J M Kariapperuma was appointed to the Board with effect from 15.08.2020 as an Independent Non-executive Director.

Ms. M D A Perera and Dr. N T Bogahalande retire by rotation and being eligible, offer themselves for re-election.

Notice has been given pursuant to Section 211 of the Companies Act No 07 of 2007, of the intention to propose an ordinary resolution for re-appointment of Mr. A M Pandithage, who is 70 years old, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007

Notice has been given pursuant to Section 211 of the Companies Act No 07 of 2007, of the intention to propose an ordinary resolution for re-appointment of Mr. Merrill J Fernando, who is 91 years old, notwithstanding the age limit of 70 years stipulated by Section 210 of the Companies Act No. 07 of 2007.

### 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 Review Committee with specific

terms of reference. Audit and Related Party Transactions Review Committee Reports are given on pages 136 to 138 of this report.

### Management Fees

No management fees has been charged by Hayleys Plantation Services (Pvt) Ltd w.e.f. 01/04/2014 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 jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Corporate Governance section on pages 118 to 145 discusses this further.

### Auditors

Messrs. Ernst & Young Chartered Accountants are deemed re-appointed as Auditors of the Company, in accordance with Section 158 of the Companies Act No. 07 of 2007.

A resolution proposing the Directors be authorized to determine their remuneration will be submitted at the Annual General Meeting.

The Auditors Messrs Ernst & Young Chartered Accountants were paid Rs. 5.65 Mn (31.03.2020 -Rs. 5.7 Mn as audit fees and audit related work of the Company and Rs. 0.61 Mn (31.03.2020- 0.53 Mn) as audit fees by the two subsidiaries, TTEL Hydro Power Company (Pvt) Limited and TTEL Somerset Hydro Power (Pvt) 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.



## ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

GRI: 102-25

### Share Information

Information relating to earnings, dividends, net assets, market value per share and share trading is given on pages 204 & 205.

### 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.
- ☑ 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 196.

### Human Resource

The number of persons employed by the Company at year end was 5,777 (31.03.2020 - 6,135) of which 5,744 (31.03.2020 - 6,105) 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 144.

### 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 pages 100 to 115.

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 related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of Hayleys PLC and are in compliance with the Section 09 of the CSE Listing Rules.

The details of related party transactions of the Company and the Group are given in Note 33 into the Financial Statements.

Report of the Related Party Transaction Review Committee appears on page 137.

### 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.

### 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 9, 68 to 71, 204 & 224 of this report.

### Directors' Shareholdings

Directors' holdings of ordinary shares as at 31.03.2021 in the Company are given below.

Mr. Merrill J Fernando - 2,369,400 (01.04.2020 - 1,184,700). These shares are held through Merrill J Fernando & Sons (Private) Limited.

Dr. W G R Rajadurai - 4,000 (01.04.2020 - 1000 shares)

No shares are held by the Directors in the subsidiaries of the Company

### Shareholding

As at 31st March, 2021, there were 14,387 (31.03.2020 - 13,544) registered shareholders. The percentage of shares held by the public was 20.27% (31.03.2020 - 20.27%) of the issued shares held by 14,384 shareholders (31.03.2020 - 13,541).

The twenty major shareholders as at 31st March, 2021 and the number of shares held and their percentage share holdings are given on page 205 of this report.

### Annual General Meeting

The Annual General Meeting will be held at 2.30 p.m. on 25th June, 2021. The Notice of the Annual General Meeting appears on page 229.

For and on behalf of the Board



**A M Pandithage**

Chairman



**Dr. W G R Rajadurai**

Managing Director



**Hayleys Group Services (Pvt) Ltd.**

Secretaries

12th May, 2021

## 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, 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, for ensuring that proper accounting records are kept to enable, determination of 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, Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange. Further, the Financial Statements provide the information required by 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, key operations and specific inquiries, that adequate resources exist to support the Company on a going concern basis over the next year. These Financial

Statements have been prepared on that basis.

The Directors have taken reasonable measures to safeguard the assets of the Group and, in that context, have instituted appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Company's Act No. 07 of 2007 for interim dividends paid and final dividend proposed and the solvency Certificate has been sought from the auditors in this respect.

The external Auditors, Messrs Ernst & Young who were deemed reappointed in terms of Section 158 of the Companies Act No. 07 of 2007 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 148 to 151 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 its Subsidiaries as at the Balance Sheet date have been paid or where relevant, provided for

By order of the Board,



**HAYLEYS GROUP SERVICES (PVT) LTD.**

*Secretaries*

12th May, 2021

## MANAGING DIRECTOR'S, CHIEF EXECUTIVE OFFICER'S AND GENERAL MANAGER- FINANCE'S RESPONSIBILITY STATEMENT

The Financial Statements of Talawakelle Tea Estates PLC and the Consolidated Financial Statements of the Group as at 31st March, 2021 are prepared and presented in compliance with the requirements of the following:

- ☑ Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants 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; and
- ☑ Code of Best Practice on Corporate Governance-2017 issued jointly by the institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

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 estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and our External Auditors.

We confirm that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material respects the financial position, results of operations and cash flows of the company as of, and for, the periods presented in this annual report

We are responsible for establishing and maintaining internal controls and procedures. We have designed such controls and procedures, or caused

such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or other employees. Our internal auditors also conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. 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 Messrs.' Ernst & Young, Chartered Accountants, the Independent External Auditors. Their report is presented on pages 148 to 151 of this 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 does not impair their independence.

We confirm that the company and its subsidiaries have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the company other than those arising in the normal course of conducting Plantation business.



**Dr. Roshan Rajadurai**  
Managing Director



**S B Alawattegama**  
Chief Executive Officer



**V A Perera**  
General Manager - Finance

12th May, 2021



# Phenomenal result

## Financial Calendar-2020/2021

| Dividend Calendar       | 2020/2021             |
|-------------------------|-----------------------|
| Interim Dividend        | Date of Dividend Paid |
| First Interim Dividend  | August 31, 2020       |
| Second Interim Dividend | October 22, 2020      |
| Third Interim Dividend  | December 23, 2020     |

## Annual General Meeting (AGM) Calendar

|   | 2020/2021        | 2021/2022    |
|---|------------------|--------------|
| Annual Report and Accounts for the year signed/to be signed | On May 12, 2021  | in May 2022  |
| Annual General Meeting to be held                           | On June 25, 2021 | in June 2022 |

## Interim Financial Statements Calendar-Submission to the Colombo Stock Exchange (CSE)

|  | 2020/2021        | 2021/2022                    |
|--|------------------|------------------------------|
|  | Submitted on     | To be submitted on or before |
| For the three months ended/ending June 30 (unaudited)    | August 06, 2020  | August 15, 2021              |
| For the six months ended/ending September 30 (unaudited) | October 27, 2020 | November 15, 2021            |
| For the nine months ended/ending December 31 (unaudited) | January 29, 2021 | February 15, 2022            |
| For the year ended/ending March 31 (audited)             | May 13, 2021     | May 31, 2022                 |





# enatal

**“While many companies struggled during this time, the fact that we have achieved so much, is not only remarkable but inspirational”**

## **Financial Reports**

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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 2463500  
 Fax Gen : +94 11 2697369  
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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TALAWAKELLE TEA ESTATES PLC

#### Report 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, 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company

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

##### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report*. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgment, were

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

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

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

A member firm of Ernst & Young Global Limited



| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Retirement Benefit Obligation</b></p> <p>The retirement benefit obligation as at 31 March 2021 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group.</p> <p>Assessing the present value of retirement benefit obligation was a key audit matter due to following reasons:</p> <ul style="list-style-type: none"> <li>☑ The retirement benefit obligation of the Group is significant (Rs.890 Mn) in the context of the total liabilities of the Group (40% of total liabilities).</li> <li>☑ The actuarial valuation involves making significant assumptions about discount rates and future salary increases. Further, the complexity of the valuation and the changes in underlying assumptions are highly sensitive in assessing the value of retirement benefit obligation.</li> <li>☑ The determination of the base salary/wage rate and the future salary/wage growth rates for the purpose of measuring retirement benefit obligation as of year-end, required significant management judgments giving due consideration to wage/salary negotiations which are currently under discussions. The matter is also referred to the Court of Appeal as at the statement of financial position date as disclosed under Note 31 to the financial statements.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> <li>☑ Discount rate</li> <li>☑ Future salary increase rate</li> </ul> | <p>Our audit procedures included the following amongst others:</p> <ul style="list-style-type: none"> <li>☑ We assessed the competency, capability and objectivity of the external actuary engaged by the Group.</li> <li>☑ We read the external actuary's report and understood the key estimates made and the approach taken by the valuer in determining the present value of retirement benefit obligation.</li> <li>☑ We assessed the assumption for salary increases against the historical collective agreements.</li> <li>☑ We agreed the discount rate used, to our internally developed benchmarks.</li> <li>☑ We validated the key data used by the actuary to the underlying data held by the Group.</li> <li>☑ We evaluated the impact on retirement benefit obligation resulting from wage negotiations and assessed the adequacy of disclosures given in Note 31 to the financial statements.</li> </ul> <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> |

## INDEPENDENT AUDITORS' REPORT



| Key audit matter  | How our audit addressed the key audit matter   |
|---|--|
| <p><b>Bearer Biological Assets</b></p> <p>The Bearer Biological Asset is a significant non-current asset of the Group representing 30% of the total assets consisting with Rs 1,527Mn as Mature and Rs 247Mn as Immature Plantations as at 31 March 2021.</p> <p>Assessing the existence, valuation, and fair presentation and disclosure of Bearer Biological asset in the financial statements is a key audit matter due to following factors:</p> <ul style="list-style-type: none"> <li>✓ Magnitude of the balance and its significance to total assets (30%) of the group</li> <li>✓ Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers to be made from immature plantations to mature plantations and for the identification of triggers of impairment (if any)</li> </ul> | <p>Our audit procedures included the following amongst others:</p> <ul style="list-style-type: none"> <li>✓ We assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations</li> <li>✓ We validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences.</li> <li>✓ Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations.</li> <li>✓ Assessed the adequacy of depreciation provided on the matured plantations by performing independent computation.</li> <li>✓ We inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements.</li> <li>✓ We also assessed the adequacy of the related disclosures given in Notes 3.7.7.1 and 13B in the financial statements.</li> </ul> |

### Other information included in The Company's 2021 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of 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:

- ④ 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.
- ④ 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.
- ④ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ④ 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.

- ④ 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.
- ④ 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-2440.

Ernst & Young  
Chartered Accountants

12 May 2021  
Colombo



## STATEMENT OF PROFIT OR LOSS

| For the year ended 31 March                     | Notes  | Group           |                 | Company         |                 |
|---|--------|-----------------|-----------------|-----------------|-----------------|
|   |        | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Revenue   | 6.1    | 4,488,639       | 3,886,416       | 4,433,096       | 3,834,115       |
| Cost of Sales                                   |        | (3,637,178)     | (3,593,339)     | (3,605,018)     | (3,555,463)     |
| <b>Gross Profit</b>                             |        | <b>851,461</b>  | <b>293,077</b>  | <b>828,078</b>  | <b>278,652</b>  |
| Change in Fair Value of Biological Assets       | 13 C.1 | 23,170          | 13,347          | 23,170          | 13,347          |
| Other Income And Gains                          | 7      | 56,818          | 54,284          | 72,618          | 61,792          |
| Administrative Expenses                         |        | (207,538)       | (197,153)       | (193,263)       | (188,071)       |
| <b>Results from Operating Activities</b>        |        | <b>723,911</b>  | <b>163,555</b>  | <b>730,603</b>  | <b>165,720</b>  |
| Finance Income                                  | 8.1    | 87,429          | 94,807          | 87,265          | 94,259          |
| Finance Expenses                                | 8.2    | (2,111)         | (2,405)         | (2,111)         | (2,405)         |
| Interest Paid to Government and Other on Leases | 8.3    | (37,511)        | (37,168)        | (37,501)        | (37,158)        |
| <b>Net Finance Income</b>                       |        | <b>47,807</b>   | <b>55,234</b>   | <b>47,653</b>   | <b>54,696</b>   |
| <b>Profit Before Tax</b>                        | 9      | <b>771,718</b>  | <b>218,789</b>  | <b>778,256</b>  | <b>220,416</b>  |
| Income Tax Expense                              | 10.1   | (59,978)        | (22,215)        | (58,141)        | (17,441)        |
| <b>Profit for the Year</b>                      |        | <b>711,740</b>  | <b>196,574</b>  | <b>720,115</b>  | <b>202,975</b>  |
| <b>Attributable To:</b>                         |        |                 |                 |                 |                 |
| Equity holders of the Parent                    |        | 708,562         | 195,698         | 720,115         | 202,975         |
| Non- Controlling Interest                       |        | 3,178           | 876             | -               | -               |
|   |        | 711,740         | 196,574         | 720,115         | 202,975         |
| <b>Basic/Diluted Earnings Per Share (Rs.)</b>   | 11     | <b>14.98</b>    | <b>4.12</b>     | <b>15.16</b>    | <b>4.27</b>     |

The Accounting Policies and Notes on pages 158 to 202 form an integral part of the Financial Statements.

## STATEMENT OF COMPREHENSIVE INCOME

| For the year ended 31 March  | Notes | Group           |                 | Company         |                 |
|--|-------|-----------------|-----------------|-----------------|-----------------|
|  |       | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Profit for the Year</b>   |       | 711,740         | 196,574         | 720,115         | 202,975         |
| <b>Other Comprehensive Income</b>  |       |                 |                 |                 |                 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: |       |                 |                 |                 |                 |
| Actuarial Gain/(Loss) on Retirement Benefit Obligations                                    | 23    | 165,581         | (9,410)         | 165,475         | (9,512)         |
| Income Tax Effect  | 10.2  | (23,188)        | 1,317           | (23,166)        | 1,332           |
| <b>Other Comprehensive Income for the year, net of tax</b>                                 |       | 142,393         | (8,093)         | 142,309         | (8,180)         |
| <b>Total comprehensive income for the year, net of tax</b>                                 |       | 854,133         | 188,481         | 862,424         | 194,795         |
| <b>Attributable to:</b>  |       |                 |                 |                 |                 |
| Equity holders of the Parent   |       | 850,913         | 187,562         | 862,424         | 194,795         |
| Non- Controlling Interest  |       | 3,220           | 919             | -               | -               |
|  |       | 854,133         | 188,481         | 862,424         | 194,795         |

The Accounting Policies and Notes on pages 158 to 202 form an integral part of the Financial Statements.

## STATEMENT OF FINANCIAL POSITION

| As at  | Notes | Group                 |                       | Company               |                       |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
|  |       | 31.03.2021<br>Rs.'000 | 31.03.2020<br>Rs.'000 | 31.03.2021<br>Rs.'000 | 31.03.2020<br>Rs.'000 |
| ASSETS   |       |                       |                       |                       |                       |
| Non Current Assets                                     |       |                       |                       |                       |                       |
| Right-of-use Assets                                    | 12    | 326,493               | 329,921               | 326,420               | 329,845               |
| Tangible assets other than Immature/Mature Plantations | 13A   | 1,001,750             | 1,039,068             | 719,028               | 740,043               |
| Immature/Mature Plantations                            | 13B   | 1,785,699             | 1,769,342             | 1,785,699             | 1,769,342             |
| Consumable Biological Assets                           | 13C   | 326,365               | 306,236               | 326,365               | 306,236               |
| Intangible Assets                                      | 13D   | 7,350                 | 3,358                 | 4,895                 | -                     |
| Investments in Subsidiaries                            | 14    | -                     | -                     | 134,933               | 134,933               |
| Deferred Tax Asset                                     | 10.4  | 7,213                 | 8,127                 | -                     | -                     |
|  |       | 3,454,870             | 3,456,052             | 3,297,340             | 3,280,399             |
| Current Assets   |       |                       |                       |                       |                       |
| Produce on Bearer Biological Assets                    | 15    | 22,622                | 4,389                 | 22,622                | 4,389                 |
| Inventories  | 16    | 424,705               | 303,822               | 424,705               | 301,708               |
| Trade and Other Receivables                            | 17    | 255,447               | 154,251               | 237,045               | 128,865               |
| Amounts due from Related Companies                     | 18    | 6,779                 | 3,857                 | 6,779                 | 3,781                 |
| Short Term Investments                                 | 19    | 1,716,211             | 1,112,522             | 1,711,031             | 1,112,522             |
| Cash and Bank Balances                                 |       | 32,237                | 53,384                | 25,853                | 40,962                |
|  |       | 2,458,001             | 1,632,225             | 2,428,035             | 1,592,227             |
| TOTAL ASSETS   |       | 5,912,871             | 5,088,277             | 5,725,375             | 4,872,626             |
| EQUITY AND LIABILITIES                                 |       |                       |                       |                       |                       |
| Equity   |       |                       |                       |                       |                       |
| Stated Capital   | 20    | 350,000               | 350,000               | 350,000               | 350,000               |
| Revenue Reserves                                       |       | 3,201,717             | 2,511,116             | 3,178,108             | 2,475,996             |
| Equity attributable to equity holders of the parent    |       | 3,551,717             | 2,861,116             | 3,528,108             | 2,825,996             |
| Non-Controlling Interests                              | 21    | 160,708               | 170,533               | -                     | -                     |
| Total Equity   |       | 3,712,425             | 3,031,649             | 3,528,108             | 2,825,996             |
| Non Current Liabilities & Deferred Income              |       |                       |                       |                       |                       |
| Interest Bearing Loans & Borrowings                    | 22    | 13,754                | 13,097                | 13,754                | 13,097                |
| Retirement Benefit Obligations                         | 23    | 890,953               | 1,024,164             | 888,163               | 1,021,655             |
| Deferred Tax Liability                                 | 10.4  | 211,825               | 200,446               | 211,825               | 200,446               |
| Deferred Income  | 24    | 138,717               | 139,526               | 138,717               | 139,526               |
| Lease Liability  | 25.3  | 278,362               | 270,471               | 278,284               | 270,394               |
|  |       | 1,533,611             | 1,647,704             | 1,530,743             | 1,645,118             |
| Current Liabilities                                    |       |                       |                       |                       |                       |
| Trade and Other Payables                               | 26    | 578,185               | 370,109               | 574,415               | 355,048               |
| Interest Bearing Loans & Borrowings                    | 22    | 20,173                | 5,065                 | 20,173                | 5,065                 |
| Lease Liability  | 25.3  | 12,494                | 12,172                | 12,490                | 12,168                |
| Amounts due to Related Companies                       | 27    | 48,249                | 18,476                | 51,712                | 26,129                |
| Bank Overdraft   |       | 7,734                 | 3,102                 | 7,734                 | 3,102                 |
|  |       | 666,835               | 408,924               | 666,524               | 401,512               |
| TOTAL LIABILITIES                                      |       | 2,200,446             | 2,056,628             | 2,197,267             | 2,046,630             |
| TOTAL EQUITY AND LIABILITIES                           |       | 5,912,871             | 5,088,277             | 5,725,375             | 4,872,626             |
| Net Assets Per Share (Rs.)                             |       |                       |                       |                       |                       |
|  |       | 74.77                 | 60.23                 | 74.28                 | 59.49                 |

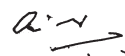
The Accounting Policies and Notes on pages 158 to 202 form an integral part of the Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



**Vindya Perera**  
General Manager-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

For the year ended 31 March

| Group  | Attributable to equity holders of the parent |                   |                         |                |           |                          |              |
|--|--|-------------------|-------------------------|----------------|-----------|--------------------------|--------------|
|  | Stated Capital                               | Retained Earnings | Revenue Reserves        |                | Total     | Non Controlling Interest | Total Equity |
|  |  |                   | Biological Crop Reserve | Timber Reserve |           |                          |              |
|  | Rs.'000                                      | Rs.'000           | Rs.'000                 | Rs.'000        | Rs.'000   | Rs.'000                  | Rs.'000      |
| <b>Balance as at 31 March 2019</b>                 | 350,000                                      | 2,097,176         | 8,457                   | 186,304        | 2,291,936 | 176,828                  | 2,818,764    |
| Effect of adoption SLFRS 16, as at 01st April 2019 | -  | 31,618            | -                       | -              | 31,618    | -                        | 31,618       |
| Balance as at 01 April 2019                        | 350,000                                      | 2,128,794         | 8,457                   | 186,304        | 2,323,554 | 176,828                  | 2,850,382    |
| Profit for the Year                                | -  | 195,698           | -                       | -              | 195,698   | 876                      | 196,574      |
| Other Comprehensive Income                         | -  | (8,136)           | -                       | -              | (8,136)   | 43                       | (8,093)      |
| Transferred to the Timber Reserve                  | -  | (17,414)          | -                       | 17,414         | -         | -                        | -            |
| Transferred to Biological Crop Reserve             | -  | 4,067             | (4,067)                 | -              | -         | -                        | -            |
| Realised Gain on Timber Sales                      | -  | 15,380            | -                       | (15,380)       | -         | -                        | -            |
| Dividends  | -  | -                 | -                       | -              | -         | (7,214)                  | (7,214)      |
| <b>Balance as at 31 March 2020</b>                 | 350,000                                      | 2,318,389         | 4,390                   | 188,338        | 2,511,116 | 170,533                  | 3,031,649    |
| Profit for the Year                                | -  | 708,562           | -                       | -              | 708,562   | 3,178                    | 711,740      |
| Other Comprehensive Income                         | -  | 142,351           | -                       | -              | 142,351   | 42                       | 142,393      |
| Transferred to the Timber Reserve                  | -  | (4,937)           | -                       | 4,937          | -         | -                        | -            |
| Transferred to Biological Crop Reserve             | -  | (18,233)          | 18,233                  | -              | -         | -                        | -            |
| Realised Gain on Timber Sales                      | -  | 2,148             | -                       | (2,148)        | -         | -                        | -            |
| Dividends  | -  | (160,312)         | -                       | -              | (160,312) | (13,045)                 | (173,357)    |
| <b>Balance as at 31 March 2021</b>                 | 350,000                                      | 2,987,968         | 22,623                  | 191,127        | 3,201,717 | 160,708                  | 3,712,425    |

| Company  | Revenue Reserves |                   |                         |                |           |              |
|--|------------------|-------------------|-------------------------|----------------|-----------|--------------|
|  | Stated Capital   | Retained Earnings | Biological Crop Reserve |                | Total     | Total Equity |
|  |                  |                   | Biological Crop Reserve | Timber Reserve |           |              |
|  | Rs.'000          | Rs.'000           | Rs.'000                 | Rs.'000        | Rs.'000   | Rs.'000      |
| <b>Balance as at 31 March 2019</b>                 | 350,000          | 2,054,823         | 8,456                   | 186,304        | 2,249,583 | 2,599,583    |
| Effect of adoption SLFRS 16, as at 01st April 2019 | -                | 31,618            | -                       | -              | 31,618    | 31,618       |
| Balance as at 01 April 2019                        | 350,000          | 2,086,441         | 8,456                   | 186,304        | 2,281,201 | 2,631,201    |
| Profit for the year                                | -                | 202,975           | -                       | -              | 202,975   | 202,975      |
| Other Comprehensive Income                         | -                | (8,180)           | -                       | -              | (8,180)   | (8,180)      |
| Transferred to the Timber Reserve                  | -                | (17,414)          | -                       | 17,414         | -         | -            |
| Transferred to Biological Crop Reserve             | -                | 4,067             | (4,067)                 | -              | -         | -            |
| Realised Gain on Timber Sales                      | -                | 15,380            | -                       | (15,380)       | -         | -            |
| Dividends  | -                | -                 | -                       | -              | -         | -            |
| <b>Balance as at 31 March 2020</b>                 | 350,000          | 2,283,269         | 4,389                   | 188,338        | 2,475,996 | 2,825,996    |
| Profit for the year                                | -                | 720,115           | -                       | -              | 720,115   | 720,115      |
| Other Comprehensive Income                         | -                | 142,309           | -                       | -              | 142,309   | 142,309      |
| Transferred to the Timber Reserve                  | -                | (4,937)           | -                       | 4,937          | -         | -            |
| Transferred to Biological Crop Reserve             | -                | (18,233)          | 18,233                  | -              | -         | -            |
| Realised Gain on Timber Sales                      | -                | 2,148             | -                       | (2,148)        | -         | -            |
| Dividends  | -                | (160,312)         | -                       | -              | (160,312) | (160,312)    |
| <b>Balance as at 31 March 2021</b>                 | 350,000          | 2,964,359         | 22,622                  | 191,127        | 3,178,108 | 3,528,108    |

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 158 to 202 form an integral part of the Financial Statements.

## STATEMENT OF CASH FLOW

| For the year ended 31 March                                   | Notes    | Group           |                 | Company         |                 |
|---|----------|-----------------|-----------------|-----------------|-----------------|
|   |          | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |          |                 |                 |                 |                 |
| Net Profit Before Taxation                                    |          | 771,718         | 218,789         | 778,256         | 220,416         |
| <b>ADJUSTMENTS FOR</b>  |          |                 |                 |                 |                 |
| Provision for Retirement Benefit Obligations                  | 23       | 150,571         | 174,748         | 150,051         | 174,239         |
| Depreciation/Amortisation                                     | 9        | 196,276         | 197,772         | 179,067         | 180,455         |
| Amortisation of Grants  | 24       | (5,300)         | (5,300)         | (5,300)         | (5,300)         |
| Dividend Income   | 7        | -               | -               | (15,800)        | (7,508)         |
| Finance Costs   | 8.2      | 2,111           | 2,405           | 2,111           | 2,405           |
| Government & Other Lease Interest                             | 8.3      | 37,511          | 37,167          | 37,501          | 37,157          |
| Profit on disposal of Property, Plant & Equipments            | 7        | (6,739)         | (8,195)         | (6,739)         | (8,195)         |
| Profit on Sale of Trees                                       | 7        | (34,320)        | (34,126)        | (34,320)        | (34,126)        |
| Debtors/Stocks write off                                      |          | 4,528           | 151             | 4,528           | 151             |
| Gains on Fair Value of Biological Assets                      | 13C.1    | (23,170)        | (13,347)        | (23,170)        | (13,347)        |
| <b>Operating Profit before Working Capital Changes</b>        |          | 1,093,186       | 570,064         | 1,066,185       | 546,351         |
| (Increase)/Decrease in Inventories                            |          | (120,960)       | 148,518         | (122,997)       | 148,518         |
| (Increase)/Decrease in Trade and Other Receivables            |          | (105,723)       | 50,502          | (112,707)       | 63,082          |
| Increase/(Decrease) in Trade and Other Payables               |          | 175,112         | (112,212)       | 187,280         | (119,343)       |
| (Increase)/Decrease in amounts due from Related Companies     |          | (2,922)         | (1,853)         | (2,997)         | (1,777)         |
| Increase/(Decrease) in amounts due to Related Companies       |          | 29,774          | 4,225           | 25,583          | 11,413          |
| <b>Cash Generated from Operations</b>                         |          | 1,068,467       | 659,244         | 1,040,347       | 648,244         |
| Finance Costs Paid  | 8.2      | (2,111)         | (2,405)         | (2,111)         | (2,405)         |
| Payment of ESC/Income Tax                                     |          | (31,559)        | (22,062)        | (31,559)        | (20,383)        |
| Retirement Benefit Obligations Paid                           | 23       | (118,201)       | (129,567)       | (118,069)       | (129,389)       |
| <b>Net Cash from Operating Activities</b>                     |          | 916,596         | 505,210         | 888,608         | 496,067         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |          |                 |                 |                 |                 |
| Grant Received  | 24       | 4,490           | -               | 4,490           | -               |
| Proceeds from Sale of Trees                                   |          | 36,468          | 49,506          | 36,468          | 49,506          |
| Proceeds from Disposal of Property, Plant & Equipments        |          | 9,358           | 8,195           | 9,358           | 8,195           |
| Field Development Expenditure (Note A)                        | 13B/ 13C | (107,451)       | (108,840)       | (107,451)       | (108,840)       |
| Purchase of Property, Plant & Equipment (Note B)              |          | (77,115)        | (68,003)        | (77,115)        | (67,932)        |
| Dividend Income Received                                      | 7        | -               | -               | 15,800          | 7,508           |
| <b>Net Cash used in Investing Activities</b>                  |          | (134,250)       | (119,142)       | (118,450)       | (111,563)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |          |                 |                 |                 |                 |
| Dividend Paid   |          | (173,357)       | (150,537)       | (160,312)       | (142,500)       |
| Payment of Government lease rentals                           |          | (34,941)        | (25,781)        | (34,941)        | (25,781)        |
| Payment of Other lease rentals                                |          | (11,902)        | (10,566)        | (11,902)        | (10,566)        |
| Proceeds from loans   |          | 25,000          | -               | 25,000          | -               |
| Repayment of loans  |          | (9,235)         | (21,863)        | (9,235)         | (21,863)        |
| <b>Net Cash from Financing Activities</b>                     |          | (204,435)       | (208,747)       | (191,390)       | (200,710)       |
| Net Increase in Cash & Cash Equivalents                       |          | 577,911         | 177,320         | 578,768         | 183,794         |
| Cash & Cash Equivalents at the beginning of the year (Note C) |          | 1,162,804       | 985,484         | 1,150,382       | 966,588         |
| Cash & Cash Equivalents at the end of the year (Note D)       |          | 1,740,715       | 1,162,804       | 1,729,150       | 1,150,382       |

The Accounting Policies and Notes on pages 158 to 202 form an integral part of the Financial Statements.



| For the year ended 31 March | Tea<br>Rs.'000 | Rubber<br>Rs.'000 | Group<br>Others<br>Rs.'000 | Hydro<br>Rs.'000 | Total<br>Rs.'000 |
|-----------------------------|----------------|-------------------|----------------------------|------------------|------------------|
|-----------------------------|----------------|-------------------|----------------------------|------------------|------------------|

**NOTE A: Investment in Field Development Expenditure**

|   |        |       |        |   |         |
|---|--------|-------|--------|---|---------|
| Investment in Immature Plantations 2021 | 69,075 | -     | 38,376 | - | 107,451 |
| Investment in Immature Plantations 2020 | 73,692 | 1,323 | 33,825 | - | 108,840 |

**NOTE B: Investment in Property, Plant & Equipment**

|  |        |   |   |    |        |
|--|--------|---|---|----|--------|
| Investment in Property, Plant & Equipment 2021 | 77,115 | - | - | -  | 77,115 |
| Investment in Property, Plant & Equipment 2020 | 67,932 | - | - | 71 | 68,003 |

| For the year ended 31 March | Tea<br>Rs.'000 | Rubber<br>Rs.'000 | Company<br>Others<br>Rs.'000 | Hydro<br>Rs.'000 | Total<br>Rs.'000 |
|-----------------------------|----------------|-------------------|------------------------------|------------------|------------------|
|-----------------------------|----------------|-------------------|------------------------------|------------------|------------------|

**NOTE A: Investment in Field Development Expenditure**

|   |        |       |        |   |         |
|---|--------|-------|--------|---|---------|
| Investment in Immature Plantations 2021 | 69,075 | -     | 38,376 | - | 107,451 |
| Investment in Immature Plantations 2020 | 73,692 | 1,323 | 33,825 | - | 108,840 |

**NOTE B: Investment in Property, Plant & Equipment**

|  |        |   |   |   |        |
|--|--------|---|---|---|--------|
| Investment in Property, Plant & Equipment 2021 | 77,115 | - | - | - | 77,115 |
| Investment in Property, Plant & Equipment 2020 | 67,932 | - | - | - | 67,932 |

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>NOTE C</b>   |                 |                 |                 |                 |
| <b>Cash &amp; Cash Equivalents at the beginning of the year</b> |                 |                 |                 |                 |
| Cash & Bank Balances  | 53,384          | 19,123          | 40,962          | 17,728          |
| Short Term Investments  | 1,112,522       | 994,017         | 1,112,522       | 976,516         |
| Bank Overdrafts   | (3,102)         | (27,656)        | (3,102)         | (27,656)        |
|   | 1,162,804       | 985,484         | 1,150,382       | 966,588         |
| <b>NOTE D</b>   |                 |                 |                 |                 |
| <b>Cash &amp; Cash Equivalents at the end of the year</b>       |                 |                 |                 |                 |
| Cash & Bank Balances  | 32,237          | 53,384          | 25,853          | 40,962          |
| Short Term Investments  | 1,716,212       | 1,112,522       | 1,711,031       | 1,112,522       |
| Bank Overdrafts   | (7,734)         | (3,102)         | (7,734)         | (3,102)         |
|   | 1,740,715       | 1,162,804       | 1,729,150       | 1,150,382       |

**NOTE**

During the Financial year, the Group & the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 77,115,139/= . (2020-Group- Rs. 68,003,045/= , Company- Rs. 67,931,616/=).

The Accounting Policies and Notes on pages 158 to 202 form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 and Rubber. 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 2021 were authorized for issue by the Board of Directors on 12 May 2021.

#### 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.
- ☑ Harvestable Agricultural Produce growing on bearer biological assets are measured at fair value.

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 Group's financial statements during the year ended 31st March 2021.

- ☑ Amendments to SLFRS 3: Definition of a Business
- ☑ Amendments to SLFRS 7 and SLFRS 9 Interest Rate Benchmark Reform
- ☑ Amendments to LKAS 1 and LKAS 8 Definition of Material
- ☑ Conceptual Framework for Financial Reporting
- ☑ Amendments to SLFRS 16 COVID-19 Related Rent Concessions

#### 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.

### Impact on COVID-19 and Going Concern Assessment

#### ☑ Financing and Liquidity

Since April 2020, the impact on cash flow considerably improved with the increased in price and demand resulted from the recognition of Black tea as a healthy beverage. Further, the Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments

#### ☑ Impact on Assets & Impairments

The company has mitigated the impact of COVID-19. Revenue from the financial year 2021 is successful and

overall performance is good. therefore, no requirement to impair of Biological Assets, Debtors and Other Assets of the company.

#### ☑ Impact on Internal Operations & Business Continuity

The company considers its human resource as the greatest asset and therefore stringent measures have been adopted among employees and control the outbreak of Corona Virus. The Company continues its policy of Human Resources development to meet the future challenges that will arise in skill and competency levels.

In this context, ensuring health and safety of our employees is of paramount important and we have facilitated sanitization and other safety measures have been implemented at all our estates and manufacturing facilities. Several welfare measures such as providing dry rations, cash advances to maintain livelihood of our estate employees during this period were undertaken.

#### ☑ Company's responses on the impact of COVID-19 on the future operations and the financial condition of the company.

The company is quite optimistic about the tea prices and the demand for Black Tea as it has been recognized as a healthy beverage. Sri Lanka will be able to reach the market in a better way due to the disruption of production facilities in other countries affected by COVID-19. Further company is confident in carrying the business and its operations as normal under the health and safety measures recommended by the Government authorities.

### 3.2 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2021. 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,

## NOTES TO THE FINANCIAL STATEMENTS

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.

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 summarised 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).



## NOTES TO THE FINANCIAL STATEMENTS

### 3.6 Cash dividend and non-cash distribution to equity holders of the parent

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised 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.

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 capitalised as a part of the asset.

Borrowing costs that are not capitalised 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 utilised 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 utilisation 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 amortised 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.

## NOTES TO THE FINANCIAL STATEMENTS

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.

#### 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 Amortisation

#### (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 finance 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                  | 25.3 (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                           |
|----------|--|
| Tea      | 25.3 (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 derecognised. 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) Amortisation

The leasehold rights of assets taken over from SLSPC are amortised in equal amounts over the shorter of the remaining lease period and the useful lives as follows:

|                       | No. of Years                           |
|-----------------------|--|
| Right of Use land     | 25.3 (Over the remaining lease period) |
| Improvements to land  | 25.3 (Over the remaining lease period) |
| Right of Use Building | 5                                      |
| 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.

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:



## NOTES TO THE FINANCIAL STATEMENTS

- ☑ 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 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 36.

### **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

## NOTES TO THE FINANCIAL STATEMENTS

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 2021 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 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 instalments. 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

## NOTES TO THE FINANCIAL STATEMENTS

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 | 25.3 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 and Rubber produce are sold at the Colombo tea/rubber 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 utilized.

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.

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.



## 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 judgements, 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. 24 of 2017, Agro Farming is exempt from income tax for a period of 5 years effective from 01 April 2019 and Agro processing is liable at 14%. 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 18.03.2021, 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 31 March 2021 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.

#### 4.5 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

statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### 5.1 Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

#### 5.2 Amendments to SLFRS 9, LKAS 39, SLFRS7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2) – (“IBOR reform”)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cash flows or

hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after January 01, 2021.

#### 5.3 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group.

#### 5.4 Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ☑ What is meant by a right to defer settlement
- ☑ That a right to defer must exist at the end of the reporting period
- ☑ That classification is unaffected by the likelihood that an entity will exercise its deferral right
- ☑ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

## 5. STANDARD 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

## NOTES TO THE FINANCIAL STATEMENTS

### 6. REVENUE

#### 6.1 Summary

| For the year ended 31 March | Group           |                 | Company         |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|                             | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Sale of Goods</b>        |                 |                 |                 |                 |
| Tea                         | 4,330,874       | 3,761,758       | 4,330,874       | 3,761,758       |
| Rubber                      | 35,161          | 13,246          | 35,161          | 13,246          |
| Mini Hydro Power            | 55,543          | 52,301          | -               | -               |
| Others                      | 67,061          | 59,111          | 67,061          | 59,111          |
|                             | 4,488,639       | 3,886,416       | 4,433,096       | 3,834,115       |

#### 6.2 Segment Information

##### a) Segment Revenue

|                            |             |             |             |             |
|----------------------------|-------------|-------------|-------------|-------------|
| <b>Tea</b>                 |             |             |             |             |
| Revenue                    | 4,330,874   | 3,761,758   | 4,330,874   | 3,761,758   |
| Revenue Expenditure        | (3,236,765) | (3,172,614) | (3,236,765) | (3,172,614) |
| Depreciation               | (173,230)   | (174,465)   | (173,230)   | (174,465)   |
| Other Non Cash Expenditure | (150,051)   | (174,239)   | (150,051)   | (174,239)   |
| Segment Results            | 770,828     | 240,440     | 770,828     | 240,440     |
| <b>Rubber</b>              |             |             |             |             |
| Revenue                    | 35,161      | 13,246      | 35,161      | 13,246      |
| Revenue Expenditure        | (39,135)    | (28,151)    | (39,135)    | (28,151)    |
| Depreciation               | (5,837)     | (5,994)     | (5,837)     | (5,994)     |
| Other Non Cash Expenditure | -           | -           | -           | -           |
| Segment Results            | (9,811)     | (20,899)    | (9,811)     | (20,899)    |
| <b>Mini Hydro Power</b>    |             |             |             |             |
| Revenue                    | 55,543      | 52,301      | -           | -           |
| Revenue Expenditure        | (14,431)    | (20,054)    | -           | -           |
| Depreciation               | (17,209)    | (17,313)    | -           | -           |
| Other Non Cash Expenditure | (520)       | (509)       | -           | -           |
| Segment Results            | 23,383      | 14,425      | -           | -           |
| <b>Others</b>              |             |             |             |             |
| Revenue                    | 67,061      | 59,111      | 67,061      | 59,111      |
| Revenue Expenditure        | -           | -           | -           | -           |
| Depreciation               | -           | -           | -           | -           |
| Other Non Cash Expenditure | -           | -           | -           | -           |
| Segment Results            | 67,061      | 59,111      | 67,061      | 59,111      |
| <b>Total</b>               |             |             |             |             |
| Revenue                    | 4,488,639   | 3,886,417   | 4,433,096   | 3,834,115   |
| Revenue Expenditure        | (3,290,331) | (3,220,819) | (3,275,900) | (3,200,765) |
| Depreciation               | (196,276)   | (197,773)   | (179,067)   | (180,459)   |
| Other Non Cash Expenditure | (150,571)   | (174,748)   | (150,051)   | (174,239)   |
| Segment Results            | 851,461     | 293,077     | 828,078     | 278,652     |

6.2 Segment Information contd.

| For the year ended 31 March                        | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2021<br>Rs.'000  | 2020<br>Rs.'000  | 2021<br>Rs.'000  | 2020<br>Rs.'000  |
| Change in Fair Value of Biological Assets          | 23,170           | 13,347           | 23,170           | 13,347           |
| Other Income & Gains                               | 56,818           | 54,284           | 72,618           | 61,792           |
| Administrative Expenses                            | (207,538)        | (197,153)        | (193,263)        | (188,071)        |
| Finance Income                                     | 87,429           | 94,806           | 87,265           | 94,259           |
| Finance Expense                                    | (2,111)          | (2,405)          | (2,111)          | (2,405)          |
| Interest Paid to Government and Other Leases       | (37,511)         | (37,167)         | (37,501)         | (37,158)         |
| <b>Profit Before Tax</b>                           | <b>771,718</b>   | <b>218,789</b>   | <b>778,256</b>   | <b>220,416</b>   |
| <b>b) Segment Assets</b>                           |                  |                  |                  |                  |
| <b>Non Current Assets</b>                          |                  |                  |                  |                  |
| Tea  | 2,739,660        | 2,737,444        | 2,739,660        | 2,737,445        |
| Rubber   | 96,382           | 101,785          | 96,382           | 101,785          |
| Mini Hydro Power                                   | 292,463          | 310,587          | -                | -                |
| Investment   | -                | -                | 134,933          | 134,933          |
| Consumable Biological Asset                        | 326,365          | 306,236          | 326,365          | 306,236          |
|  | <b>3,454,870</b> | <b>3,456,052</b> | <b>3,297,340</b> | <b>3,280,399</b> |
| <b>Current Assets</b>                              |                  |                  |                  |                  |
| Tea  | 2,428,020        | 1,591,401        | 2,428,020        | 1,591,401        |
| Rubber   | 15               | 826              | 15               | 826              |
| Mini Hydro Power                                   | 29,967           | 39,997           | -                | -                |
|  | <b>2,458,002</b> | <b>1,632,224</b> | <b>2,428,035</b> | <b>1,592,227</b> |
| <b>Total Assets</b>                                | <b>5,912,872</b> | <b>5,088,277</b> | <b>5,725,375</b> | <b>4,872,626</b> |
| <b>c) Segment Liabilities</b>                      |                  |                  |                  |                  |
| <b>Non Current Liabilities and Deferred Income</b> |                  |                  |                  |                  |
| Tea  | 1,530,743        | 1,645,118        | 1,530,743        | 1,645,118        |
| Mini Hydro Power                                   | 2,868            | 2,586            | -                | -                |
|  | <b>1,533,611</b> | <b>1,647,704</b> | <b>1,530,743</b> | <b>1,645,118</b> |
| <b>Current Liabilities</b>                         |                  |                  |                  |                  |
| Tea  | 666,524          | 401,510          | 666,524          | 401,510          |
| Mini Hydro Power                                   | 311              | 7,414            | -                | -                |
|  | <b>666,835</b>   | <b>408,924</b>   | <b>666,524</b>   | <b>401,510</b>   |
| <b>Total Liabilities</b>                           | <b>2,200,446</b> | <b>2,056,628</b> | <b>2,197,267</b> | <b>2,046,628</b> |
| <b>d) Segment Capital Expenditure</b>              |                  |                  |                  |                  |
| <b>Cost</b>  |                  |                  |                  |                  |
| Tea  | 146,190          | 141,624          | 146,190          | 141,624          |
| Rubber   | -                | 1,323            | -                | 1,323            |
| Others   | 38,376           | 33,825           | 38,376           | 33,825           |
| Mini Hydro Power                                   | -                | 71               | -                | -                |
|  | <b>184,566</b>   | <b>176,843</b>   | <b>184,566</b>   | <b>176,772</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 7. OTHER INCOME AND GAINS

| Year Ended   | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Profit on Sale of Trees                            | 34,320          | 34,126          | 34,320          | 34,126          |
| Amortisation of Capital Grants                     | 5,300           | 5,300           | 5,300           | 5,300           |
| Profit on Disposal of Property, Plant & Equipments | 6,739           | 8,195           | 6,739           | 8,195           |
| Dividend Income                                    | -               | -               | 15,800          | 7,508           |
| Income from Towers                                 | 3,733           | 3,094           | 3,733           | 3,094           |
| Profit/(Loss) on Sale of Cinnamon                  | (474)           | 841             | (474)           | 841             |
| Solar Income                                       | 7,200           | 2,728           | 7,200           | 2,728           |
|  | 56,818          | 54,284          | 72,618          | 61,792          |

### 8. FINANCE INCOME/ EXPENSE

#### 8.1 Finance Income

| Year Ended      | Group           |                 | Company         |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                 | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Interest Income | 87,429          | 94,807          | 87,265          | 94,259          |
|                 | 87,429          | 94,807          | 87,265          | 94,259          |

#### 8.2 Finance Expenses

|                    |         |         |         |         |
|--------------------|---------|---------|---------|---------|
| Overdraft Interest | (391)   | (661)   | (391)   | (661)   |
| Term Loan Interest | (1,720) | (1,744) | (1,720) | (1,744) |
|                    | (2,111) | (2,405) | (2,111) | (2,405) |

#### 8.3 Interest Paid To Government and Other Leases

|                                   |          |          |          |          |
|-----------------------------------|----------|----------|----------|----------|
| Interest paid on Government Lease | (33,306) | (32,612) | (33,296) | (32,602) |
| Interest paid on Other Lease      | (4,205)  | (4,556)  | (4,205)  | (4,556)  |
|                                   | (37,511) | (37,168) | (37,501) | (37,158) |

|                    |        |        |        |        |
|--------------------|--------|--------|--------|--------|
| Net Finance Income | 47,807 | 55,234 | 47,653 | 54,696 |
|--------------------|--------|--------|--------|--------|

### 9. PROFIT BEFORE TAX IS STATED AFTER CHARGING

| Year ended                                   | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Directors Emoluments                         | 22,266          | 23,441          | 22,266          | 23,441          |
| Key Management Compensation                  | 14,440          | 10,430          | 14,440          | 10,430          |
| Auditors Fees                                | 4,830           | 4,681           | 4,218           | 4,151           |
| Depreciation/Amortisation                    | 196,276         | 197,772         | 179,067         | 180,459         |
| Defined Benefit Plan Costs                   | 150,571         | 174,748         | 150,051         | 174,239         |
| Defined Contributions Plan Costs - EPF & ETF | 167,150         | 188,951         | 166,191         | 187,999         |
| Others - Staff Costs                         | 2,056,209       | 2,171,114       | 2,044,681       | 2,159,747       |



## 10. INCOME TAX EXPENSE

The major component of income tax expenses for the period are as follows :

### 10.1. Income Statement

| Year ended  | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Income Tax Expense</b>   |                 |                 |                 |                 |
| Current Income Tax Charge   | 58,653          | 21,566          | 57,704          | 19,886          |
| Under/(over) provision in respect of previous years                                       | 12,224          | -               | 12,224          | -               |
|   | 70,877          | 21,566          | 69,928          | 19,886          |
| <b>Deferred Tax Expense</b>   |                 |                 |                 |                 |
| Deferred Taxation Charge/(Reversal)   | (10,899)        | 649             | (11,787)        | (2,445)         |
|   | (10,899)        | 649             | (11,787)        | (2,445)         |
| Total Tax Expense   | 59,978          | 22,215          | 58,141          | 17,441          |
| <b>10.2 Statement of Comprehensive Income</b>   |                 |                 |                 |                 |
| <b>Deferred tax related to items charged or credited directly to OCI during the year;</b> |                 |                 |                 |                 |
| Net (gain)/loss on actuarial benefit obligation   | 23,188          | (1,317)         | 23,166          | (1,332)         |
| Income tax charged directly to other comprehensive income                                 | 23,188          | (1,317)         | 23,166          | (1,332)         |

### 10.3 Reconciliation between tax expenses and the product of accounting

Profit multiplied by the Statutory Effective tax rates are as follows:

|                                     | Group           |                 | Company         |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                     | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Profit before tax                   | 771,718         | 218,789         | 778,256         | 220,416         |
| Aggregate Disallowable expenses     | 399,077         | 413,310         | 378,317         | 391,857         |
| Aggregate Allowable Expenses        | (368,912)       | (370,831)       | (383,572)       | (375,701)       |
| Total statutory income              | 801,883         | 261,268         | 773,001         | 236,572         |
| Tax exempt income from Agro Farming | 438,958         | 96,772          | 438,958         | 96,772          |
| Taxable income from Agro Processing | 246,778         | 45,541          | 246,778         | 45,541          |
| Taxable income from subsidiaries    | 28,718          | 24,142          | -               | -               |
| Other sources of Income             | 87,429          | 94,813          | 87,265          | 94,259          |
| Total statutory income              | 801,883         | 261,268         | 773,001         | 236,572         |
| Dividend Income                     | -               | -               | 15,800          | 2,245           |
| Tax losses Claimed during the year  | (22,377)        | (24,697)        | -               | -               |
| Tax exempt Income                   | (438,958)       | (96,774)        | (438,958)       | (96,774)        |
| Total Taxable Income                | 340,548         | 139,797         | 349,843         | 142,043         |
| Income Tax @ 14%                    | 37,672          | 19,886          | 36,761          | 19,886          |
| Income Tax @ 24%                    | 20,981          | -               | 20,943          | -               |
| Dividend Tax @ 14%                  | -               | 1,680           | -               | -               |
| Income tax on current year profit   | 58,653          | 21,566          | 57,704          | 19,886          |

## NOTES TO THE FINANCIAL STATEMENTS

### 10.4 Deferred Tax (Assets) and Liabilities

| Group   | 2021                            |                       | 2020                            |                       |
|---|---------------------------------|-----------------------|---------------------------------|-----------------------|
|   | Temporary Difference<br>Rs.'000 | Tax Effect<br>Rs.'000 | Temporary Difference<br>Rs.'000 | Tax Effect<br>Rs.'000 |
| As at 1 April   | 1,373,702                       | 192,319               | 1,378,447                       | 192,986               |
| Amount originating during the year                    | 103,265                         | 12,293                | (4,745)                         | (667)                 |
| As at 31 March  | 1,476,967                       | 204,612               | 1,373,702                       | 192,319               |
| Temporary difference of Right-of-use asset            | 290,278                         | 40,643                | 272,558                         | 38,158                |
| Temporary difference of Property, Plant and Equipment | 419,555                         | 59,009                | 527,839                         | 73,898                |
| Temporary difference of Immature/Mature               | 1,565,696                       | 219,197               | 1,769,342                       | 247,708               |
| Temporary difference of Biological Asset              | 243,226                         | 34,052                | 310,625                         | 43,488                |
| Temporary difference of Inventory                     | (3,210)                         | (563)                 | -                               | -                     |
| Temporary difference of Bad Debt Provisions           | (870)                           | (122)                 | -                               | -                     |
| Temporary difference of Retirement Benefit Obligation | (594,959)                       | (83,461)              | (1,024,164)                     | (143,383)             |
| Temporary difference of Deferred Income               | (122,817)                       | (17,194)              | (139,526)                       | (19,534)              |
| Carried Forward Tax Losses                            | (35,900)                        | (7,180)               | (60,410)                        | (8,457)               |
| Temporary difference of Lease Liability               | (284,032)                       | (39,769)              | (282,562)                       | (39,559)              |
| As at 31 March  | 1,476,967                       | 204,612               | 1,373,702                       | 192,319               |
| <b>Company</b>  |                                 |                       |                                 |                       |
| As at 1 April   | 1,431,756                       | 200,446               | 1,458,703                       | 204,222               |
| Amount originating during the year                    | 81,278                          | 11,379                | (26,947)                        | (3,776)               |
| As at 31 March  | 1,513,034                       | 211,825               | 1,431,756                       | 200,446               |
| Temporary difference of Right-of-use asset            | 290,204                         | 40,629                | 272,558                         | 38,158                |
| Temporary difference of Property, Plant and Equipment | 415,037                         | 58,105                | 522,974                         | 73,217                |
| Temporary difference of Immature/Mature               | 1,565,696                       | 219,197               | 1,769,343                       | 247,708               |
| Temporary difference of Biological Asset              | 243,226                         | 34,051                | 310,625                         | 43,488                |
| Temporary difference of Inventory                     | (1,323)                         | (185)                 |                                 |                       |
| Temporary difference of Bad Debt Provisions           | (870)                           | (122)                 |                                 |                       |
| Temporary difference of Retirement Benefit Obligation | (592,169)                       | (82,904)              | (1,021,655)                     | (143,032)             |
| Temporary difference of Deferred Income               | (122,817)                       | (17,194)              | (139,526)                       | (19,534)              |
| Temporary difference of Lease Liability               | (283,950)                       | (39,752)              | (282,563)                       | (39,559)              |
| As at 31 March  | 1,513,034                       | 211,825               | 1,431,756                       | 200,446               |
|   | Group                           |                       | Company                         |                       |
|   | 2021<br>Rs.'000                 | 2020<br>Rs.'000       | 2021<br>Rs.'000                 | 2020<br>Rs.'000       |
| Deferred Tax Assets                                   | (7,213)                         | (8,127)               | -                               | -                     |
| Deferred Tax Liabilities                              | 211,825                         | 200,446               | 211,825                         | 200,446               |
|   | 204,612                         | 192,319               | 211,825                         | 200,446               |

## 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.

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Amounts used as the Numerator :                          |                 |                 |                 |                 |
| Net profit attributable to equity holders of the parent  | 708,562         | 195,698         | 720,115         | 202,975         |
| 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.)                   | 14.98           | 4.12            | 15.16           | 4.27            |

Due to share split Earnings per share have been restated.

## 12. RIGHT OF USE ASSETS

|  |       | Group           |                 | Company         |                 |
|--|-------|-----------------|-----------------|-----------------|-----------------|
|  | Notes | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Right-of-use asset-Land                    | 12.1  | 238,273         | 241,324         | 238,200         | 241,248         |
| Right-of-use asset-Building                | 12.2  | 33,202          | 31,310          | 33,202          | 31,310          |
| Right-of-use asset-Immovable estate assets | 12.3  | 55,018          | 57,287          | 55,018          | 57,287          |
|  |       | 326,493         | 329,921         | 326,420         | 329,845         |

### 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 24.3 years.

## NOTES TO THE FINANCIAL STATEMENTS

### 12.1 Right-of-use asset-land contd.

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Cost</b>  |                 |                 |                 |                 |
| As at 1st April  | 250,863         | 200,927         | 250,783         | 200,927         |
| Transferred in Due to Initial Application of SLFRS 16        | -               | (46,192)        | -               | (46,192)        |
| Transition adjustment Due to Initial Application of SLFRS 16 | -               | 96,128          | -               | 96,048          |
| Adjustment on Reassessment of lease Liability at 01st April  | 6,754           | -               | 6,754           | -               |
| As at 31st March   | 257,617         | 250,863         | 257,537         | 250,783         |
| <b>Amortisation</b>  |                 |                 |                 |                 |
| As at 1st April  | 9,539           | 46,192          | 9,535           | 46,192          |
| Transferred Due to Initial Application of SLFRS 16           | -               | (46,192)        | -               | (46,192)        |
| Amortisation charge for the year                             | 9,805           | 9,539           | 9,802           | 9,535           |
| As at 31st March   | 19,344          | 9,539           | 19,337          | 9,535           |
| <b>Written Down Value</b>                                    | 238,273         | 241,324         | 238,200         | 241,248         |

### 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 2021 are as follows:

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Cost</b>   |                 |                 |                 |                 |
| As at 1st April   | 39,137          | -               | 39,137          | -               |
| Effect on initial recognition of SLFRS 16, as at 01 st April        | -               | 39,137          | -               | 39,137          |
| Adjustment on Reassessment of lease Liability at 01st December 2020 | 10,800          | -               | 10,800          | -               |
| As at 31st March  | 49,937          | 39,137          | 49,937          | 39,137          |
| <b>Amortisation</b>   |                 |                 |                 |                 |
| As at 1st April   | 7,827           | -               | 7,827           | -               |
| Amortisation charge for the year                                    | 8,908           | 7,827           | 8,908           | 7,827           |
| As at 31st March  | 16,735          | 7,827           | 16,735          | 7,827           |
| <b>Written Down Value</b>   | 33,202          | 31,310          | 33,202          | 31,310          |

### 12.3 Right-of-use assets-Immovable Estate Assets

|                                  | Improvement<br>to Land<br>Rs.'000 | Mature<br>Plantations<br>Rs.'000 | Group/Company<br>Buildings<br>Rs.'000 | Plant &<br>Machinery<br>Rs.'000 | 2021<br>Total<br>Rs.'000 | 2020<br>Total<br>Rs.'000 |
|----------------------------------|-----------------------------------|----------------------------------|---------------------------------------|---------------------------------|--------------------------|--------------------------|
| <b>Cost/ Revaluation</b>         |                                   |                                  |                                       |                                 |                          |                          |
| *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                  |
| <b>Accumulated Amortisation</b>  |                                   |                                  |                                       |                                 |                          |                          |
| As at 1st April                  | 7,526                             | 188,109                          | 63,826                                | 12,007                          | 271,468                  | 268,978                  |
| Amortisation charge for the year | 62                                | 2,207                            | -                                     | -                               | 2,269                    | 2,490                    |
| As at 31 March                   | 7,588                             | 190,316                          | 63,826                                | 12,007                          | 273,737                  | 271,468                  |
| <b>Written Down Value</b>        | 1,496                             | 53,522                           | -                                     | -                               | 55,018                   | 57,287                   |

\*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

|                                 | Balance<br>as at<br>01.04.2020<br>Rs.'000 | Additions<br>for the<br>Year<br>Rs.'000 | Group<br>Disposals<br>during the<br>Year<br>Rs.'000      | Balance<br>as at<br>31.03.2021<br>Rs.'000 | Balance<br>as at<br>01.04.2020<br>Rs.'000 | Additions<br>for the<br>Year<br>Rs.'000 | Company<br>Disposals<br>during the<br>Year<br>Rs.'000 | Balance<br>as at<br>31.03.2021<br>Rs.'000 |
|---------------------------------|---|---|--|---|---|---|---|---|
| <b>Cost</b>                     |   |   |  |   |   |   |   |   |
| Buildings                       | 503,810                                   | 3,607                                   | -  | 507,417                                   | 503,810                                   | 3,607                                   | -   | 507,417                                   |
| Motor Vehicles                  | 258,406                                   | 6,914                                   | (7,549)  | 257,771                                   | 258,406                                   | 6,914                                   | (7,549)   | 257,771                                   |
| Plant & Machinery               | 1,163,559                                 | 33,734                                  | (3,316)  | 1,193,977                                 | 677,859                                   | 33,734                                  | (3,316)   | 708,277                                   |
| Furniture & Fittings            | 12,370                                    | 228                                     | -  | 12,598                                    | 12,370                                    | 228                                     | -   | 12,598                                    |
| Equipment & Tools               | 171,183                                   | 11,819                                  | (248)  | 182,754                                   | 170,311                                   | 11,819                                  | (248)   | 181,882                                   |
|                                 | 2,109,328                                 | 56,302                                  | (11,113)   | 2,154,517                                 | 1,622,756                                 | 56,302                                  | (11,113)  | 1,667,945                                 |
| <b>Accumulated Depreciation</b> |   |   |  |   |   |   |   |   |
| Buildings                       | 168,411                                   | 12,674                                  | -  | 181,085                                   | 168,411                                   | 12,674                                  | -   | 181,085                                   |
| Motor Vehicles                  | 167,451                                   | 26,220                                  | (7,549)  | 186,122                                   | 167,451                                   | 26,220                                  | (7,549)   | 186,122                                   |
| Plant & Machinery               | 628,322                                   | 40,192                                  | (941)  | 667,573                                   | 441,425                                   | 24,001                                  | (941)   | 464,485                                   |
| Furniture & Fittings            | 9,892                                     | 489                                     | -  | 10,381                                    | 9,892                                     | 489                                     | -   | 10,381                                    |
| Equipment & Tools               | 122,913                                   | 21,061                                  | (84)   | 143,890                                   | 122,263                                   | 20,949                                  | (84)  | 143,128                                   |
|                                 | 1,096,989                                 | 100,636                                 | (8,574)  | 1,189,051                                 | 909,442                                   | 84,333                                  | (8,574)   | 985,201                                   |
| <b>Written Down Value</b>       | 1,012,339                                 |   |  | 965,466                                   | 713,314                                   |   |   | 682,744                                   |
|                                 |   |   |  |   |   |   |   |   |
|                                 | Balance<br>as at<br>01.04.2020<br>Rs.'000 | Additions<br>for the<br>Year<br>Rs.'000 | Capitalised/<br>Claimed<br>during the<br>Year<br>Rs.'000 | Balance<br>as at<br>31.03.2021<br>Rs.'000 | Balance<br>as at<br>01.04.2020<br>Rs.'000 | Additions<br>for the<br>Year<br>Rs.'000 | Capitalised<br>during the<br>Year<br>Rs.'000          | Balance<br>as at<br>31.03.2021<br>Rs.'000 |
| Capital Work-in-Progress        | 26,729                                    | 16,912                                  | (7,357)  | 36,284                                    | 26,729                                    | 16,912                                  | (7,357)   | 36,284                                    |
| <b>Total Written Down Value</b> | 1,039,068                                 |   |  | 1,001,750                                 | 740,043                                   |   |   | 719,028                                   |



## NOTES TO THE FINANCIAL STATEMENTS

### 13. A. TANGIBLE ASSETS OTHER THAN IMMATURE / MATURE PLANTATIONS CONTD.

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.475.2 Mn (2019/20-Rs. 465.3 Mn).

### 13. B. IMMATURE / MATURE PLANTATIONS - (BEARER BIOLOGICAL ASSET)

|                                  | Permanent<br>Land<br>Development<br>Cost<br>Rs.'000 | Roads<br>Rs.'000 | Group/Company                      |                                  | 2021<br>Total<br>Rs.'000 | 2020<br>Total<br>Rs.'000 |
|----------------------------------|---|------------------|------------------------------------|----------------------------------|--------------------------|--------------------------|
|                                  |   |                  | Immature<br>Plantations<br>Rs.'000 | Mature<br>Plantations<br>Rs.'000 |                          |                          |
| <b>Cost</b>                      |   |                  |                                    |                                  |                          |                          |
| *As at 1st April                 | 23,172  | 83,025           | 216,770                            | 2,298,071                        | 2,621,038                | 2,543,241                |
| Additions                        | -   | -                | 90,112                             | -                                | 90,112                   | 93,643                   |
| **Transfers to consumable        | -   | -                | -                                  | -                                | -                        | (15,846)                 |
| Transfers                        | -   | -                | (59,190)                           | 59,190                           | -                        | -                        |
| <b>As at 31st March</b>          | <b>23,172</b>                                       | <b>83,025</b>    | <b>247,692</b>                     | <b>2,357,261</b>                 | <b>2,711,150</b>         | <b>2,621,038</b>         |
| <b>Accumulated Amortisation</b>  |   |                  |                                    |                                  |                          |                          |
| As at 1st April                  | 12,558  | 83,025           | -                                  | 756,113                          | 851,696                  | 777,696                  |
| Amortisation charge for the year | 420   | -                | -                                  | 73,334                           | 73,755                   | 74,000                   |
| <b>As at 31st March</b>          | <b>12,978</b>                                       | <b>83,025</b>    | <b>-</b>                           | <b>829,447</b>                   | <b>925,451</b>           | <b>851,696</b>           |
| <b>Written Down Value</b>        | <b>10,194</b>                                       | <b>-</b>         | <b>247,692</b>                     | <b>1,527,814</b>                 | <b>1,785,699</b>         | <b>1,769,342</b>         |

\* 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 (2019/2020- Nil).

### 13. C. CONSUMABLE BIOLOGICAL ASSETS

#### TIMBER PLANTATIONS - MANAGED TREES

| As at 31 March   | Group/Company   |                 |
|--|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| As at 1 April  | 306,236         | 273,159         |
| Increase due to development  | 17,340          | 15,197          |
| Transfer From Immature Plantation  | -               | 15,846          |
| Gain/(loss) arising from changes in fair value less cost to sell attributable to physical change | 4,937           | 17,414          |
| Decrease due to harvest  | (2,148)         | (15,380)        |
| As at 31 March   | 326,365         | 306,236         |

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. (2019/2020 - 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

|   | Group/Company   |                 |
|---|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Change in fair value of consumable biological assets (Note 13 C)      | 4,937           | 17,414          |
| Change in fair value of produce on bearer biological assets (Note 15) | 18,233          | (4,067)         |
|   | 23,170          | 13,347          |

#### 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           |
|--------------------------------------|---------------------|-----------------------------|--|-------------------------|---|
|                                      |                     |                             | 2021   | 2020                    |   |
| Consumable Managed Biological Assets | DCF                 | Discounting Rate            | 13.60%   | 17.50%                  | The higher the discount rate, the lesser the fair value     |
|                                      |                     | Optimum rotation (Maturity) | 20-25 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. 50/- to Rs. 2,864/-                                      | Rs. 50/- to Rs. 2,900/- | The higher the price per cu. ft., the higher the fair value |

## NOTES TO THE FINANCIAL STATEMENTS

### 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. 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 2021 | 32,637  | (32,637) |
| As at 31 March 2020 | 21,443  | (21,861) |

### 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 1.0% of the discount rate has the following effect on the net present value of biological assets:

|                     | Rs.'000 | Rs.'000 |
|---------------------|---------|---------|
|                     | 1.0%    | -1.0%   |
| As at 31 March 2021 | (890)   | 991     |
| As at 31 March 2020 | (2,048) | 1,995   |

### 13.D. INTANGIBLE ASSETS

| Group                            | Development<br>Cost<br>Rs.'000          | ERP<br>System<br>Rs.'000          | 2021<br>Total<br>Rs.'000          | 2020<br>Total<br>Rs.'000          |
|----------------------------------|---|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Cost</b>                      |   |                                   |                                   |                                   |
| As at 1st April                  | 18,297                                  | -                                 | 18,297                            | 18,297                            |
| Acquisition during the year      | -                                       | 5,241                             | 5,241                             | -                                 |
| As at 31 March                   | 18,297                                  | 5,241                             | 23,538                            | 18,297                            |
| <b>Accumulated Amortisation</b>  |   |                                   |                                   |                                   |
| As at 1st April                  | 14,939                                  | -                                 | 14,939                            | 13,978                            |
| Amortization charge for the year | 903                                     | 346                               | 1,249                             | 961                               |
| As at 31 March                   | 15,842                                  | 346                               | 16,188                            | 14,939                            |
| <b>Written Down Value</b>        | 2,455                                   | 4,895                             | 7,350                             | 3,358                             |
| <b>Company</b>                   | <b>Development<br/>Cost<br/>Rs.'000</b> | <b>ERP<br/>System<br/>Rs.'000</b> | <b>2021<br/>Total<br/>Rs.'000</b> | <b>2020<br/>Total<br/>Rs.'000</b> |
| <b>Cost</b>                      |   |                                   |                                   |                                   |
| As at 1st April                  | -                                       | -                                 | -                                 | -                                 |
| Acquisition during the year      | -                                       | 5,241                             | 5,241                             | -                                 |
| As at 31 March                   | -                                       | 5,241                             | 5,241                             | -                                 |
| <b>Accumulated Amortisation</b>  |   |                                   |                                   |                                   |
| As at 1st April                  | -                                       | -                                 | -                                 | -                                 |
| Amortization charge for the year | -                                       | 346                               | 346                               | -                                 |
| As at 31 March                   | -                                       | 346                               | 346                               | -                                 |
| <b>Written Down Value</b>        | -                                       | 4,895                             | 4,895                             | -                                 |

### 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.

| As at 31 March                      | Company         |                 |
|-------------------------------------|-----------------|-----------------|
|                                     | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Ordinary Shares</b>              |                 |                 |
| TTEL Hydro Power Company (Pvt) Ltd  | 35,190          | 35,190          |
| TTEL Somerset Hydro Power (Pvt) Ltd | 30,600          | 30,600          |
|                                     | 65,790          | 65,790          |
| <b>Preference Shares</b>            |                 |                 |
| TTEL Hydro Power Company (Pvt) Ltd  | 53,108          | 53,108          |
| TTEL Somerset Hydro Power (Pvt) Ltd | 16,034          | 16,034          |
|                                     | 69,143          | 69,143          |
| <b>Total Investment</b>             | 134,933         | 134,933         |

## NOTES TO THE FINANCIAL STATEMENTS

### 14. INVESTMENTS IN SUBSIDIARIES CONTD.

| 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   |                 |
|--|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| At the beginning of the year           | 4,389           | 8,456           |
| Change in fair value less cost to sell | 18,233          | (4,067)         |
|  | 22,622          | 4,389           |

Level 2 inputs were used when arriving above figures.

### 16. INVENTORIES

| As at 31 March                          | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Biological Assets - Nurseries           | 18,478          | 14,457          | 18,478          | 14,457          |
| Biological Assets -Harvested Crop       | 317,676         | 234,506         | 317,676         | 234,506         |
| Input Stocks, Consumables & spares      | 91,761          | 56,203          | 89,874          | 54,089          |
|   | 427,915         | 305,166         | 426,028         | 303,052         |
| Less : Provision for Slow Moving Stocks | (3,210)         | (1,344)         | (1,323)         | (1,344)         |
|   | 424,705         | 303,822         | 424,705         | 301,708         |

### 17. TRADE AND OTHER RECEIVABLES

| As at 31 March                      | Group           |                 | Company         |                 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                     | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Produce Debtors                     | 137,676         | 23,030          | 123,045         | 5,616           |
| Advances & Prepayments              | 78,356          | 82,922          | 70,073          | 74,950          |
| Other Debtors                       | 44,797          | 49,169          | 44,797          | 49,169          |
|                                     | 260,829         | 155,121         | 237,915         | 129,735         |
| Less: Provision for Doughtfull Debt | (5,382)         | (870)           | (870)           | (870)           |
|                                     | 255,447         | 154,251         | 237,045         | 128,865         |



## 18. AMOUNTS DUE FROM RELATED COMPANIES

| As at 31 March                        | Relationship    | Group           |                 | Company         |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                       |                 | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Dipped Products PLC                   | Related Company | 15              | 826             | 15              | 826             |
| Hayleys Plantation Services (Pvt) Ltd | Parent Company  | 6,764           | -               | 6,764           | -               |
| Horana Plantations PLC                | Related Company | -               | 865             | -               | 865             |
| Kelani Valley Plantations PLC         | Related Company | -               | 2,090           | -               | 2,090           |
| Hayleys Power Ltd                     | Related Company | -               | 76              | -               | -               |
|                                       |                 | 6,779           | 3,857           | 6,779           | 3,781           |

## 19. SHORT TERM INVESTMENT

| As at 31 March  | Group           |                 | Company         |                 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
|                 | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Unit Trust      | 235,641         | 184,325         | 235,641         | 184,325         |
| Saving Accounts | 26,936          | 29,644          | 26,936          | 29,644          |
| Fixed Deposits  | 1,453,634       | 898,553         | 1,448,454       | 898,553         |
|                 | 1,716,211       | 1,112,522       | 1,711,031       | 1,112,522       |

## 20. STATED CAPITAL

| As at 31 March   | Group/Company            |                          |
|--|--------------------------|--------------------------|
|  | 2021<br>No. of<br>Shares | 2020<br>No. of<br>Shares |
| <b>Issued and Fully Paid Ordinary Shares</b>   |                          |                          |
| Number of ordinary shares including one golden share held by the Treasury which has special rights | 47,500,001               | 23,750,001               |
|  | Rs.'000                  | Rs.'000                  |
| Stated Capital including one Golden Share held by the Treasury which has special rights            | 350,000                  | 350,000                  |

The ordinary shares of the company were subdivided by splitting each issued ordinary share into Two (02) ordinary shares from 10th February 2021. Consequently the total number of existing issued Ordinary Shares were increased from 23,750,000 to 47,500,000 without changing the Stated Capital of the Company which will remain at Rs.350,000,000/-.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. NON-CONTROLLING INTEREST

|                                     | 2021<br>Rs.'000 | Group<br>2020<br>Rs.'000 |
|-------------------------------------|-----------------|--------------------------|
| TTEL Hydro Power Company (Pvt) Ltd  | 93,019          | 95,919                   |
| TTEL Somerset Hydro Power (Pvt) Ltd | 67,689          | 74,614                   |
|                                     | 160,708         | 170,533                  |

#### 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<br>Company (Pvt) Ltd |                         | TTEL Somerset Hydro<br>Power (Pvt) Ltd |                         |
|---|---------------------------------------|-------------------------|--|-------------------------|
|   | 2021                                  | 2020                    | 2021                                   | 2020                    |
| Non-Controlling Interests in %  | 49                                    | 49                      | 49                                     | 49                      |
|   | Rs.'000                               | Rs.'000                 | Rs.'000                                | Rs.'000                 |
| Accumulated Balance of Non-Controlling Interest                           | 93,019                                | 95,919                  | 67,689                                 | 74,614                  |
| <b>Summarised statement of profit or loss for the year ended 31 March</b> | <b>2021<br/>Rs.'000</b>               | <b>2020<br/>Rs.'000</b> | <b>2021<br/>Rs.'000</b>                | <b>2020<br/>Rs.'000</b> |
| Revenue   | 30,146                                | 29,200                  | 25,397                                 | 23,101                  |
| Cost of sales   | (19,120)                              | (23,105)                | (13,979)                               | (15,771)                |
| Administrative expenses   | (6,535)                               | (3,109)                 | (7,740)                                | (5,973)                 |
| Finance Income  | 7                                     | -                       | 157                                    | 548                     |
| Finance Cost  | (6)                                   | (6)                     | (4)                                    | (4)                     |
| Profit/(loss) before tax  | 4,492                                 | 2,980                   | 3,831                                  | 1,901                   |
| Income Tax  | (234)                                 | (1,831)                 | (1,603)                                | (1,262)                 |
| Profit/(loss) after tax   | 4,258                                 | 1,149                   | 2,228                                  | 639                     |
| Attributable to owners  | 2,172                                 | 586                     | 1,136                                  | 326                     |
| Attributable to non-controlling interests                                 | 2,086                                 | 299                     | 1,092                                  | 313                     |
| Total Comprehensive income  | 4,301                                 | 1,193                   | 2,269                                  | 683                     |
| Dividend paid to non-controlling interest                                 | 5,008                                 | -                       | 8,037                                  | 7,214                   |

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 |                         |
|---|------------------------------------|-------------------------|-------------------------------------|-------------------------|
|   | 2021<br>Rs.'000                    | 2020<br>Rs.'000         | 2021<br>Rs.'000                     | 2020<br>Rs.'000         |
| Current Assets  | 19,122                             | 28,200                  | 18,131                              | 25,893                  |
| Non Current Assets  | 175,361                            | 186,181                 | 119,047                             | 127,291                 |
| Current Liabilities   | 4,684                              | 16,594                  | 3,030                               | 4,915                   |
| Non Current Liabilities   | 1,822                              | 1,551                   | 1,046                               | 1,035                   |
| Total Equity  | 187,977                            | 196,236                 | 133,102                             | 147,234                 |
| <b>Attributable to :</b>  |                                    |                         |                                     |                         |
| Equity holders of parent  | 95,868                             | 100,080                 | 67,882                              | 75,089                  |
| Non-controlling interests   | 92,109                             | 80,457                  | 65,220                              | 60,366                  |
| <b>Summarised statement of cash flows for the year ended 31 March</b> | <b>2021<br/>Rs.'000</b>            | <b>2020<br/>Rs.'000</b> | <b>2021<br/>Rs.'000</b>             | <b>2020<br/>Rs.'000</b> |
| Operating cash flows  | 11,743                             | 4,500                   | 16,087                              | (6,706)                 |
| Investing cash flows  | -                                  | (71)                    | 157                                 | 207                     |
| Financing cash flows  | (12,443)                           | -                       | (16,401)                            | (4,402)                 |
| Net increase/(decrease) in cash & cash equivalents                    | (700)                              | 4,429                   | (157)                               | (10,901)                |

22. INTEREST BEARING LOANS AND BORROWINGS

| Group/Company                      | 2021                    |   |                            |                         |                        | 2020                    |   |                            |                         |                        |
|------------------------------------|-------------------------|---|----------------------------|-------------------------|------------------------|-------------------------|---|----------------------------|-------------------------|------------------------|
|                                    | Repayable within 1 year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 31.03.2021 | Repayable within 1 year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 31.03.2020 |
|                                    | 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 | 3,493                   | 9,604   | -                          | 9,604                   | 13,097                 | 3,492                   | 13,097  | -                          | 13,097                  | 16,589                 |
| 22.2 Tea Board Loan                | -                       | -   | -                          | -                       | -                      | 1,573                   | -   | -                          | -                       | 1,573                  |
| 22.3 Commercial Bank of Ceylon PLC | 16,680                  | 4,150   | -                          | 4,150                   | 20,830                 | -                       | -   | -                          | -                       | -                      |
|                                    | 20,173                  | 13,754  | -                          | 13,754                  | 33,927                 | 5,065                   | 13,097  | -                          | 13,097                  | 18,162                 |

22.1 National Development Bank PLC

| Group/Company | Repayable within one year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 2021 | Total as at 2020 | Rate of Interest | Terms of Repayment                               |
|---------------|---------------------------|---|----------------------------|-------------------------|------------------|------------------|------------------|--|
|               | Rs.'000                   | Rs.'000                                       | Rs.'000                    | Rs.'000                 | Rs.'000          | Rs.'000          | %                |  |
| Solar Project | 3,493                     | 9,604   | -                          | 9,604                   | 13,097           | 16,589           | 6.3              | 72 Monthly installments commencing from Feb-2020 |
|               | 3,493                     | 9,604   | -                          | 9,604                   | 13,097           | 16,589           |                  |  |

## NOTES TO THE FINANCIAL STATEMENTS

### 22.2 Tea Board Loan

| Group/Company | Repayable within one year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 2021 | Total as at 2020 | Rate of Interest | Terms of Repayment                               |
|---------------|---------------------------|---|----------------------------|-------------------------|------------------|------------------|------------------|--|
|               | Rs.'000                   | Rs.'000                                       | Rs.'000                    | Rs.'000                 | Rs.'000          | Rs.'000          | %                |  |
| Distress Loan | -                         | -   | -                          | -                       | -                | 1,573            | 5                | 36 monthly installments commencing from May 2017 |
|               | -                         | -   | -                          | -                       | -                | 1,573            |                  |  |

### 22.3 Commercial Bank of Ceylon PLC

| Group/Company | Repayable within one year | Repayable after one year less than five years | Repayable after five years | Sub Total over one year | Total as at 2021 | Total as at 2020 | Rate of Interest | Terms of Repayment                                   |
|---------------|---------------------------|---|----------------------------|-------------------------|------------------|------------------|------------------|--|
|               | Rs.'000                   | Rs.'000                                       | Rs.'000                    | Rs.'000                 | Rs.'000          | Rs.'000          | %                |  |
| Saubagya Loan | 16,680                    | 4,150   | -                          | 4,150                   | 20,830           | -                | 4                | 18 monthly installments commencing from January 2021 |
|               | 16,680                    | 4,150   | -                          | 4,150                   | 20,830           | -                |                  |  |

## 23. RETIREMENT BENEFIT OBLIGATIONS

| As at 31 March  | Group           |                  | Company         |                  |
|---|-----------------|------------------|-----------------|------------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000  | 2021<br>Rs.'000 | 2020<br>Rs.'000  |
| Provision for Retirement Benefit Obligations                    |                 |                  |                 |                  |
| At the beginning of the year                                    | 1,024,164       | 969,573          | 1,021,655       | 967,294          |
| Interest Cost   | 96,715          | 100,225          | 96,471          | 100,225          |
| Current Service Cost  | 53,856          | 74,523           | 53,580          | 74,013           |
| Gratuity Payments for the year                                  | (118,201)       | (129,567)        | (118,068)       | (129,389)        |
| Actuarial (Gain) / Loss due to changes in financial assumptions | 3,446           | 3,523            | 3,470           | 3,562            |
| Actuarial (Gain) / Loss due to changes in experience            | (169,027)       | 5,887            | (168,945)       | 5,950            |
| <b>At the end of the year</b>                                   | <b>890,953</b>  | <b>1,024,164</b> | <b>888,163</b>  | <b>1,021,655</b> |

According to the actuarial valuation report issued by the Actuarial & Management Consultants (Pvt) Ltd As at 31 March 2021, the actuarial present value of promised retirement benefits amounted to Rs.890,952,859 /-. 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. 1,206,056,164 /-.

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.

### 23. RETIREMENT BENEFIT OBLIGATIONS CONTD.

The key assumptions used by actuary include the following.

|                              | 2021              | 2020                  |
|------------------------------|-------------------|-----------------------|
| (i) Rate of Discount         | 8% (per annum)    | 10% (per annum)       |
| (ii) Rate of Salary Increase |                   |                       |
| Workers                      | 5.68% (per annum) | 18% (every two years) |
| Staff                        | 7% (per annum)    | 9% (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 5.19 years and 6.23 years for staff and workers respectively.

The following payments are expected from the Retirement Benefit Obligation in future years.

|                           | Group           |                 | Company         |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Within the next 12 months | 153,671         | 171,069         | 153,082         | 170,415         |
| Between 1-5 years         | 336,135         | 371,194         | 334,996         | 370,207         |
| Between 5-10 years        | 226,685         | 254,512         | 226,223         | 254,121         |
| Beyond 10 years           | 174,462         | 227,389         | 173,862         | 226,912         |
| Total                     | 890,953         | 1,024,164       | 888,163         | 1,021,655       |

#### 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 2021  | (44,892) | 49,477  | (7,868) | 8,599   |
| As at 31 March 2020  | (26,101) | 27,211  | (7,731) | 8,441   |

| 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 2021  | (44,892) | 49,477  | (7,700) | 8,412   |
| As at 31 March 2020  | (26,101) | 27,211  | (7,591) | 8,285   |



## NOTES TO THE FINANCIAL STATEMENTS

### 23. RETIREMENT BENEFIT OBLIGATIONS CONTD.

#### 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 2021 | 46,072  | (41,163) | 7,873   | (7,077) |
| As at 31 March 2020 | 54,950  | (48,988) | 7,740   | (6,970) |

| Company             | Workers |          | Staff   |         |
|---------------------|---------|----------|---------|---------|
|                     | Rs.'000 | Rs.'000  | Rs.'000 | Rs.'000 |
| Rate of discount    | -1%     | 1%       | -1%     | 1%      |
| As at 31 March 2021 | 46,072  | (41,163) | 7,698   | (6,922) |
| As at 31 March 2020 | 54,950  | (48,988) | 7,596   | (6,842) |

### 24. DEFERRED INCOME

| As at 31st March                      | Group/Company   |                 |
|---------------------------------------|-----------------|-----------------|
|                                       | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Deferred Grants and Subsidies</b>  |                 |                 |
| Balance at the beginning of the year  | 139,526         | 144,826         |
| Add : Grants received during the year | 4,491           | -               |
| Less : Amortisation for the year      | (5,300)         | (5,300)         |
| Balance at the end of the year        | 138,717         | 139,526         |

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   | Note | Group           |                 | Company         |                 |
|--|------|-----------------|-----------------|-----------------|-----------------|
|  |      | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Lease liability on Right-of-Use asset- Land                  | 25.1 | 254,555         | 249,446         | 254,473         | 249,365         |
| Lease liability on Right-of-Use asset- Building              | 25.2 | 36,301          | 33,197          | 36,301          | 33,197          |
|  |      | 290,856         | 282,643         | 290,774         | 282,562         |
| <b>25.1 Lease liability on Right-of-Use asset- Land</b>      |      |                 |                 |                 |                 |
| Balance at the beginning of the year                         |      | 249,446         | 186,353         | 249,365         | 186,353         |
| Transition adjustment due to initial application of SLFRS 16 |      | -               | 64,510          | -               | 64,430          |
| Reassessment Adjustment                                      |      | 6,754           | -               | 6,754           | -               |
| Accretion of Interest  |      | 33,305          | 32,603          | 33,295          | 32,602          |
| Transferred to accrued Liability                             |      | (9)             | -               | -               | -               |
| Repayment during the year                                    |      | (34,941)        | (34,020)        | (34,941)        | (34,020)        |
| Balance as at end of the year                                |      | 254,555         | 249,446         | 254,473         | 249,365         |

## 25. LEASE LIABILITY CONTD.

| As at 31 March  | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Gross Liability</b>                                    |                 |                 |                 |                 |
| As at 31st March  | 850,794         | 679,152         | 850,498         | 679,152         |
| Effect of adoption SLFRS 16, as at 01st April             | -               | 205,662         | -               | 205,366         |
| Reassessment Adjustment as at 01st April                  | 23,036          | -               | 23,036          | -               |
| Repayment during the year                                 | (34,941)        | (34,020)        | (34,941)        | (34,020)        |
| Transferred to accrued Liability                          | (9)             | -               | -               | -               |
| Gross Liability as at 31st March                          | 838,880         | 850,794         | 838,593         | 850,498         |
| Finance cost allocated to future periods as at 31st March | (601,348)       | (492,799)       | (601,133)       | (492,799)       |
| Effect of adoption SLFRS 16, as at 01st April             | -               | (141,151)       | -               | (140,935)       |
| Reassessment Adjustment as at 01st April                  | (16,282)        | -               | (16,282)        | -               |
| Accretion of Interest during the year                     | 33,305          | 32,602          | 33,295          | 32,601          |
| Finance cost allocated to future periods as at 31st March | (584,325)       | (601,348)       | (584,120)       | (601,133)       |
| Net Liability as at 31st March                            | 254,555         | 249,446         | 254,473         | 249,365         |

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>25.1.2 Maturity analysis of lease liability as follows,</b> |                 |                 |                 |                 |
| Payable within one year  |                 |                 |                 |                 |
| Gross liability  | 34,955          | 34,034          | 34,941          | 34,020          |
| Finance cost allocated to future periods                       | (33,092)        | (32,428)        | (33,082)        | (32,417)        |
| Net liability transferred to current liabilities               | 1,863           | 1,606           | 1,859           | 1,603           |
| Payable within two to five years                               |                 |                 |                 |                 |
| Gross liability  | 139,811         | 136,362         | 139,765         | 136,080         |
| Finance cost allocated to future periods                       | (129,615)       | (127,504)       | (129,573)       | (127,298)       |
| Net liability  | 10,196          | 8,858           | 10,192          | 8,782           |
| Payable after five years                                       |                 |                 |                 |                 |
| Gross liability  | 664,114         | 680,398         | 663,886         | 680,398         |
| Finance cost allocated to future periods                       | (421,618)       | (441,417)       | (421,464)       | (441,417)       |
| Net liability  | 242,496         | 238,981         | 242,422         | 238,981         |
| Net liability payable after one year                           | 252,692         | 247,839         | 252,614         | 247,763         |

The base rental payable per year Rs. 34,955,105/-.

## NOTES TO THE FINANCIAL STATEMENTS

### 25. LEASE LIABILITY CONTD.

The Net Liability as at 31 March 2021 as follows:

Maturity analysis of Gross lease liability are shown under Note 35.3.

|                 | Group<br>Rs.'000 | Company<br>Rs.'000 |
|-----------------|------------------|--------------------|
| Gross Liability | 838,880          | 838,593            |
| Finance Charge  | (584,325)        | (584,119)          |
| Net Liability   | 254,555          | 254,474            |

#### 25.2 Lease liability on Right-of-Use asset- Building

|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
|--|-----------------|-----------------|
| As at 31st March                                       | 33,197          | -               |
| Initial Recognition of Lease Liability as per SLFRS 16 | -               | 39,137          |
| As at 01st April                                       | 33,197          | 39,137          |
| Reassessment Adjustment as at 01st December 2020       | 10,800          | -               |
| Additions  | -               | -               |
| Accretion of Interest                                  | 4,205           | 4,556           |
| Payments during the year                               | (11,901)        | (10,496)        |
| Balance as at 31st March                               | 36,301          | 33,197          |
| Current Liability                                      | 10,631          | 10,566          |
| Non Current Liability                                  | 25,670          | 22,631          |
| <b>Total Lease Liability as at 31st March</b>          | <b>36,301</b>   | <b>33,197</b>   |

#### 25.3 LEASE LIABILITY

|  | Group<br>Rs.'000 | Company<br>Rs.'000 |
|--|------------------|--------------------|
| Current Liability                                | 12,494           | 12,490             |
| Non Current Liability                            | 278,362          | 278,284            |
| <b>Total Lease Liability as at 31 March 2021</b> | <b>290,856</b>   | <b>290,774</b>     |

### 26. TRADE AND OTHER PAYABLES

|                      | Group           |                 | Company         |                 |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| As at 31st March     | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Trade Creditors      | 20,927          | 38,678          | 20,873          | 34,650          |
| Payable to Employees | 206,674         | 66,903          | 206,674         | 66,903          |
| Statutory Payables   | 61,914          | 14,451          | 61,914          | 14,451          |
| Others               | 203,239         | 161,989         | 203,239         | 160,959         |
| Accrued Expenses     | 85,431          | 88,088          | 81,715          | 78,085          |
|                      | <b>578,185</b>  | <b>370,109</b>  | <b>574,415</b>  | <b>355,048</b>  |

## 27. AMOUNTS DUE TO RELATED COMPANIES

| As at 31 March                                     | Relationship       | Group           |                 | Company         |                 |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|
|  |                    | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Hayleys PLC  | Ultimate Parent    | 7,860           | 11,948          | 6,534           | 11,948          |
| Hayleys Plantation Services (Pvt) Ltd              | Parent Company     | -               | 1,953           | -               | 1,953           |
| TTEL Hydro Power Co. (Pvt) Ltd                     | Subsidiary Company | -               | -               | 6,761           | 8,667           |
| TTEL Somerset Hydro Power Company (Pvt) Ltd        | Subsidiary Company | -               | -               | 469             | -               |
| Hayleys Power Ltd                                  | Related Company    | 2,431           | 1,014           | -               | -               |
| Hayleys Business Solutions International (Pvt) Ltd | Related Company    | 46              | 107             | 36              | 107             |
| Mabroc Teas (Pvt) Ltd                              | Related Company    | 176             | 22              | 176             | 22              |
| Hayleys Agriculture Holdings Limited               | Related Company    | -               | 210             | -               | 210             |
| Kelani Valley Plantations PLC                      | Related Company    | 1,125           | 3,128           | 1,125           | 3,128           |
| Logiwiz Ltd  | Related Company    | -               | 94              | -               | 94              |
| Hayleys Agro Fertilizer Limited                    | Related Company    | 23,533          | -               | 23,533          | -               |
| Fentons Limited                                    | Related Company    | 13,071          | -               | 13,071          | -               |
| Hayleys Consumer Products Limited                  | Related Company    | 7               | -               | 7               | -               |
|  |                    | 48,249          | 18,476          | 51,712          | 26,129          |

## 28. DIVIDEND PAID

|   | Company         |                 |
|---|-----------------|-----------------|
|   | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Dividend paid during the year</b>  |                 |                 |
| Interim Dividend for 2020/21 - Rs. 6.75 per share (Before sub division of shares) | 160,312         | -               |
| Final Dividend for 2018/19-Rs. Rs. 6.00 per share                                 | -               | 142,500         |
|   | 160,312         | 142,500         |

## 29. ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

| Bank                                   | Nature of Assets  | Nature of Liability         | 2020/2021                 |                              |
|--|---|-----------------------------|---------------------------|------------------------------|
|  |   |                             | Facility Amount<br>Rs. Mn | Outstanding Amount<br>Rs. Mn |
| Sampath Bank PLC                       | Hypothecation bond over stock & book debts for Rs. 45 Mn.   | Over Draft                  | 40                        | 7.4                          |
| National Development Bank PLC          | Fixed Deposits of Rs. 24 Mn.                                | Solar Loan                  | 21                        | 13.1                         |
| The Hongkong & Shanghai Banking Co.Ltd | Concurrent mortgage over stocks and debtors for Rs. 65 Mn.  | Over Draft                  | 15                        | 0.1                          |
| Commercial Bank of Ceylon PLC          | Concurrent mortgage over stocks and debtors for Rs. 165 Mn. | Over Draft<br>Saubagya Loan | 165<br>25                 | -<br>20.8                    |

## NOTES TO THE FINANCIAL STATEMENTS

### 30. CAPITAL COMMITMENTS

| Followings are the capital commitments as at the Statement of Financial Position date | Company          |                  |
|---|------------------|------------------|
|   | 2021<br>Rs. (Mn) | 2020<br>Rs. (Mn) |
| Approved by the Board & Contracted for  | -                | -                |
| Approved by the Board & not Contracted for  | 307              | 353              |
|   | 307              | 353              |

### 31. COMMITMENTS AND CONTINGENCIES

Following contingent liabilities exist as at the statement of financial position date, to be disclosed

#### Court of Appeal Case No CA WRIT 143/2021

In the past, wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, the Wages Board without considering objections of the RPCs decided the daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a "Writ Application" was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the Gazette issued by the Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and therefore, the final decision is pending.

Having discussed with independent legal experts and based on the information available, the Directors are of the view that in the event of an unforeseen verdict unfavourable to the Company/Group from the above court case, the contingent liability on retirement benefit obligation liability would be Rs. 321 Mn and of which Rs.18 Mn need to be charged to Profit or Loss and Rs. 303Mn to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

### 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 Directors have recommended on 12th May 2021, the payment of final dividend of Rs. 1.50 per share for the year ended 31st March 2021, subject to the approval of the shareholders at the Annual General Meeting to be held on June 25th, 2021. In accordance with Sri Lanka Accounting Standard No. 10 on "Events after reporting period", the recommended Final dividend has not been recognised as a liability as at the Reporting date.



### 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) |        |
|---|-----------------|---|--|-------------------|--------|
|   |                 |   |  | 2021              | 2020   |
| Hayleys PLC                               | Ultimate Parent | Mr. A M Pandithage  | Data Processing Services<br>Secretarial Services, Office Rent & Management Salaries          | 101,240           | 49,492 |
| Hayleys Plantation Services (Pvt) Limited | Parent          | Mr. A M Pandithage  | Managing Agent's Fee (5% from Earnings before Interest, Tax, Depreciation and Amortisation.) | -                 | -      |
|   |                 | Mr. Merrill J Fernando<br>Mr. Malik J Fernando<br>Dr. W G R Rajadurai | Reimbursement of Administration Expenses   | 1,894             | 1,953  |

The managing agent Hayleys Plantation Services (Pvt) Limited has waived the management fee hereafter with effect from 01/04/2014.

#### 33.2 Transactions with the subsidiaries

| Name of the Company                    | Relationship | Name of Director  | Nature of Transaction                   | Amounts (Rs.'000) |       |
|--|--------------|---|---|-------------------|-------|
|  |              |   |   | 2021              | 2020  |
| TTEL Hydro Power Company (Pvt) Limited | Subsidiary   | Mr. A M Pandithage<br>Mr. Merrill J Fernando<br>Mr. Malik J Fernando<br>Dr. W G R Rajadurai | Preference Share Dividends              | 7,435             | -     |
| TTEL Somerset Hydro Power (Pvt) Ltd    | Subsidiary   | Mr. A M Pandithage<br>Mr. Merrill J Fernando<br>Mr. Malik J Fernando<br>Dr. W G R Rajadurai | Preference and Ordinary Share Dividends | 8,365             | 7,508 |

## NOTES TO THE FINANCIAL STATEMENTS

### 33.3 Recurrent Transactions with other related companies

| Name of the Company                                 | Relationship                    | Name of Director   | Nature of Transaction                    | Amounts (Rs.'000) |         |
|---|---------------------------------|--|--|-------------------|---------|
|   |                                 |  |  | 2021              | 2020    |
| Dipped Products PLC                                 | Intermediary<br>Ultimate Parent | Mr. A M Pandithage   | Proceeds on latex supplies               | 29,264            | 11,370  |
| Hayleys Travels (Pvt) Ltd                           | Affiliate                       | Mr. A M Pandithage   | Providing of Air Ticketing Services      | -                 | 1,550   |
| Hayleys Agriculture Holdings Limited.               | Affiliate                       | Mr. A M Pandithage   | Purchase of Equipment & Chemicals        | 5,424             | 5,076   |
| Hayleys Agro Fertilizers (Pvt) Limited.             | Affiliate                       | Mr. A M Pandithage   | Purchase of Fertilizer                   | 104,845           | 76,273  |
| Mabroc Teas (Pvt) Ltd.                              | Affiliate                       | Mr. A M Pandithage<br>Dr. W G R Rajadurai                          | Sale of Teas                             | 174,493           | 172,376 |
| Kelani Valley Plantations PLC                       | Affiliate                       | Mr. A M Pandithage<br>Dr. W G R Rajadurai                          | Head office maintenance cost             |                   |         |
|   |                                 |  | - Payments                               | 6,714             | 225     |
|   |                                 |  | - Receipts                               | 5,371             | 2,908   |
|   |                                 |  | Green Leaf Supplies                      | 18,540            |         |
|   |                                 |  | - Payments                               | -                 | 5,315   |
|   |                                 |  | - Receipts                               | -                 | -       |
| Hayleys Business Solutions International (Pvt) Ltd. | Affiliate                       | Mr. A M Pandithage   | Payroll processing cost                  | 521               | 437     |
| Logiwiz Ltd   | Affiliate                       | Mr. A M Pandithage   | Providing of document Storing Service    | 639               | 612     |
| Hayleys Consumer Products (Pvt) Ltd                 | Affiliate                       | Mr. A M Pandithage   | Purchase of Accessories                  | 120               | 32      |
| Martin Bauer Hayleys (Pvt) Ltd                      | Affiliate                       | Mr. A M Pandithage   | Reimbursement of Administration Expenses |                   |         |
|   |                                 |  | - Receipts                               | 40,916            | 262     |
| Dilmah Ceylon Tea Co.(MJF)                          | Affiliate                       | Mr. Merrill J Fernando<br>Mr. Malik J Fernando<br>Ms. M D A Perera | Sales of tea at auction                  | 108,532           | 143,087 |
| Horana Plantations PLC                              | Affiliate                       | Mr. A M Pandithage<br>Dr. W G R Rajadurai                          | Reimbursement of Administration Expenses |                   |         |
|   |                                 |  | - Payments                               | 49                | 625     |
|   |                                 |  | - Receipts                               | 862               | -       |
| Hayleys Aventura (Pvt) Ltd                          | Affiliate                       | Mr. A M Pandithage   | Purchase of VSD                          | 3,096             | 16      |
| Agro Technica Limited                               | Affiliate                       | Mr. A M Pandithage   | Purchase of Chemical                     | -                 | 37      |
| Hayleys Advantis Freight (Pvt) Limited              | Affiliate                       | Mr. A M Pandithage   | Payment of Freight Cost                  | 118               | -       |
| Hayleys Lifescience (Pvt) Ltd                       | Affiliate                       | Mr. A M Pandithage   | Purchase of ID Cards                     | 62                | 2       |
| Energynet (Pvt) Ltd                                 | Affiliate                       | Mr. A M Pandithage   | Purchase of Solar Panels                 | -                 | 7,725   |
| Singer (Sri Lanka) PLC                              | Affiliate                       | Mr. A M Pandithage<br>Mr. M H Jamaldeen                            | Purchase of Computer Item                | 559               | 2,719   |
| Uni-Dil Packaging Solutions Ltd                     | Affiliate                       | Mr. A M Pandithage   | Purchase of Packing Materials            | 13,327            | 16,200  |
| The Kingsbury PLC                                   | Affiliate                       | Mr. A M Pandithage   | AGM Expenses                             | 53                | 753     |
| Puritas Ltd   | Affiliate                       | Mr. A M Pandithage   | Purchase of Masks                        | 197               | 13      |
| Advantis Project & Engineering (Pvt) Ltd            | Affiliate                       | Mr. A M Pandithage   | Construction Work                        | 2,119             | -       |

### *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.

## **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.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 expected 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. 137.6 Mn (2020 – Rs.23.0 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. 1,716.2 Mn as at 31st March 2021 (2020 – Rs.1,112.5 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. 32.2 Mn as at 31st March 2021 (2020 – Rs. 53.3 Mn) which represents its maximum credit exposure on these assets.

Sampath Bank PLC – AA- (lka)  
Hatton National Bank PLC –AA- (lka)  
Bank of Ceylon – AA- (lka)  
Hongkong and Shanghai Banking Corporation Ltd – AA- (lka)  
Union Bank – BBB- (lka)  
Seylan Bank PLC – A (lka)  
DFCC Bank PLC – A+ (lka)  
National Development Bank PLC – A+ (lka)  
Commercial Bank of Ceylon PLC – AA- (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 2021                           | On Demand<br>Rs.'000         | Less than<br>3 Months<br>Rs.'000          | 3 to 12<br>Months<br>Rs.'000          | 2 to 5<br>years<br>Rs.'000          | >5 years<br>Rs.'000            | Total<br>Rs.'000         |
|---|------------------------------|---|---------------------------------------|-------------------------------------|--------------------------------|--------------------------|
| <b>Group</b>                                    |                              |   |                                       |                                     |                                |                          |
| Lease liability on Right-of-Use asset- Land     |                              | 8,738                                     | 26,213                                | 139,802                             | 699,001                        | 873,754                  |
| Lease liability on Right-of-Use asset- Building | -                            | 3,643                                     | 10,929                                | 29,146                              | -                              | 43,718                   |
| Interest bearing loans & borrowing              | -                            | 5,443                                     | 15,991                                | 14,639                              | -                              | 36,073                   |
| Bank Overdraft                                  | 7,734                        | -   | -                                     | -                                   | -                              | 7,734                    |
| Trade & other payables                          | -                            | 206,722                                   | 226,157                               | 145,306                             | -                              | 578,185                  |
|   | 7,734                        | 224,546                                   | 279,290                               | 326,622                             | 699,001                        | 1,539,464                |
| <b>Company</b>                                  |                              |   |                                       |                                     |                                |                          |
| Lease liability on Right-of-Use asset- Land     | -                            | 8,735                                     | 26,206                                | 139,765                             | 698,827                        | 873,533                  |
| Lease liability on Right-of-Use asset- Building | -                            | 3,643                                     | 10,929                                | 29,146                              | -                              | 43,718                   |
| Interest bearing loans & borrowing              | -                            | 5,443                                     | 15,991                                | 14,639                              | -                              | 36,073                   |
| Bank Overdraft                                  | 7,734                        | -   | -                                     | -                                   | -                              | 7,734                    |
| Trade & other payables                          | -                            | 205,225                                   | 226,157                               | 143,033                             | -                              | 574,415                  |
|   | 7,734                        | 223,046                                   | 279,283                               | 326,583                             | 698,827                        | 1,535,473                |
| <b>As at 31st March 2020</b>                    | <b>On Demand<br/>Rs.'000</b> | <b>Less than<br/>3 Months<br/>Rs.'000</b> | <b>3 to 12<br/>Months<br/>Rs.'000</b> | <b>2 to 5<br/>years<br/>Rs.'000</b> | <b>&gt;5 years<br/>Rs.'000</b> | <b>Total<br/>Rs.'000</b> |
| <b>Group</b>                                    |                              |   |                                       |                                     |                                |                          |
| Lease liability on Right-of-Use asset- Land     | -                            | 8,508                                     | 25,522                                | 136,117                             | 714,592                        | 884,739                  |
| Lease liability on Right-of-Use asset- Building | -                            | 2,642                                     | 7,925                                 | 31,698                              | -                              | 42,265                   |
| Interest bearing loans & borrowing              | -                            | 2,703                                     | 3,666                                 | 11,905                              | 2,383                          | 20,657                   |
| Bank Overdraft                                  | 3,102                        | -   | -                                     | -                                   | -                              | 3,102                    |
| Trade & other payables                          | -                            | 212,813                                   | 157,297                               | -                                   | -                              | 370,110                  |
|   | 3,102                        | 226,666                                   | 194,410                               | 179,720                             | 716,975                        | 1,320,873                |
| <b>Company</b>                                  |                              |   |                                       |                                     |                                |                          |
| Lease liability on Right-of-Use asset- Land     | -                            | 8,505                                     | 25,515                                | 136,080                             | 714,418                        | 884,518                  |
| Lease liability on Right-of-Use asset- Building | -                            | 2,642                                     | 7,925                                 | 31,698                              | -                              | 42,265                   |
| Interest bearing loans & borrowing              | -                            | 2,703                                     | 3,666                                 | 11,905                              | 2,383                          | 20,657                   |
| Bank Overdraft                                  | 3,102                        | -   | -                                     | -                                   | -                              | 3,102                    |
| Trade & other payables                          | -                            | 204,152                                   | 150,895                               | -                                   | -                              | 355,047                  |
|   | 3,102                        | 218,002                                   | 188,001                               | 179,683                             | 716,801                        | 1,305,589                |



## NOTES TO THE FINANCIAL STATEMENTS

### 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 (2020-Nil) which represents its maximum credit exposure on these liabilities.

#### 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         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2021<br>Rs.'000 | 2020<br>Rs.'000 | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| <b>Interest bearing borrowings</b>     |                 |                 |                 |                 |
| Current portion                        | 20,173          | 5,065           | 20,173          | 5,065           |
| Payable After one year                 | 13,754          | 13,097          | 13,754          | 13,097          |
| <b>Liability to make Lease Payment</b> |                 |                 |                 |                 |
| Current portion                        | 12,494          | 12,172          | 12,490          | 12,168          |
| Payable After one year                 | 278,362         | 270,471         | 278,284         | 270,394         |
| <b>Bank Overdraft</b>                  | 7,734           | 3,102           | 7,734           | 3,102           |
|  | 332,517         | 303,907         | 332,435         | 303,826         |
| Equity                                 | 3,551,716       | 2,861,115       | 3,528,106       | 2,825,998       |
| Equity & debts                         | 3,884,233       | 3,165,022       | 3,860,541       | 3,129,824       |
| Gearing ratio                          | 9%              | 10%             | 9%              | 10%             |

## APPENDICES

|                |   |     |
|----------------|---|-----|
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## INVESTOR INFORMATION

### 1. STOCK EXCHANGE

Interim Financial Statements of the 4th Quarter, for the year ended 31st March 2021, have been submitted to the Colombo Stock Exchange as required by the Listing Rules.

### 2. COMPOSITION OF THE ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2021

Number of shareholders as at 31st March 2021 is 14,387 (31st March 2020-13,544)

| 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           | 13,722              | 4,099,704     | 8.6309  | 9                   | 4,342         | 0.0092 | 13,731              | 4,104,046     | 8.6401   |
| 1,001 - 10,000      | 553                 | 1,774,667     | 3.7361  | 6                   | 21,046        | 0.0443 | 559                 | 1,795,713     | 3.7804   |
| 10,001 - 100,000    | 89                  | 2,402,120     | 5.0571  | 1                   | 12,780        | 0.0269 | 90                  | 2,414,900     | 5.0840   |
| 100,001 - 1,000,000 | 5                   | 1,315,941     | 2.7704  |                     |               |        | 5                   | 1,315,941     | 2.7704   |
| Over 1,000,000      | 2                   | 37,869,400    | 79.7251 |                     |               |        | 2                   | 37,869,400    | 79.7251  |
|                     | 14,371              | 47,461,832    | 99.9196 | 16                  | 38,168        | 0.0804 | 14,387              | 47,500,000    | 100.0000 |
| <b>CATEGORY</b>     |                     |               |         |                     |               |        |                     |               |          |
| Individuals         | 14,262              | 7,899,133     | 16.6298 | 16                  | 38,168        | 0.0804 | 14,278              | 7,937,301     | 16.7102  |
| Institutions        | 109                 | 39,562,699    | 83.2898 |                     |               |        | 109                 | 39,562,699    | 83.2898  |
|                     | 14,371              | 47,461,832    | 99.9196 | 16                  | 38,168        | 0.0804 | 14,387              | 47,500,000    | 100.0000 |

Of the issued ordinary share capital, 99.91%, is held by residents of Sri Lanka.

### 3. PUBLIC HOLDING

Percentage of shares held by the public is 20.27% (2020-20.27%) held by 14,384 ordinary shareholders (2020-13,541).

### 4. MARKET VALUE

The market value of an ordinary shares of Talawakelle Tea Estates PLC was as follows:

|          | 12 months ended<br>31.03.2021<br>Rs. | 12 months ended<br>31.03.2020<br>Rs. | 12 months ended<br>31.03.2019<br>Rs. |
|----------|--------------------------------------|--------------------------------------|--------------------------------------|
| Highest  | 115.50 (22nd January 2021)           | 54.80 (05th April 2019)              | 59.90 (16th May 2018)                |
| Lowest   | 34.00 (04th March 2021)              | 37.00 (13th March 2020)              | 42.50 (26th November 2018)           |
| Year end | 37.50                                | 39.90                                | 48.70                                |

Float - adjusted market capitalization - Rs. 361,059,375.00.

The Company complies with option 5 of the Listing Rules 7.13.1 (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 Dividend Paid |
|-------------------------|-----------------------|
| First Interim Dividend  | August 31, 2020       |
| Second Interim Dividend | October 22, 2020      |
| Third Interim Dividend  | December 23, 2020     |

## 6. SHARE TRADING

|                              | 12 months ended<br>31 March 2021 | 12 months ended<br>31 March 2020 | 12 months ended<br>31 March 2019 |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|
| No. of transactions          | 15,929                           | 1,599                            | 919                              |
| No. of shares traded         | 7,894,467                        | 747,303                          | 717,864                          |
| Value of shares traded (Rs.) | 529,974,473                      | 35,862,101                       | 36,928,261                       |

## 7. TWENTY MAJOR SHAREHOLDERS

|    | Name of the Shareholder  | No. of<br>Shares as at<br>31.03.2021 | %     | No. of<br>Shares as at<br>31.03.2020 | %     |
|----|--|--------------------------------------|-------|--------------------------------------|-------|
| 1  | Hayleys Plantation Services (Private) Limited                      | 35,500,000                           | 74.74 | 17,750,000                           | 74.74 |
| 2  | Merrill J Fernando & Sons (Pvt) Limited                            | 2,369,400                            | 4.99  | 1,184,700                            | 4.99  |
| 3  | Hatton National Bank PLC/K K Shujeewan                             | 712,399                              | 1.50  |                                      | 0.00  |
| 4  | Mr. N A Withana  | 224,200                              | 0.47  | 112,100                              | 0.47  |
| 5  | Cocoshell Activated Carbon Company (Private) Limited               | 176,173                              | 0.37  | 107,107                              | 0.45  |
| 6  | Mr. R Senthilnathan  | 102,996                              | 0.22  |                                      | 0.00  |
| 7  | Mr. R Gukenthiran  | 100,173                              | 0.21  |                                      | 0.00  |
| 8  | Merchant Bank of Sri Lanka & Finance PLC/M A Wijayasinghe          | 92,000                               | 0.19  |                                      | 0.00  |
| 9  | People's Merchant Finance PLC/S. Weeratunga                        | 91,562                               | 0.19  |                                      | 0.00  |
| 10 | People's Leasing & Finance PLC/Ms Thambapanni Leisure (Pvt) Ltd    | 85,000                               | 0.18  |                                      | 0.00  |
| 11 | Mr. S Malalasekera   | 84,170                               | 0.18  |                                      | 0.00  |
| 12 | Mr. A J M Jinadasa   | 70,000                               | 0.15  |                                      | 0.00  |
| 13 | Mr. K K W M Lankara  | 63,726                               | 0.13  |                                      | 0.00  |
| 14 | Secretary to the Treasury  | 56,888                               | 0.12  | 28,444                               | 0.12  |
| 15 | Mr. P Somadasa   | 54,103                               | 0.11  | 21,177                               | 0.09  |
| 16 | Mr. K D A S D Kumara   | 50,000                               | 0.11  |                                      | 0.00  |
| 17 | Mr. J Thanushian   | 48,706                               | 0.10  |                                      | 0.00  |
| 18 | Mr. M D S Goonetilleke   | 47,780                               | 0.10  |                                      | 0.00  |
| 19 | Bansei Securities Capital (Pvt) Ltd/<br>D A M A D C Deegahawathura | 46,842                               | 0.10  |                                      | 0.00  |
| 20 | Mr. D L N P Dassanayaka  | 45,000                               | 0.09  |                                      | 0.00  |
|    | TOTAL  | 40,021,118                           | 84.25 | 19,203,528                           | 80.86 |

## 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                                | 18    |
| 168 (1) (b) | Signed financial statements of the Group and the Group  | Yes      | Financial Statements                    | 154   |
| 168 (1) (c) | Auditors' Report on financial statements  | Yes      | Independent Auditor's Report            | 148   |
| 168 (1) (d) | Accounting policies and any changes therein   | Yes      | Note 2.3 to the Financial Statements    | 158   |
| 168 (1) (e) | Particulars of the entries made in the Interests Register   | Yes      | Annual Report of the Board of Directors | 139   |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Group  | Yes      | Note 9 to the Financial Statements      | 176   |
| 168 (1) (g) | Corporate donations made by the Group   | Yes      | Annual Report of the Board of Directors | 139   |
| 168 (1) (h) | Information on the Directorate of the Group and its subsidiaries during and at the end of the accounting period | Yes      | Board Profiles                          | 24-27 |
| 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      | 176   |
| 168 (1) (j) | Auditors' relationship or any interest with the Group and its Subsidiaries                                      | Yes      | Report of the Audit Committee           | 136   |
| 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 | 139   |

### 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 | 139  |
| (ii)  | Principal activities of the entity and its subsidiaries during the year, and any changes therein   | Yes      | About Us                                | 18   |
| (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                    | 204  |
| (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                    | 204  |
| (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 | 139  |
| (vi)  | Information pertaining to material foreseeable risk factors of the Entity  | Yes      | Risk Management                         | 118  |



| Rule   | Requirement  | Complied       | Reference (within the Report)  | Page |
|--------|--|----------------|--|------|
| (vii)  | Details of material issues pertaining to employees and industrial relations of the Entity  | Yes            | Social & Human Capital Report  | 85   |
| (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 | 181  |
| (ix)   | Number of shares representing the Entity's stated capital  | Yes            | Investor Information   | 68   |
| (x)    | A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings  | Yes            |  | 204  |
| (xi)   | Financial ratios and market price information  | Yes            |  | 224  |
| (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 13 A - Property plant and Equipment to the Financial Statements | 181  |
| (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  | 123  |
| (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 34 - Related Party Transactions, to the Financial Statements    | 199  |

### 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              | 127          |
| 7.10.2(a) | Independent Directors (ID)       | 2 or 1/3 of NEDs, whichever is higher, should be independent  | Yes            | Board Composition              | 127          |
| 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                   | 128          |
| 7.10.3(a) | Disclosure relating to Directors | The Board shall annually determine the independence or otherwise of the NEDs, and Names of each IDs should be disclosed in the Annual Report (AR) | Yes            | Independence<br>Board Profiles | 128<br>24-27 |
| 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 |                                |              |

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES

| Rule No.     | Subject  | Requirement  | Complied | Reference within the Report        | Page  |
|--------------|--|--|----------|------------------------------------|-------|
| 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                     | 24-27 |
| 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                     | 24-27 |
| 7.10.4 (a-h) | Criteria for defining Independence                                 | Requirements for meeting criteria to be an Independent Director  | Yes      | Independence                       | 128   |
| 7.10.5       | Remuneration Committee (RC)  | The RC of the listed parent Group may function as the RC   | Yes      | Remuneration Committee Report      | 138   |
| 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      | 138   |
| 7.10.5.(b)   | Functions of Remuneration Committee                                | The RC shall recommend the remuneration of Executive Directors   | Yes      | Remuneration Committee Report      | 138   |
| 7.10.5.(c)   | Disclosure in the Annual Report relating to Remuneration Committee | Names of Directors comprising the RC Statement of Remuneration Policy  | Yes      | Remuneration Committee Report      | 138   |
|              |  | Aggregated remuneration paid to Executive and Non-Executive Directors Should be included in the Annual Report  | Yes      | Note 9 to the Financial Statements | 176   |
| 7.10.6       | Audit Committee (AC)   | The Group shall have an AC   | Yes      | Audit Committee Report             | 136   |
| 7.10.6(a)    | Composition of Audit Committee                                     | Shall comprise of Non-Executive Directors, a majority of whom are Independent  | Yes      | Audit Committee Report             | 136   |
|              |  | 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             | 136   |

| Rule No.  | Subject   | Requirement   | Complied | Reference within the Report | Page |
|-----------|---|---|----------|-----------------------------|------|
| 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      | 136  |
|           |   | 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      |                             |      |

#### 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   | 33   |
|          |   | b) Details pertaining to Recurrent Related Party Transactions   | Yes      | Note 33 to the Financial Statements Report of the Related Party Transactions Review Committee | 33   |
|          |   | c) Report of the Related Party Transactions Review Committee  | Yes      |   |      |
|          |   | 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   | 139  |

## CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND LISTING RULES

### 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  |
|---------------|--|----------|---|-------|
| <b>A.</b>     | <b>Directors</b>   |          |   |       |
| A.1           | An effective Board should direct, lead and control the Group                               |          |   |       |
| A.1.1         | Regular Board meetings, provide information to the Board on a structured and regular basis | Yes      | Meetings & Attendance   | 127   |
| A.1.2         | Role and Responsibilities of the Board   | Yes      | The Board   | 125   |
| A.1.3         | Act in accordance with laws of the Country<br>Independent professional advice              | Yes      | Compliance<br>Informed Decision Making  | 123   |
| A.1.4         | Access to advise and services of the Group Secretary                                       | Yes      | Group Secretary   | 139   |
| A.1.5         | Independent judgement  | Yes      | Board Composition   | 127   |
| 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 / Board refreshment | 139   |
| A.1.7         | Calls for resolutions by at least 1/3rd of Directors                                       | Yes      | Meetings and Attendance   | 127   |
| A.1.8         | Board induction and Training   | Yes      | Induction and training  | 129   |
| A.2           | Chairman and CEO   | Yes      | Clear Roles and Responsibilities  | 128   |
| A.3           | Chairman's role in preserving good corporate governance                                    | Yes      | Clear Roles and Responsibilities  | 128   |
| A.4           | Availability of financial acumen   | Yes      | Board Composition   | 127   |
| A.5           | Board Balance  | Yes      | Board Composition   | 127   |
| A.5.1         | The Board should include sufficient number of NEDs   | Yes      | Board Composition   | 127   |
| A.5.2         | If the Board includes only 3 NEDs, they should be independent                              | N/A      |   |       |
| A.5.3         | Independence of Directors  | Yes      | Independence  | 136   |
| A.5.4         | Annual declaration of independence by Directors  | Yes      | Independence  | 136   |
| A.5.5         | Annual determination of independence of NEDs   | Yes      | Independence  | 136   |
| A.5.6         | Alternate Directors  | Yes      | Board Profiles  | 24-27 |
| A.5.7 & A.5.8 | Senior Independent Director (SID)  | No       | Considering business exigences of the Group   | -     |
| A.5.9         | Annual meeting with NEDs   | No       | Chairman meets with NEDs on an informal basis   | -     |
| A.5.10        | Recording of dissent in minutes  | Yes      | Meetings and minutes  | 129   |
| A.6           | Supply of Information  | Yes      | Informed Decision Making  | 129   |
| A.7           | Appointments to the Board and Re-election  | Yes      | Board Refreshment   | 128   |
| A.7.1         | Establishing a Nomination Committee, Chairman and Terms of Reference                       | Yes      | Nomination Committee Report   | -     |
| A.7.2         | Annual assessment of Board composition   | Yes      | Board Refreshment   | 128   |

| Code Ref. | Requirement   | Complied | Reference within the Report   | Page              |
|-----------|---|----------|---|-------------------|
| A.7.3     | Disclosures on appointment of new directors   | Yes      | Board Refreshment   | 128               |
| A.8       | Directors to submit themselves for re-election  | Yes      | Board Refreshment   | 128               |
| A.9       | Appraisal of Board and sub-Committee Performances   | No       | Considering business exigences of the Group   | 129               |
| A.10      | Annual Report to disclose specified information regarding Directors   | Yes      | Board Profiles<br>Meetings and Attendance<br>Directors Interests, Related<br>Party Transactions & Conflicts of interest | 24-27<br>127      |
| A.11      | Appraisal of the CEO  | Yes      | Appraisal of Managing Director (MD)   | 129               |
| <b>B.</b> | <b>Directors Remuneration</b>   |          |   |                   |
| B.1       | Establish process for developing policy on executive and director remuneration.   |          | Responsible and Fair Remuneration   | 130               |
| B.2       | Level and Make Up of Remuneration   | Yes      | Responsible and Fair Remuneration   | 130               |
| B.3       | Disclosures related to remuneration in Annual Report<br>✓ Remuneration Policy statement<br>✓ Aggregate Board remuneration paid<br>✓ HRRC report | Yes      | Responsible and Fair Remuneration<br>Note 9 to Financial Statements<br>Remuneration Committee report                    | 130<br>176<br>138 |
| <b>C.</b> | <b>Relations with Shareholders</b>  |          |   |                   |
| C.1.      | Constructive use of the AGM & Other General Meetings  | Yes      | Constructive use of the Annual General Meeting (AGM)  | 132               |
| C.2.      | Communication with shareholders   | Yes      | Communication with Shareholders   | 132               |
| 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.    | -                 |
| <b>D.</b> | <b>Accountability &amp; Audit</b>   |          |   |                   |
| D. 1      | Present a balanced and understandable assessment of the Group's financial position, performance, and prospects                                  | Yes      | Financial and Business Reporting  | 154               |
| D1.1      | Balanced Annual Report  | Yes      | Financial and Business Reporting  | 154               |
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| D.1.5     | Financial reporting -statement on board responsibilities,<br><br>Statement on internal control                                  | Yes      | Directors' Responsibility for Financial Reporting<br><br>Directors' Statement on Internal Control  | 148<br><br>144 |
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| D.1.7     | Net Assets < 50%  | Yes      | 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. | -              |
| D.1.8     | Related Party Transactions  | Yes      | Directors Interests, Related Party Transactions & Conflicts of interest  | 139-144<br>137 |
| 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<br>Report of the Audit Committee<br>Directors' Statement of Internal Control<br>Risk Review   | 136<br><br>144 |
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| GRI 103:<br>Management<br>Approach 2016           | 103-1 Explanation of the material topic and its Boundary                                       | 48                              |                 |        |             |
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## 10 YEAR SUMMARY

|  | ●2020/21<br>Rs.'000 | ●2019/20<br>Rs.'000 | 2018/19<br>Rs.'000 | 2017/18<br>Rs.'000 | 2016/17<br>Rs.'000 | **2015/16<br>Rs.'000 | *2014/15<br>Rs.'000 | 2013<br>Rs.'000  | 2012<br>Rs.'000  | **2011<br>Rs.'000 |
|--|---------------------|---------------------|--------------------|--------------------|--------------------|----------------------|---------------------|------------------|------------------|-------------------|
| <b>Trading Summary</b>                                     |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| Group revenue  | 4,488,639           | 3,886,417           | 4,025,913          | 4,061,310          | 3,334,494          | 3,434,579            | 4,761,101           | 3,646,837        | 3,318,149        | 2,744,505         |
| Profit before Taxation                                     | 771,718             | 218,789             | 483,681            | 616,828            | 266,388            | 186,546              | 286,380             | 236,786          | 231,283          | (22,198)          |
| Income Tax Expense   | (59,978)            | (22,215)            | (70,966)           | (69,262)           | (24,906)           | (42,696)             | (18,919)            | (37,215)         | (4,585)          | (10,532)          |
| Profit After Taxation                                      | 711,740             | 196,574             | 412,715            | 547,567            | 241,482            | 143,850              | 267,461             | 199,571          | 226,698          | (32,730)          |
| Non-controlling Interest                                   | 3,178               | 876                 | 7,878              | (870)              | (7,713)            | (28,122)             | (28,165)            | (26,038)         | (10,748)         | 18,690            |
| <b>Profit attributable to owners of the parent</b>         | <b>708,562</b>      | <b>195,698</b>      | <b>404,837</b>     | <b>548,437</b>     | <b>233,769</b>     | <b>115,728</b>       | <b>239,296</b>      | <b>173,533</b>   | <b>215,950</b>   | <b>(51,420)</b>   |
| <b>Fund Employed</b>                                       |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| Stated capital   | 350,000             | 350,000             | 350,000            | 350,000            | 350,000            | 350,000              | 350,000             | 350,000          | 350,000          | 350,000           |
| Revenue reserve  | 3,201,716           | 2,511,115           | 2,291,935          | 2,172,318          | 1,723,744          | 1,330,415            | 1,336,757           | 1,148,363        | 1,005,405        | 782,115           |
| <b>Equity attributable to equity holders of the parent</b> | <b>3,551,716</b>    | <b>2,861,115</b>    | <b>2,641,935</b>   | <b>2,522,318</b>   | <b>2,073,744</b>   | <b>1,680,415</b>     | <b>1,686,757</b>    | <b>1,498,363</b> | <b>1,355,405</b> | <b>1,132,115</b>  |
| Non-controlling Interest                                   | 160,709             | 170,534             | 176,828            | 170,793            | 173,609            | 179,798              | 167,338             | 152,855          | 136,921          | 128,329           |
| Lease liability  | 290,856             | 282,643             | 186,353            | 187,174            | 187,901            | 188,361              | 188,971             | 189,617          | 171,503          | 171,873           |
| Interest Bearing Loans & Borrowings (short and long-term)  | 41,661              | 21,263              | 67,681             | 176,018            | 225,322            | 364,201              | 501,556             | 666,006          | 724,417          | 920,554           |
| <b>Asset Employed</b>                                      |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| Non-current assets   | 3,454,870           | 3,456,053           | 3,342,791          | 3,340,876          | 3,321,693          | 3,340,891            | 3,347,168           | 3,248,131        | 3,237,928        | 3,197,861         |
| Current assets   | 2,458,001           | 1,632,224           | 1,679,708          | 1,384,270          | 814,914            | 581,541              | 718,037             | 798,662          | 620,040          | 532,418           |
| Current liabilities net of borrowings                      | (626,435)           | (388,586)           | (631,080)          | (548,688)          | (391,605)          | (285,346)            | (368,452)           | (394,373)        | (358,488)        | (297,388)         |
| Retirement benefit obligation                              | (890,953)           | (1,024,164)         | (969,573)          | (811,824)          | (801,101)          | (980,734)            | (922,369)           | (912,752)        | (888,170)        | (826,914)         |
| Deferred tax liability                                     | (211,825)           | (200,446)           | (204,222)          | (158,206)          | (127,898)          | (92,475)             | (63,145)            | (41,869)         | (12,772)         | (26,574)          |
| Deferred income  | (138,717)           | (139,527)           | (144,826)          | (150,126)          | (155,426)          | (151,102)            | (166,617)           | (190,958)        | (210,292)        | (226,532)         |
| <b>Capital Employed</b>                                    | <b>4,044,942</b>    | <b>3,335,555</b>    | <b>3,072,797</b>   | <b>3,056,303</b>   | <b>2,660,576</b>   | <b>2,412,775</b>     | <b>2,544,622</b>    | <b>2,506,841</b> | <b>2,388,246</b> | <b>2,352,871</b>  |
| <b>Cash Flows</b>  |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| Net Cash inflow/(outflow) from operating activities        | 916,596             | 505,211             | 629,399            | 815,818            | 485,370            | 393,444              | 532,290             | 301,099          | 336,133          | 108,711           |
| Net Cash inflow/(outflow) from investing activities        | (134,249)           | (119,142)           | (134,208)          | (153,229)          | (103,204)          | (94,286)             | (259,610)           | (126,460)        | (131,654)        | (165,069)         |
| Net Cash inflow/(outflow) from finance activities          | (204,435)           | (208,747)           | (214,306)          | (201,010)          | (115,128)          | (209,166)            | (327,359)           | (168,629)        | (66,040)         | (164,130)         |
| Increase/(decrease) in cash & cash equivalents             | 577,911             | 177,322             | 280,884            | 461,579            | 267,038            | 89,992               | (54,679)            | 6,010            | 138,439          | (220,488)         |
| <b>Key Indicators</b>                                      |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| EPS (basic) (Rs.)  | 14.98               | 4.12                | 17.05              | 23.09              | 9.84               | 4.87                 | 10.08               | 7.31             | 9.09             | (2.17)            |
| Net assets per share (Rs.)                                 | 74.77               | 60.23               | 111.24             | 106.20             | 87.32              | 70.75                | 71.02               | 63.09            | 57.07            | 47.67             |
| Market price per share (Rs.)                               | 37.50               | 39.90               | 48.70              | 54.50              | 32.00              | 32.50                | 35.10               | 24.00            | 24.00            | 29.70             |
| Price earning ratio (times)                                | 2.50                | 4.85                | 2.86               | 2.36               | 3.25               | 6.69                 | 3.49                | 3.28             | 2.64             | -13.72            |
| Current ratio (times)                                      | 3.69                | 3.99                | 2.46               | 2.20               | 1.70               | 1.23                 | 1.16                | 1.28             | 1.16             | 0.88              |
| Quick ratio (times)  | 3.05                | 3.25                | 1.34               | 1.48               | 0.92               | 0.54                 | 0.46                | 0.31             | 0.25             | 0.25              |
| Return on equity (%)                                       | 19.95               | 6.84                | 15.32              | 21.74              | 11.27              | 6.89                 | 14.19               | 11.58            | 15.93            | -4.14             |
| Debt to equity (%)   | 8.96                | 10.02               | 9.01               | 13.49              | 18.39              | 29.70                | 37.3                | 51.8             | 60.0             | 86.7              |
| Dividend per share (Rs.)                                   |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| - Company  | 3.38                | -                   | 6.00               | 6.50               | 2.00               | -                    | 3.00                | 3.00             | 2.50             | -                 |
| Dividend payout ratio (times)                              |                     |                     |                    |                    |                    |                      |                     |                  |                  |                   |
| - Company  | 0.23                | -                   | 0.35               | 0.28               | 0.20               | -                    | 0.31                | 0.41             | 0.27             | -                 |

\* 15Month results, Restated - Statement of Financial Position

\*\* Restated - Statement of Profit or Loss

● Restated-EPS, Net assets per share & Dividend per share have been restated due to the sub division of issued ordinary shares.

## 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.

#### Harvest

Detachment of produce from a Biological Asset or the cessation of Biological Assets life processes.

#### 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.

#### Consumable Biological Assets

Includes managed timber trees those that are to be harvested as agricultural produce or sold as 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.

#### Shareholders' Funds

Total of stated capital, capital reserves and revenue reserves.

#### 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.

#### 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

#### 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.

#### EBIT

Abbreviation for Earnings Before Interest and Tax.

#### EBITDA

Abbreviation for Earnings Before Interest Tax Depreciation & Amortisation.

#### EBITDA Margin

EBITDA divided by Revenue.

#### 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.

#### 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).

#### Interest Cover

Consolidated profit before interest and tax over finance expenses.

#### IFRS

International Financial Reporting Standards.

#### SLFRS

Sri Lanka Financial Reporting Standards.

#### LKAS

Sri Lanka Accounting Standards.

#### SoRP

Statement of Recommended Practices.

#### 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.

## GLOSSARY

### 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.

### 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.

### RETIREMENT BENEFITS

#### 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.

#### 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.

#### 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.

### 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

The variability among living organisms from all sources including, among others, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.

#### Carbon Dioxide Sequestration

The capture of atmospheric carbon dioxide (CO<sub>2</sub>) in a solid material such as growing trees, other vegetation and soils or a carbon sink through biological or physical processes, such as photosynthesis.

#### Extent in bearing

The extent of land from which crop is being harvested. Also see "Mature Plantation".

#### 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.

#### Field

A unit extent of land. Estates are divided into fields in order to facilitate management.

### 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.

### 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).

### HACCP

Hazard Analysis Critical Control Point System. A Scientific system which identifies, evaluates and control hazards which are significant for food safety.

### Immature Plantation

The extent of plantation that is under development and is not being harvested.

### 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.

### ISO

International Organisation for Standardisation. A worldwide federation of national standard bodies.

### ISO 22000

International Standard for Food Safety Management Systems (FSMS) released by ISO in September 2005.

### Mature Plantation

The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

### Rainforest Alliance (RA)

The Rainforest Alliance functions as the Secretariat of the SAN and administers its certification scheme; RA works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behaviors.



### **Sustainable Agriculture Network (SAN)**

SAN is a coalition of independent non-profit 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.

### **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.

### **SDG**

United Nations Sustainable Development Goals

### **Seedling Tea**

Tea grown from a seed. (Also see VP Tea).

### **VP Tea**

Vegetatively Propagated tea. i.e. Tea grown from a cutting of a branch of tea plant. (Also see “Seedling”).

### **Yield**

The average crop per unit extent of land over a given period of time. (Usually kgs per hectare per year).

### **UNGC**

United Nation Global Compact

### **UTZ**

Means ‘good’ in Mayan Language Quiche. UTZ certified is a sustainability program for Coffee, Cocoa and tea. It trains farmers how to produce sustainably improving their quality of life, environment and products. UTZ certified is working towards making tea sector sustainable.

### **PHDT**

Plantation Human Development Trust

### **NIPM**

National Institute of Plantation Management

### **TRI**

Tea Research Institution.

### **NGRS**

National Green Reporting System - Sri Lanka.

### **ISO 26000 : 2010**

Social Responsibility Standard

### **ISO 14064-1:2018**

Greenhouse Gases Quantification and Reporting Standard

### **ISO 14001:2015**

Environmental Management System

### **ISO 9001:2015**

Quality Management System

### **ISO 50001:2018**

Energy Management System

### **GHG Emissions**

Greenhouse Gas Emissions

## 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 Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

### Directors

Mr. A M Pandithage - Chairman  
Mr. W G R Rajadurai -  
Managing Director  
Mr. S B Alawattegama -  
Chief Executive Officer  
Mr. Merrill J Fernando  
Mr. Malik J Fernando  
(Alternate - Mr. D C Fernando)  
Ms. M D A Perera  
Dr. N T Bogahalande  
Mr. S L Athukorala  
Mr. M H Jamaldeen  
Mr. J M Kariapperuma  
(Appointed w.e.f 15/08/2020)

### Managing Agent

Hayleys Plantation Services (Private)  
Limited, No. 400, Deans Road, Colombo  
10, Sri Lanka.

### Registered Office

No. 400, Deans Road, Colombo 10, Sri Lanka.

### Head Office

No. 400, Deans Road, Colombo 10,  
Sri Lanka.  
Telephone: (94-11) -2627754-5,  
2697203  
Fax : (94-11) -2627782  
e-mail: [tpl.tea@ttel.hayleys.com](mailto:tpl.tea@ttel.hayleys.com)  
website: [www.talawakelleteas.com](http://www.talawakelleteas.com)

### Secretaries

Hayleys Group Services (Private)  
Limited, No. 400, Deans Road, Colombo  
10, Sri Lanka.

### Subsidiaries

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

### Subsidiaries- Registered Office

No. 400, Deans Road, Colombo 10, Sri Lanka.

### Subsidiaries - Head Office

No. 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  
Deutsche Bank  
Union Bank of Colombo PLC  
DFCC Bank PLC  
Seylan Bank PLC

### Auditors

M/s Ernst & Young  
Chartered Accountants  
No. 201, De Saram Place, Colombo 10,  
Sri Lanka.

### Legal Advisors

M/s F J & G De Saram & Company  
Attorneys-at-Law  
No. 216, De Saram Place, Colombo 10,  
Sri Lanka.

### Tax Advisors

M/s Ernst & Young  
Chartered Accountants  
No. 201, De Saram Place, Colombo 10,  
Sri Lanka.

## NOTICE OF MEETING

Talawakelle Tea Estates PLC  
Company No. PQ 36

NOTICE IS HEREBY GIVEN that the Twenty Ninth Annual General Meeting of Talawakelle Tea Estates PLC will be held on Friday, 25th June 2021 at 2.30 p.m and the business to be brought before the Meeting will be:

- 1) To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31st March 2021, with the Report of the Auditors thereon.
- 2) To declare the dividend as recommended by the Directors.
- 3) To elect Mr. J M Kariapperuma, who has been appointed by the Board, since the last Annual General Meeting, a Director.
- 4) To re-elect Ms. M D A Perera, who retires by rotation at the Annual General Meeting, a Director.
- 5) To re-elect Dr. N T Bogahalanda, who retires by rotation at the Annual General Meeting, a Director.
- 6) To propose the following resolution as an ordinary resolution for the re-appointment of Mr. Merrill Joseph Fernando who retires, having attained the age of Ninety One years in compliance with Section 211 of the Companies Act No.07 of 2007.

### Ordinary Resolution

“That Mr. Merrill Joseph Fernando, who has attained the age of Ninety One years be and is hereby re-appointed 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 propose the following resolution as an ordinary resolution for the re-appointment of Mr. A M Pandithage who retires, having attained the age of Seventy years in compliance with Section 211 of the Companies Act No.07 of 2007.

### Ordinary Resolution

“That Mr. Abeyakumar Mohan Pandithage, who has attained the age of Seventy years be and is hereby re-appointed 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.”

- 8) To authorise the Directors to determine contributions to charities for the year 2021/22.
- 9) To authorise the Directors to determine the remuneration of the Auditors, Messrs Ernst & Young, who are deemed to have been re-appointed as Auditors for the financial year 2021/22 in terms of Section 158 of the Companies Act No.07 of 2007.
- 10) To consider any other business of which due notice has been given.

### Note :

1. 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 Registered Office, No.400, Deans Road, Colombo 10 by 2.30 p.m. on 23rd June , 2021 or emailed to [ttelagm@secretarial.hayleys.com](mailto:ttelagm@secretarial.hayleys.com) not less than 48 hours before the time fixed for the Meeting.
2. Please refer the Circular to shareholders dated 12th May 2021 and follow the instructions to join the meeting virtually.
3. In accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend on 28th June 2021 with regard to the Final Dividend.

By Order of the Board  
**TALAWAKELLE TEA ESTATES PLC**  
Hayleys Group Services (Private)  
Limited  
Secretaries

Colombo  
25th May, 2021

## NOTES

# FORM OF PROXY

TALAWAKELLE TEA ESTATES PLC

Company Number PQ 36

I/We\* ..... (full name of shareholder\*\*)

NIC No./Reg. No. of Shareholder (\*\*) ..... of

being Shareholder/Shareholders\* of TALAWAKELLE TEA ESTATES PLC hereby appoint:

(1) ..... (full name of proxyholder\*\*)

NIC No. of Proxyholder (\*\*) ..... of

..... or,

failing him/them

2. ABEYAKUMAR MOHAN PANDITHAGE (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our \* proxy to attend and vote as indicated hereunder for me/us\* and on my/our\* behalf at the Twenty Ninth Annual General Meeting of the Company to be held on Friday, 25th of June 2021 and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment thereof.

|   | For                      | Against                  |
|---|--------------------------|--------------------------|
| 1. To consider and adopt the Annual Report of the Directors and the Statements of Accounts for the year ended 31st March 2021 with the Report of the Auditors thereon.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare the dividend as recommended by the Directors.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To elect Mr. J.M.Kariapperuma, who has been appointed by the Board, since the last Annual General Meeting, a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect, Ms. M.D.A.Perera who retires by rotation at the Annual General Meeting, a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect, Dr. N.T.Bogahalanda, who retires by rotation at the Annual General Meeting, a Director.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To propose the ordinary resolution as set-out in the Notice for the re-appointment of Mr. Merrill J Fernando, who retires having attained the age of Ninety One years.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To propose the ordinary resolution as set-out in the Notice for the re-appointment of Mr. A.M.Pandithage, who retires having attained the age of Seventy years.  | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To authorise the Directors to determine contributions to charities for the financial Year 2021/22.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To authorise the Directors to determine the remuneration of the Auditors, Messrs. Ernst & Young, Chartered Accountants, who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No.07 of 2007 for the financial year 2021/22 | <input type="checkbox"/> | <input type="checkbox"/> |

(\*\*\*) The proxy may vote as he thinks fit on any other resolution brought before the Meeting of which due notice has been given

As witness my/our\* hands this ..... day of ..... 2021.

Witnesses : Signature : .....

Name : .....

Address : .....

NIC No : .....

Signature of Shareholder

## Notes:

(a) \* Please delete the inappropriate words.

(b) A shareholder entitled to attend and vote at the Annual General meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the company.

\*\* Full name of shareholder/proxy holder and their NIC Nos and Witness are mandatory. Your Proxy Form will be rejected if these details are not completed.

(c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.

(d) Instructions are noted on the reverse hereof.

(e) This Form of Proxy is in terms of the Articles of Association of the Company.



## FORM OF PROXY

### **INSTRUCTIONS AS TO COMPLETION:**

1. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, Hayleys Group Services (Pvt) Ltd at No.400, Deans Road, Colombo 10, Sri Lanka not less than 48 hours before the start of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all requested details are filled in legibly including mandatory details. Kindly Sign and fill in the date of signing.
3. If you wish to appoint a person other than the Chairman of the Company (or failing him, one of the Directors) as your proxy, please insert the relevant details at (1) overleaf. The proxy need not be a member of the Company.
4. Please indicate with an X in the space provided how your proxy is to vote on the resolutions. If no indication is given, the proxy in his discretion will vote as he thinks fit. Please also delete (\*\*\*) if you do not wish your proxy to vote as he thinks fit on any other resolution brought before the Meeting.
5. In the Case of a Company /Corporation the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association. In the case of the individual shareholders, the signature of the shareholder should be witnessed by any person over 18 years of age.
6. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.
7. In case of Marginal Trading Accounts (slash accounts), the form of Proxy should be signed by the respective authorised Fund Manager/Banker with whom the account is maintained.



