refreshing our journey

Tea Smallholder Factories PLC

Annual Report 2021/22

refreshing our journey

In true human spirit, anyone who undertakes a remarkable journey is guaranteed to find balance with a refreshing cup of Ceylon tea. Likewise, we at Tea Smallholder Factories believe in constantly refreshing the loyal partnerships we've fostered throughout our journey. Since 1991, we have marched forward as a quality producer of tea, cognisant of the fact that it's our people who have rendered us their compassion and resilience to create a future inspired by it. Today, we have refreshed our perspective of growth with a people-driven narrative, trusted to yield a prosperous future for us, and every stakeholder we share our vision with.

With a culture deeply rooted in resilience, we continued to support our tea small holders during the year through multiple initiatives aimed at reducing operating uncertainties. We have directed our strategic priorities to improve the quality of our products while exploring innovative means to strengthen relationships with our partners and workforce, whose loyalty has enabled us to deliver a cup of greatness every time.

Today, we are refreshing our journey, to begin a new tomorrow.

Contents

Financial Calendar

Interim Financial Statements

1st	Quarter	July	19, 2021
2nd	Quarter	October	28, 2021
3rd	Quarter	January	13, 2022
4th	Quarter	May	20, 2022

Meetings

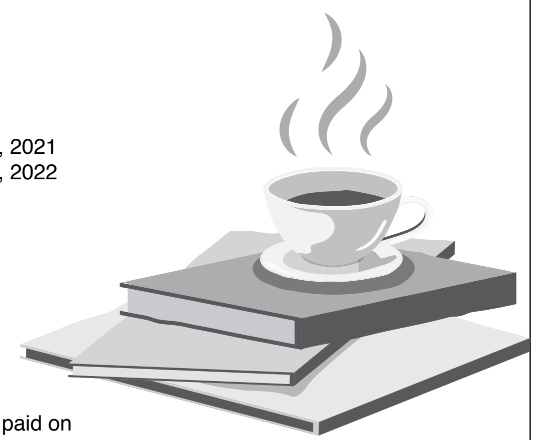
27th Annual General Meeting June 23, 2021
28th Annual General Meeting June 23, 2022

ANNUAL REPORTS

2020 / 2021	May	21, 2021
2021 / 2022	May	20, 2022

Dividends 2021 / 2022

Interim Dividend - Rs. 1.00 per share paid on April 05, 2022



About This Report

The Board of Directors along with the Management, is pleased to present the Annual Report of the Tea Smallholder Factories PLC for the financial year ended 31st March 2022. A transparent assessment of the Company's ability to create sustainable value in the long term has been presented through this report along with the information pertaining to the business model, governance, performance and risk management. Information contained in this report has been reviewed as applicable by the Board of Directors, Board Audit Committee of the Company, Independent Auditors and the Management Committee.

Scope and Boundaries

This report covers the operational activities of the Company, including the operations of our factories which are located in the low grown region, for the period from 1st April 2021 to 31st March 2022. There are no significant changes in the scope and boundaries.

Management Discussion and Analysis appearing from pages 19 to 40 identifies the activities and review of the performance of the Company.

The Financial Statements and the related notes, appearing from pages 84 to 130, are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by Chartered Accountants Sri Lanka and provides information on the financial reporting boundary of the Company. Independent assurance on the financial statements have been obtained from the External Auditors, M/s Ernst & Young, Chartered Accountants.

Reporting Standards and Principles

Regulatory Compliances	Voluntary Compliances
• The Companies Act No.7 of 2007 and regulations	• Code of Best Practice on Corporate Governance (2013)
• Listing Rules of the Colombo Stock Exchange (CSE)	• UK Corporate Governance Code
• Sri Lanka Financial Accounting and Reporting Standards (SLFRSs/LKASs)	
• Code of Best Practices on Related Party Transactions (2013)	

Feedback

We welcome your feedback and suggestions on our Annual Report as it will enable us to improve our reporting structure continuously. Please direct your feedback and inquires to;

Ms. K. D. Weerasinghe
Chief Financial Officer
Tea Smallholder Factories PLC
No. 4, Leyden Bastian Road,
Colombo 1.
E-mail: devika@keells.com

About Us

Tea Smallholder Factories PLC is registered as a Limited Liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 (re-registered under the Companies Act No. 07 of 2007) and is listed in the Colombo Stock Exchange under “Food, Beverage and Tobacco” Sector. The Company is a subsidiary of John Keells Holdings (JKH) PLC and is managed by John Keells Teas (Private) Limited, a fully owned subsidiary of JKH.

The Company operates six (6) tea factories in the low grown region of Sri Lanka and is located in the areas of Galle, Ratnapura and Ginigathhena. Karawita Tea Factory which was under Rathnapura region, was leased out on 08th November 2021. The principal business activity of the Company is processing green leaf procured from suppliers comprising of tea small holders and green leaf collectors and sale of processed black tea through the Colombo Tea Auction which is conducted by the Colombo Tea Traders’ Association [CTTA] under the aegis of the Ceylon Chamber of Commerce.

The registered office and principal place of business of the Company is located at No. 4, Leyden Bastian Road, Colombo 1, Sri Lanka.

Vision

To be the best managed bought leaf processing company in Sri Lanka and to contribute to the socio-economic growth of the country

Mission

To be recognised as a leading manufacturer and seller of quality tea, to improve the economic well-being of tea small holders and to make a positive contribution to all our stakeholders

Our Goals

- Enhancing the quality of the product, to achieve the best gross sale averages in the respective regions as well as nationally
- To introduce / improve machinery components in the manufacture, which while reducing costs, will ensure better management in key areas of the process
- To automate selected processes in manufacture
- To increase productivity of our workforce in order to reduce cost of manufacture
- Training of the workforce in order to improve their knowledge, skills and attitudes
- To improve Management Information Systems of the Company

Our Factories

Our factories, during the financial year 2021/2022 purchased green leaf from a supplier base of over nine thousand seven hundred (9,700) suppliers.

GALLE REGION

4 FACTORIES

TOTAL ANNUAL CAPACITY

3.73Mn kilograms

CATERS TO A TOTAL OF

4,337

GREEN LEAF SUPPLIERS

NELUWA TEA FACTORY

ANNUAL PRODUCTION CAPACITY

883,000KG

REGISTERED GREEN LEAF SUPPLIERS

1,486

Type of Manufacture -
LOW GROWN ORTHODOX AND CTC

HALWITIGALA TEA FACTORY

ANNUAL PRODUCTION CAPACITY

888,000KG

REGISTERED GREEN LEAF SUPPLIERS

836

Type of Manufacture -
LOW GROWN ORTHODOX

HINGALGODA TEA FACTORY

ANNUAL PRODUCTION CAPACITY

1,075,000KG

REGISTERED GREEN LEAF SUPPLIERS

1,022

Type of Manufacture -
LOW GROWN ORTHODOX AND CTC

KURUPANAWA TEA FACTORY

ANNUAL PRODUCTION CAPACITY

888,000KG

REGISTERED GREEN LEAF SUPPLIERS

993

Type of Manufacture -
LOW GROWN ORTHODOX

NUWARA ELIYA REGION

1 FACTORY

TOTAL ANNUAL CAPACITY

0.95 Mn kilograms

CATERS TO A TOTAL OF

3,912

GREEN LEAF SUPPLIERS

BROADLANDS TEA FACTORY

ANNUAL PRODUCTION CAPACITY

952,000KG

REGISTERED GREEN LEAF SUPPLIERS

3,912

Type of Manufacture -
LOW GROWN ORTHODOX

RATNAPURA REGION

2 FACTORIES

TOTAL ANNUAL CAPACITY

2.41 Mn kilograms

CATERS TO A TOTAL OF

1,451

GREEN LEAF SUPPLIERS

NEW PANAWENNA TEA FACTORY

ANNUAL PRODUCTION CAPACITY

1,115,000KG

REGISTERED GREEN LEAF SUPPLIERS

1,451

Type of Manufacture -
LOW GROWN ORTHODOX

KARAWITA TEA FACTORY

ANNUAL PRODUCTION CAPACITY

1,294,000KG

Leased out on **08TH NOVEMBER 2021**

Type of Manufacture -
LOW GROWN ORTHODOX AND CTC

Certifications awarded confirm our commitment to preservation of human rights, the environment, and our processes and procedures pertaining to the quality of our produce.

Milestones

1991

Incorporation of Tea Smallholder Factories Limited (TSFL) under the provisions of the Conversion of Public Corporations and Government Owned Business Undertakings to Public Companies Act No. 23 of 1987.

1994

Divesting of 51% of the shares of TSFL by Secretary to the Treasury to a Consortium comprising of John Keells Holdings Limited, Central Finance Company Limited and National Development Bank of Sri Lanka.

1996

Divesting of 19% and 20% shares to registered tea small holders of the Company and the general public respectively. Gifting of the balance 10% of the shares to employees of the Company.

1999

Construction of a new automated tea factory.

2000

Construction of a Warehouse at Peliyagoda.

2003

Hingalgoda tea factory was awarded the "Specialty Tea of the Year" award for manufacturing quality CTC teas by the Colombo Tea Traders' Association.

2006

The Company received two awards of "Excellence for Outstanding Performance" at the Specialty Tea of the Year 2006 conducted by the Colombo Tea Traders' Association.

2008

The Company was honoured at the launch of the 2008 – 2012 National Plantations Development Programme in recognition of achieving ISO 22000 : 2005 / HACCP certification for its factories.

2010

The Company won the Silver Flame Award in the Manufacturing Sector at the Sri Lanka National Energy Efficiency Awards.

2011

A project was launched to assist tea small holders to replant their lands which continues to date.

2012

Hingalgoda tea factory was adjudged "Best Tea Factory (Medium Scale)" in the Galle Region at the National Plantation Awards.

2015

The Company recorded the highest price per kilogram at the Colombo Tea Auction in comparison with all institutions in the category of sale "Low Grown."

2016

The Company invested in automating the green leaf and fired tea weighing process at New Panawenna and Karawita tea factories.

2017

The Company achieved all-time record prices for CTC tea at the Colombo Tea Auction.

Hingalgoda and Neluwa factories were adjudged second and third best factories (Medium Scale) in the Galle Region for their performances at the National Tea Awards Ceremony organised by the Sri Lanka Tea Board.

2018

Hingalgoda Tea Factory achieved the highest average for CTC teas in 2018.

The sale average of Tea Smallholder Factories PLC was the second highest recorded by institutions that markets its teas in the low grown category, as published by the Sri Lanka Tea Board.

2019

Hingalgoda Tea Factory was adjudged as the best CTC (Crush Tear and Curl) Producer Island-Wide in 2019 at the Annual General Meeting of the Tea Exporters Association of Sri Lanka.

Hingalgoda Tea Factory achieved an all-time record price at the weekly tea auction on 10th December 2019 by securing an attractive price of Rs.1,100 per kg for a PF1 grade in the Low Grown CTC category.

2020

The Company invested on a new CTC line at Neluwa Tea Factory

Performance Highlights

Financial Highlights		2021/2022	2020/2021	2019/2020
Key Performance Indicators				
Production	Kg. '000	2,966	3,631	3,438
Net Sale Average	Rs. / kg	653.67	664.54	578.93
Premium over Low Grown Elevation Average	%	(0.70)	0.89	2.69
Result of the Year				
Revenue from Contracts with Customers	Rs.000s	2,018,797	2,346,224	2,109,139
Profit Before Tax (PBT)	Rs.000s	22,657	78,589	30,938
Profit After Tax (PAT)	Rs.000s	15,311	66,544	104,086
Earnings per Share (EPS)	Rs.	0.51	2.22	3.47
Dividend Paid	Rs.000s	30,000	45,000	51,000
Return on Assets	%	0.8	3.9	6.3
EPS Growth	%	(77)	(36)	103
Price Earning Ratio	times	53.1	18.5	5.5
Interest Cover	times	840.15	995.8	8.4
Pre-tax Return on Capital Employed (Pre-tax ROCE)	%	1.5	5.5	2.6
Return on Equity (ROE)	%	1.0	4.6	7.7
Financial Position at the Year End				
Total Assets	Rs.000s	1,883,609	1,771,314	1,644,202
Total Equity	Rs.000s	1,515,671	1,447,724	1,418,885
Net Current Assets	Rs.000s	326,694	338,495	293,749
Current Liabilities	Rs.000s	218,809	178,526	90,008
Non Current Liabilities	Rs.000s	149,129	145,064	135,309
Capital Employed	Rs.000s	1,517,754	1,447,724	1,419,388
Market / Shareholder Information				
No. of Shares in Issue	000s	30,000	30,000	30,000
Net Assets per Share	Rs.	50.52	48.26	47.30
Market Price per Share - End March	Rs.	27.10	41.00	19.10
Debt / Equity	times	0.00	0.00	0.00
Market Capitalisation	Rs.000s	813,000	1,230,000	573,000
Annual Turnover Growth	%	(13.96)	11.24	(2.86)
Current Ratio	times	2.49	2.90	4.26
Quick Asset Ratio	times	1.39	1.48	2.24
Gross Turnover per Employee	Rs.	4,972	4,730	3,700
Dividend per Share	Rs.	1.00	1.50	1.70
Dividend Payout	%	195.9	67.6	49.0
Dividend Yield	%	3.69	3.66	8.90
Market Value Added	Rs.000s	(702,894)	(217,722)	(845,885)

FINANCIAL

PBT

Rs. 22.66 Mn

2021 - Rs.78.59 Mn

CASH & CASH EQUIVALENT

Rs. 218.29 Mn

2021 - Rs.191.55 Mn

SUPPLIERS

GREEN LEAF SUPPLIERS

9,700

2021 - 11,526

GREEN LEAF

14.47 Mn kg

2021 - 17.71 Mn kg

NATURAL

WATER CONSUMPTION

8,872 m^3

2021 - 10,436 m^3

ENERGY CONSUMPTION

31,075 GJ

2021 - 35,067 GJ

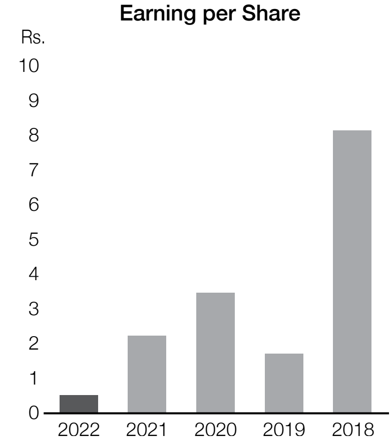
EMPLOYEES

TOTAL EMPLOYEES

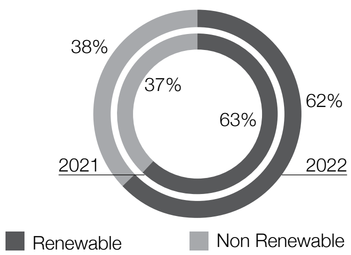
404

2021 - 496

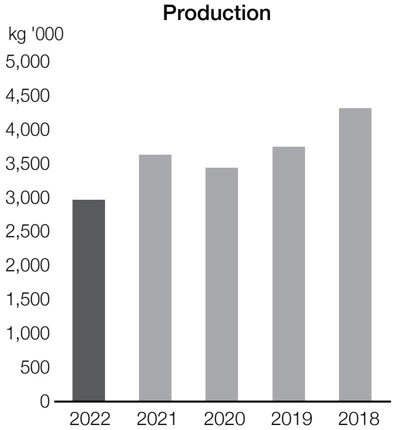
Earning per Share



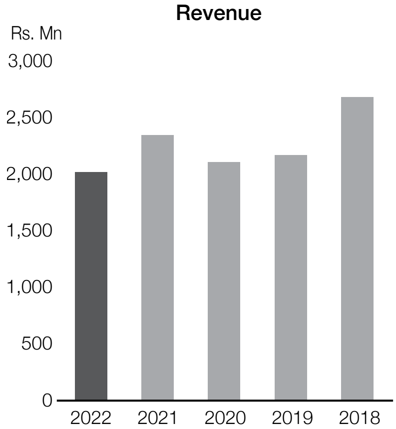
Energy Usage



Production



Revenue



Chairman's Message

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Tea Smallholder Factories PLC (TSF PLC) for the year ended 31st March 2022. The Company demonstrated agility and resilience amidst unprecedented challenges and volatility experienced while fulfilling its commitments to internal and external stakeholders.

Sri Lankan Macroeconomic Environment Overview

The COVID-19 pandemic continued to be of concern for the country and the Company during the year under review. As new variants of the virus spread globally, economies continued to slowdown and the Sri Lankan Government also implemented intermittent lockdowns during the first half of FY 2021/22 as a measure to curtail the spread of the virus within the country. The successful vaccination drive, together with the health and safety protocols enabled the re-opening of the economy during the latter part of the year. However, the last quarter of the financial year was characterised by significant macroeconomic challenges, including the steep depreciation of the Sri Lankan Rupee, high inflation levels, and depleting foreign currency reserves.

In this backdrop, the Sri Lankan economy grew in real terms by 3.7 per cent compared to the 3.6 per cent contraction recorded in 2020. The agriculture, forestry and fishing sector recorded a 2 per cent growth compared to the 2.9 per cent contraction recorded in 2020, the industry sector grew by 5.3 per cent compared to the 7.3 per cent contraction experienced in the previous calendar year, and the services sector grew by 3 per cent compared to the decline of 1.9 per cent in 2020.

Performance of the Sri Lankan Tea industry

Sri Lanka's tea industry recorded a decline in production by 3 per cent to 288 million kilograms for the financial year 2021/22 compared to 298 million kilograms recorded in the financial year 2020/21. The total export volumes increased marginally by 1.4 per cent to 280 million kilograms in 2021/22 compared to the 276 million kilograms exported in 2020/21.

The Sri Lankan tea industry performed well in the first half of the financial year 2021/22, with crop production increasing across all elevations, supported by the conducive weather patterns. The second half of the financial year was a challenge for the industry as the ban on inorganic fertiliser imports, rising wage rates, trade union actions, and the slower than expected macroeconomic recovery increased costs of production and caused difficulties in importing supplemental items for the smooth operations of the industry.

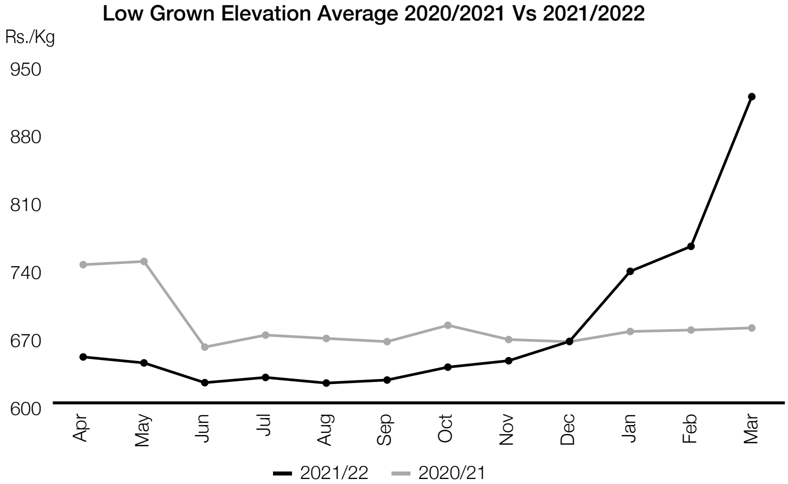
The increased supply in the first half of the financial year impacted auction average prices which recorded declines compared to the similar period in the financial year 2020/21. However, with the drop in production from the 2nd half of the financial year together with the depreciation of the Sri Lankan rupee had a positive impact on auction prices which recorded considerable increases by the end of the fourth quarter.

Performance of the Company

The challenges faced by the tea industry in terms of lower production, reduced leaf quality and increased cost of production impacted the Company's performance during the year under review.

The fertiliser ban implemented by the government coupled with the removal of the fertiliser subsidy led to a substantial decline in fertiliser applications by small holders affecting crop production and quality of leaf towards the 2nd half of the financial year. The Company's made tea production reduced by 18% to 2.97 Mn kgs during the FY 2021/22. However, to circumvent quality issues and maintain the quality of tea, the Company paid a premium to select better quality leaf and upgraded its machinery to improve efficiency. By closely monitoring market demand dynamics, the grade mix of teas were changed to cater to key source markets which facilitated the Company's better performance in the fourth quarter. TSF also managed the impact of fuel shortages and power cuts by proactively securing fuel stocks which enabled continued operations with minimal disruptions.

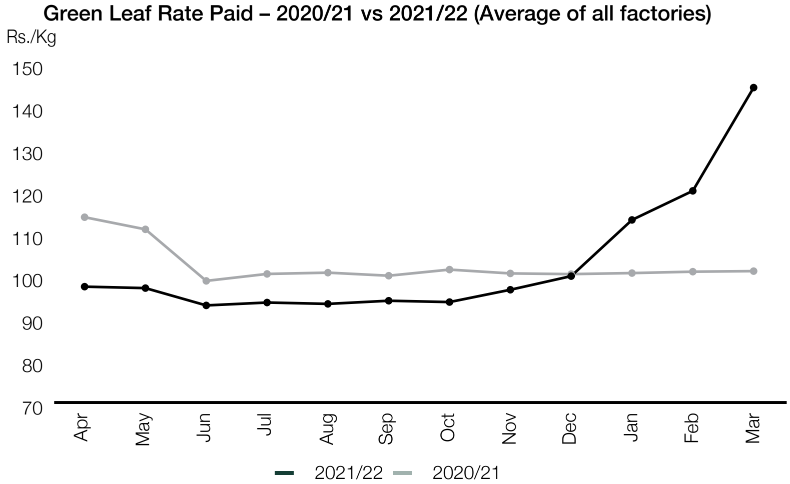
Low Grown Elevation Average 2020/2021 Vs 2021/2022



With a focus on improving green leaf quality, the Company continued to work closely with tea small holder suppliers to improve processes and share innovative and new agricultural practices. TSF also endeavoured to assist small holder suppliers by offering loan facilities to enable regular fertiliser applications to ensure production of higher quality and quantity of green leaf. The Company continued its strategy of purchasing green leaf directly from small holder suppliers, where possible, to enable maintaining price levels. As a result, our factories achieved 89 top prices inclusive of four all-time record prices during the year under review.

The Company procured 14.47 Mn kgs of green leaf from a total of 9,700 small holders during the year under review. Of these, 7,836 were direct suppliers and 1,864 were indirect suppliers. The total payment to green leaf suppliers was Rs. 1.47 Bn in the year under review. The highest purchase price for green leaf was paid to Neluwa Tea Factory at Rs. 150.23 per kg. The average price paid for green leaf purchases during the year under review was Rs. 101.41 per kg.

Green Leaf Rate Paid – 2020/21 vs 2021/22 (Average of all factories)



The Company's revenue was impacted by the reduced volumes of tea available for sale and the steep drop in prices between April and November 2021. However, prices increased by the end of December reversing the declining trend which continued its upward momentum for the rest of the financial year. The gross sale average reduced by 2% to Rs. 671.15 per kg during the FY 2021/22 compared to Rs. 684.61 per kg recorded in the previous financial year. Total revenue fell by 14% to Rs. 2.02 Bn in the year under review compared to the 11.24% increase to Rs. 2.35 Bn recorded in FY 2020/21.

The Government's mandated increase in minimum wages to plantation sector workers had an impact of over Rs. 60 Mn during the FY 2021/2022, which increased the total production costs by 7% to Rs. 287 Mn compared to the previous financial year. The Karawita factory, which operated at a loss during the past, was leased out in November

Chairman's Message

2021, in line with TSF's strategy to remain sustainable in the longer term. TSF also continued to implement cost control measures and has put in place stringent monitoring processes to manage costs.

The above factors contributed to the reduction in the Company's profitability during the year under review. However, the depreciation of the Sri Lankan rupee against the US dollar during the last quarter of the financial year, coupled with strategies to improve premiums, resulted in increased prices and revenues, enabling TSF to record a profit of Rs. 71.20 Mn in the fourth quarter as against the Rs. 48.54 Mn cumulative loss recorded for the first three quarters of FY 2021/22. Accordingly, the Company's profit before tax recorded a decline of 71% to Rs. 22.66 Mn compared to the Rs. 78.59 Mn recorded in the previous financial year.

Supporting Tea Small Holder Partners

TSF remained committed to our efforts to support tea small holders during the year under review. Considering the need to assist small holders, TSF continued to share information on best agricultural practices, and as an additional support to avert the pressure on their livelihoods, facilitated fertiliser distribution through an installment scheme.

The Company continued with small holder extension services completing the eight replanting project despite the intermittent lockdowns experienced. The ninth replanting project comprising of 20 acres progressed well in the year under review. The Company's replanting initiatives include a total of 255 acres of land involving 371 small holders who have benefited and achieved success over the years.

The Company is also committed to expanding the "block infilling of tea" operations in vacant areas of small holder lands, year-on-year. The faster turnaround to revenue generation of this process has increased in popularity, especially in the current operating context, with more small holder partners opting for this option. Consequently, TSF commenced a new block infilling operation in the year under review for 80,500 tea plants infilled in 88 small holder blocks.

Creating Value for Employees

Our employees remain an integral part of our business success. The Company continued to engage with our employees, and despite the various challenges, efforts were focused on motivating the teams to carry out their work in an efficient and responsible manner. We continued to reward our employees fairly, offered training and development opportunities and prioritised their health and well-being in all instances.

Creating Value for the Community

The Company has aligned itself with several Sustainable Development Goals (SDGs) as set out by the United Nations. In our efforts to create greater value for the community, TSF sponsored and implemented several projects to improve the health and safety of our community members. We provided drinking water to flood victims, cleaned 29 wells in seven villages that were contaminated due to floods, organised blood donation campaigns, conducted a first aid training for school children near our New Panawenna Tea Factory, and led several programmes to increase awareness of the best practices for dengue prevention. We also supported the Morothotiyawatte School in Morahengama, Hatton to offer better facilities to children.

Outlook

The tea industry forecast is positive in terms of increasing demand for tea by consumers as COVID-19 impacts decline and international markets open for trade. The devaluation of the Sri Lankan rupee is also a positive for the Sri Lankan tea industry. Nevertheless, the prevailing macroeconomic challenges as well as industry specific factors in terms of increasing production costs and rising material costs, as well as climate change which makes weather patterns very unpredictable, will continue to impact tea production and prices. Furthermore, from the price perspective, lower crop levels coupled with the depreciating rupee against the US dollar could lead to increasing prices, supporting average Ceylon Tea prices to remain on the higher side.

The Russian/Ukraine war which began in the last quarter of the current financial year could be a concern as these two nations purchase large quantities of Ceylon Tea. Any issues in supply chains and delays in payments could be a challenge to manage and could reduce the Sri Lankan tea industry's export volumes and earnings from these nations in the coming financial year.

While these challenges abound, the Company will continue to remain proactive in adopting cost controlling measures and enhancing efficiencies in the tea production process. We will also consistently interact and communicate with small holder partners and further build on the respectful and trustworthy relationships built over time to generate advantages for both the Company and small holders. TSF plans to increase the focus on our activities to build loyalty and stronger relationships with stakeholders in the coming years.

Acknowledgments

I take this opportunity to convey my appreciation to the Board of Directors, for their continued support and guidance. I thank Mr Harish Wanasinghe, the outgoing Chief Executive Officer of the Company who retired in December 2021 for his dedication to TSF over the years in making the Company a growing sustainable entity. I welcome onboard Mr Romesh Walpola who joined the Company on 01st January 2022 and wish him every success in the coming years. I also thank the TSF team for their commitment and dedication to overcoming the numerous challenges faced during the year. On behalf of the Board of Directors and the Company's management, I thank all our other stakeholders - our small holder partners, buyers, brokers, bankers, regulators, and shareholders for their continued support, trust, and loyalty in TSF.

K. N. J. Balendra
Chairman

20th May 2022

Board of Directors

Krishan Balendra

Chairman / Non Independent, Non Executive Director

(Member of the Board since 2017)

Board Sub-Committees:

Member of Nominations Committee and Project Risk Assessment Committee of John Keells Holdings PLC.

Skills and Experience:

Krishan Balendra is the Chairman of John Keells Holdings PLC. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. He started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He holds a law degree (LLB) from the University of London and an MBA from INSEAD.

Other Current Appointments:

Listed Companies:

Chairman of John Keells Holding PLC and Chairman of many listed companies in the John Keells Group.

Others:

He is the Deputy Vice Chairman of the Ceylon Chamber of Commerce and also the Hon. Consul General of the Republic of Poland in Sri Lanka. He is the Chairman of many unlisted companies in the John Keells Group.

Gihan Cooray

Deputy Chairman

Non Independent, Non Executive Director

(Member of the Board since 2017)

Board Sub-Committees:

Member of Project Risk Assessment Committee of John Keells Holdings PLC.

Skills and Experience

Gihan Cooray is the Deputy Chairman/ Group Finance Director and has an overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology function and Corporate communications. He holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK

Other Current Appointments

Listed Companies:

He is the Chairman of Nations Trust Bank PLC and Director of many listed companies in the John Keells Group.

Others:

He is a Director of many unlisted companies in the John Keells Group.

Zafir Hashim

Non Independent, Non Executive Director

(Member of the Board since 2021)

Board Sub-Committees:

None

Skills and Experience

Zafir Hashim joined the Group in 2003, seconded to Lanka Marine Services where he served as CEO from 2005-2015. He has also served as a member of the Transportation Sector Committee from 2005. During the last 18 years, he has held the position of CEO at John Keells Logistics Lanka Ltd for a brief period, and Mackinnon Mackenzie Shipping Co. Ltd., Mack International Freight (Pvt) Ltd and Mackinnons Travels (Pvt) Ltd. He holds an MSc in Chemical Engineering from the University of Birmingham (UK).

Other Current Appointments

Listed Companies:

He is a Director of John Keells PLC

Others:

Sector Head of the Transportation and Plantation Services Industry groups.

Eranjith Wijenaike

Non Independent, Non Executive Director

(Member of the Board since 2000)

Board Sub-Committees:

None

Skills and Experience

Eranjith Wijenaike serves as the Managing Director of Central Finance Company PLC and has been a member of the Board since 1st April 1983. He holds a Bachelor's Degree in Commerce and a Postgraduate Diploma in Finance and Management.

Other Current Appointments

Listed Companies:

Non Executive Director of Equity One PLC, Equity Two PLC, and Central Industries PLC. Managing Director of Central Finance Company PLC.

Arjuna Gunaratne

Non Independent, Non Executive Director

(Member of the Board since 2018)

Board Sub-Committees:

Member of the Board Audit Committee

Skills and Experience

Arjuna Gunaratne serves as an Executive Director at Central Finance Company PLC. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants of UK. He also served as the Chairman at Nations Trust Bank PLC

Other Current Appointments

Listed Companies:

He is the Deputy Managing Director of Central Finance Company PLC and an Executive Director at Central Industries PLC

Others:

Director of many unlisted companies within the Central Finance Group

Ananda Jayatilleka

Independent, Non-Executive Director

(Member of the Board since 2005)

Board Sub-Committees:

Member of the Board Audit Committee

Skills and Experience

Ananda Jayatilleka is a specialist in Rubber Technology and Industrial Engineering, a Licentiate of the Institute of Plastics and Rubber Industry (L.P.R.I-(London)) and a Fellow of the Institute of the Work Study and Organization and Methods (F.M.S. (UK)). He has been a Director of Richard Pieris & Co. Ltd with a long service of 27 years in the group and was instrumental in setting up of Richard Pieris Exports PLC and served as its Managing Director for over 15 years. He also served on the Boards of Kegalle & Maskeliya Plantations PLC and Aviva Global Services (Pvt) Ltd. His vast experience also includes work in Zambia Consolidated Copper Mines and Pigott Maskew Ltd (Subsidiary of General Tire - South Africa). He founded Latex Green Pvt Ltd a BOI company manufacturing Latex Mattresses for export and served as its CEO for 12 years.

He is a recipient of the merit certificate awarded by the Plastics and Rubber Institute (PRI) of Sri Lanka for the outstanding contribution made to the Rubber Industry of Sri Lanka.

Other Current Appointments

Listed Companies:

- Non-Executive Director at Hayleys Fabric PLC
- Non-Executive Director of Unisyst Engineering PLC (Alufab) under the Hayleys Group

Shanthi Kumar Lalith Obeyesekere

Independent, Non Executive Director

(Member of the Board since 2018)

Board Sub-Committees:

Member of the Board Audit Committee

Skills and Experience

Lalith Obeyesekere functioned as the Chief Executive Officer of two RPCs over a period of 27 years since privatisation of plantations and the formation of Regional Plantation Companies. He is a Fellow of the National Institute of Plantation Management in Sri Lanka and is counting over 45 years' experience in the industry. He is a past Chairman of the Planters' Association of Ceylon and the Plantation Services Group of the Employers Federation of Ceylon. He served as an elected member of the Ceylon Rubber Traders' Association and the Ceylon Tea Traders Association. He has also served on the Boards of Sri Lanka Tea Board, Tea Research Institute, Sri Lanka State Plantations Corporation, Madulsima Plantations PLC and Balangoda Plantations PLC.

Other Current Appointments

- Secretary General – The Planters' Association of Ceylon
- Director – National Institute of Plantation Management
- Director – Ceylon Tea Museum
- Director – Plantation Housing Development Trust
- Member – National Labour Advisory Council
- Council Member – Employers' Federation of Ceylon
- Member – Tea/Rubber/Coconut Wages Boards

Aruni Goonetilleke

Independent, Non-Executive Director

(Member of the Board since 2020)

Board Sub-Committees:

Chairperson of the Board Audit Committee

Skills and Experience

Aruni Goonetilleke serves as the Chairperson of Hatton National Bank PLC and is a financial services expert with over twenty-five years of experience in local and international banks. She has held the positions of Head of Corporate Banking at People's Bank, Head of Credit, Commercial Banking at Standard Chartered Bank, Singapore, Chief Risk Officer at Standard Chartered Bank, Sri Lanka and Senior Audit Manager, Group Audit at Standard Chartered Bank, Singapore. She holds a Master's in Law from the Harvard Law School, Harvard University, USA and a Bachelor's in Law (Honours) from the Faculty of Law, University of Colombo.

Other Current Appointments

Listed Companies:

She serves on the Boards of Hatton National Bank PLC, Softlogic Finance PLC and Goodhope Asia Holdings Ltd as a Non- Executive Director.

Others:

Non- Executive Director at Eswaran Brothers Exports Pvt Limited and Board of Trustees, The Overseas School of Colombo.

Management Team

Senior Management

R. H. Walpola
Chief Executive Officer / Vice President

K. D. Weerasinghe
Chief Financial Officer / Executive Vice President

S. I. S. Dissanayake
Head of Operations / Assistant Vice President

M. R. Ahamed
Financial Controller

D. M. S. S. Devapriya
Manager - Engineer

Factory Managers

B. W. T. Nadeeshana
Superintendent - Neluwa Tea Factory

H. L. T. De Silva
Superintendent - Hingalgoda Tea Factory

M. D. K. C. Hathurusingha
Superintendent - Kurupanawa Tea Factory

W. M. A. K. Weerasinghe
Superintendent - New Panawenna Tea Factory

E. M. W. N. Weerasinghe
Superintendent - Broadlands Tea Factory

Remain Stronger Together

MANAGEMENT DISCUSSION AND ANALYSIS

Global & Sri Lankan Economy Overview

The year 2021 began with mixed sentiments as the emergence of new variants of the SARS-CoV-2 virus continued to impact social interactions and business operations. However, the development and implementation of the vaccine drive across the nation reduced the severity and supported the declining influence of the COVID-19 pandemic outbreak. Nevertheless, the prolonged impact of the COVID-19 pandemic together with the emergence of new variants impacted economic activity and restrictions on travel across several nations, creating a slowdown in global and local economic growth.

Global Economic Overview

The global economy grew by 5.9% according to the International Monetary Fund (IMF) supported by policy measures and the availability of vaccines. The slower than expected growth is mainly attributed to the emergence and spread of the Delta and Omicron variants of the virus prolonging uncertainties and requiring nations to reimpose pandemic-related restrictions on mobility and social interactions. The Omicron variant further disrupted financial market operations, increasing volatility at the end of 2021. Advanced economies did not perform as per expectation as supply chain disruptions continued to impact economic activity, especially in Europe, which recorded sudden increases in COVID -19 cases towards the end of 2021. The recovery from the pandemic impacts remained a challenge for low-income developing countries and this too contributed to further impeding global economic recovery in 2021. China also recorded a slower economic recovery than expected, as the emergence of variants resulted in declining real estate investments, interrupted industrial production, and a faster-than-expected withdrawal of public investment in the second half of 2021. Commodity-exporting emerging markets and developing economies were the main contributors to global economic growth.

Prices of fossil fuels which nearly doubled in 2021 resulted in increased costs of energy and production. Rising inflation was a concern globally, as commodity prices increased and disparities in supply and demand continued due to the pandemic. Inflation also caused rising food prices across many countries. This trend is expected to continue into 2022, especially as the war in Ukraine is expected to worsen economic growth prospects and result in an overall decline in global economic growth in 2022.

Sri Lankan Economic Overview

The Sri Lankan economy which was severely impacted by the outbreak of the COVID-19 pandemic recovered in 2021, with economic growth of 3.7% compared to the 3.6% contraction recorded in 2020. All economic sectors experienced growth in real terms in 2021 compared to the contraction recorded in 2020. The agriculture, forestry, and fishing sectors grew by 2% and the industry sector grew by 5.3%, while the services sector recorded a 3% growth. The slow uptake in international tourism as variants of COVID-19 emerged globally together, with the renewed restrictions in place continued to impact the tourism industry, contributing to the subdued growth of the services sector compared to pre-pandemic levels.

Economic growth was supported by favourable policies adopted by the government and the Central Bank of Sri Lanka (CBSL) to dampen the impact of the pandemic. The CBSL was heavily involved in putting in place economic safeguards due to the dual issues of the absence of adequate policy space and slow response from the fiscal sector. Both private and the public sectors benefited from the monetary policy easing, generous liquidity provisions to the markets and the government, and the adoption of several policies for the external and financial sectors. Resultantly, low-cost funds were available for working capital requirements and investments supporting businesses to remain viable while ensuring the uninterrupted delivery of public services, utilities, and goods and services to the country's people and supply chains.

However, the increasing pressure on the Sri Lankan rupee due to reducing liquidity levels in the domestic foreign exchange markets impacted the price of goods and services which sharply rose. Foreign exchange shortages were also observed leading to import restrictions and a shortage in the availability of goods and services. Much of this was due to the inability to retract the extraordinary policy measures implemented during the peak of the pandemic outbreak. This also resulted in inadvertent effects on macroeconomic stability in the latter part of 2021 which together with the innate long-standing structural problems and vulnerabilities caused unprecedented socio-political tension in the early part of 2022.

Growth was observed in the gross domestic product (GDP) in 2021, both in terms of the current market and constant prices. The GDP at constant prices grew by 3.7% to Rs. 9,881.4 billion compared to the 3.6% contraction recorded in 2020. The GDP at current market prices increased by 11.9% to approximately Rs. 16,809.3 billion in 2021 compared to 2020.

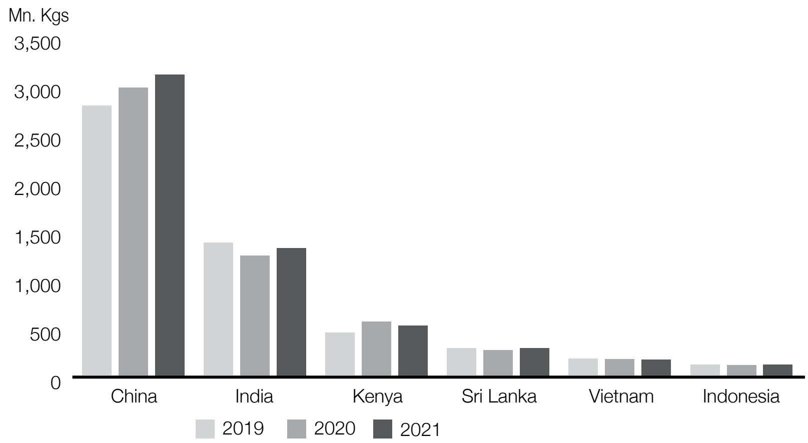
The external sector continued to be faced with several challenges leading to a further widening of the current account deficit from US dollars 1.2 billion in 2020 (1.5% of GDP) to US dollars 3.3 billion in 2021 (4% of GDP). Gross official reserves (GOR) also sharply declined with large debt servicing requirements and the significant depreciation of the Sri Lanka rupee.

Both core and headline inflation accelerated in 2021 resulting in rising prices. Global and domestic supply-side disturbances, increasing global commodity prices, and upward revisions to administered prices together with the depreciation of the Sri Lankan rupee were key contributing factors. Headline inflation as per the NCPI was recorded at 14% by the end of 2021 compared to 4.6% at the end of 2020, while based on the CCPI accelerated to 12.1% by the end of 2021 compared to 4.2% by the end of 2020. Core inflation based on NCPI increased by 10.8% by the end of 2021 compared to 4.7% at the end of 2020, while CCPI based core inflation increased to 8.3% by the end of 2021 compared to 3.5% recorded at the end of 2020.

Tea Industry Overview

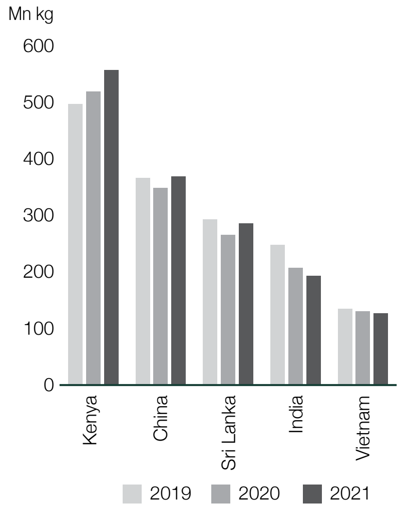
Overview of the Global Tea Industry

The global tea industry performance experienced growth in 2021 compared to 2020, mainly due to the easing of the COVID-19 pandemic impacts and re-opening of economies for business as usual. Overall global tea production, export volumes, and demand for tea increased in 2021 and tea-producing nations rejoiced at the revival of the industry which experienced a setback in 2020 due to the outbreak of the pandemic.



Tea Production

The year 2021 was favourable for the global tea industry with production increasing in major tea producing nations. Total tea production increased by 3.6% in 2021 amounting to 5,826 Mn kgs compared to 5,624 Mn kgs produced in 2020. The reducing impact of the COVID-19 pandemic on normal economic activities coupled with favourable weather conditions supported production increases. Unlike China, India, and Sri Lanka; Kenya experienced a decline in tea production by 6.57% compared to the rise in production recorded in 2020. The unfavourable weather in that part of the world was the key contributor to lower production in Kenya, with this trend being experienced by several other African tea producing nations. China continued to hold its position as the largest global tea producing nation, recording an increase of 4.5% to 3,120 Mn kgs in 2021. India retained its position as the second-largest tea producing nation with a total production quantity of 1,093 Mn kgs. Despite the fall in production, Kenya retained its third-place position producing 533 Mn kgs of tea in 2021, while Sri Lanka regained its fourth-place position with an increase of 7.3% in production in 2021.



Tea Exports

The increase in demand for tea together with the re-opening of economies as the COVID-19 pandemic spread was controlled, resulted in increasing demand for tea. As such, global tea export volumes increased by 7.3% to 1,560 Mn kgs in 2021 compared to 1,674 Mn kgs in 2020. The increased volumes available for export were also supported by higher tea production levels globally. Kenya continues to be the leading exporter of tea with export volumes increasing by 7.3% to 557 Mn kgs in 2021 compared to 518.9 Mn kgs in 2020. China and Sri Lanka retained the second and third place as high quantity tea exporting nations. Both countries recorded an increase in tea exports in 2021, with China's exports increasing by 5.9% to 369.3 Mn kgs. From a regional perspective, Asia remains the leading tea exporter worldwide followed by the African continent.

Performance of Tea Auctions

The continued transformation of tea auctions from the traditional outcry system to the innovative online auction platforms supported the industry growth and uninterrupted supply of tea in the year under review. This increased demand for tea, resulted in a positive impact on global tea auction volumes sold which recorded an upward momentum in 2021. However, the increased production and the access to tea by importers as the year progressed, reduced the average auction prices recorded in CY 2021 compared to CY 2020. Furthermore, while auction prices increased in the first quarter of 2021, the global tea average auction prices recorded a falling trend in 2021 and most worldwide auctions did not experience the very high prices recorded in 2020.

The Indian auction performed well in the financial year 2021 with auction volumes increasing by 29% to 38.7 million kilograms in 2021 compared to the volumes sold in 2020. The year began with auction prices recording an increase compared to the average price earned in December 2020, but thereafter, tended to decline throughout the first quarter of 2021. Prices sharply increased at the beginning of the second quarter and stabilised thereafter. The 2021 prices did not achieve the high levels as seen in 2020.

Tea Industry Overview

The Kenyan auctions too experienced an increased demand at the beginning of 2021 compared to 2020, but the auction prices were maintained throughout the year despite the fluctuating volumes on offer for sale. Prices of the Mombasa Tea Auction remained relatively stable mainly due to the introduction of a controlled minimum price of USD 2.43 per kilogram in July 2021. However, the average price for Kenyan teas declined marginally to USD 1.97 per kilogram in 2021 compared to USD 2.01 recorded in 2020.

Overview of the Sri Lankan Tea Industry

The Sri Lankan tea industry's performance was commendable in 2021 despite the continuing impact of the pandemic and other macroeconomic factors that emerged throughout the year. Tea production continued to experience the declining trend seen in the last few years, although production volumes increased in 2021 compared to 2020. Unfavourable weather conditions and fertiliser application disruptions by leaf producers continued to impact production quantities and quality of the tea leaf. The industry was also impacted by rising costs of production as demand for wage rate hikes continued to abound. The depreciating Sri Lankan rupee added further pressure by increasing the costs of goods and services while the depleting US dollar reserves caused restrictions in outgoing transactions and stalled the importation of packaging materials used by the industry.

Increasing crude oil prices and the depreciating currencies of the two Ceylon Tea importing nations, the start of the Russia/Ukraine war, and other ambiguities that existed in both the local and global economies impacted the tea industry performance in 2021.

Tea Production

Sri Lanka's tea production recorded a turnaround in 2021 compared to 2020. Tea production increased by 6.9% to 299.5 Mn kgs in 2021 compared to 278.8 Mn kgs recorded in 2020. All elevations experienced rising production levels during the year. The low grown elevation recorded the highest growth, despite the drought and cold/dry weather conditions experienced in the early part of 2021. Low grown elevation production increased by 7.8% to 183.17 Mn kgs compared to 2020. The medium grown elevation recorded an increase of 9.4% to 50.99 Mn kgs in 2021 compared to 2020. The high grown elevation production experienced an increase of 4.9% to 65.33 Mn kgs in 2021 compared to 2020. Accordingly, all types of tea production recorded an increased production level, with total black teas experiencing the highest growth by 7.4% to 271 Mn kgs.

Tea Exports

Increased tea production and increasing demand for tea globally, had a positive effect on Sri Lankan tea export volumes which increased by 7.7% amounting to 282.9 Mn kgs in 2021 compared to the to 262.72 Mn kgs recorded in 2020. The higher export volumes and the devaluation of the Sri Lankan rupee towards the latter part of 2021 contributed to an increase in tea export earnings in 2021. Total tea exports increased by 12.5% earning Rs. 263.3 Bn in 2021 compared to Rs. 230.2 Bn earned in 2020. The FOB value per kg of tea recorded an upwards trend, achieving a 6.2% growth in 2021 compared to 2020.

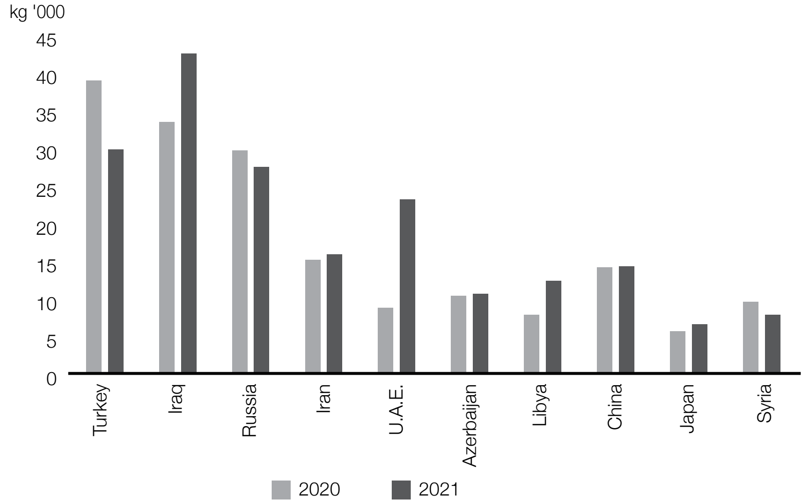
Evaluating tea exports by destination, Iraq emerged as the largest importer of Ceylon Tea in 2021, increasing its import volumes by 27% to 42.45 Mn kgs in 2021 compared to 33.4 Mn kgs imported in 2020. Turkey fell to second place, as the total quantity imported declined by 31.0% to 29.7 Mn kgs compared to the 38.9 Mn kgs imported in 2020. Russia in third place imported 27.4 Mn kgs of Ceylon Tea in 2021, and lower by 7.4% compared to the quantity imported in 2020. Iran lost its fourth-place position as the largest Ceylon Tea importer to the United Arab Emirates (UAE) in 2021, coming in at the fifth place. UAE showed a remarkable demand for Ceylon Tea increasing import volumes by 65.5% to 23.1 Mn kgs from 8.7 Mn kgs in 2020. Iran's import volumes increased marginally by 0.7 Mn kgs in 2021 to achieve a total import volume of 15.8 Mn kgs compared to 2020.

Orthodox black tea exports increased by 7.1% recording a total export volume of 278.4 Mn kgs in 2021 compared to 258.6 Mn kgs in 2020. Orthodox tea retains the largest share of the Ceylon Tea export market at 97.3%. Black tea in packets increased export volumes by 7.9% to 128.34 Mn kgs, black tea in bulk increased export volumes by 6.0% to 125.39 Mn kgs, and black tea in bags increased export volumes by 11.2% to 24.67 Mn kgs in 2021. Instant tea and green tea also increased export volumes in 2021 compared to 2020, recording 3.03 Mn kgs and 4.59 Mn kgs, respectively.

Tea Auction Performance

The demand for Ceylon Tea increased in 2021 and had a positive impact on the volumes sold at the auctions which increased by 8.3% to 280.38 Mn kgs

Top 10 Export Destinations of Sri Lanka Tea (Million Kg)



in 2021 compared to 256.95 Mn kgs sold in 2020. The Colombo Tea Auction average prices recorded increases in the first quarter of 2021 but experienced a declining trend thereafter. Thus, the average auction prices per kilogram recorded a decline to Rs. 615.44 per kg in 2021 compared to Rs. 628.21 recorded in 2020.

The average price in terms of elevations also did not fare well during 2021. The high grown elevation recorded a marginal average price increase of 1% to Rs. 587.13 per kg in 2021 compared to Rs. 580.90 per kg recorded in 2020. The medium grown elevation recorded a marginal average price decline of 0.5% to Rs. 550.80 per kg in 2021 compared to Rs. 553.94 per kg recorded in 2020. The low grown elevation average price declined by 3% to Rs. 644.23 per kg in 2021 compared to Rs. 666.32 per kg recorded in 2020.

Industry Challenges

The year 2021 was besieged by several challenges that impacted the growth and prosperity of the Sri Lankan tea industry. These are detailed below.

Increasing Costs of Production

As a labour-intensive industry, trade union actions and demand for increased wages continue to be a grave concern for industry producers. The latest wage rate hike to Rs. 1,000 per day granted by the authorities at the beginning of 2021 increased production costs.

Other factors such as restriction on imports of packaging materials and fertiliser due to the prevailing Sri Lankan macroeconomic conditions impacted the costs of production as prices increased due to the restricted availability and higher prices in the market.

Overall, the costs of production of Ceylon Tea have been on an upward trend for the last few years. The industry as a whole and especially producers and manufacturers of tea must proactively implement cost control measures by utilising technology and innovations in tea production and manufacturing. This will ensure the continued sustainability and competitiveness of the industry and the Ceylon Tea brand in the global tea market, especially as Ceylon Tea remains the highest priced tea globally.

Ban on Inorganic/Chemical Fertiliser

Application and availability of fertiliser remained a challenge for the tea leaf producers in 2021. The sudden decision by the Sri Lankan government in July 2021 to ban the import of inorganic/ chemical fertiliser, both pesticides and weedicides resulted in a sudden shortage leading to higher prices. Furthermore, the authorities' sudden cessation of the fertiliser subsidy exacerbated the prevailing situation. This had an impact on fertiliser application and resultantly crop growth and quality in the latter half of the financial year, as tea leaf producers and smallholders were unable to source organic fertiliser on short notice or to purchase fertiliser at prices that increased nearly 5 times.

Unpredictable Weather Patterns

Changing weather patterns and unpredictable weather conditions due to climate change is a grave concern for the tea industry as this has a direct impact on green leaf growth and negatively impacts optimal plantation operations. A more robust strategy must be implemented by the industry to manage the impact of climate change while an accurate monitoring process for weather patterns is developed.

Devaluating Currencies

Currency devaluations of key Ceylon Tea importing nations – Turkey and Russia, were a challenge for the industry. As these countries' currency values declined against the US dollar, their purchasing power decreased, making the price of Ceylon Tea much higher, forcing these nations to opt for cheaper tea purchases, reducing the year-on-year export volumes to both countries in 2021.

The devaluation of the Sri Lankan rupee was a challenge for the industry as it increased the costs of production by increasing import prices of tea packaging materials which are sourced from international markets as well as increased prices of fuel used in the tea manufacturing process. However, from an export perspective, the devaluation of the Sri Lankan rupee is likely to have a positive impact as tea importing nations would have found Ceylon Tea prices to be lower compared to the previous year.

Crude Oil Prices

The rising crude oil prices in 2021 by 55% impacted the industry's costs of production which worsened due to the depreciating Sri Lankan rupee. This could have a long-lasting impact on the industry's production costs and sustainability, especially when considered in conjunction with other challenges that the Sri Lankan tea industry faced year on year.

Operations Review

The financial year 2021/22 began with mixed sentiments as the emergence of new variants of the COVID-19 virus continued to impact social interactions and business operations. However, the development and implementation of the vaccine drive across the nation reduced the severity and supported the declining influence of the COVID-19 pandemic outbreak. Nevertheless, the prolonged impact of the COVID-19 pandemic impacted Sri Lanka's economic recovery.

The tea industry faced several challenges despite increasing tea production levels compared to the calendar year 2020. Factors such as rising production costs, increasing demand for higher wage rates, unpredictable weather patterns, and the reduced application of fertiliser were some of the key concerns that the industry and the Company had to overcome in the year under review.

This impacted TSF's business operations which recorded falling production levels, revenues, and profitability. Nonetheless, the Company continued to remain focused on aiming for and achieving realistic goals, and maintained a positive stance to create value for all our stakeholders.

Overview of Performance

The Company performed below expectations for the financial year ended 31st March 2022. The made tea production was reduced by 0.66 Mn kgs to 2.97 Mn kgs in financial year (FY) 2021/22 compared to 3.63 Mn kgs recorded in the previous financial year. This decrease in production was mainly a result of the falling crop production and quality of green leaf during the latter part of the year due to infrequent fertiliser applications by small holders who experienced fertiliser shortages and increased costs to maintain feasible operations.

Low grown elevation prices decreased during the year under review, and market prices recorded a 0.39% decline to Rs. 2.67 per kg, compared to the higher range maintained throughout the previous year. Resultantly, the gross sale average of TSF declined by 1.97% amounting to Rs. 671.15 per kg for FY 2021/22 compared to Rs. 684.61per kg achieved in the previous financial year.

Karawita factory, which has been underperforming over the years, was leased out in November 2021 as a strategic measure to manage production costs and improve the overall Company performance during the year under review. All factories continued to operate under the prescribed COVID-19 health and safety measures. The factories also faced increased production costs during the year under review mainly due to the prevailing energy crisis, rising material costs and increased wage rates. However, the Company has implemented stringent measures to manage costs and maintain optimal production schedules.

The Company's Hingalgoda factory continued to outperform all other factories and maintained its position as the top achiever in high prices. A total of 89 top prices were achieved at the tea auctions by our factories for the FY ended 31st March 2022. Of these, 87 were recorded by Hingalgoda factory and one each by Halwitigala and Broadlands factories. Additionally, four all-time record prices were also established by Hingalgoda factory for the year under review.

Key Business Challenges

The COVID-19 pandemic, slowdown in economic activities, prolonged economic recovery, and the industry-specific factors such as unpredictable weather patterns and rising costs of production resulted in a challenging operating environment. The Company's experienced and skilled management and employees working as one team enabled TSF to manage these challenges without undue interruptions whilst maintaining performance at acceptable levels.

Increasing Production Costs

Increasing production costs remains a key concern for the tea industry and the Company. The depreciation of the Sri Lankan rupee increased the import costs of packing materials, fuel costs and general increase in prices of goods and services. These new and emerging factors require TSF to be proactive in managing costs and continue to implement robust cost control measures to obtain optimal cost efficiencies in operations.

Unpredictable Weather Patterns

The continuing impact of climate change makes weather patterns difficult to predict and causes tea crop production to fluctuate. The low elevation teas were particularly impacted during the financial year as a combination of cold/dry weather and drought conditions resulted in lower crops in the latter part of the year. Irregular weather patterns impact optimal fertiliser application before it benefits the tea bushes.

Access to Fertiliser

Fertiliser applications are a critical aspect of maintaining tea crop quality as well as higher tea production. The government's decision to discontinue the importation of chemical fertiliser in June 2021 and the later decision to stop the fertiliser subsidy offered to the agricultural sector was a major setback for the Company and our small holder suppliers. These two factors combined to increase fertiliser costs phenomenally, while the depreciation of the Sri Lankan rupee added to these rising costs. As a result, small holders were forced to limit fertiliser applications to manage costs at acceptable levels which had a detrimental impact on production levels.

Energy Crisis

Due to the limited access to fuel in the last quarter of the financial year under review, frequent power cuts were implemented by authorities which hindered the normal operations of our factories. The situation was worsened as fuel shortages meant difficulty in

operating generators which further escalated issues in maintaining optimal production schedules. The Company managed to stabilise the situation in the short run by procuring and maintaining reasonable stocks of fuel which helped the factories to operate uninterrupted. However, if power cuts continue, the shortage of fuel could lead to negative impacts on business operations in the longer term.

Maintaining the Quality of Made Tea

Green leaf quality remains a priority for the industry and the Company as this has an impact on the quality of made tea. While high-quality teas can demand premium prices globally, the fluctuations in fertiliser applications in the last few years together with the erratic weather conditions has impacted quality. Thus, TSF works closely with our small holder partners to support them in increasing and maintaining quality tea crops that can then produce high-quality made tea.

Five of our factories have received and maintained the ISO 22000:2018 Food Safety Management Standard certificate. This certification supports TSF's efforts to increase production efficiency and maintain high standards of tea production resulting in higher productivity and quality of made teas.

Ukraine/Russian War

The escalation of the Russia/Ukraine war in February 2022 triggered concerns about falling demand for Ceylon tea from these countries. Russia is one of the top five importers of Ceylon tea and any drastic reductions would have an adverse impact on tea export volumes, especially in the forthcoming financial year. The Company has taken proactive measures and is in discussion with tea brokers and exporters to identify other source markets to further diversify our portfolio of buyers to reduce risks and remain sustainable in the long term.

The Way Forward

The forthcoming financial year will be challenging in terms of the existing uncertainties in the socio-political conditions of the country, the instability of macroeconomic conditions, and the difficulty in predicting how improvements will manifest. This will largely impact all economic activity, and the tea industry and the Company must remain vigilant and flexible to manage sudden and unexpected changes and upheavals in the operating environment.

Small holder partners will have the largest impact as high inflation rates will trigger added price increases leading to escalating production costs and working capital constraints. The Company has foreseen this difficulty and has in place, plans to work closely with our small holders and provide added financial assistance and guidance in the implementation of cost-effective production and planting processes. We will continue our efforts to educate small holders on efficient and effective sustainable agricultural practices and implement programmes to benefit them in the longer term.

Other aspects such as availability of tea packaging materials, production cost increases, climate change and rising labour costs will continue to remain focus areas for the Company and industry to effectively remain competitive in the global tea industry.

Contingency planning will remain a focus area in the coming financial year, and our business continuity plans will give us the necessary guidance to manage the evolving challenges that will occur in the future. The strong foundation of our parent company together with the expertise of TSF's leadership and management will be a benefit for TSF, as they will guide us to a sustainable future.

Sustainability Report

The Company is committed to sustainability and it forms an integral part of our decision-making process. The concept of sustainability has been embedded to our business strategy and sustainability practices have been adapted across the organisation. Sustainability performance is measured, tracked and reported to the management and the group sustainability team on a monthly and quarterly basis.

KEY PERFORMANCE INDICATORS

ENERGY CONSUMPTION

31,075GJ

2021-22

35,064 GJ

2020-21

11% reduction in the overall energy consumption was recorded

WORK RELATED FATALITIES

Nil

2021-22

Nil

2020-21

The Company was able to maintain a working environment that does not prompt any work related fatalities

AVG. TRAINING HOURS PER EMPLOYEE

8.29

2021-22

9.92

2020-21

20% reduction in the average training hours per employee was recorded

EMPLOYEE PARTICIPATION IN CSR ACTIVITIES

132

2021-22

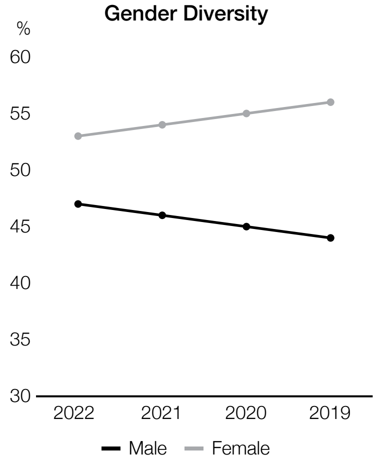
78

2020-21

69% increase in the employee participation in CSR activities was observed

International Women's Day celebration

Gender Diversity



WORKFORCE MANAGEMENT

OCCUPATIONAL DISEASES

Nil

TOTAL EMPLOYEES

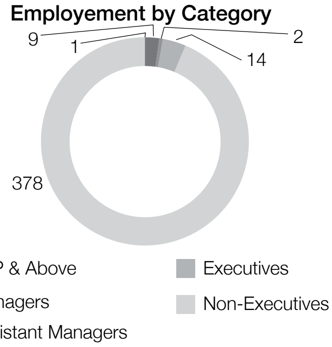
+404

Our Employees are at the forefront of our success and the Company acknowledges the vital role that they play in achieving and driving the Company's strategic objectives. A team of highly motivated 404 individuals have come together to lay the foundation for the responsible and sustainable growth of the Company. We remain strongly committed to nurture and develop our employees who form an integral part of the business. Our policies and procedures give priority to our people whilst strengthening our unique value proposition in keeping employees committed and motivated. This has enabled the Company to successfully attract and retain talent with the correct skill sets, which is vital in the execution of our business strategy.

The Company identifies itself as an equal opportunity employer that embraces diversity in the workplace and does not condone any form of discrimination. We strive to maintain an inclusive work culture that supports diverse talent to contribute positively to the growth and productivity. All our employees operate within a clearly defined governance framework and adhere to the code of conduct and ethics policy of the JKH Group. The Company has enforced a zero-tolerance policy on bribery and corruption. This has been reinforced with high levels of awareness, through internal communications and through orientation programmes.

Team Profile

Employement by Category

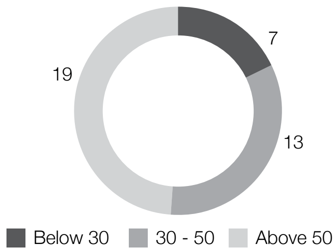


To add value to the local communities, we ensure that priority is given to the local talents around our factories. During the year under review, 39 employees were recruited out of which over 90% were employed from the local communities.

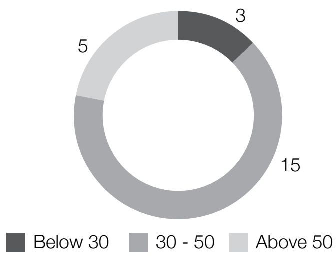
Age Breakdown based on Gender

	Male	Female	Total
Below 25	4	4	8
25 - 35	34	34	68
36 - 45	106	83	189
46 - 55	29	49	78
Above 55	18	43	61
Total	191	213	404

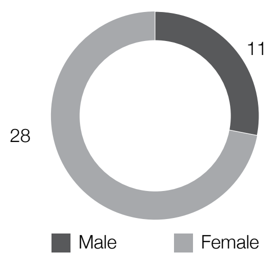
New Hires- Age Representation



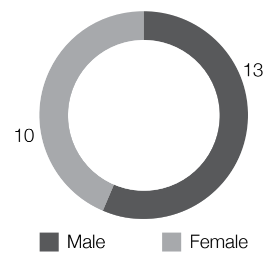
Attrition - Age Representation



Recruitments - Gender Representation



Attrition - Gender Representation



Sustainability Report

Employee Engagement

The Company strives to ensure that remuneration schemes offered to our employees are competitive and is consistent with market benchmarks while fully complying with all applicable minimum wage regulations. As such, in addition to the basic salary, the Company's employees have access to the following benefits depending on their grade.

- Medical and life insurance policies for Non-Executives and above
- Motor vehicle loan (Asst. Manager and above)
- Annual ex-gratia payments
- Meals, staff tea allowance and uniforms
- Provision of accommodation, electricity and water for factory employees who are not from the immediate vicinity of operations
- Free medical screening for staff and workers in the factories
- Rest rooms for workers

As a member of the John Keells Holdings (JKH) Group, the Company's employees have access to the Group's reward and recognition framework, which aims to keep employees motivated by recognising their contributions towards realising corporate goals and/or honouring their exemplary behaviour in upholding Group values.

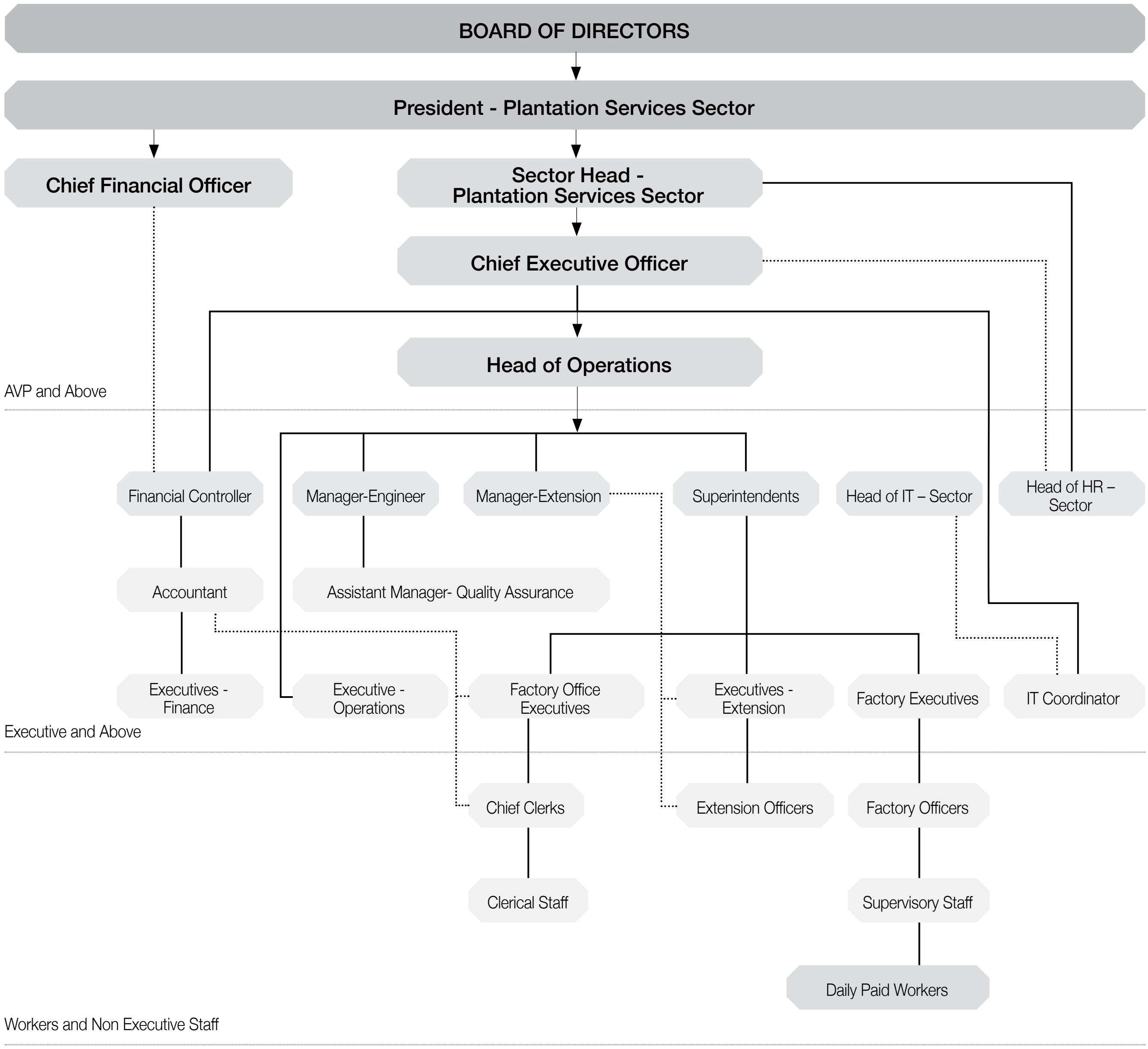
The platforms available are;

- The Chairman's Award which rewards high performing managers and above categories for their outstanding contributions above and beyond expectations, while displaying the true spirit of JKH Group values
- BRAVO Award which recognises superior performance by employees in maintaining and practicing JKH Group Values
- CSR Volunteers Recognition

Career Progression and Performance Evaluation

The career progression and performance evaluation mechanism of the Company has been formulated in line with the JKH Group. All employees (Executive and above) have access to a comprehensive performance evaluation mechanism to help determine their prospects for career growth within the Company. As a key component of the Company's employee retention strategy, the performance evaluation mechanism seeks to assess the performance of employees based on pre-agreed KPI's jointly established between the employee and their respective supervisor, ahead of the financial year. Continuous alignment with set targets is facilitated through ongoing engagement between employees and their immediate supervisor, while an annual performance review mechanism, where the review is carried out by a Career Committee rather than just the Supervisor, helps to formally determine appropriate rewards as well as map specific training requirements. All employees in the executive grades and above have access to the Company's performance review mechanism.

Our Organizational Structure



Sustainability Report

Strengthening Capabilities

NO. OF TRAINING HOURS

3,348

AVG. HOURS OF TRAINING PER EMPLOYEE

8.29

TRAINING COVERAGE

+50%

The Company identifies the importance of investing in training and development of all employees, and we provide a range of training programmes for all levels of employees to develop soft skills, enhance knowledge and know-how including gaining knowledge on new developments in their respective professional fields. Training programmes are conducted internally, externally and in the form of workshops and seminars. New employees also receive on-the-job training opportunities. During the year under review, a total of 3,348 man-hours was spent on employee training, in the areas of manufacturing, certifications, health and safety and general awareness.

Health and Safety

The Company is committed to ensure health and safety of its employees' by fostering a working environment which encourages a culture of safety and employee health and wellbeing. This has been operationalised through the application of globally accepted best practices as outlined by the ISO 45001:2018 Certification. Our factories have obtained the ISO 22000:2018 Food Safety Management Systems certification and this ensures that we produce teas which meet the highest quality standard. The Company's Broadlands tea factory obtained the certification of 'Rainforest Alliance Sustainable Agriculture Standard (2017)' which effectively means that the factory products were produced using methods that support the three pillars of sustainability: social, economic and environmental.

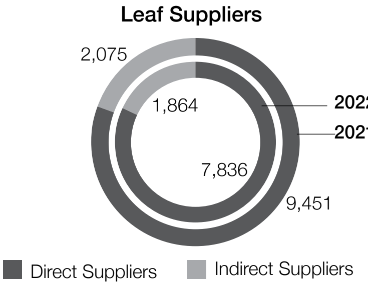
Year	Rate of Injury	No. of Injuries	Occupational Diseases	Lost Days	Work Related Fatalities
2019	0.88%	5	Nil	56	Nil
2020	0.88%	5	Nil	238	Nil
2021	0.00%	Nil	Nil	Nil	Nil
2022	1.24%	5	Nil	33	Nil

The Company adhered to strict health and safety protocols throughout the year to combat COVID-19. Mandatory temperature checks were carried out while providing adequate sanitisation facilities at the factory premises. Required PPEs were distributed among the staff members and random PCR tests were conducted as a routine task.

Our primary focus on our employee's wellbeing has prompted the Company to provide a comprehensive range of amenities which include residential facilities, water and electricity supply, healthcare, meals, uniforms, staff allowance on tea, places of worship and other recreational amenities.

The Company invested over Rs. 7 Mn during the year to rehabilitate managers' bungalows, staff quarters and worker dormitories while the annual maintenance cost incurred to maintain the above premises stood at Rs. 4.23 Mn during the year under review.

MANAGING OUR NETWORKS



CSR PROJECTS

+13

NO. OF LEAF SUPPLIERS

+9,700

EMPLOYEE PARTICIPATION IN CSR ACTIVITIES

+132

FINANCIAL ASSISTANCE EXTENDED

Rs. 10.67 Mn

Supply Chain

The Company's diverse suppliers range from primarily suppliers such as tea small holders, leaf societies, green leaf and produce transporters and agents, fertiliser suppliers, packing material suppliers, biomass suppliers and other service providers. Our suppliers play an important role in ensuring the Company's ability to deliver our strategic growth objectives.

The Company does not engage in the process of growing tea. Hence, green leaf is purchased from over 9,700 small holders based in the Ruhunu and Sabaragamuwa tea growing regions of the country. A higher emphasis was placed on improving the direct supplier base and the Company was able to maintain a direct leaf supplier base of 7,836 as of end March 2022 with a YOY reduction of 17% which was mainly attributable to the discontinuation of operations at Karawita Tea Factory.

Each year, we continue to invest towards enhancing their livelihoods through extension services and development programmes, ensuring the sustainability of the tea small holders, the Company and the industry.

Extension Services to Green Leaf Suppliers

The extension team provides value-added services aimed at disseminating information regarding latest tea cultivation technologies and Good Agricultural Practices (GAP) through crop clinics, extension field visits, demonstrations, workshops, group discussions and seminars. These activities are undertaken by the extension coordinators under the guidance of the Head of Operations and Manager Extension. Our extension services for green leaf suppliers aims to support them to improve their livelihoods and thereby uplift their general living standards.

Overview of Long-Term Programmes and Projects under Extension Services

Extension Service	Programme/Project Structure	Update 2021/22
SPECIAL PROJECTS		
Development Assistance to Tea Smallholders		
Launched in 2010, this is the Company's primary extension project aimed at encouraging small holders to rehabilitate and replant unproductive land	The Company provides small holders with financial assistance at concessionary rates together with technical advice on land preparation for replanting, soil rehabilitation and crop management techniques. Fertiliser mixtures are also offered at concessionary rates, as well as several high yielding, drought and pest resistant cultivars	• Project 1, 2, 3 and 4 comprising of 147.25 acres with the participation of 213 small holders have been completed and the harvesting of these lands are in progress • Project 5 - comprising of 24.75 acres with the participation of 34 small holders. Planting has been completed. Harvesting commenced and is in the 3rd year upkeep phase

Overview of Long-Term Programmes and Projects under Extension Services

Extension Service	Programme/Project Structure	Update 2021/22
SPECIAL PROJECTS		
Development Assistance to Tea Smallholders		
		• Project 6 – comprising of 28 acres with the participation of 38 small holders. Planting was completed during 2019. This is in the 2nd year upkeep phase. • Project 7 - commenced in 2018/19, where 22 acres has been identified for replanting with the participation of 33 small holders. Planting was completed by end March 2021. This is in the 1st year upkeep phase. • Project 8 - commenced in 2019/20, where 22 acres have been identified for replanting with the participation of 30 small holders. Planting was completed by end of May 2021. • Project 9 – commenced in 2021/22, where 20 acres have been identified with 28 small holders. Planting to be completed by June 2022.
Infilling Programme		
Launched in 2015 to complement the replanting programme, the aim of the programme is to infill tea plants to the vacant blocks of land in the tea fields and bring into bearing in a shorter period	The Company provides small holders with nursery plants on an easy payment scheme to fill vacant areas. This project is carried out to consolidate productivity of mature tea blocks of small holders	A total of 80,500 plants have been infilled at 88 small holder blocks in 2021/22. Extent planted was 20.10 acres
Soil Testing Services		
Launched in 2008/09 the aim of this service is to help small holders to maintain soil health and manage land in a sustainable manner	The Company's extension team conducts frequent analysis of soil pH values on small holder lands, followed by the distribution of Dolomite to ensure adequate soil enrichment	883 soil samples were tested and 181.6 MT of Dolomite was distributed towards correcting the pH values
Crop Clinics		
Launched in 2011/12 the aim of this service is to transfer expert knowledge on good agricultural practices in collaboration with the Tea Research Institute (TRI), Tea Small Holdings Development Authority and suppliers of fertiliser	The Company's extension team conducts frequent analyses of soil pH values on small holder lands, followed by the distribution of Dolomite to ensure adequate soil enrichment	261 mini crop clinics were conducted for 902 green leaf suppliers

Extension Service	Programme/Project Structure	Update 2021/22
FINANCIAL ASSISTANCE		
Launched in 2010, the aim is to support long standing green leaf suppliers / small holders to develop their lands or expand their operations	The Company provides financial assistance in the form of loans to rehabilitate their lands and purchase planting material whilst grants on fertiliser is given	Following loans were granted during the year; Replanting Loans – Rs. 1.46 Mn Short Term Loans – Rs. 7.40 Mn Infilling Loans – Rs. 1.81 Mn

Community

The Company operates it's factories in several parts of the country while engaging with a diverse community. Accordingly, the Company strives to contribute towards a positive environmental, social and economic change of the communities that we operate by investing in their development and enhancing quality of life. Furthermore, we consider it our responsibility to nurture the wellbeing of these communities. During the year under review, the Company organised and implemented over 13 programmes which were directed at the environment, healthcare, disaster relief and education.

Inauguration ceremony of John keells English Language Scholarship Programme in Galle and Ratnapura region

Successfully hosted the Annual Blood Donation Campaign, organised by the New Panawenna Tea Factory

Hingalgoda, Halwitigala and Kurupanawa Tea Factories conducted a well cleaning Programme to clean over 29 wells which were flooded

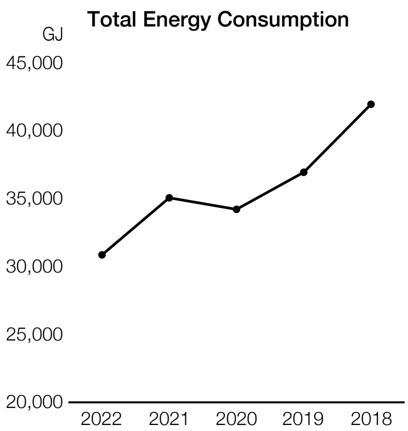
Victims of flooding were provided with drinking water, organised by Hingalgoda Tea Factory

Dengue Awareness Campaigns were organised by Neluwa, Halwitigala, Hingalgoda, Kurupanawa and New Panawenna Tea Factories to educate the community on the prevention of Dengue Virus spread

Buildings of Morothotayawatte School, located in Hatton, were painted by Broadlands Tea Factory

Sustainability Report

ENGAGING WITH THE ENVIRONMENT



RENEWABLE ENERGY

62%

ENERGY INTENSITY

10.48(GJ/ MT of production)

NO. OF LEAF SUPPLIERS

+9,700

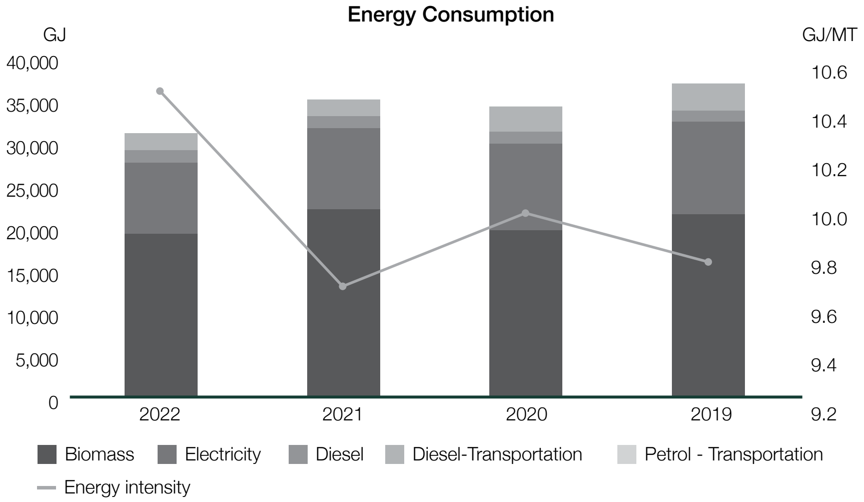
TOTAL ENERGY CONSUMPTION

31,075GJ

The tea manufacture is an energy intensive process. Accordingly, the major contributor to the Company's environment footprint is the usage of energy which accounts for 24.35% of the Company's cost of manufacture. The main sources of energy utilised are electricity (national grid), biomass and diesel which are derived through renewable and non-renewable sources. The Company has implemented a range of mechanisms and energy saving initiatives to monitor and improve resource efficiencies. The direct energy consumption by the Company is tabled below.

Source of Energy	Unit of Measurement	2022	2021	2020	2019
Electricity from the National Grid	kWh	2,332,133	2,660,572	2,818,807	3,027,987
Biomass	Cubic Metres	19,088	21,950	19,531	21,367
Diesel used for Generators	Litres	41,334	39,626	40,705	38,000
Diesel used for Transportation	Litres	56,544	56,339	84,263	90,058
Petrol used for Transportation	Litres	1,314	1,085	1,088	1,779

	2022	2021	Variance %
Renewable sources - Biomass (GJ)	19,212	22,093	-13%
Non-renewable sources (GJ)	11,863	12,971	-9%
Electricity (GJ)	8,396	9,578	-12%
Diesel - used for Generators (GJ)	1,447	1,387	4%
Diesel - Transportation (GJ)	1,979	1,972	0%
Petrol - Transportation (GJ)	41	34	21%
Direct Energy Consumption (GJ)	31,075	35,064	-11%



Through the implementation of the Energy Management Policy, we strive to reduce and optimise the overall energy usage by making conscious efforts to manage our infrastructure while seeking efficiency improvements in production and reducing the dependency on non-renewable energy sources. Over the years, the Company achieved considerable success in this regard as we fulfil over 60% of our energy requirement through renewable energy, mainly biomass. The carbon footprint for the year 2021/ 2022 stood at 0.46 kg of CO_2 per ton of made tea produced.

Overview of the Energy Saving Initiatives Implemented in 2021/22

Initiative/Activity	Location	Completion Level
Semi-automation of withered leaf gathering and feeding - increasing withering productivity in terms of labour and product hygiene	Halwitigala and Kurupanawa Tea Factories	100%
Installation of cyclone type drier and rehabilitation of the furnace to reduce energy consumption and improve product quality	Neluwa Tea Factory	100%
Installation of modified air suction and dust collection attachment into the winnower to reduce power consumption and to improve performance	Halwitigala and Kurupanawa Tea Factories	100%

Fast drying firewood shed at Neluwa Tea Factory

Financial Review

Despite the challenges created by the unfavourable macroeconomic environment, Tea Smallholder Factories PLC was able to perform at a satisfactory level to record a PBT of Rs. 22.66 Mn during the current financial year. The resilient and agile business model of the Company aided the generation of sustainable shareholder returns during the year, recording an Earning per share of Rs. 0.51 and Dividend per share of Rs. 1.00.

KEY PERFORMANCE INDICATORS

REVENUE

Rs. 2.02 Bn

2021-22

Rs. 2.35 Bn

2020-21

14% reduction is due to the drop in volumes and prices

PBT

Rs. 22.66 Mn

2021-22

Rs. 78.59 Mn

2020-21

71% reduction is mainly due to the drop in auction prices and volumes

CASH & CASH EQUIVALENT

Rs. 218.29 Mn

2021-22

Rs. 191.55 Mn

2020-21

14% increase is a direct result of prudent management of working capital

TOTAL ASSETS

Rs. 1.88 Bn

2021-22

Rs. 1.77 Bn

2020-21

6% increase has been complemented by the improvement in the non-current asset base

OTHER OPERATING INCOME

Rs. 88.26 Mn

2021-22

Rs. 60.99 Mn

2020-21

45% increase is due to the increase in revenue generated through refuse tea sales, fixed assets disposals and rental income

REVENUE

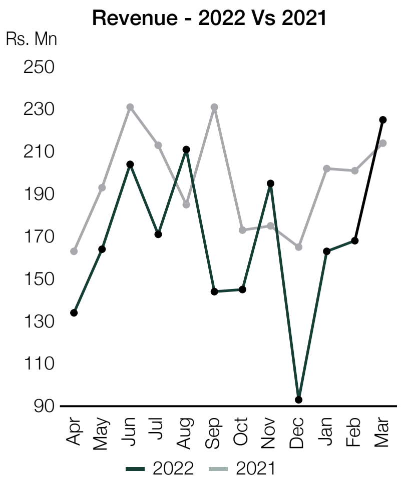
The Company recorded a revenue of Rs. 2.02 billion for the year under review, a 14% decrease compared to Rs. 2.35 billion recorded in the previous financial year. The decrease was mainly due to the drop in prices and quantities offered at the tea auction.

REDUCTION IN REVENUE DUE TO CHANGE IN PRICE

12%

REDUCTION IN REVENUE DUE TO CHANGE IN QUANTITY

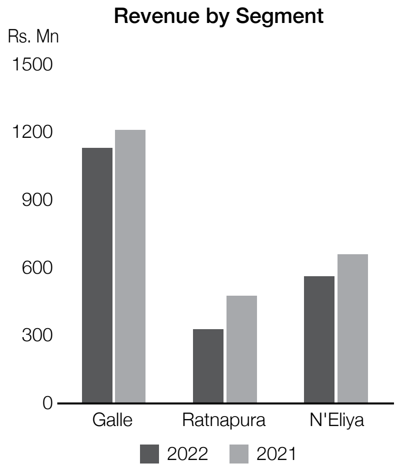
88%



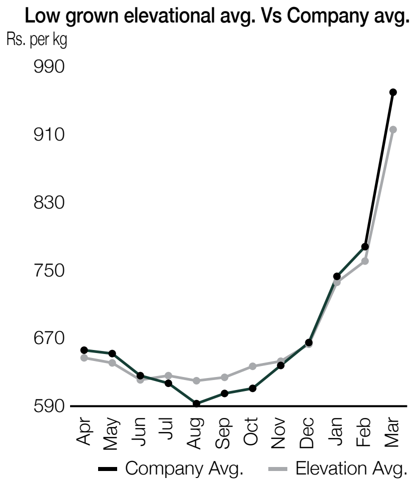
The total quantity sold during the year under review declined by 12.52% to 3.09 million kilograms compared to 3.53 million kilograms sold in the previous year. The low grown production during the first half of the year increased by 6% YOY. However, the effects of the prolonged fertiliser shortage impacted the second half of the year where a YOY decline of 16% was observed. The inadequate fertiliser application impacted the quality of leaf and the Company commenced selecting leaf to maintain quality which further hampered production volumes with a 18% YOY drop. The Company was able to achieve a production of 2.97 Mn kilograms during the financial year under review.

The tea prices during the first half of the year, remained below the previous financial year by 8% resulting in the decline in revenue. However, a sharp increase in prices was observed during the 4th quarter due to the drop in auction volumes, increased demand from the buyers and the depreciation of the Sri Lankan rupee against the US dollar. Despite the drop in the quality of the green leaf, the Company's quality drive, paved way to achieve a premium over elevation in the 4th quarter.

Revenue by Segment



The highest contribution to revenue was realised from the Galle segment which consists of 4 factories while the lowest contribution was from the Ratnapura segment with two factories. Karawita Tea Factory, under Ratnapura segment, was leased out with effect from 08th November 2021. Hence, the revenue contribution from Karawita TF was for only for a period of 7 months.



Accordingly, the Ratnapura segment observed a 31% dip in the revenue with a leaf-quality-centric strategy, coupled with increased competition.

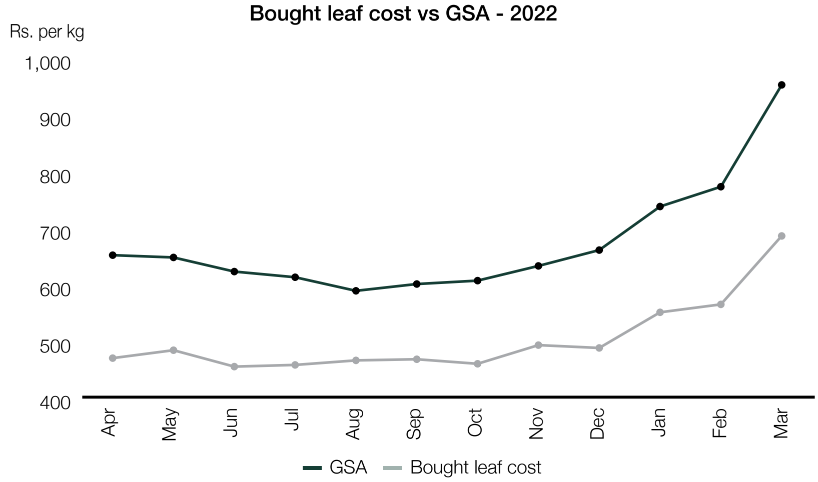
Broadlands Tea Factory in the Nuwara Eliya segment recorded a 15% reduction in revenue compared to the previous year which was mainly attributable to the reduction in production and sales volumes. In comparison to the drop in low grown production, Galle segment recorded only a 7% YOY reduction as the factories successfully implemented strategies to attract leaf from small holders despite strong competition.

Financial Review

COST OF SALES

Cost of ̀ Bought Leaf

The cost of bought leaf, which is the primary contributor to the cost of sales, realised a reduction during the year under review which was mainly assisted by the leasing of Karawita tea factory and the reduction in tea prices. The price payable for green leaf is determined by a statute based on a formula designed by the Sri Lanka Tea Board which is linked to each individual factory's gross sale average with the elevation average. The Tea Board issued a new circular in June 2022 replacing the existing formula.



The Company purchased 14.47 million kilograms of green leaf during the year compared to 17.71 million kilograms purchased in the previous year. The payment to green leaf suppliers amounted to Rs. 1.47 billion in the year under review compared to Rs. 1.81 billion paid in the previous year.

Direct Production Cost

Labour cost, which is the second largest cost component in the cost of sales, recorded a 47% increase with the Rs. 1,000/- wage increment mandated by the government in March 2021. However, the Company reduced the impact to 41% by implementing initiatives to improve labour productivity together with continuous investments made in process automations during the year under review.

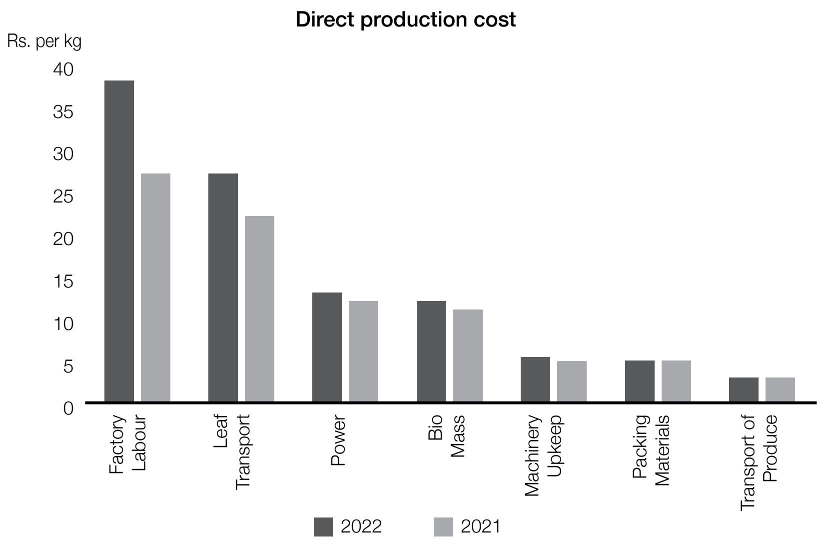
A significant increment of 20% was recorded on the green leaf transport cost per Kg of made tea (MT) in comparison to the previous year which was mainly due to the reduction in leaf availability across all leaf routes coupled with the fuel price increase experienced during the year. `

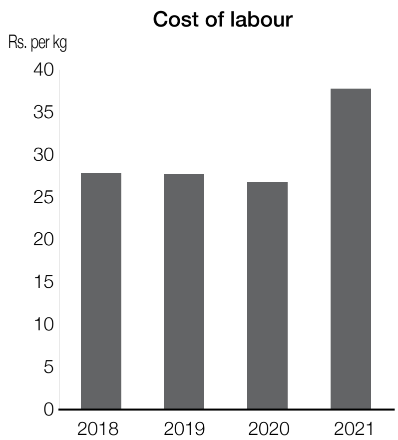
Cost incurred on power, increased by 12.20% during the year to Rs. 13.40 per Kg of MT, from Rs. 11.94 per Kg of MT incurred in the previous year. The increase was mainly due to the drop in production in comparison to the previous year. Increased usage of generators, at a higher fuel cost, further contributed to the increase.

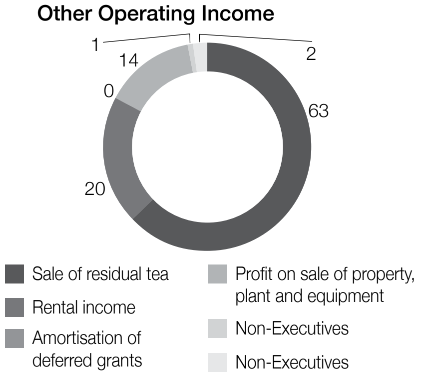
Cost of biomass continued to increase to Rs. 12.19/- per Kg, an increase of 9% compared to Rs. 11.15/- recorded in previous year. The purchase price of firewood continued to escalate due to reduced availability, increased cost of transport and extraction.

The costs incurred on machinery maintenance reduced to Rs. 16.05 Mn compared to previous year (Rs. 17.78 Mn). The Company continued to follow the systematic preventive maintenance schedule during the year.

Production overheads mainly constitute overheads at the factory level such as staff salaries, depreciation and general upkeep. The production overheads increased by 10% during the year under review which was mainly due to the increase in the staff cost and general escalation in prices experienced during the year.







OTHER OPERATING INCOME

Other income mainly comprises of income generated from the sale of refuse tea, rental income from investment property and profit on disposal of property, plant and equipment. In comparison to the previous year, the income from sale of refuse tea increased by 69% from Rs. 33.08 Mn to Rs. 55.78 Mn and the rental income increased from Rs. 16.19 Mn to Rs. 17.87 Mn, mainly due to rental income on account of the lease of Karawita tea factory recognised from February 2022 and a rate revision on the Peliyagoda Warehouse.

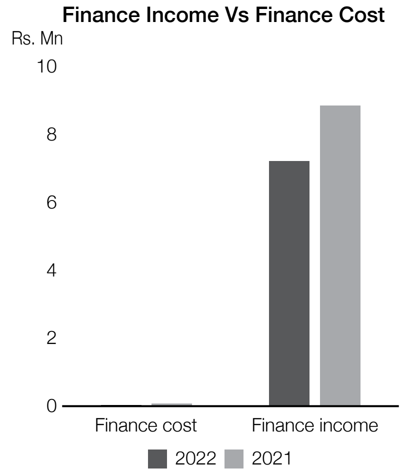
The Company disposed selected aged machinery and vehicles during the year recognising a profit on the sale of property, plant and equipment for Rs. 12.14 Mn.

ADMINISTRATION AND OTHER EXPENSES

Administration expenses consist of head office overheads incurred for the benefit of factory operations which cannot be directly allocated to production. During the year under review, the cost increased by 14.73% to Rs. 62.95 Mn from Rs. 54.79 Mn recorded in the previous year. The increment was mainly due to the increase in staff cost coupled with the general increase in prices with the depreciation of the Sri Lankan rupee. The Company continued the implementation of cost control measures throughout the period to minimise costs where possible.

The management fee which is charged based on the contractual agreement between the Company and the managing agent, John Keells (Teas) Private Limited decreased to Rs. 15.03 Mn from Rs. 23.27 Mn recorded in the previous year. The reduction is in line with the drop in revenue and profitability of the Company.

FINANCE INCOME VS FINANCE COST

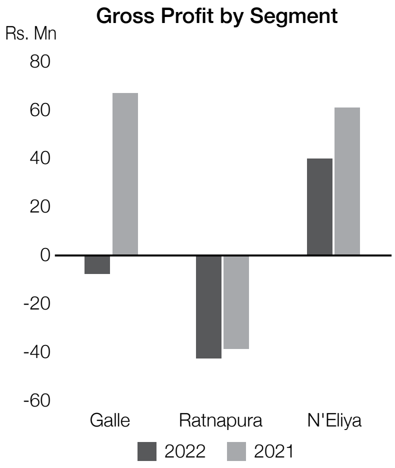


The finance income of the Company consists of interest income earned on short-term investments, mainly on seven-day call deposits and fixed deposits, loans granted to green leaf suppliers and loans granted under the employee motor vehicle loan scheme for Executives (AM and above).

During the year under review, the finance income reduced by 18% to Rs. 7.22 Mn compared to Rs. 8.84 Mn received in the previous year. The reduction mainly stems from the reduced interest rates on call and fixed deposits during the 1st half of the year coupled with the reduction in short term loans granted to green leaf suppliers to minimise risk in a volatile market. The interest income on loans to green leaf suppliers reduced to Rs. 1.84 Mn during the year from Rs. 2.88 Mn recorded in the previous year.

Finance costs of the Company decreased by 66% to Rs. 0.03 Mn in the year under review compared to Rs. 0.08 Mn recorded in the previous year. Efficient working capital management and reduction in the interest rates had a positive impact on the reduction of finance cost during the year under review.

PROFITABILITY



The Gross Profit for the year under review, deteriorated by 111.84% to a negative Rs.10.57 Mn compared to a positive of Rs. 89.27 Mn achieved in the previous year. The drop was mainly due to the reduction in tea prices offered at the Colombo Tea Auction thereby reducing the margins of the Company. Stringent cost control measures were implemented throughout the period to minimise cost. However, the effects of uncontrollable cost components, such as the wage hike and fuel price increase, continued to hamper the profitability of the Company.

The factory operated under the Nuwara Eliya segment recorded the highest gross profit for the year amounting to Rs. 39.91 Mn which is a reduction of 34.49% compared to the previous year. The factory, being the industry leader in the region, recorded a reduction in production which was below 800,000 kilograms of made tea mainly due to the reduced crop availability.

Galle segment being the second highest contributor to gross profit for the year, operated four (4) factories, and recorded a loss of Rs. 7.80 Mn which is a YOY reduction of 111.64%.

Gross profit of Ratnapura segment continued to decline with the effects of reduced availability of quality leaf and increased competition which resulted in significantly lower production volumes. The segment recorded a loss of Rs. 42.67 Mn compared to the loss of Rs. 38.72 Mn recorded in the previous year.

The deterioration of GP levels has directly impacted the pre-tax profits as the Company recorded a PBT of Rs. 22.66 Mn against Rs. 78.59 Mn recorded in the previous year with a YOY reduction of 71.17%. The PBT includes a fair value gain on investment property of Rs. 15.72 Mn in 2021/2022 compared with the loss of Rs. 2.37 Mn recorded in the previous year.

CHANGE IN THE FAIR VALUE OF INVESTMENT PROPERTY

Fair value of the investment property situated in Peliyagoda increased by Rs. 15.72 Mn during the year under review, effectively increasing the value of the property to Rs. 440.32 Mn from Rs. 424.61 Mn recognised in the previous year. The gain is recorded in the income statement as required by the Sri Lanka Accounting Standards.

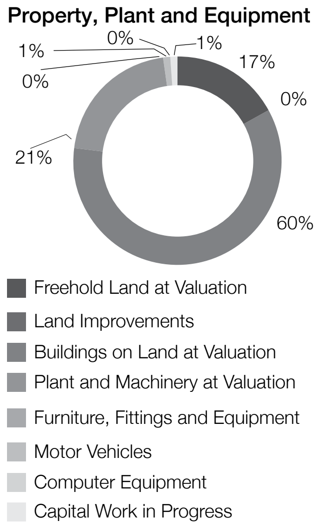
Karawita Tea Factory has been recognised as an investment property on the execution of the lease agreement. Accordingly, Rs. 142.47 Mn has been transferred from PPE to investment property.

TAXATION

During the year under review, the Company recorded a tax expense of Rs. 7.35 Mn (2020/21 –Rs. 12.04 Mn). The Company's corporate tax rate remains at 14%. However, the tax rate of 24% was applied on the rental income generated and the previous year's under provision of Rs. 1.58 Mn was recognised during the current financial year. (Refer Note 16.5 on page 110 in the Financial Statements).

FINANCIAL POSITION REVIEW

The Company's total asset base as of 31st March 2022 improved by 6% to Rs. 1.88 Bn from Rs. 1.77 Bn as of 31st March 2021 mainly due to the improvement in the non-current assets.



The Company maintains a strong, asset base with Property, Plant and Equipment covering 39% of the total assets whilst investment property represents 31% of the total assets. From the total Property, Plant and Equipment, 77% represents land and buildings whilst plant and machinery represent 21%. The Company has invested Rs. 40.47 Mn during the year on capital expenditure of which, Rs. 22.98 Mn was on plant and machinery.

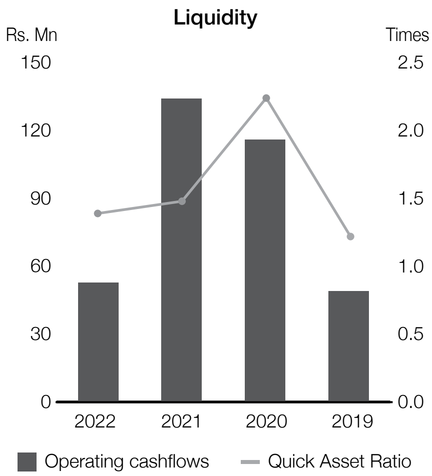
Inventory, which mainly comprises of made tea, declined by Rs. 12.32 Mn to Rs. 241.28 Mn (2020-21 Rs. 253.60 Mn). The reduction in made tea was recorded at Rs. 27.82 Mn which was mainly due to the drop in quantity.

The increase in trade receivables as of 31st March 2022 was mainly due to the tea price improvement observed towards the latter part of the year. Accordingly, the last auction sale receivable balance was recorded at Rs. 59.52 Mn compared to the previous year balance of Rs. 43.29 Mn.

The Company's assets were primarily funded by shareholders' funds which accounted for 80.47% of the Company's total equity and liabilities followed by non-current liabilities at 7.92% and current liabilities at 11.62%. The Company was able to increase the shareholders' wealth by Rs. 67.95 Mn through retained earnings and revaluation gains.

CASH FLOW GENERATION

Despite the negative operating profits, the cash generated from operating activities has recorded a positive of Rs. 52.77 Mn. This is essentially due to prudent management of working capital particularly on produce inventory. This ensured that adequate funds were available for capital investments, payment of dividends and other expenses. Current ratio and quick asset ratio for the current year remained in favourable levels of 2.5 times and 1.4 times, respectively.



The Company incurred Rs. 40.47 Mn on capital expenditure, of which a major portion was on investments in machinery towards enhancing product quality. A dividend of Rs 30 Mn was declared during the year. As at 31st March 2022, overall cash and cash equivalents recorded Rs. 218.29 Mn compared to Rs. 191.55 Mn as at 31st March 2021.

Reigning With Distinction

GOVERNANCE

Corporate Governance

Executive Summary

Tea Smallholder Factories PLC (Company) is commited to achieve the highest standards of corporate governance. As a subsidiary of the John Keells Group, the Company endows a legacy of best practices founded on the core principles of accountability, participation, integrity and transparency. Robust and comprehensive governance freamework, directed towards creating an enabing environement for a sustainable growth, will continue to drive the Company performance while creating value for its stakeholders.

The Company is bound by the John Keells Holdings (JKH) code of conduct and the JKH governance freamework, which applies to all our employees and Directors. JKH Governance framework has been published in the Corporate website and can be accessed through the following link https://www.keells.com/governance

As the highest decision making body of the Company, the Board bears the responsibility to ensure the Company pursues its strategic goals in accordance with sound corporate governance principles and values while ensuring the governance framework remains robust and relevant in a challenging business environment.

The ensuing discussion demonstrates in detail how the Company has embraced and complied with all mandatory provisions of the Companies Act No. 07 of 2007 (“Companies Act”), the Listing Rules of the Colombo Stock Exchange (“CSE”) and the Securities and Exchange Commission of Sri Lanka (“SEC”) and all other legislation and rules applicable to the business. Further, this report details our governance structure and framework along with information indicating compliance with the Code of Best Practice on Corporate Governance (2013) issued jointly by the Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka”) and the SEC.

The Company remains fully compliant with all statutory requirements imposed by all regulatory bodies concerning matters relevant to the business.

Compliance Summary

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 and regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	
Securities and Exchange Commission of Sri Lanka (SEC) Act, No. 19 of 2021, including directives and circulars	
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	
Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
UK Corporate Governance Code (formerly known as the Combined Code of 2010)	Voluntary provisions - fully compliant, as applicable
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions – compliant with the 2017 Code to the extent of business exigency and as required by the John Keells Group

Key Internal Policies

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies on diversity, equity and inclusion including gender
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti- money laundering
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group Accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group environmental and economic policies
- Whistleblower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services

Key Governance Highlights for 2021/22

The Company, as a subsidiary of JKH, aligned its framework to follow the Diversity, Equity and Inclusion (DE&I) policy, which was launched in April 2021.The DE&I policy is based on the key principles of:

- Empowerment and inclusion
- ZERO tolerance for discrimination
- Equal opportunity
- Equal participation
- Diverse value chains

In furtherance of the emphasis on creating an inclusive, diverse and equitable work environment, the first phase of the “SanNap” programme, whereby sanitary napkins were provided free-of-charge to all female employees has been rolled out with the participation of the Company.

Corporate Governance

- For the year under review, the Board declared an interim dividend of Rs. 1.00 per share in March 2022

Highlights of the 27th Annual General Meeting held on 23rd June 2021
• Mr. J. G. A. Cooray who retired in terms of Article 83 of the Articles of Association of the Company, was re-elected as a Director of the Company
• Ms. A. Goonetilleke who retired in terms of Article 90 of the Articles of Association of the Company, was re-elected as a Director of the Company
• Mr. A. Z. Hashim who retired in terms of Article 90 of the Articles of Association of the Company, was re-elected as a Director of the Company
• Mr. A. S. Jayatilleka who retired in terms of Section 210 of the Companies Act No.7 of 2007, was re-elected as a Director of the Company
• Re-appointment of Messrs. Ernst and Young as the External Auditors of the Company for the year 2021/2022

The integrated Governance framework formulated is outlined in the diagram below and set out in the report that follows:

Code of Best Practice on Corporate Governance

The Company				**Shareholders**		
Directors (A)	Directors' Remuneration (B)	Relations with Shareholder (C)	Accountability & Audit (D)	Institutional Investors (E)	Other Investors (F)	Sustainability Reporting (G)

Beyond Compliance

Investment Criteria	**IT Governance**

A. Directors

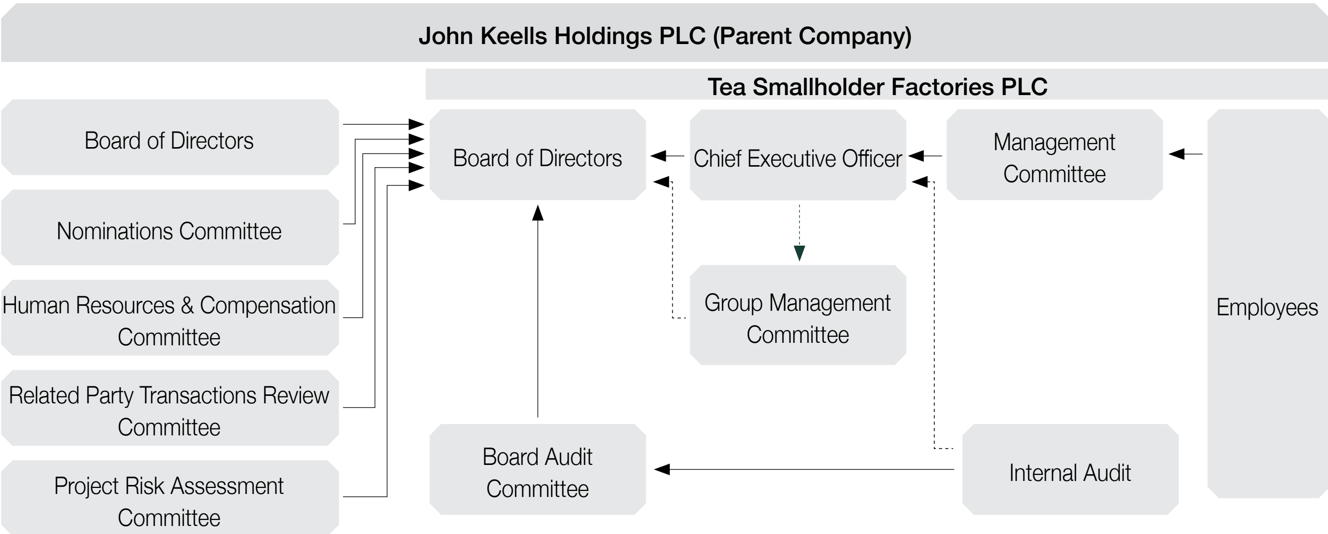
A1. An Effective Board

The Board is responsible for implementing the corporate governance framework across the business. The Board of the Company comprises five (5) Non Executive, Non Independent Directors (NED/NID) including the Chairman and three (3) Non Executive, Independent Directors (NED/ID) whose profiles are given on pages 16-17 of this Annual Report. Stakeholders, including the regulatory bodies continue to place an increased emphasis on the Independence of the Board. By following the Group's directions, the Company ensures that its structure and Nominating Procedures are designed to foster an independent decision making process while mitigating any conflicts of interest. In accordance with the criteria for "Independence" specified by Section 7.10.4 of the listing rules of the CSE, the Board affirms that the three (3) NED/IDs satisfy the criteria for independence and have satisfied the requirements under clause 7.10.2 and is deemed to have sufficient balance in line with the requirements of the Code of Best Practice on Corporate Governance (2013) issued jointly by the CA Sri Lanka and the SEC.

The Board is of the view that its present composition ensures a healthy balance between executive expediency and independent judgment. Executive authority is well delegated through committees with clearly defined authority limits, responsibilities and accountability which are agreed upon in advance to achieve greater operating efficiency and freedom of decision making. As permitted by the listing rules of the CSE, Nominations, Human Resources and Compensation, Related Party Transactions Review, Project Risk Assessment committees of the Company's parent Company, JKH, assist the Board of the Company.

The Board recognises the need for diversity in the Board and is aware of the requirement to attract appropriately skilled Directors who reflect the values of its business and vision. By following the DE&I policy, the Board acknowledges the need of having gender diversity among the Directors. As a percentage, the female participation in the Board stands at 12.5%.

The governance structure of the Company is given below with reporting lines clearly identified.



The Board's effective governance is supported by the following sub-committees and senior management committees.

Board Sub-Committees

Certain functions of the Board have been delegated to the Board Sub-Committees, with the Board retaining final decision rights. This enables to bring in more specialized knowledge into the decision-making process, whereby having the members of these Sub-Committees focus on their area of expertise.

As permitted by the listing rules of the CSE, Nominations, Human Resources and Compensation, Related Party Transactions Review, Project Risk Assessment committees of the Company's parent Company, JKH, function on behalf of the Company.

Board Audit Committee (BAC)	
Composition	The Board Audit Committee comprise three (3) NED/IDs and (1) NED/NID. The Committee members are endowed with a vast experince in the area of Finance and Accounting. Mr. A. K. Gunaratne was a member having current membership of a reputed professional accountancy body. Current members are: 1. Ms. A. Goonetilleke - Chairperson 2. Mr. A. S. Jayatilleka 3. Mr. S. K. L. Obeyesekere 4. Mr. A. K. Gunaratne Detailed information regarding the activities of the BAC are provided in the BAC report on pages 69 to 71.
Mandate	To provide an independent and objective review of the financial reporting process, internal controls, risk management process and the internal and external audit function in ensuring; • Adequacy and fairness of disclosure • Transparency, integrity and quality of financial reporting
Scope	• Review the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations • Assess the adequacy and effectiveness of the internal control environment in the Company and ensure appropriate action is taken on the recommendation of the Internal Auditors • Evaluate the competence and effectiveness of the risk management systems of the Company and ensure the robustness and effectiveness in monitoring and controlling risks • Review the adequacy and effectiveness of the internal audit arrangements • Recommend the appointment, re-appointment and removal of the External Auditor including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence

Board Audit Committee (BAC)

Attendance

Detail of Meetings

Name of Director	18-05-2021	19-07-2021	28-10-2021	12-01-2022	Attendance
Ms. A. Goonetilleke	√	√	√	√	4/4
Mr. A. S. Jayatilleka	√	√	√	√	4/4
Mr. S. K. L. Obeyesekere	√	√	√	√	4/4
Mr. A. K. Gunaratne	√	√	√	√	4/4

Nominations Committee (of the parent Company John Keells Holdings PLC)

Composition

The Committee comprises three (3) NED/IDs including Chairman of the Committee and one ED/NID. Current members are:

1. Mr. M. A. Omar - Chairman
2. Ms. M. P. Perera
3. Dr. S. S. H.Wijayasuriya
4. Mr. K. N. J. Balendra – Non Independent Director

Mandate

- Define and establish the nomination process for NEDs
- Lead the process of Board appointments and recommendations to the Board

Scope

- Assess the skills required on the Board given the needs of the businesses
- From time to time assess the extent to which the required skills are represented at the Board
- Prepare a clear description of the role and capabilities required for a particular appointment
- Identify and recommend suitable candidates for appointments to the Board
- Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clearly;
    - The expectation in terms of time commitment
    - Involvement outside of the formal Board meetings
    - Participation in committees
- Ensure that every appointee undergoes an induction to the Group and Company
- The appointment of Chairperson and Directors is a collective decision of the Board

Attendance

Detail of Meetings

Name of Director	24-05-2021	14-06-2021	29-07-2021	Eligible to Attend	Attendance
Mr. K. N. J. Balendra	√	√	√	3	3/3
Mr. M. A. Omar	√	√	√	3	3/3
Ms. M. P. Perera	√	√	√	3	3/3
Dr. S. S. H.Wijayasuriya	√	√	√	3	3/3

Human Resources and Compensation Committee (of the parent Company John Keells Holdings PLC)	
Composition	The Committee comprises three (3) NED/IDs including Chairman of the Committee. Current members are: 1. Mr. D. A. Cabraal - Chairman 2. Mr. M. A. Omar 3. Dr. S. S. H. Wijayasuriya The Chairman/ CEO of JKH and Deputy Chairman / Group Finance Director of JKH are present at all Committee meetings unless the Chairman or Executive Director remuneration is under discussion respectively The Head of Legal, Secretarial and CSR is the Secretary of the Committee
Mandate	• To assist the Board in the establishment of remuneration policies and practices • To review and recommend appropriate remuneration packages for the Chairman and other EDs
Scope	• Determine and agree with the Board a framework for the remuneration of the Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration • Sucession planning of Key Management Personnel • Determining compensation of Non-Executive Directors is not under the scope of this Committee
Attendance	Detail of Meetings

Name of Director	05-07-2021	28-07-2021	Eligible to Attend	Attendance
Mr. D. A. Cabraal	√	√	2	2/2
Dr. S. S. H. Wijayasuriya	√	√	2	2/2
Mr. M. A. Omar	√	√	2	2/2
By Invitation				
Mr. K. N. J. Balendra	√	√	2	2/2
Mr. J.G.A. Cooray	√	√	2	2/2

Related Party Transactions Review Committee (of the parent Company John Keells Holdings PLC)	
Composition	The Committee comprises two (2) NED/IDs and One (1) Senior Independent Non Executive Director. The Chairperson is a NED/ID. Current members are: 1. Ms. M. P. Perera - Chairperson 2. Mr. D. A. Cabraal 3. Mr. A N. Fonseka The Chiarman/ CEO, Mr. K. N. J. Balendra and the Deputy Chairman /Group Finance Director, Mr. J. G. A. Cooray attend meetings by invitation. The Head of Group Business Process Review serves as the Secretary to the Committee. Detailed information regarding the activities of the Committee are provided in the Related Party Transactions Review Committee report on page 72 of this Annual Report.

Corporate Governance

Related Party Transactions Review Committee (of the parent Company John Keells Holdings PLC)	
Mandate	To ensure that all related party transactions of the Company are consistent with the Code on Related Party Transactions issued by SEC and with the Listing Rules of the CSE.
Scope	• Transactions of the senior decision makers in the list of key management personnel with group companies, to be reviewed by the Committee, in addition to the requisitions of the CSE • Develop and recommend for adoption by the Board of Directors of the Company, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group • Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis • Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies
Attendance	

Detail of Meetings

Name of Director	20-05-2021	26-07-2021	01-11-2021	25-01-2022	Eligible to Attend	Attendance
Ms. M. P. Perera	√	√	√	√	4	4/4
Mr. A N. Fonseka	√	√	√	√	4	4/4
Mr. D. A. Cabraal	√	√	√	√	4	4/4
By Invitation						
Mr. K. N. J. Balendra	√	√	√	√	4	4/4
Mr. J.G.A. Cooray	√	√	√	√	4	4/4

Project Risk Assessment Committee	
Composition	The Committee should comprise a minimum of four Directors, Including the Group Chairman and Group Finance Director and two NED/IDs. The Committee Chairman must be a NED /ID. Current members are: 1. Dr. H.S.S. Wijayasuriya - Chairperson 2. Mr. K. N. J. Balendra 3. Mr. J. G. A. Cooray 4. Ms. M. P. Perera
Mandate & Scope	The Project Risk Assessment Committee was established to further augment the John Keells Group's Investment Evaluation Framework. The committee provides the Board of John Keells Holdings PLC (JKH) with enhanced illumination of risk perspectives with respect to large-scale new investments, and assess the potential impact of risks associated with such investments. Investments which are referred to the committee are those which exceed a Board-agreed threshold in terms of quantum of investment and/or potential impact to the John Keells Group. Accordingly, the committee provides early-stage recommendations to the Board with regard to the extent of risk and adequacy of mitigation strategies. Whilst the sub-committee convened once during the year under review to discuss other investments of the John Keells Group, no meetings were convened in relation to investments made by the Company. Given the impact of the pandemic on Group businesses and the challenging macroeconomic uncertainties and volatilities during the latter part of the year, the JKH Board held frequent discussions affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by all Board members.

Group Management Committee (GMC)	
Composition	The Group Management Committee of the Plantation Services Sector comprises the following members. • Sector Head – Plantations Services Sector • Chief Executive Officers of each business units (BUs) • Chief Financial Officer of the Plantations Services Sector • Senior Management of each BU representing each functional area
Mandate	To design, implement and monitor the best practices of the industry, sectors and strategic business units where appropriate and material.
Scope	• Strategy formulation • Implementation of sector strategies for the Plantations Services Sector • Performance monitoring • Risk management • Any other business matters

Senior Management Committee
Executive authority is well devolved through a committee structure ensuring that the Sector Head of the Plantation Services Sector, Chief Executive officer (CEO) of Tea Smallholder Factories PLC and profit center / functional managers are accountable for the Company and the business units / sub-functions respectively. Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency, expediency, healthy debate and freedom of decision making.

Board Meetings, Agenda and Attendance at Board Meetings

The Board meets once in every quarter to discuss all matters relevant to the operation and governance of the Company and the minutes of all Board meetings are documented by the Company secretaries, Keells Consultants (Private) Limited. Any absences are excused in advance and duly recorded in the minutes. The absent members are briefed on the discussions and actions taken during the meeting.

Directors are provided with Board packs which includes board resolutions, performance reports, information on human resources and capital expenditure, treasury and compliance statements etc. in advance of the Board meeting (at least one week prior to the Board meeting) to facilitate informed decision making. The dates and attendance of the Board of Directors at the quarterly Board meetings is tabled below:

Attendance at Meetings Name of Director	22/04/2021	19/07/2021	28/10/2021	13/01/2022	Attendance
Non Executive Non Independent Director (NED/NID)					
Mr. K. N. J. Balendra	√	√	-	√	3/4
Mr. J. G. A. Cooray	√	√	√	√	4/4
Mr. A. Z. Hashim	√	√	√	√	4/4
Mr. E. H. Wijenaike	√	√	√	√	4/4
Mr. A. K. Gunaratne	√	√	√	√	4/4
Non Executive Independent Director (NED/ID)					
Ms. A. Goonetilleke	√	√	√	√	4/4
Mr. A. S. Jayatilleka	√	√	√	√	4/4
Mr. S. K. L. Obeyesekere	√	√	√	√	4/4

Corporate Governance

Board Agenda
A typical Board agenda in 2021/22 contained;

- Confirmation of previous minutes
- Matters arising from the previous minutes
- Board sub-committee reports and other matters exclusive to the Board
- Status updates of major projects
- Review of performance in summary and in detail, including high level commentary on actuals and outlook
- Summation of strategic issues discussed at pre-Board meetings
- Approval of interim and annual financial statements
- Ratification of capital expenditure, disposal of fixed assets and donations
- Ratification of the use of the Company seal
- Ratification of Circular Resolutions
- New Board Resolutions
- Board Evaluation
- Ratification of new appointments, renewal of Directors, remuneration and related approvals
- Report on corporate social responsibility
- Review of risks, sustainability development, HR practices / updates, etc.
- Any other business

Roles and Responsibilities of the Board

The John Keells Group Corporate Governance Framework expects the Board of Directors to:

- Provide direction and guidance to the Company in the formulation of its high-level strategies, with emphasis on the medium and long term, in the pursuance of its sustainable development goals
- Review and approve annual plans and long-term business plans
- Track actual progress against plans
- Set in place governance structures and policy frameworks to ensure compliance with laws, regulations and ensuring the highest standards of disclosure, reporting, ethics and integrity
- Oversee systems of internal control, risk management and establishing whistleblowing conduits
- Ensure that key management personnel and the management team have the required skills, experience and knowledge to implement strategy
- Determine any changes to the discretions/authorities delegated from the Board to the executive levels
- Review and approval of major acquisitions, disposals and capital expenditure
- Approve any amendments to constitutional documents
- Adopt voluntarily, best practices where relevant and applicable

Act in accordance with Laws and Access to Independent Professional Advice

The Board acts in accordance with the laws of the country and all employees are required to conform accordingly as stated in the Conduct of JKH. The Board and the Board Audit Committee receive statements of compliance on recurrent statutory requirements from management on a quarterly basis in this regard.

In order to preserve the independence of the Board, and to strengthen decision making, the Board seeks independent professional advice when deemed necessary. Accordingly, the Board obtains independent professional advice covering areas such as;

- Impacts on business operations of the current and emerging economic and geo-political shifts
- Legal, tax and accounting aspects, particularly where independent external advice is deemed necessary in ensuring the integrity of the subject decision
- Market surveys, architectural and engineering advisory services as necessary for business operations
- Actuarial valuation of retirement benefits and valuation of property including that of investment property
- Information technology consultancy services pertaining to enterprise resource planning system, distributor management system or other major projects
- Specific technical know-how and domain knowledge for identified project feasibilities and evaluations

Additionally, individual Directors are encouraged to seek expert opinion and / or professional advice on matters where they may not have full knowledge or expertise.

Role of Company Secretary

The Company Secretaries, Keells Consultants (Private) Limited is responsible for inducting new Directors, assist the Chairman and the Board of Directors in determining the annual Board Plan, guide the Board and the individual Directors in the proper discharge of their responsibilities and act as a central source of guidance on matters of ethics and governance. In addition to the many duties, the Company Secretary is responsible for making necessary disclosures on related party transactions required by law and regulations and also acts as a channel of communication with shareholders to ensure good shareholder relations. The shareholders can contact Keells Consultants (Private) Limited, the Company Secretaries, on 011-2306245 for any Company related information requirement.

Board Induction and Training

Newly appointed NEDs are apprised of the John Keells Group and Company's values and culture, Group governance framework, policies and processes, Code of Conduct expected by the Company, operating / business model of the Company, strategy and the Directors' responsibilities in accordance with current legislation.

The Chairman ensures that new Directors are introduced to other Board members and key management personnel and briefed on matters taken up at prior meetings.

Directors are encouraged to update their skills and knowledge on a continuous basis and this is facilitated through the following activities.

- Access to External and Internal Auditors
- Periodic reports on performance
- Updates on topics that range from proposed / new regulations to industry best practices
- Opportunities to meet Senior Management of the Managing Agents in a structured setting
- Access to industry experts and other external professional advisory services
- Access to the Centre Legal, Tax and Finance Divisions of the John Keells Group of which the Company is a member and
- The services of the Company Secretary

They also have the opportunity of gaining further insight into the Company's business by undertaking business visits. The Directors devote sufficient time and make every effort to ensure that in proportion with their knowledge and experience, they discharge their responsibilities to the Company.

A.2 and A.3 – The Roles of the Chairman and Chief Executive Officer (CEO)

The roles of the Chairman and CEO are segregated in line with best practices in order to ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

Chairman's Role

The Chairman is a NED/NID. The main responsibility of the Chairman is to lead and manage the Board and its Committees so that they can function effectively. He also sets the tone for the governance and ethical framework of the Company, facilitates and encourages the expression of differing views, and by keeping in touch with local and global industry developments, ensures that the Board is alert to its obligations to the Company's shareholders and other stakeholders. He represents the Company externally and is the focal point of contact for shareholders on all aspects of corporate governance.

With the assistance of the Company secretaries, Keells Consultants (Private) Limited, the Chairman and CEO ensures that;

1. Board procedures are followed
2. Directors receive timely, accurate and clear information
3. Updates on matters arising between meetings
4. The agenda for the Board meeting, reports and papers for discussion are dispatched at least one week in advance so that the Directors are in a position to study the material and arrive at sound decisions
5. A proper record of all proceedings of Board meetings is maintained

The Human Resources and Compensation Committee of the parent Company, JKH appraises the performance of the Chairman on an organizational and individual basis as approved by the Board.

Role of the Chief Executive Officer (CEO)

The Board has, subject to predefined limits, delegated its executive authority to the CEO of the Company for the implementation of strategies approved by the Board and developing and recommending business plans and budgets in line with the Company's strategy to the Board.

Role of the CEO is as follows;

- Execute strategies and policies of the Board
- Guides and supervises the senior management of the Company
- Ensure that operating model of the Company is aligned to short and long term strategies pursued by the parent company
- Ensure that succession at the senior management level is planned

A.4 Financial Acumen

Collectively the Board has sufficient financial acumen as they are selected through a sufficiently rigorous process. Additionally, the following Directors are members of professional accounting organisations and are able to offer guidance on matters of finance, drawing on their specialised knowledge on the subject of finance:

- Mr. J. G. A. Cooray
- Mr. A. K Gunaratne

A.5 Board Balance

The Board comprises five (5) NED/NIDs including the Chairman, three (3) NED/IDs ensuring that there is sufficient balance on the Board. The Board is of the view that its present composition ensures healthy balance between executive expediency and independent judgement. This is based on the following;

- Collectively, the NEDs possess proven business experience and expertise in their respective fields
- The present composition of the Board represents an appropriate mix of skills and experience
- The independent Directors possess strong financial acumen and by virtue of their membership on external Boards, are able to assess the integrity of the Company's financial reporting systems and internal controls, continually review, critique and suggest changes in maintaining best practice
- The Board is also conscious of the need to progressively refresh its composition over time and notes the qualitative contribution of the Independent Directors to the governance of the Company

The Directors of the Company whose profiles are outlined on page 16 and 17 of the Annual Report have a wide range of expertise as well as significant experience in commercial and financial activities enabling them to discharge their governance duties in an effective manner.

The Company is conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in ensuring that the skills representation is in sync with current and future needs.

Conflict of Interest and Independence

Each Director holds continuous responsibility to determine whether he or she has a potential or actual conflict of interest arising from external associations, interests or personal relationships in material matters which are considered by the Board from time to time.

Independence of the Directors has been determined in accordance with the Listing Rules of the CSE and all three NED/IDs have submitted signed declarations of their independence.

Summary of Directors' Interests and Conformity

Name of Director / Capacity	Share Holding (i)	Management / Director (ii)	Material Business Relationship (III)	Employee of the Company (iv)	Family Member a Director or CEO (v)	Continuous Service for nine years (vi)	Significant shareholding -Other Companies (vii)
Non Executive, Non Independent Director (NED/NID)							
Mr. K. N. J. Balendra	No	Yes	No	No	No	N/A	No
Mr. J. G. A. Cooray	No	Yes	No	No	No	N/A	No
Mr. A. Z. Hashim	No	Yes	No	No	No	N/A	No
Mr. E. H. Wijenaike	Yes	Yes	No	No	No	N/A	No
Mr. A. K. Gunaratne	No	Yes	No	No	No	N/A	No
Non Executive, Independent Director (NED/ID)							
Ms. A. Goonetilleke	No	No	No	No	No	No	No
Mr. A. S. Jayatilleka	No	No	No	No	No	Yes	No
Mr. S. K. L. Obeyesekere	No	No	No	No	No	No	No

Definitions

i. Shareholding in the Company carrying not less than 10 percent of voting rights

ii. Director of a listed Company in which they are employed or having a significant shareholding or have a material business relationship

iii. Income / Noncash benefits derived from the Company is equivalent to 20 percent of the Director's annual income

iv. Director is employed by the Company two years immediately preceding appointment

v. Immediate family member who is a Director or CEO

vi. Has served the Board for a continuous period exceeding nine (9) years

vii. Is employed, has a material business relationship and/or significant shareholding in other companies (Other companies in which a majority of the other Directors of the listed company are employed, or are Directors or have a significant shareholding or have a material business relationship)

In accordance with the criteria for "Independence" specified by Section 7.10.4 of the listing rules of the CSE and as identified by the Code of Best Practice, the Board affirms that the aforesaid three NED/IDs satisfy the criteria for independence and have satisfied the requirements under clause 7.10.2 (b).

The Board has determined that although Mr. A. S. Jayatilleka has been a member of the Board for a period exceeding nine (09) years and that while he does not satisfy the "number of years on the Board" criteria, having considered all other factors, the Board is of the holistic view that Mr. A. S. Jayatilleka satisfy the other qualifying criteria in terms of independence.

A.6 Supply of Information

In order to ensure robust discussion, informed deliberation and effective decision making, the Directors are provided access to;

- Information as necessary to carry out their duties and responsibilities effectively and efficiently
- Information updates from management on topics under review by the Board, new regulations and best practices as relevant to the Company's business
- External and Internal Auditors
- Expert and other external professional services
- The services of the Company secretaries whose appointment and/ or removal is the responsibility of the Board
- Periodic performance reports
- Senior management under a structured arrangement

In order to facilitate effective conduct of meetings, agendas and information required by the Directors are provided seven days prior to the Board meeting.

A.7 and A.8 Appointments to the Board and Re-Election

All NEDs are appointed for a period of three years and are eligible for re-election by the shareholders subject to the age limit as per statutory provisions at the time of re-appointment. Further, NEDs can serve up to a maximum of three successive terms unless an extended Board tenure is necessitated by the requirements of the Company. Details of new Directors are disclosed to shareholders at the time of their appointment through a public announcement made to the CSE. Details of such appointments are also carried in the respective Interim Release and the Annual Report. Directors are required to report any substantial change in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances and make recommendations to the Board accordingly.

At each Annual General Meeting (AGM) one third of the Directors, retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment / re-appointment. In addition, any new Director who was appointed to the Board during the year is required to stand for re-election at the next AGM in terms of the Articles of Association of the Company.

The re-election of Directors ensures that shareholders have an opportunity to re-assess the composition of the Board. The names of the Directors submitted for re-election are provided to the shareholders in advance to enable them to make an informed decision on their election. The names of the retiring Directors eligible for re-election this year are also mentioned in the Notice of the AGM of the Company. Annually, the Board discusses the possibilities of any impairment of Directors independence due to extended Board tenures, and collectively evaluates the re-election of such Board members.

A.9 Appraisal of Board Performance

The Chairman evaluates the performance of the Board annually while the Chairman of the Board Audit Committee, who is a NED/ID evaluates the effectiveness of the Board Audit Committee. There is a formalised process of self-appraisal which enables each member to self-appraise on an anonymous basis, the performance of the Board, using a very detailed checklist / questionnaire covering areas such as;

- Role clarity and effective discharge of responsibilities
- People mix and structure

Corporate Governance

- Systems and procedures
- Quality of participation
- Board image

The scoring and open comments are collated, and the results are analysed to give the Board an indication of its effectiveness as well as areas that require addressing and / or strengthening. The Human Resources and Compensation Committee of the parent Company, JKH appraises the performance of the Chairman on an organizational and individual basis as approved by the Board.

A.10 Disclosure of Information in respect of Directors

Information specified in the Code with regard to Directors are disclosed within this Annual Report as follows.

1. Name, qualifications, expertise, material business interests and brief profiles of the Directors on page 16 and 17
2. Membership of sub-committees and attendance at Board Meetings and Sub-Committee meetings on pages 45 to 48
3. Related party transactions on page 128 and 129

A.11 Appraisal of the CEO

The annual appraisal of the CEO is carried out at parent level and is based on pre-agreed criteria.

B. Directors' Remuneration

Remuneration for Non Executive, Non Independent Directors

No Director Fees are paid by the Company to Non Independent Non Executive Directors (NED/NID) nominated by the parent Company, JKH and Central Finance Company PLC.

The compensation of NEDs was determined in reference to fees paid to other NEDs of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. NEDs were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/ share option plans.

Nevertheless, NED/ID's fees are not time bound or defined by a maximum / minimum number of hours committed to the Company per annum and hence is not subject to additional / lower fees for additional / lower time devoted. NED/ ID's do not receive any performance / incentive payments.

The aggregate remuneration paid to Directors is disclosed on page 129 of this report.

C. Shareholder Relations

C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings

Information is provided to the Shareholders prior to the AGM to give them an opportunity to exercise the prerogative to raise any issues relating to the businesses of the Company. Shareholders are provided with the Annual Report of the Company in electronic form. Shareholders may at any time elect to receive an Annual Report from the Company in printed form, which is provided free of charge.

The Company makes use of the AGM constructively towards enhancing relationships with the Shareholders and towards this end the following procedures are followed:

- Notice of the AGM and related documents are made available to the shareholders along with the Annual Report within the specified time
- Summary of procedures governing voting at the AGM are clearly communicated
- Most Executive and Non-Executive Directors are made available to answer queries
- The Chairman and CEO ensures that the relevant senior managers are also available at the AGM to answer specific queries
- Separate resolutions are proposed for each item that is required to be voted on
- Proxy votes, those for, against, and withheld (abstained) are counted

C.2 Communication with Shareholders

The Board of Directors, in conjunction with the Board Audit Committee, ensures the accuracy and timeliness of published information and has presented an honest and balanced assessment of results in the quarterly and annual financial statements. All other material and price sensitive information about the Company is promptly communicated to the CSE, where the shares of the Company are listed, and such information is also released to shareholders, press and employees.

C.3 Major and Material Transactions

Shareholders are advised of any instance where the contemplated value of a transaction would be greater than of half of the assets value of the Company (Major transactions). There were no major transactions as defined under Section 185 of the Companies Act, during the year under review.

D. Accountability and Audit

D.1 Financial and Business Reporting

The Board recognizes its responsibility to present a balanced and understandable assessment of the Company's financial position, performance, business model, governance structure, risk management, internal controls and challenges, opportunities and prospects in accordance with the requirements of the Companies Act and the Continuing Listing Requirements of CSE. The Financial Statements included in this Annual Report are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS).

The Directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. In the unlikely event that the net assets value of the Company fall below a half of its stated capital (Serious Loss of Capital), shareholders would be notified and the requisite resolutions would be passed on the proposed way forward as per requirements of the Section 220 of the Companies Act.

The following specialised information requirements are also included in this Annual Report:

- The Annual Report of the Board of Directors on the Affairs of the Company given on pages 73 to 77 cover all areas of this section
- The "Statement of Directors' Responsibility" is given on page 78
- The Directors' Statement on Internal Controls is given on page 76
- The "Independent Auditors' Report "on pages 81 to 83 for the Auditors' responsibility
- The Management Discussion and Analysis on pages 19 to 40
- Related Party Transactions on pages 128 and 129

The Management Discussion and Analysis contained on pages 19 to 40 covers the information specified in the Code which include the following:

- Industry structure and developments
- Social and environmental protection activities carried out by the Company
- Financial performance
- Material developments in Human Resources, Industrial Relations and prospects for the future

D.2 Risk Management and Internal Control

The Board, through the involvement of the Group Business Process Review Division of the parent company, JKH, has taken steps to obtain assurance that systems designed to safeguard the Company's assets, maintain proper accounting records and provide management information, are in place and are functioning according to expectations.

The Company's systems are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorized and properly recorded, and that material errors and irregularities are either prevented or detected in a timely manner. Key elements of such procedures are as follows:

- Formal policies and procedures are defined which include the documentation of key systems and rules relating to delegation of financial authority. This restricts the unauthorized use of the Company's assets and ensures the monitoring of controls
- The annual budgets are approved by the Board after detailed management review. There is a detailed budgeting process for the Company. Budgets are prepared in a manner that facilitates the management to monitor the key business and financial activities. Results are regularly reviewed against budget and revised forecasts for the year are prepared on a half yearly basis
- The Enterprise resource planning system; SAP has ensured that monthly management accounts are prepared promptly providing relevant, reliable and up-to-date financial and other information
- Capital Expenditure is subject to formal authorization procedures
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance

To further strengthen internal control and obtain independent assurance, the Company has enlisted the services of M/s. BDO Partners, Chartered Accountants, a reputed firm of Chartered Accountants to monitor and report on the adequacy of the financial and operational systems of the Company. Their scope included:

1. Assessment of the adequacy of accounting and operational control systems in terms of economy, efficiency and effectiveness
2. Examination of compliance with statutory requirements, management policies and procedures
3. Review and monitor operational and financial controls in order to ascertain adherence to such controls

The internal audit reports are first discussed by the externally appointed internal auditor with the management of the Company. The Head of the Risk and Control Division of JKH attends these meetings as the moderator, after which these reports are forwarded to the Board Audit Committee. Internal Audit reports are structured in a manner that facilitates the resolution of the concerns highlighted and follow up action is monitored by the Board on an ongoing basis.

External Audit

Messrs. Ernst & Young are the external auditors of the Company and the re-appointment of these auditors was recommended by the Audit Committee. The audit fees paid by the Company to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

Risk Review

The Board has adopted a Company-wide risk management programme to identify, evaluate and manage significant risks while stress-testing for various risk scenarios. This programme ensures that a multitude of risks, arising as a result of the Company's operations, are effectively managed in creating and preserving shareholder and other stakeholder wealth. The detailed Risk Management report on pages 64 to 68 of the Annual Report describes the process of risk management adopted by the Company and the key risks impacting the achievement of the Company's strategic business objectives.

Internal Compliance

A quarterly self-certification programme requires the Sector Head of the Plantation Services Sector and the CFO of the Company to confirm compliance with financial standards and regulations. The Sector Head and the CEO of the Company are required to confirm operational compliance with statutory and other regulations and key control procedures, and also identify any significant deviations from expected norms.

The Annual Report of the Board of Director's on pages 73 to 77 contains a declaration on compliance with laws and regulations, declaration of material interests in contracts involving the Company and confirms that they refrain from voting on matters in which they were materially interested; equitable treatment of shareholders and confirms that the business is a going concern, review of the internal controls covering financial, operational and compliance controls and risk management and that they have obtained reasonable assurance of their effectiveness and compliance thereof. It also sets out the responsibilities of the Board for the preparation and presentation of financial statements. Related party transactions are disclosed on pages 128 and 129 of the Annual Report.

D.3 Board Audit Committee

The Board Audit Committee comprises three Non-Executive, Independent Directors and one Non-Executive, Non Independent Director and conforms to the requirements of the Listing Rules of the Colombo Stock Exchange. It is governed by a Charter, which inter alia, covers the reviewing of policies and procedures of internal control, business risk management, compliance with laws and Group policies and independent audit function.

The Committee is also responsible for the consideration and recommendation of the appointment of External Auditors, the maintenance of a professional relationship with them, reviewing the accounting principles, policies and practices adopted in the preparation of published financial information and examining all documents representing the final Financial Statements. The audit fees paid by the Company to its auditors are separately classified in the Notes to the Financial Statements on page 106.

A quarterly self-certification program requires the Sector Head of the Plantation Services Sector, CEO and Head of Finance of the Company and the Chief Financial Officer (CFO) to confirm compliance on a quarterly basis, with statutory requirements and key control procedures and to identify any deviations from the set requirements. In addition, the Sector Head of the Plantation Services Sector, CEO and the Operational Heads of the different business units are also required to confirm operational compliance with statutory and other regulations and key control procedures, coupled with the identification of any deviations from the expected norms. These have significantly aided the committee in its efforts in ensuring correct financial reporting and effective internal control and risk management.

The Board Audit Committee had four (4) meetings during the year and attendance of the Audit Committee members are indicated in the Board Audit Committee Report on page 69.

The Sector Head of the Plantation Services Sector, CEO of the Company, the Chief Financial Officer, the Head of Finance and other operational heads are invited to the meetings of the Board Audit Committee. The detailed Audit Committee report including areas reviewed during the financial year 2021/2022 is given on pages 69 to 71 of the Annual Report.

D.4 Code of Business Conduct and Ethics

Code of Business Conduct and Ethics for Directors and Staff

All employees, including the Board of Directors, are bound to abide by the JKH Code of Conduct which is outlined below.

JKH Code of Conduct
• Allegiance to the group that ensures the Company will “do the right thing”, by going further than the letter of any contract, the law and our written policies
• Compliance with rules and regulations
• Exercise of professionalism and integrity in all business and 'public' personal transactions
• Conduct all businesses in an ethical manner at all times in keeping with acceptable business practices and demonstrate respect for the communities we operate in and the natural environment

The objectives of the Code of Conduct are further affirmed by a strong set of corporate values which are well institutionalized at all levels within the Company through structured communication. The degree of employee conformance with Corporate values and their degree of adherence to the JKH Code of Conduct are key elements of reward and recognition schemes.

The Company believes that the strong set of core values which underlie the Code, is the main source of its competitive advantage which is rewarded by the trust placed by its stakeholders.

The Company as a subsidiary of JKH, follows a zero-tolerance policy towards corruption and bribery while placing the highest value on ethical practices. Accordingly, the Company practices these policies in all its transactions while aliging its governance framework to create a culture of honesty as opposed to fruad and corruption.

Employees are at the centre of attention when it comes to the the implemention of the Company's Governance System and framework. Accordingly, it is ineffective to only have the compliance and governance framework in place without considering the employee involement in governance. The Company strives to stimulate employeee participation through improved communication and collaboration, engagement and empowerment and implementaion of employeee information system.

Whistleblower Policy

Employees can report to the Chairman through a communication link named "Chairman Direct", on any concerns about unethical behavior and any violation of Group values. Employees reporting such incidents are guaranteed complete confidentiality and such complaints are investigated and addressed via a select committee under the direction of the Chairman.

Ombudsperson

In order to deal with a situation in which an employee or group of employees feel that an alleged violation has not been addressed satisfactorily using the available/existing procedures and processes, an Ombudsperson has been appointed by JKH being the ultimate Parent Company to entertain such concerns.

In a situation where an individual employee or a group of employees complain of an alleged violation of the published Code of Conduct and feels that the alleged violation has not been addressed satisfactorily by internally available mechanisms, provision has been made to refer such complaints to an Ombudsperson.

The findings and recommendations of the Ombudsperson arising subsequent to an independent inquiry is confidentially communicated to the Chairman or to the Senior Independent Director of the parent company, JKH upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairman or the Senior Independent Director of the parent Company, as the case may be, will place before the Board;

- The decision and the recommendations of the Ombudsperson
- The action taken based on the recommendations
- The areas of disagreement and the reasons adduced in instances where the Chairman or the Senior Independent Director disagrees with any or all of the findings and / or recommendations. In such cases, the Board shall consider the areas of disagreement and determine the way forward.

Steps are taken to ensure that complainants are not victimised. There were no cases that were brought to the attention of the Ombudsperson during the year under review.

These open door policies facilitate constant dialogue, communication, transparency and ultimately employee confidence, which would help retain existing talent whilst attracting new.

Employee Participation

The Human Resource unit is designed in a manner that enables high accessibility by any employee to every level of management. Structured 'skip level' meetings are held where employees are given the opportunity to discuss matters of concern with superiors who are at a level higher than their own immediate supervisor in an open but confidential environment. Through the participation of 360 Degree surveys and Voice of Employee (VOE) surveys which are conducted annually, employees are able to voice their opinion about the Company and their respective superiors. The employees also have the opportunity to take part in the Great Place To Work (GPTW) survey conducted by JKH once every four years giving them the opportunity to voice their opinion on the overall work environment.

Securities trading policy

The JKH's securities trading policy prohibits all employees and agents engaged by the Company who are aware of unpublished price sensitive information form trading in the Company shares or the shares of other companies in which the Company presently has business interest. The Group adopts a zero tolerance policy against any employee who is found to be in violation of this policy.

D.5 Corporate Governance Disclosures

The Board of Directors has taken all reasonable steps to ensure that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS / LKAS) issued by the CA Sri Lanka and the requirements of the CSE and other applicable authorities.

This Report has been prepared as per the Listing Rules published by the CSE and the Companies Act.

The Company has also adhered to the Code of Best Practice on Corporate Governance Reporting guidelines jointly set out by the CA Sri Lanka and the SEC in preparation of this Corporate Governance Report, and where necessary deviations have been explained as provided within the rules and regulations.

Legal requirements of the Sri Lanka Tea Board and Tea Commissioner's Division and By Laws and conditions of sale governing sale of tea under the aegis of the Colombo Tea Traders' Association have been complied with.

E and F –Institutional Investors & Other Investors

Shareholders are provided sufficient financial information and other relevant information of the Company to enable them to take decisions regarding their investments. Annual Reports are circulated to all registered shareholders within prescribed timelines. All shareholders are encouraged to participate at the Annual General Meeting and vote on matters set before the shareholders.

G. Sustainability Reporting

Environmental, social and governance (ESG) aspects continue to gain popularity among the stakeholders as it aims to reduce the negligent and irresponsible corporate behaviour that may have an adverse impact on the Environment and Society. Hence, the Company strives to deliver value to its stakeholders by developing a sustainable business model where the core principles of ESG have been embedded to the Governance Framework.

Further, to ensure the proper functioning of a sustainable business model, the Company has identified that it is a prerequisite to have an effective risk management model and a duly up to date business continuity plan. The Risk Report on pages 64 to 68 describes how risks and opportunities pertaining to ESG are recognized., managed, measured and reported.

The Company adopts an integrated approach which mitigates the environmental threats and improves best practices in the Company's engagements to fulfill the obligation towards the environment. Such best practices on emission management, water management, waste management and material management are explained on pages 26 to 35.

The Company recognizes that emphasis should not only be on maximizing long term shareholder value, but it should also endeavor to protect the rights and appropriate claims of many non-shareholder groups such as employees, consumers, suppliers, lenders, environmentalists, host communities and governments. A detailed description of the Company's CSR activities can be found on the Management Discussion and Analysis section of this Annual Report, laid down on page 33.

Strategy formulation and Investment Appraisal

The Company over the years has refined the process of investment appraisal which ensures the involvement of the relevant persons when investment decisions are made. In this manner, several views, opinions and advice are obtained prior to the investment decision. Experience has proven that a holistic and well debated view of the commercial viability and potential of proposed projects including operational, financial, funding, risk and tax implications has most of the time culminated a good result. All investment decisions are routed through a committee structure which safeguards against one individual having unfettered decision-making powers in such decisions.

Digital Oversight, Cyber security Data Protection, Information Management and Adoption

COVID-19 pandemic accelerated the digitalisation of business process across the the world. Accordingly, the a greater empahsis has been placed on key material IT topics such as the Cyber security, Data Protection, Information Management and Adoption. These topics are regularly discussed and processes in place are reviewed at the Board level as well as during Risk Management and Audit Committee meetings.

The IT Governance framework used by our Parent Company JKH leverages best practices and industry leading models such as CObIT (Control Objectives for Information and Related Technology), ISO 35800, ISO 27001, ISO 9000:2008, COSO (Committee of Sponsoring Organisations of the Treadway Commission)/BCP (Business Continuity Planning), ITIL (Information Technology Infrastructure Library) in providing a best of breed framework.

Cyber Security

With the organisation becoming more data driven, there is a significant increase in the organisation's reliance on technology and cyber security continues to be a regular item on the agenda of Risk Management and Audit Committee and is periodically discussed at the Board level. In such a backdrop, securing and protecting the Company's most valuable assets becomes a priority.

The Board accepts that the risk of a security breach needs to be continually managed, and that one needs to be well aware of where the vulnerabilities lie. During the year under review, the Company with the help of our Parent Company's IT division took necessary steps to help curtail the exposure to cyber-attacks by reducing the threat surface and any potentially exploitable vulnerabilities.

Regulatory Compliance Sign Off

A regulatory compliance check list is signed off on a quarterly basis by the Heads of Departments ensuring compliance with the applicable laws and regulations. Changes in the regulation are monitored both by the Legal Division of JKH as well as the Company level and are updated on a regular basis. The compliance reports are tabled and discussed at the Board Audit Committee meetings.

Tax Governance

The Company's tax governance framework and tax strategy is formulated based on the principles of compliance, transparency and accountability. Further the Company acknowledges the duty in fulfilling its tax obligations as per fiscal legislation. The presence of a well structure tax governance framework ensures the following:

- Ability to manage tax efficiently by reducing the tax burden on the Company, within the ambit of applicable laws
- Manage tax risks and implications on Company reputation through adequate policies, proactive communication and defense
- Facilitate healthy relationships amongst stakeholders, Government and tax authorities
- Ensuing integrity of reported numbers and timely compliance

Conclusion

The Company's Robust and sound governance helps to create and maintain trust with employees, investors, governments, business partners, guests and other stakeholders. Within this framework, the Company's goal is to run its business sustainably, engaging with society in a way that leads to the creation of shared value over the long term.

Compliance Summary as at 31st March 2022

1.Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the Entity	Complied	Board of Directors
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Complied	About Us
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied	Corporate Governance and Information to Shareholders and Investors
(iv)	The float adjusted market capitalisation, public holding percentage (%),number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Complied	
(v)	A statement of each Director's holding and CEO's holding in shares of the Entity at the beginning and end of each financial year	Complied	
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Enterprise Risk Management
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Complied	Management Discussion and Analysis
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied	Notes to the Financial Statements
(ix)	Number of shares representing the Entity's stated capital	Complied	Information to Shareholders and Investors
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied	
(xi)	Financial ratios and market price information	Complied	
(xii)	Significant changes in the Company'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	Complied	Notes to the Financial Statement
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Complied	The Company has not raised funds during the year through public issue, right issue and private placements and it does not have Employee Share Option Schemes
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Complied	
(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	Complied	Corporate Governance
(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	Complied	

Corporate Governance

2. Statement of Compliance under Section 7.10 of the Rules of the Colombo Stock Exchange

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
7.10 Compliance				
a./b./c.	Compliance with Corporate Governance Rules	The Company is in compliance with the Corporate Governance Rules and any deviations are explained where applicable	Complied	Corporate Governance
7.10.1 Non Executive Directors				
a./b./c.	Non-Executive Directors (NED)	At least 2 or 1/3 of the total number of Directors should be NEDs	Complied	Corporate Governance
7.10.2 Independent Directors				
a.	Independent Directors (ID)	2 or 1/3 of NEDs, whichever is higher, shall be independent	Complied	Corporate Governance
b.	Independent Directors	Each NED should submit a signed and dated declaration of his/her independence or non independence	Complied	Available with the Secretaries for review
7.10.3 Disclosures relating to Directors				
a./b.	Disclosure relating to Directors	The Board shall annually determine the independence or otherwise of the NEDs	Complied	Corporate Governance
c.	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise	Complied	Board of Directors (profile) section in the Annual Report on pages 16 and 17
d.	Disclosure relating to Directors	Provide a brief resume of new Directors appointed to the Board along with details to CSE for dissemination to the public	Complied	Corporate Governance
7.10.4 Criteria for defining independence				
(a-h)	Determination of Independence	Requirements for meeting criteria to be an Independent Director	Complied	Corporate Governance
7.10.5 Remuneration Committee				
7.10.5	Remuneration Committee (RC)	The Human Resources and Compensation Committee (equivalent of the RC with a wider scope) of the listed parent Company may function as the RC	Complied	Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
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	Complied	Corporate Governance
b.	Functions of Remuneration Committee	The RC shall recommend the remuneration of the CEO and Executive Directors	Complied	Corporate Governance
c.	Disclosure in the Annual Report relating to Remuneration Committee	• Names of Directors comprising the RC • Statement of Remuneration Policy • Aggregated remuneration paid to ED's and NED	Complied	Corporate Governance and Notes to the Financial Statements
7.10.6 Audit Committee (AC)				
a.	Composition of Audit Committee	• Shall comprise of NEDs a majority of whom should be Independent • A NED shall be appointed as the Chairman of the Committee • The CEO and Financial Controller should attend AC meetings unless otherwise determined by the AC • The Chairman of the AC or one member should be a member of a recognised professional accounting body	Complied	Corporate Governance and Notes to the Financial Statements

Corporate Governance

Rule No.	Subject	Applicable requirement	Compliance Status	Applicable Section in the Annual Report
b.	Audit Committee Functions	Overseeing of the – • Preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) • Compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements • process to Ensure the internal and risk management controls are adequate to meet the requirements of the SLFRS/ LKAS • Assessment of the independence and performance of the entity's External Auditors • Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors, and approve the remuneration and terms of engagement of the External Auditor	Complied	Corporate Governance and the Board Audit Committee Reports
C	Disclosure in Annual Report relating to Audit Committee	• Names of Directors comprising the AC • The AC shall make a determination of the independence of the Auditors and disclose the basis for such determination • The AR shall contain a Report of the AC setting out its functions and the manner of compliance with their functions	Complied	Corporate Governance and the Board Audit Committee Reports

3. Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance
MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions (RPT)	Yes	Notes to the Financial Statements
(b)	Details pertaining to RPT	Yes	Notes to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transaction Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

4. Statement of Compliance pertaining to Companies Act No. 7 of 2007
MANDATORY PROVISIONS - FULLY COMPLIANT

Section		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof during the accounting period	Yes	About Us
168 (1) (b)	Signed financial statements of the Company for the accounting period	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements of the Company	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes thereto	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Corporate Information
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors

5. Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
VOLUNTARY PROVISIONS - FULLY COMPLIANT

6. Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka
The Company is compliant with almost the full 2017 Code of Best Practice on Corporate Governance issued by the CA Sri Lanka to the extent of business exigency.

Enterprise Risk Management

MANAGING RISKS AND OPPORTUNITIES

Tea Smallholder Factories PLC has adopted a formal and structured approach to manage risk. Our risk management framework and capabilities are constantly remodeled to suit the dynamism of the environment and to ensure long-term growth and sustainability.

Risk Management Team and Structure

The Board of Directors oversee and retain the ultimate responsibility for the Company's risk management framework. They are assisted by the Board Audit Committee (BAC), who has the oversight responsibility for risks and internal controls. The Group Business Process Review (GBPR) division of the parent Company, John Keells Holdings PLC, together with the outsourced Internal Auditors, M/s. BDO, Chartered Accountants assist the BAC in performing its assurance role through regular reviews and recommendations on the robustness of the internal controls of the Company. The Management Committee of the Company forms the risk management team which is headed by the Chief Executive Officer. The team would also include a risk champion who will be the focal communication point for reporting. The Sustainability and Enterprise Risk Management division (ERM division) of our Parent Company, John Keells Holdings PLC ensures that the policy framework of the Company is aligned to the group through ongoing review, assessment and guidance on implementation.

Risk Management Process

1. Risk Identification

The Company adopts a structured and comprehensive process to identify and prioritize material issues that could have an impact on the Company's ability to create value to its stakeholders.

Upon identifying the material issues, potential risks faced by the Company are uncovered and identified through intelligence gathering, quality audits, safety audits, internal audits and through means such as supplier / buyer's feedback. The risk management team considers the financial and operational risks faced by the Company together with risks arising from possible impacts on the environment, employees and community due to its operations. The team takes the crucial responsibility for the early identification of such potential risks.

2. Risk Assessment and rating

Identified risks are rated as Ultra High, High, Medium, Low and Insignificant after an assessment in terms of its Implication, Likelihood of occurrence, Velocity and Impact to Company. The risks are tabulated in the Company's Risk Control Self Assessment (RCSA) form, enabling the Company to prioritise the risks and to plan out risk mitigation strategies. The risk management team along with the guidance of the Group Sustainability and Enterprise Risk Management Division review and assess the identified risks periodically.

The identified risks as stated on pages 66 to 68 of are broadly classified into the Risk Universe as given below.

Impact to the Company		1 Unlikely to Occur	2 Rare/Remote to Occur	3 Possible to Occur	4 Likely to Occur	5 Almost Certain to Occur
Catastrophic/ Extreme Impact	5	5	10	15	20	25
Major/Very High Impact	4	11 12 — 4	6 5 — 8	2 — 12	16	20
Moderate/High Impact	3	3	7 8 — 6	3 4 — 9	1 — 12	15
Minor Impact	2	16 17 18 19 — 2	13 15 — 4	9 10 14 — 6	8	10
Low/Insignificant Impact	1	1	2	3	4	5

Likelihood of occurrence

The Colour Matrix implies the following:

Priority level	1	2	3	4	5
Colour code	Ultra High	High	Medium	Low	Insignificant
Score	15-25	10-12	8-9	3-6	1-2

3. Risk Mitigation Strategy

The risk management team decides on the measures of risk management, such as acceptance, mitigation, control and transfer. Each identified risk is assigned to a respective member of the risk team as the risk owner, depending on his/ her level and field of expertise. The risk owners are responsible for the implementation of each risk mitigation strategy assigned to them within the agreed timelines and update the risk committee accordingly.

4. Risk Reporting

The Company maintains a formal mechanism of risk reporting. The Risk Control Self-Assessment (RCSA) is reviewed on a quarterly basis by the Risk Committee along with the guidance of the Group Sustainability and Enterprise Risk Management. The risk review also forms an item in the agenda of the BAC meetings and BAC on behalf of the Board reviews the risk management process adopted by the Company.

5. Monitoring and Control

Risk doesn't remain static, and it is essential that Risk Management remains as an on-going process with regular monitoring and reviewing of risks and the outcome and efficiency of the risk treatment measures implemented. Independent Internal audits are carried out regularly to ensure that sound internal controls and procedures are in place to manage and mitigate risks. The ultimate responsibility for the Company's internal controls and reviewing its effectiveness rests with the Board of Directors.

Risk and Opportunities

The Company's key risk exposures, risk level and mitigating strategies to address` the risk exposures are summarized below,

Enterprise Risk Management

1. Interruption of power and fuel supply

Risk Rating		Implication
2022	2021	Disruption to production, made tea and green leaf transport and loss of revenue.
High	-	

- Ensure full stock capacity of fuel is made available during power disruptions and replenished.
- Ensure that generators are in good running condition whilst attending to repairs and maintenance on a timely manner.
- Combine leaf routes where possible to avoid any disruptions in green leaf transportation.
- Obtain special approval from the CTTA through PTFOA for cataloguing of teas in the event of any transport delays.

2. Reduced availability of green leaf resulting in reduced factory utilization

Risk Rating		Implication
2022	2021	Lower crop intakes and reduced profit-ability.
High	High	

- Continuous monitoring of supplier "Dropouts" and retention by,
    - o Payment of competitive rates for quality raw materials
    - o offering forward advances and soft loans to eligible small holders
    - o establishing and maintaining the New year bonus scheme and smallholder welfare societies
- Extension services are provided to small holders and advice on Good Agricultural Practices (GAP) are disseminated towards improving productivity
- Expanding the replanting programs in smallholder lands and consolidating tea field vacancies through infilling programs
- Improve soil fertility by providing chemical fertilisers and encouraging organic fertilisers
- Supply high shade material to mitigate adverse weather condition such as drought
- Maintain adequate stocks of fertiliser to cater to the small holder base during a fertiliser shortage
- The application of Organic fertiliser is being encouraged.

3. Availability of regular workforce

Risk Rating		Implication
2022	2021	Shortage of skilled workforce
Medium	Medium	

- Provide adequate residential and rest room facilities for workers
- Continuous monitoring of worker facilities and training on health and safety
- Adequate transport facilities are provided to report to work
- Provide discounted meal facilities
- Factory automation

4. Unstable nature of market in respect of prices

Risk Rating		Implication
2022	2021	Unpredictable profitability
Medium	Medium	

- Communicate regularly with the broker and exporters in relation to demand and prices and make strategic changes to the grade mix to suit market requirements
- Flexibility to change manufacture process to cater to market demands. (Product diversification)
- Forecast market movements through broker information
- Minimize stocks held at factories to reduce impact due to price reductions

5. Availability of fertiliser

Risk Rating		Implication
2022	2021	Lower crop intakes and decline in the tea leaf standard
Medium	-	

- Ensure that adequate stocks of chemical and organic fertiliser are maintained to cater to smallholder requirements
- Distribute organic/inorganic fertiliser as per the TRI guidelines
- Establish new supplier routes to increase the smallholder supply base
- Obtain green leaf from field collectors to cover the shortfall and to maintain optimum production

6. Fire

Risk Rating		Implication
2022	2021	Business interruption, loss of revenue and assets
Medium	-	

- Adequate firefighting equipment's are available in the premises
- Firefighting awareness programs are conducted every quarter
- Annual firefighting demonstrations are conducted at all factories
- BCP in place and is reviewed quarterly
- Insurance covers have been obtained on fire and business interruption

7. Natural Disaster /Extreme weather condition

Risk Rating		Implication
2022	2021	Business interruption / loss of revenue
Low	Low	

- BCP in place and reviewed quarterly
- Insurance covers have been obtained on the Business interruption

8. Registration of the Lands

Risk Rating		Implication
2022	2021	Loss of asset
Low	Low	

- Resurvey of land and registering in the appropriate land registry
- Frequent monitoring of boundaries to ensure that there are no encroachment

9. Unethical practices in the industry

Risk Rating		Implication
2022	2021	Unfair competition
Low	Low	

- Regular coordination with Tea Board, CTTA and involve bringing fair rules into the industry

10. Unrecoverable Advances

Risk Rating		Implication
2022	2021	Bad debts
Low	Low	

- Advances are issued at the 75% of the payable green leaf rate and reviewed frequently based on market movements
- If green leaf supply falls short on estimated quantity, the short fall is recovered from transport agents
- Reduce over advance requirement by promoting secured short term loan facilities with guarantors
- Weekly monitoring of debts and recoveries

11. Act of Terrorism

Risk Rating		Implication
2022	2021	Loss of business asset, loss of data, continuation of business affected due to absence of staff and workforce, increased cost of production, increased insurance premiums, reduced production due to fear and increased security measures, delay in transport of tea stocks to brokers warehouses , delay in the sale of teas thereby affecting revenue.
Low	Low	

- Maintain adequate stocks of critical supplies at the factories
- Ensure that the generators are in good working order at the factories in case of an emergency
- Updated BCP for Head Office and factories and conduct awareness programs on security and safety
- Ensure that administrative work could be carried out off site by the employees
- Insurance policies covering Terrorism
- Backup of important Data

12. Environmental Pollution

Risk Rating		Implication
2022	2021	Loss of EPL, Fines
Low	Low	

- Frequent review and monitoring of environmental policy
- ISO 45001 certification covers waste water management and disposal
- Regular audits are conducted at all factories

13. External access to operational technology

Risk Rating		Implication
2022	2021	System failure, distortion to data
Low	Low	

- Audit trail for 3rd party access
- Implementation of Data Classification
- Internet security (Virus guards) and windows security updates
- Management supervision
- Primary records
- Protected passwords, NDAs with suppliers

14. Pandemic of dangerous diseases

Risk Rating		Implication
2022	2021	Business interruption /Loss of revenue
Low	Low	

Enterprise Risk Management

- Adapt proactive measures to prevent the spreading of communicable diseases (Use of PPE's and hand sanitizers, provide awareness and practice medical guidelines, measure and maintain records of employee body temperature to identify any abnormalities, establish a mechanism to report and record employee's updates related to the pandemic)
- BCP in respect of Covid-19 has been established to monitor all preventive measures and to avoid business interruption
- Undertake CSR projects relevant to the Pandemic. I.e. fumigation of public places, provide awareness to bought leaf suppliers and the public living in the respective areas in collaboration with medical authorities
- Divert green leaf to next permitted immediate factory in case of a factory being quarantined
- Preventive measures to avoid contamination through manufactured product, ie. Tea- Improve storing facilities (plastic crates, storing of teas on cloths and covering the same)
- PCR tests are carried out to identify any infected persons within the workforce

15. Health and Safety

Risk Rating		Implication
2022	2021	Loss of man days
Low	Insignificant	

- Proactively identifying health and safety issues in order for preventive action to be set in place using ISO 45001:2018 certification guidelines, training on health and safety, fire drills, health and safety internal audits and external audits (ISO 45001:2018)

16. Risk of breakdown of internal controls

Risk Rating		Implication
2022	2021	Not meeting service quality levels, potential losses of cash, inventory and reputational loss
Insignificant	Insignificant	

Not meeting service quality levels, potential losses of cash, inventory and reputational loss

17. Fraud and Corruption

Risk Rating		Implication
2022	2021	Loss of revenue or business, negative impact on reputation.
Insignificant	Insignificant	

- Ensure strict operational controls in all areas
- Rotation of duties and carryout independent checks
- Insurance cover on fidelity guarantee
- Internal audits

18. Irregular practices in purchase of Green Leaf

Risk Rating		Implication
2022	2021	Reduced profits
Insignificant	Insignificant	

- Internal audits, daily monitoring of gross out turns
- Rotation of duties of weighing persons
- The Electronic green leaf weighing system is integrated with the ERP and text messages (SMS) are sent to suppliers on daily green leaf intakes through the automated weighing system
- Surprise audits by head office management

19. Irregular practices in purchase of Green Leaf

Risk	Risk Rating		Implication
Organization and People	2022	2021	Industrial Disputes. Union action.
	Insignificant	Medium	

- Establishment of the Joint Consultative Committee (JCC)
- Recognition of employees (e.g. Bravo Certificate)
- Adherence to statutory laws.
- Conducting social activities and engagements on a frequent basis.
- Create a safe and conducive environment
- Provide competitive salary structures and incentives

The Board of Directors confirms that a process for identifying, evaluating and managing significant risks that compromise the achievement of the strategic objectives of Tea Smallholder Factories PLC has been in place throughout the year in accordance with the guidelines set out by the Institute of Chartered Accountants of Sri Lanka and industry best practice. Potential financial risk in compliance with the Sri Lanka Accounting Standards (SLFRS) is disclosed on pages 95 to 98 under notes to the Financial Statements.

The Board Audit Committee has reviewed the business risk management process adopted by the Company and has noted that the risk management exercise had been conducted for the year under review.

Report of the Board Audit Committee

Introduction

The Board Audit Committee of the company is a formally constituted Sub-Committee of the Board of Directors which assists in the areas of financial reporting, internal audit, internal controls, external audit and corporate risk. The Audit Committee, during the year under review evaluated the preparation, presentation and adequacy of disclosures of the financial statements and ensured that the financial reporting requirements are adhered to. The Committee also evaluated the adequacy of internal controls and risk management framework. The Audit Committee Charter defines the Terms of Reference of the committee and its proceedings are conducted in accordance with and pursuant to the Audit Committee Charter.

Role of the Board Audit Committee

The Committee assists the Board in fulfilling its responsibilities with regard to:

- Ensuring the integrity of the financial statements of the Company and that good financial reporting systems are in place in order to provide accurate, appropriate and timely information to the management, regulatory authorities, shareholders and other stakeholders in accordance with the financial reporting standards as defined by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the continuing Listing Rules of the Colombo Stock Exchange (CSE).

- Ensuring the prevalence and adequacy of company's internal control and risk management framework.

- Assessing the independence and monitoring the performance of external auditors and outsourced internal auditors and follow up on their findings and recommendations.

- Ensuring compliance with applicable laws, regulations and policies of the John Keells Group and Company.

- Assessing the Company's ability to continue as a going concern in the foreseeable future.

- Ensuring that high standards of Corporate Governance are in place.

Composition of the Board Audit Committee

The Board Audit Committee (Committee) of the Company is appointed by and accountable to the Board of Directors and is formally constituted as a Sub Committee of the Board of Directors in accordance with the requirements of the Listing Rules of the CSE. The members of the Board Audit Committee comprised three Independent Non-Executive Directors namely, Ms. A. Goonetilleke, the Chairperson, Mr. A. S. Jayatilleka, Mr. S. K. L. Obeyesekere and one Non independent Non- Executive Director, Mr. A. K. Gunaratne for the financial year 2021/2022. The detailed profiles of the Directors are given on pages 16 and 17 of this report. The Chief Financial Officer for the Plantation Services Sector of John Keells Group serves as the Secretary to the Committee.

Meetings of the Board Audit Committee

The Committee convened four times during the financial year 2021/2022 and the attendance of the committee members at these meetings are shown below. The Sector Head- Plantation Services Sector, Chief Executive Officer, Head of Operations, Financial Controller of the Company and the Head of Group Business Process Review (Group BPR) of John Keells Holdings PLC (JKH) attend the meetings by invitation. Other officials were invited to attend on a need basis. The external auditors and the outsourced internal auditors also attend meetings on invitation when required. The activities and views of the Committee have been communicated to the Board of Directors by tabling the minutes of the Committee's meetings at Board meetings and verbally at Board meetings when necessary.
The Chairman and members of the Committee were in regular contact with the management of the Company through numerous meetings and communications to oversee the auditing and control aspects in the Company.

Attendance at Committee Meetings					
Name of Director	18-05-2021	19-07-2021	28-10-2021	12-01-2022	Attendance
Ms. A. Goonetilleke	√	√	√	√	4/4
Mr. A. S. Jayatilleka	√	√	√	√	4/4
Mr. S. K. L. Obeyesekere	√	√	√	√	4/4
Mr. A. K. Gunaratne	√	√	√	√	4/4

Report of the Board Audit Committee

Activities of the Audit Committee during the Financial Year

Financial Reporting

The Committee has reviewed the financial reporting system adopted 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 Accounting Standards. The Committee recommended the Financial Statements to the Board for its deliberations and issuance. The Committee, in its evaluation of the financial reporting system also recognized the adequacy of the content and quality of routine management information reports forwarded to its members.

The Committee is satisfied that all relevant matters have been considered in the preparation of the financial statements through discussion with management, regarding the operations of the Company both during the financial year and its outlook.

The Committee continues to monitor compliance in accordance with the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, The Sri Lanka Accounting and Auditing Standards and the Rules of the Colombo Stock Exchange

Internal Audit and Control Assessment

The internal audit plan and scope of work were formulated in consultation with the Group BPR Division and the outsourced internal auditors (BDO Partners), which was then approved by the Committee. The focus of the Internal Audit is to provide the adequacy and effectiveness of the company's internal controls and highlight the areas which requires attention, and suggested recommendations.

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. During the year a renewed approach was institutionalized to Internal Audits & process reviews. This approach focuses on identifying opportunities for continuous improvement, to determine the degree of alignment between processes, technologies, and people, in optimally facilitating each business strategy and associated predominant use cases, to handle consequent transactional events, for better outcomes.

The reports were presented to the Committee by the outsourced internal auditors, which were reviewed and discussed along with the management and the Group BPR Division. Findings and recommendations of internal investigations have been given due attention and followed up for implementation.

External Audit

The Committee along with the External Auditors and the management, reviewed and approved the external auditor's work plan and resources and agreed on various key areas of focus prior to the commencement of the audit. The external auditors kept the Committee advised on an on-going basis regarding any unresolved matters of significance. Before the conclusion of the audit, the Committee met with the external auditors to discuss all audit issues and agreed on their treatment. The Committee also met the external auditors, without the management, prior to the finalization of the financial statements.

The Committee is satisfied that the independence and objectivity of the external auditors are safeguarded and has not been impaired by any event or service that gives rise to a conflict of interest. The assigned audit and non-audit work were reviewed by the Committee and due consideration has been given to the level of audit and non-audit fees received by the external auditors from the John Keells Group. Confirmation with regard to compliance with the independence criteria given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka has been received from the external auditors.

The performance of the external auditors has been evaluated and discussed with the senior management of the Company. A declaration has been given by Messrs. Ernst & Young to the Committee, confirming the compliance on its independence criteria as given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

Based on the evaluation performed, the Committee recommended to the Board that Messrs. Ernst & Young be re-appointed as the External Auditors of the Company for the financial year ending 31st March 2023, subject to approval by the shareholders at the next Annual General Meeting

Risk Management

The Audit Committee reviewed the processes for the identification, evaluation and management of all significant operational risks faced by the Company. The management along with the Sustainability and Enterprise Risk Management Division of the John Keells Group have identified the notable risks and the measures taken to mitigate those risks. Formal confirmations and assurances have been received quarterly from the senior management regarding the efficacy and status of the internal control systems, risk management systems and compliance with applicable laws and regulations.

Information Technology and Risk Assessment

The IT services are made use of by the Company to enhance the efficiency and the effectiveness of the internal processes and to provide value added services to its customers. When utilizing IT services, conformity is drawn from the

Head of IT Plantation Services Sector as well as the outsourced Internal Auditors, Messer's BDO Partners. The Group BPR division has adopted an integrated fraud deterrent and investigation framework to drive greater stakeholder synergies and collaboration efficiencies between components that deliver governance and assurance and related services and has implemented a digital platform for compliance reporting and monitoring purposes.

Ethics, Governance and Whistle Blowing

The committee continuously emphasized on upholding ethical values of the staff members. In this regard, Code of Ethics and Whistle-Blowers Policies were put in place and followed educating and encouraging all members of the staff. Further, the Company has an established mechanism for employees to report to the Chairman of John Keells Holdings PLC through the communication link "Chairman Direct" with regard to any unethical behavior, any violation of group values or other improprieties. The reported incidents and the concerns raised are reviewed and investigated on a periodic basis and confidentiality of the identity of the whistle blower is maintained.

Professional Advice

It is within the power of the Committee to seek external professional advice as and when it requires on any relevant subject area. During the year under review, the Committee has drawn comfort from the services rendered by Actuarial & Management Consultants (Pvt) Ltd, Mr. P. B. Kalugalgedera Chartered Valuer and Mr. K. T. D. Tissera Chartered Valuer alongside the services of Messrs. Ernst & Young and Messrs. BDO Partners.

Compliance of The Board Audit Committee

The scope and the functions of the Committee are in compliance with the requirements of the Code of Best Practice on Audit Committee. The Committee has conducted its affairs in accordance with the requirements of the code of best practice on Corporate Governance and the Corporate Governance Rules as per section 7.10 of the Listing Rules of the Colombo Stock Exchange.

Evaluation of The Board Audit Committee

An evaluation of the effectiveness of the Committee was carried out by the members of the Committee along with the Chief Executive Officer, Head of Operations, Chief Financial Officer of the Plantation Services Sector, and Financial Controller. The evaluation done during the year is tabled at the Board Audit Committee meeting and communicated to the Board of Directors of the Company.

Conclusion

Based on the reports submitted by the external auditors and the outsourced internal auditors of the Company, the assurances and certifications provided by the senior management, its effectiveness of the organizational structure and operational controls and the discussions with the management and the auditors both at formal meetings and informally, the Committee is satisfied that the control environment within the Company is satisfactory and provides reasonable assurance that the financial position of the Company is adequately monitored and its assets properly accounted and safeguarded. The Committee is also satisfied that the Company's Internal and External Auditors have been effective and independent throughout the period under review.

A. Goonetilleke
Chairperson of the Board Audit Committee

20th May 2022

Report of the Related Party Transaction Review Committee

The following Directors served as members of the Committee during the financial year:

Ms. M. P. Perera

Mr. A N. Fonseka

Mr. D. A. Cabraal

The Chairman-CEO, Deputy Chairman/ Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- There is compliance with "the Code"and the Listing Rules of the CSE
- Shareholder interests are protected; and
- Fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC, and Union Assurance PLC.

Recurrent RPTs as well as the disclosures & assurances provided by the senior management of the listed companies in the Group in relation to such transactions, in terms of formulated guidelines so as to validate compliance with sec 9.5(a) of the listing rules and thus exclusion from the mandate for review & pre-approval by the Committee, were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries were presented to the Committee for information.

In addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given below.

Attendance at Committee Meetings						
Name of Director	20-05-2021	26-07-2021	01-11-2021	25-01-2022	Eligible to Attend	Attendance
Ms. M. P. Perera	√	√	√	√	4	4/4
Mr. A N. Fonseka	√	√	√	√	4	4/4
Mr. D. A. Cabraal	√	√	√	√	4	4/4
By Invitation						
Mr. K. N. J. Balendra	√	√	√	√	4	4/4
Mr. J. G. A. Cooray	√	√	√	√	4	4/4

The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.

M. P. Perera
Chairperson of the Related Party Transaction Review Committee

20th May 2022

Annual Report of the Board of Directors

The Directors of Tea Smallholder Factories PLC (Company) have pleasure in presenting their 28th Annual Report of the Company together with the Audited Financial Statements for the year ended 31st March 2022.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 (Companies Act), the Listing Rules of the Colombo Stock Exchange (CSE), Code of best practice on Related Party Transactions (RPT) published by the SEC, Rules on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and are guided by recommended best accounting practices.

1. Principal Activities

The principal activity of the Company is processing green leaves purchased from tea small holders and the sale of processed black tea. There has been no change in the activities of the Company in the year under review.

2. Vision, Mission and Goals

The business activities of the Company are conducted in accordance with the highest level of ethical standards and integrity in achieving the Company's vision. The Company's vision, mission and goals are set out in page 05 of this Annual Report.

3. Review of Business Performance

A review of operations of the Company during the year ended 31st March 2022 is contained in the Chairman's Message on pages 12 to 15 and the Management Discussion and Analysis section on pages 19 to 40. These reports together with the Audited Financial Statements reflect the state of affairs of the Company.

4. Financial Statements and Auditors' Report

Financial Statements of the Company for the year ended 31st March 2022 have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) and are set out on pages 84 to 130 of this Annual Report. The Independent Auditors' Report on the Financial Statements are given on pages 81 to 83 of this Annual Report.

5. Accounting Policies

All significant accounting policies adopted in the preparation of the Financial Statements of the Company are given on pages 90 to 130. There were no changes to the accounting policies adopted by the Company during the year under review.

6. Financial Results and Appropriations

6.1. Revenue

The Revenue generated by the Company for the year under review amounted to Rs. 2,019 million (2020/2021 - Rs. 2,346 million) which is a 14% decrease compared to the previous year. An analysis of the revenue based on geographical segments is disclosed in note 5.2 to the Financial Statements on page 93.

6.2 Profit and Appropriations

The profit after tax of the Company was Rs. 15.31 million (2020/2021 – Rs. 66.54 million). The segmental profits are disclosed in note 5.2.1 to the Financial Statements on page 93.

The Company's total comprehensive income net of tax for the financial year 2021/2022 was Rs. 97.95 million (2020/2021 - Rs. 73.84 million).

6.3 Taxation

The Company is liable to income tax at 14 percent (2020/2021 - 14 percent) in terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto. A detailed Statement of the income tax rates applicable to the Company and a reconciliation of the accounting profits with the taxable profits are given in note 16 to the Financial Statements on pages 107 and 108.

6.4 Dividends and Reserves

As required by Section 56 (2) of the Companies Act, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act, and has obtained a certificate from the auditors, prior to declaring all dividends.

Information on dividends and reserves are given below;

Tea Smallholder Factories PLC For the year ended 31st March	2022 Rs. '000s	2021 Rs. '000s
Profit before tax	22,657	78,589
Provision / Reversal for taxation including deferred tax	(7,346)	(12,045)
Net profit after tax	15,311	66,544
Other adjustments	1,024	(10,736)
Balance brought forward from the previous year	768,709	757,901
The amount available for appropriation	785,044	813,709
Interim dividend declared for 2021/2022 for of Rs. 1.00 per share and 2020/2021 for of Rs. 1.50 per share	(30,000)	(45,000)
Balance to be carried forward next year	755,044	768,709

7. Donations

The Company has not made any donations during the year under review.

8. Corporate Sustainability

The Company is conscious of the direct and indirect impact on the environment due to its business activities. Every endeavor is made to minimize the adverse effects on the environment to ensure sustainable continuity of our natural resources. The activities undertaken by the Company in recognition of its responsibility as a corporate citizen are disclosed in detail on pages 26 to 33 of this Annual Report.

9. Property, Plant and Equipment

The carrying value of property, plant and equipment of the Company as at 31st March 2022 was Rs. 739.47 million (as at 31st March 2021 was Rs. 815.13 million). The total expenditure on the acquisition of property, plant and equipment during the year in respect of new assets by the Company amounted to Rs. 40.47 million. The movement of property, plant and equipment during the year is shown in note 17.2 of the Financial Statements on page 113.

Right of Use Assets amounting to Rs. 2.22 million (2020/2021 - Rs. 2.31 million) have been shown separately from property, plant and equipment as per SLFRS 16 – Leases.

Investment properties totaling to Rs. 582.80 million has been shown separately from property, plant and equipment as per LKAS 40 –Investment Properties.

Market Value of Properties

Land and Buildings which includes Freehold Lands, Leasehold Land, and buildings on freehold and leasehold lands for seven factories were revalued by Mr. K. T. D. Tissera, Chartered Valuation Surveyor as of 31st December 2021 and results of such valuation were incorporated in the Financial Statements as at that date.

Properties classified as Investment Property were also revalued on 31st December 2021. Property situated in New Nuge Road, Peliyagoda was revalued by Messrs. P. B. Kalugalagedara & Associates, Chartered valuation surveyors and results of such valuations were incorporated in the Financial Statements as at that date.

Details of valuation of property, plant and equipment and investment property are provided in notes 17.3, 17.4 and 19.3 to the Financial Statements on pages 114,115 and 118 respectively.

10. Investments

Investments of the Company (short term) as at 31st March 2022 amounted to Rs. 216.13 million (as at 31st March 2021 - Rs. 187.26 million).

11. Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2022 was Rs. 150 million (as at 31st March 2021 - Rs. 150 million) with 30 million shares in issue.

The total Reserves of the Company as at 31st March 2022 amounted to Rs. 1,366 million (as at 31st March 2021 - Rs. 1,298 million). The movement in these reserves is shown in the Statement of Changes in Equity on page 87.

	2022	2021
Revaluation Reserve	Rs. 611 million	Rs. 529 million
Retained Earnings	Rs. 755 million	Rs. 769 million
Total	Rs. 1,366 million	Rs. 1,298 million

12. Shareholding and Stock Market Information

As at 31st March 2022 there were 1,253 (as at 31st March 2021 – 1,152) registered shareholders. Top twenty shareholders, the distribution schedule, along with the public holding is given on pages 133 and 134.

An ordinary share of the Company was quoted on the CSE at Rs. 27.1 as at 31st March 2022 (31st March 2021 - Rs. 41.0). Information relating to earnings, dividend, net assets and market value per share is given under the “Five Year Summary” on pages 137 and 138 in the “Information to Shareholders and Investors Section” on page 135.

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Share Information section (page 134) of this Annual Report.

13. Capital Commitments and Contingent Liabilities

Contingent liabilities and capital commitments made on capital expenditure and as at 31st March 2022 are given in Note 37 and 38 respectively in the notes to the Financial Statements on page 130.

14. Events Occurring After the Reporting Date

The details are given in Note 40 in the notes to the Financial Statements on page 130.

15. Information on the Board of Directors

15.1 Directorate

The Board of Directors of the Company as at 31st March 2022 and their brief profiles are given in the Board of Directors section of this Annual Report on page 16 and 17.

15.2 New Appointments and Resignation of Directors

All Directors of the Company held office during the entire year

15.3 Board Sub-Committees

Information regarding the Board Audit Committee, Human Resources and Compensation Committee, Nominations Committee, Related Party Transactions Review Committee and Project Risk Assessment Committee is given under Corporate Governance on pages 45 to 49.

15.4 Retirement of Directors and their re-election

In accordance with Article 83 of the Articles of Association of the Company, Mr. A. K. Gunaratne and Mr. E. H. Wijenaike who retire by rotation and being eligible, will offer themselves for re- election at the Annual General Meeting.

15.5 Directors' Shareholding and their Interests

The relevant interests of the Directors and the Chief Executive Officer (CEO) in the shares of the Company are as follows.

Tea Smallholder Factories PLC For the year ended 31st March	2022 No. of Shares held	2021 No. of Shares held
Mr. K. N. J. Balendra	Nil	Nil
Mr. J. G. A. Cooray	Nil	Nil
Mr. A. Z. Hashim	Nil	Nil
Mr. E. H. Wijenaike	10,000	10,000
Mr. A. K. Gunaratne	Nil	Nil
Ms. A. Goonetilleke	Nil	Nil
Mr. A. S. Jayatilleka	Nil	Nil
Mr. S. K. L. Obeyesekere	Nil	Nil
Mr. R. H. Walpola (CEO)	Nil	Nil

15.6 Interest Register and Interest in Contracts

The Company has maintained an Interest Register as contemplated by the Companies Act and entries have been made therein from 3rd May 2007 being the date on which the Companies Act came into operation.

Interest Register is available at the Registered office of the Company in keeping with the requirement of the section 119 (1) (d) of the Companies Act.

In compliance with the requirements of the Companies Act, this Annual Report also contains particulars of entries made in the Interest Register.

(a) Interests in Contracts – The Directors have all made a general disclosure to the Board of Directors as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director.

(b) Share Dealings - There have been no other disclosures of share dealings as at 31st March 2022.

16. Directors' Meetings

Details of Directors' meetings is presented on page 49 of this Annual Report.

17. Related Party Transactions

The Company's transactions with related parties , given in Note 34 to the Financial Statements have complied with the listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

18. Employment

The number of persons employed by the Company as at 31st March 2022 was 404 (as at 31st March 2021 - 496).

There were no material issues pertaining to employees and industrial relations in the year under review.

19. Corporate Governance

The policies adopted by the Company in relation to Best Practices and Good Corporate Governance are given on pages 42 to 63.

The Directors declare that:

a) The Company has not engaged in any activities, which contravene laws and regulations; and

b) The Directors have declared all material interest in contracts involving the Company and refrained from voting on matters in which they were materially interested; and

c) The Company has made all endeavors to ensure the equitable treatment of shareholders; and

d) The business is a going concern with supporting assumptions or qualifications as necessary; and

e) The Directors have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence here with.

20. Internal Controls

The Directors ensures that the Company has an effective internal control system which ensures that the assets of the Company are safeguarded, and appropriate systems are in place to minimize and detect fraud, errors and other irregularities. The system ensures that the Company adopts procedures which result in financial and operational effectiveness and efficiency. The Statement of Directors' Responsibilities on page 78 and the Audit Committee Report set out on pages 69 to 71 of the Annual Report to provide further information in respect of the above.

21. Risk Management

The Directors have established and adhere to a comprehensive risk management framework to ensure the achievements of their corporate objectives. The categories of risks faced by the Company are identified, the significance they pose are evaluated and mitigating strategies are adopted. The Board of Directors reviews the Risk Management Process through the Board Audit Committee. The details of the risk report and risk management process is set out on pages 64 to 68 of this Annual Report.

22. Statutory Payments

The Directors confirm that to the best of their knowledge that all taxes, duties and levies payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the reporting date have been paid or where relevant provided for in the Financial Statements. The tax position of the Company is disclosed on pages107 to 111.

23. Going Concern

The Company has prepared the financial statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern. The management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans along with the financial strength of the Group.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations, and the COVID-19 pandemic have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

24. Environmental Protection

The Company is conscious of the impact, direct and indirect, on the environment due to its business activities. Every endeavor is made to minimize the adverse effects on the environment to ensure sustainable continuity of our resources.

25. Annual Report

The Board of Directors approved the Financial Statements on 20th May 2022. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Board on 20th May 2022.

26. Auditors

In accordance with the Companies Act a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors of the Company will be submitted at the Annual General Meeting. The details of fees paid to the Auditors by the Company is set out in Note 13.1 to the Financial Statements.

As far as the Directors are aware the Auditors neither have any other relationship with the Company that would have an impact on their independence.

27. Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting, on Thursday, 23rd June 2022 at 11.00 a.m. The notice of the meeting relating to the Twenty-Eighth Annual General Meeting is given on page 142.

Krishan Balendra

K. N. J. Balendra
Chairman

J. G. A. Cooray
Director

Keells Consultants (Private) Limited
Company Secretaries

20th May 2022

Statement of Directors' Responsibility

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007 ('Companies Act') is set out in the Independent Auditor's Report on pages 81 to 83 of the Annual Report. As per the provisions of the Companies Act No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of ;

- An income statement and a statement of other comprehensive income of the Company which present a true and fair view of the profit or loss of the Company for the financial year; and
- A statement of financial position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year; and
- A statement of changes in equity; and
- A cash flow statement for the year ended 31st March 2022 together with notes to the financial statements.

  The Directors have ensured that, in preparing these financial statements;

- The appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- All applicable accounting standards, in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) as relevant, have been applied; and
- Reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- It provides the information required by and otherwise complies with the Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

Further, as required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and have obtained a certificate from the auditors, prior to declaring an interim dividend of Rs. 1.00 per share for the year ending 31 March 2022, paid on 5th April 2022.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues, as were due and payable by the Company as at the reporting date, have been paid or, where relevant provided for except as specified in Note 37 to the Financial Statements covering contingent liabilities.

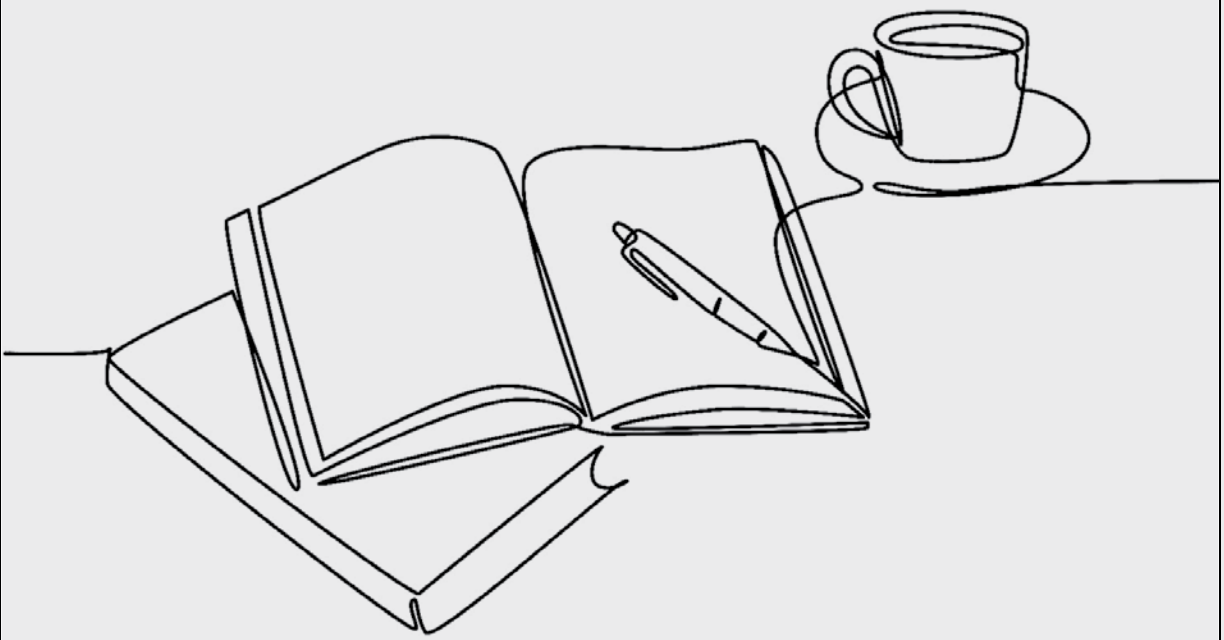
By Order of the Board

TEA SMALLHOLDER FACTORIES PLC

Keells Consultants (Private) Limited
Secretaries

20th May 2022

rooted in resilience



FINANCIAL STATEMENTS

Independent Auditors' Report

Ernst & Young
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TO THE SHAREHOLDERS OF TEA SMALLHOLDER FACTORIES PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Tea Smallholder Factories PLC (the Company), which comprise the Statement of Financial Position as at 31 March 2022, and the Income Statement, 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 give a true and fair view of the financial position of the Company as at 31 March 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (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 Company 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 the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit responded to the key audit matter
Valuation of land and buildings and Investment Property	
Property, Plant and Equipment and Investment Property include Land & Buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Company. Assessing the carrying value of Land & Buildings was a key audit matter due to: • Materiality of the reported Land & Buildings and Investment Property balances amounted to Rs. 569 Mn and Rs. 583 Mn respectively which collectively represented 61 % of the total assets as at 31 March 2022. • the degree of assumptions, judgements and estimation uncertainties associated with fair valuation of Land and Buildings such as reliance on comparable market transactions, and current market conditions Key areas of significant judgments, estimates and assumptions included the following: • Estimate of per perch value of the land • Estimate of the per square foot value of the buildings	Our audit procedures focused on the valuations performed by the external valuer engaged by the company, and included the following; • We assessed the competency, capability and objectivity of the external valuer engaged by the Company • We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each property • We assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each property We have also assessed the adequacy of the disclosures made in Notes 17.2 and 19.2 to the financial statements relating to the significant judgements, valuation technique and estimates used by the external valuer.

Other information included in the Company's 2022 Annual Report

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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 2097.

20 May 2022
Colombo

Income Statement

For the year ended 31st March Rs. '000s	Note	2022	2021
Revenue from contracts with customers	9.2	2,018,797	2,346,224
Cost of Sales		(2,029,365)	(2,256,953)
Gross Profit / (Loss)		(10,568)	89,271
Other Operating Income	10.2	88,258	60,987
Administrative Expenses		(62,919)	(54,788)
Management Fees	11	(15,028)	(23,274)
Results From Operating Activities		(257)	72,196
Finance Cost	12.2	(27)	(79)
Finance Income	12.2	7,222	8,843
Net Finance Income / (Cost)		7,195	8,764
Change in fair value of Investment Property	19.2	15,719	(2,371)
Profit Before Tax	13.1	22,657	78,589
Tax (Expense) / Reversal	16.2	(7,346)	(12,045)
Profit for the year		15,311	66,544
Earnings per share - Basic	14	0.51	2.22
Dividend per share	15	1.00	1.50

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 90 to 130 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st March Rs. '000s	Note	2022	2021
Profit for the year		15,311	66,544
Other Comprehensive Income			
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods			
Revaluation of Land and Buildings	17.2	93,169	20,522
Tax Effect	16.2.1	(11,557)	(2,491)
		81,612	18,031
Re-measurement Gain / (Loss) on Defined Benefit Plans	31.2	1,191	(12,484)
Tax Effect	16.2.1	(167)	1,748
		1,024	(10,736)
Net Other Comprehensive Income not to be reclassified to profit or loss in subsequent period		82,636	7,295
Total Other Comprehensive Income for the year, net of tax		82,636	7,295
Total Comprehensive Income for the year, net of tax		97,947	73,839

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 90 to 130 form an integral part of these financial statements.

Statement of Financial Position

As at 31st March Rs. '000s	Note	2022	2021
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17.2	739,470	815,135
Right of Use Assets	18.1	2,220	2,309
Investment Property	19.2	582,798	424,605
Intangible Assets	20	8,403	8,803
Non-Current Financial Assets	21.1	4,680	2,964
Other Non-Current Assets	22.1	535	477
		1,338,106	1,254,293
Current Assets			
Inventories	23.2	241,285	253,605
Trade and Other Receivables	24	80,947	58,355
Other Current Assets	25	2,894	13,505
Short Term Investments	26	216,128	187,265
Cash in Hand and at Bank	27	4,249	4,291
		545,503	517,021
Total Assets		1,883,609	1,771,314
EQUITY AND LIABILITIES			
Stated Capital	28	150,000	150,000
Revaluation Reserve	29	610,627	529,015
Retained Earnings	30	755,044	768,709
Total Equity		1,515,671	1,447,724
Non-Current Liabilities			
Deferred Tax Liabilities	16.4	110,149	99,046
Employee Benefit Liabilities	31.2	38,533	45,551
Deferred Grants and Subsidies	32.2	447	467
		149,129	145,064
Current Liabilities			
Trade and Other Payables	33	200,007	159,446
Amounts due to Related Parties	34.1	2,965	2,872
Income Tax Liabilities	16.3	613	2,923
Other Current Liabilities	35	13,141	13,283
Bank Overdraft	36	2,083	2
		218,809	178,526
Total Equity and Liabilities		1,883,609	1,771,314
Net Assets Per Share (Rs.)		50.52	48.26

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

K. D. Weerasinghe
Chief Financial Officer

The Board of Directors is responsible for these financial statements.

Krishan Balendra

K. N. J. Balendra
Director

J. G. A. Cooray
Director

The Accounting Policies and Notes as set out on pages 90 to 130 form an integral part of these financial statements.

20th May 2022
Colombo

Statement of Changes in Equity

For the year ended 31st March Rs. '000s	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
As at 31st March 2020		150,000	510,984	757,901	1,418,885
Profit for the year		-	-	66,544	66,544
Other comprehensive income		-	18,031	(10,736)	7,295
Total comprehensive income		-	18,031	55,808	73,839
Interim dividend paid - 2020/2021		-	-	(45,000)	(45,000)
As at 31st March 2021		150,000	529,015	768,709	1,447,724
Profit for the year		-	-	15,311	15,311
Other comprehensive income		-	81,612	1,024	82,636
Total comprehensive income			81,612	16,335	97,947
Interim dividend paid - 2021/2022		-	-	(30,000)	(30,000)
As at 31st March 2022		150,000	610,627	755,044	1,515,671

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 90 to 130 form an integral part of these financial statements.

Statement of Cash Flow

For the year ended 31st March Rs. '000s	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Tax		22,657	78,589
ADJUSTMENTS FOR			
Finance Income	12.2	(7,222)	(8,843)
Depreciation of Property, Plant and Equipment	13.1	64,531	67,946
Amortisation of Right of Use Assets	18.1	89	89
Amortisation of Intangible Assets	13.1	400	400
Gratuity Charge and Related Cost	31.2	7,474	7,821
Amortization of Grants	32.2	(20)	(20)
Finance Cost	12.2	27	79
Profit on disposal of Property, Plant and Equipment	10.2	(12,141)	(5,657)
Change in Fair Value of Investment Property	19.2	(15,719)	2,371
Operating Profit before Working Capital Changes		60,076	142,775
(Increase) / Decrease in Inventories		12,320	(71,444)
(Increase) / Decrease in Trade and Other Receivables		(24,175)	(26,205)
(Increase) / Decrease in Other Current Assets		1,112	919
Increase / (Decrease) in Trade and Other Payables		10,560	79,109
Increase / (Decrease) in Amount due to Related Parties		93	(259)
Increase / (Decrease) in Other Current Liabilities		(142)	7,246
Cash Generated from Operations		59,844	132,141
Finance Income Received		6,253	6,759
Finance Cost Paid		(27)	(79)
Gratuity Paid	31.2	(13,300)	(4,566)
Tax Paid	16.3	-	-
Net Cash from Operating Activities		52,770	134,255
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Property, Plant and Equipment		14,436	7,504
Purchase of Property, Plant and Equipment	17.2	(40,466)	(44,688)
Net Cash from / (used) in Investing Activities		(26,030)	(37,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend Paid	15	-	(45,000)
Net Cash from / (used) in Financing Activities			(45,000)
Net Increase / (Decrease) in Cash and Cash Equivalents		26,740	52,071
Cash and Cash Equivalents at the beginning	Note A	191,554	139,483
Cash and Cash Equivalents at the end	Note B	218,294	191,554
Notes			
A. Cash and Cash Equivalents at the beginning			
Cash and Bank Balances	27	4,291	9,715
Short Term Investments	26	187,265	130,271
Bank Overdraft	36	(2)	(503)
		191,554	139,483
B. Cash and Cash Equivalents at the end			
Cash and Bank Balances	27	4,249	4,291
Short Term Investments	26	216,128	187,265
Bank Overdraft	36	(2,083)	(2)
		218,294	191,554

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The Accounting Policies and Notes as set out on pages 90 to 130 form an integral part of these financial statements.

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Corporate Information

1 Corporate Information

Reporting Entity

Tea Smallholder Factories PLC is a public limited liability Company incorporated and domiciled in Sri Lanka, 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 Corporations or Government Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office and principal place of business of the Company is located at No. 4, Leyden Bastian Road, Colombo 1. Factories are situated in the districts of Galle, Ratnapura and Nuwara Eliya.

Ordinary shares of the Company are listed on the Colombo Stock Exchange.

Approval of Financial Statements

The financial statements for the year ended 31 March 2022 were authorized for issue by the Directors on 20th May 2022.

Principal Activities and Nature of Operations

The principal activity of the Company is processing green leaf and sale of processed black tea.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Holding Company

John Keells Holdings PLC, the Company's parent company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries and associates.

Basis of Preparation and Other Significant Accounting Policies

2 Basis of Preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, plant and machinery and non current assets held for sale that have been measured at fair value.

Statement of Compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flow, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

Presentation and Functional Currency

The financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency, which is the primary economic environment in which the Company operates.

Comparative Information

Except when a standard permits or requires otherwise, comparative information is disclosed in respect of the previous period. Where the presentation or classification of items in the Financial Statements are amended, comparative amounts are reclassified unless it is impractible.

3 Summary of Significant Accounting Policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages of the financial statements. Those accounting policies presented with each note have been applied consistently by the Company.

Other Significant Accounting Policies Not Covered with Individual Notes to the Financial Statements.

Following accounting policies which have been applied consistently and are considered to be significant but not covered in any other sections.

Going Concern

The Company has prepared the financial statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern.

In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis. It is the view of the management that there are no material uncertainties that may cast significant doubt on the Company's ability to continue to operate as a going concern. A Fast recovery momentum was observed as the Company reached pre COVID-19 levels of operations post the easing of restrictions. The management has formed judgment that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans level along with the financial strength of the Company.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations, and the COVID-19 pandemic have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Current versus Non-Current Classification

“The Company presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is classified as a current assets when it is:

- Expected to be realised or intended to be sold or consumed in the 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 assets.

A liability is classified as a current liability when:

- It is expected to be settled in the 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 period.

The Company classifies all other liabilities as non-current liabilities.

Deferred tax assets and liabilities are classified as non-current assets and liabilities accordingly.

3.1 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements of the Company require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

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. In the process of applying the Company's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a)	Going concern	Note 3
b)	Valuation of property, plant and equipment and investment property	Note 17 and Note 19
c)	Impairment of non-financial assets	Note 21
d)	Taxes	Note 16
e)	Employee benefit liability	Note 31
f)	Provision for expected credit losses of trade receivables	Note 6.1.3

4 Amendments to Existing Accounting Standards

The following amendments and improvements do not expect to have a significant impact on the Company's financial statements.

- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform - Phase 2

4.1 Standards Issued but not yet Effective

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Amendments to LKAS 1: Classification of liabilities as Current or Non-current
- Amendments to SLFRS 3: Reference to the Conceptual Framework
- Amendments to LKAS 16: Property, Plant & Equipment - Proceeds before Intended Use
- Amendments to LKAS 37: Onerous Contracts - Cost of Fulfilling a Contract

BUSINESS, OPERATIONS AND MANAGEMENT

5 Operating Segment Information

5.1 Accounting Policy

The segments are determined based on the Company's geographical spread of operations. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Chief Executive Officer. The Chief Executive Officer monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the financial statements.

Transfer prices between operating segments are carried out in the ordinary course of business.

5.2 Reporting Segment Information

5.2.1 Segment Revenue

Geographical Segment

As at	Galle		Ratnapura		N'Eliya		Total	
Rs. '000s	2022	2021	2022	2021	2022	2021	2022	2021
Segment Revenue								
Revenue from contracts with customers	1,130,080	1,210,485	327,542	476,234	561,175	659,505	2,018,797	2,346,224
							2,018,797	2,346,224
Segment Results								
Revenue Expenditure	(1,099,418)	(1,107,110)	(356,062)	(493,448)	(508,673)	(583,357)	(1,964,153)	(2,183,915)
Depreciation of Property, Plant and Equipment	(36,834)	(32,801)	(13,499)	(19,435)	(11,950)	(13,540)	(62,283)	(65,776)
Amortisation of Right of Use Assets / Amortisation of Lease Rentals Paid in Advance	-	-	(89)	(89)	-	-	(89)	(89)
Amortisation of Intangible Assets	(210)	(200)	(86)	(100)	(52)	(50)	(348)	(350)
Gratuity Charge and Related Costs	(1,423)	(3,314)	(480)	(1,877)	(589)	(1,632)	(2,492)	(6,823)
Segment Gross Profit / (Loss)	(7,805)	67,060	(42,674)	(38,715)	39,911	60,926	(10,568)	89,271
Other Operating Income							88,258	60,987
Change in fair value of Investment Property							15,719	(2,371)
Finance Income							7,222	8,843
Unallocated Expenses							(62,946)	(54,867)
Management Fees							(15,028)	(23,274)
Profit Before Tax							22,657	78,589

Geographical Segment

As at	Galle		Ratnapura		N'Eliya		Total	
Rs. '000s	2022	2021	2022	2021	2022	2021	2022	2021
5.2.2 Segment Assets								
Allocated Assets								
Non - Current Assets								
Property, Plant & Equipment	616,204	551,710	122,011	279,452	177,424	159,015	915,639	990,177
Depreciation of Property, Plant and Equipment	(109,268)	(87,450)	(29,370)	(57,397)	(39,593)	(33,055)	(178,231)	(177,902)
Right of Use Assets	-	-	3,083	3,083	-	-	3,083	3,083
Amortisation of Right of Use Assets	-	-	(863)	(774)	-	-	(863)	(774)
Intangible Assets	1,000	1,000	500	500	250	250	1,750	1,750
Amortisation of Intangible Assets	(460)	(250)	(211)	(125)	(115)	(63)	(786)	(438)
Investment Property	-	-	142,474	-	-	-	142,474	-
Current Assets	209,274	162,062	32,118	56,627	80,741	93,352	322,133	312,041
	716,750	627,072	269,742	281,366	218,707	219,499	1,205,199	1,127,937
Non - Current Assets								
Cost							481,563	459,367
Depreciation / Amortisation							(26,523)	(20,970)
Current Assets							223,370	204,980
Total Assets							1,883,609	1,771,314
5.2.3 Segment Liabilities								
Allocated Liabilities								
Non Current Liabilities	15,531	16,874	7,347	11,083	9,604	7,701	32,482	35,658
Current Liabilities	94,977	65,863	16,064	29,900	42,133	42,983	153,174	138,746
	110,508	82,737	23,411	40,983	51,737	50,684	185,656	174,404
Unallocated Liabilities								
Non Current Liabilities							116,647	109,406
Current Liabilities							65,635	39,780
							182,282	149,186
Total Liabilities							367,938	323,590
5.2.4 Segment Capital Expenditure								
Allocated Capital Expenditure	28,783	38,655	4,952	2,508	6,459	3,197	40,194	44,360
Unallocated Capital Expenditure							272	328
							40,466	44,688

6 Financial Risk Management Objectives and Policies

The Company has loans and other receivables, trade and other receivables, and cash and short term deposits that arise directly from its operations and the Company's principal financial liabilities comprise of bank overdraft, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company is exposed to market risk, credit risk and liquidity risk.

6.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

The Company trades only with recognised, creditworthy third parties. It is the Company’s policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a result, the Company’s exposure to bad debts is not significant.

With regard to the credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, short term investments and loans to executives, the Company’s exposure to credit risk arises from default of the counterparty. The Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure the counterparties fulfill their obligations.

The Company’s exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the different rearrangement of homogeneous groups. Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

6.1.1 Credit Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following table shows the maximum risk positions.

For the year ended 31st March 2022 Rs. ‘000s	Note	Non current financial assets	Cash in h and and at bank	Trade and other receivables	Investments	Total	% of Allocation
Loans to Executives	6.1.2	4,680	-	-	-	4,680	2%
Trade and other receivables	6.1.3	-	-	80,947	-	80,947	26%
Short term investments	6.1.4	-	-	-	216,128	216,128	71%
Cash in hand and at bank	6.1.4	-	4,249	-	-	4,249	1%
Total credit risk exposure		4,680	4,249	80,947	216,128	306,004	100%

For the year ended 31st March 2021 Rs. '000s	Note	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Investments	Total	% of Allocation
Loans to Executives	6.1.2	2,964	-	-	-	2,964	1%
Trade and other receivables	6.1.3	-	-	58,355	-	58,355	23%
Short term investments	6.1.4	-	-	-	187,265	187,265	74%
Cash in hand and at bank	6.1.4	-	4,291	-	-	4,291	2%
Total credit risk exposure		2,964	4,291	58,355	187,265	252,875	100%

6.1.2 Loans to Executives

Loans to executive portfolio is made up of vehicle loans which are given to staff at assistant manager level and above. The Company has obtained the necessary promissory notes as collateral for the loans granted.

6.1.3 Trade and Other Receivables

As at 31st March Rs. '000s		2022	2021
Neither past due nor impaired		79,820	56,069
Past due but not impaired	0-30 days	896	1,748
	31–60 days	99	149
	61–90 days	83	99
	91-180 days	49	290
	> 180 days	4,178	6,612
Gross carrying value		85,125	64,967
Less: impairment provision			
Collectively assessed impairment provision		(4,178)	(6,612)
Total		80,947	58,355

6.1.3 Trade and Other Receivables (Continued)

The Company has obtained customer deposits and promissory notes from major customers by reviewing their past performance and credit worthiness, as collateral.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Company consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

6.1.4 Cash and Cash Equivalent and Short Term Investments

In order to mitigate concentration, settlement and operational risks related to cash and cash equivalents, the Company limits the maximum cash amount that can be deposited with a single counterparty. In addition, the Company maintains an authorised list of acceptable cash counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators. The Company held cash and cash equivalents of Rs.218.29 Mn as at 31 March 2022 (2021-Rs. 191.55 Mn).

6.2 Liquidity Risk

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Company has available funds to meet its medium term capital and funding obligations and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including short and long term bank loans, overdrafts and finance leases over a broad spread of maturities.

6.2.1 Net (Debt) / Cash

For the year ended 31st March Rs. '000s	2022	2021
Short term investments	216,128	187,265
Cash in hand and at bank	4,249	4,291
Total liquid assets	220,377	191,556
Bank overdraft	2,083	2
Total liabilities	2,083	2
Net cash	218,294	191,554

The Company has obtained banking facilities to the value of Rs. 150 million, which comprise of an overdraft facility of Rs. 50 from Hatton National Bank PLC, and an overdraft facility of Rs.100 Mn from Deutsche Bank. From the total limit, the outstanding as at 31 March 2022 was Rs. 2 Mn. Hence, a full amount of Rs. 148 Mn is available for utilisation to finance any net debt.

6.2.2 Liquidity Risk Management

The Company has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company matched cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the repurchase agreement, or other secured borrowings.

The Company continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. The daily cash management processes include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Maturity Analysis

The table below summarises the maturity profile of the company's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

For the year ended 31st March 2022 Rs. '000s	Below 3 months	Between 3-6 months	Between 6-12 months
Amounts due to related parties	2,965	-	-
Bank overdraft	2,083	-	-
Trade and Other Payables	200,007	-	-
Other Current Liabilities	4,598	-	8,544
	209,653	-	**8,544**

6.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

Market prices comprise four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

6.4 Sensitivity Analysis

The sensitivity analysis will only be applicable to the interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. However, there were no long-term debt obligations with floating interest rates as at 31 March 2022 and as at 31 March 2021.

The Central Bank of Sri Lanka adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates.

7 Fair Value Measurements and Disclosures

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

Property, plant and equipment under revaluation model	Note 7.2, 17.3 and 17.4
Investment properties	Note 7.2 and 19.3
Financial instruments (including those carried at amortised cost)	Note 8

7.1 Accounting Policy

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 Company.

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 Company 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 company 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.

The Company determines the policies and procedures for both recurring fair value measurement, such as investment properties and for non-recurring measurement.

External valuers are involved for valuation of significant assets, such as investment properties and land and buildings. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the Company’s external valuer, which valuation techniques and inputs to use for individual asset and liability.

For the purpose of fair value disclosures, the company 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.

Notes to the Financial Statements

7.2 Fair Value Hierarchy

7.2.1 Financial Assets and Liabilities

The financial assets and liabilities held by the Company as at 31 March 2022 as given under Note 8.2 are carried at amortised cost where the fair value does not significantly vary from the value based on the amortised cost methodology for the Company.

7.2.2 Non Financial Assets

As at 31 March			Level 1		Level 2		Level 3		Total	
Rs. '000s	Note	Date of Valuation	2022	2021	2022	2021	2022	2021	2022	2021
Assets measured at fair value										
Land and buildings	17.3	31st December 2021	-	-	-	-	569,414	607,901	569,414	607,901
Plant and machinery	17.4	31st March 2020	-	-	-	-	152,290	155,901	152,290	155,901
Investment property	19.3	31st December 2021	-	-	-	-	582,798	424,605	582,798	424,605
			-	-	-	-	1,304,502	1,188,407	1,304,502	1,188,407

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Fair valuation of Land and Building under Property, plant & equipment and Investment property were carried out on 31 December 2021 and a confirmation was obtained from the external valuers to ensure the values as at 31 March 2022.

8 Financial Instruments and Related Policies

8.1 Accounting Policy

8.1.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as amortised 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 Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in income statement.

The Company's financial assets include cash and cash equivalents, short-term investments, trade and other receivables and loans and other receivables.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories.

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses.
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Debt Instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company measures financial assets at amortised 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.
- 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

All the debt instruments of the Company belongs to this category. Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in income statement when the asset is derecognised, modified or impaired.

Financial assets - Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Impairment of Financial Assets

The Company 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 Company expects to receive, discounted at the Company's effective interest rate.

For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

8.1.2 Financial Liabilities

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 recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and Borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Income Statement.

Financial Liabilities - 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 Income Statement.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

8.2 Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

Financial Assets at amortised cost

For the year ended 31st March Rs. '000s	Note	2022	2021
Financial Assets in Non-Current Assets			
Non-current financial assets	21.1	4,680	2,964
Financial Assets in Current Assets			
Trade and other receivables	24	80,947	58,355
Short term investments	26	216,128	187,265
Cash in hand and at bank	27	4,249	4,291
Total Financial Assets at amortised cost		306,004	252,875

Financial Liabilities at amortised cost

For the year ended 31st March Rs. '000s	Note	2022	2021
Financial liabilities in current liabilities			
Trade and other payables	33	200,007	159,446
Amounts due to related parties	34.1	2,965	2,872
Bank overdraft	36	2,083	2
Total Financial Liabilities at amortised cost		205,055	162,320

The management assessed that, cash and cash equivalents, short term investments, trade and other receivables, trade and other payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

9 Revenue

9.1 Accounting Policy

Contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

9.2 Disaggregation of Revenue

Set out below is the disaggregation of the company's revenue from contracts with customers:

Timing of Revenue

For the year ended 31st March Rs. '000s	2022	2021
Goods transferred at a point in time	2,050,119	2,382,380
Less - brokerage and handling charges	(31,322)	(36,156)
Revenue from contracts with customers	2,018,797	2,346,224

Dissagregation of Revenue based on geographical regions are set out in note 5.2

9.3 Contract Balances

Contract assets

Contract assets are Company’s right to consideration in exchange for goods or services that the Company has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables. The Company does not have Contract Assets as at 31st March 2022.

Contract liabilities

Contract liabilities are company's obligation to transfer goods or services to a customer for which the Company has received consideration (or the amount is due) from the customer. The Company does not have Contract Liabilities as at 31st March 2022.

9.4 Performance Obligations and Significant Judgments

The principal business activity of the Company is processing green leaf procured from smallholders and sale of processed black tea through the Colombo Tea Auction.

Net revenue is recognised when the company satisfies the performance obligation at a point in time based on Sellers' Contract which is the agreement between the company and the buyer that creates enforceable rights and obligations. Transaction price shall comprise of cost and mark up which is equal to net proceeds.

10 Other Operating Income

10.1 Accounting Policy

Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets are accounted for in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

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

Other Income

Other income is recognised on an accrual basis.

Rental Income

Rental income arising from operating leases on investment properties are accounted for on a straight-line basis over the lease terms.

10.2 Other Operating Income

For the year ended 31st March Rs. ‘000s	2022	2021
Sale of residual tea	55,777	33,084
Rental income	17,873	16,188
Amortisation of deferred grants	20	20
Profit on sale of property, plant and equipment	12,141	5,657
Net margin on sale of fertiliser	851	3,516
Sundry income	1,596	2,522
	88,258	60,987

11 Management Fee

For the year ended 31st March Rs. '000s	Note	2022	2021
Management fee to John Keells Teas (Private) Limited	34.5	15,028	23,274
		15,028	23,274

12 Net Finance Income / (Cost)

12.1 Accounting Policy

Finance Income

Finance income comprises interest income earned from financial instruments such as short term deposits, short term investments and loans and receivables that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

12.2 Net Finance Income / (Cost)

For the year ended 31st March Rs. '000s	2022	2021
Finance Income		
Interest income on loans to green leaf suppliers	1,835	2,882
Interest income on staff vehicle loans	537	282
Interest income on short term investments	4,850	5,679
Total finance income	7,222	8,843
Finance Cost		
Interest cost on short term borrowings	27	79
Total finance cost	27	79
Net finance income / (cost)	7,195	8,764

13 Profit Before Tax

13.1 Accounting Policy

Expenditure Recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company.

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

For the year ended 31st March Rs. ‘000s	2022	2021
Remuneration to Non Executive Directors	3,600	3,020
Auditors’ remuneration		
Audit services	1,782	1,697
Non-audit services	70	70
Costs of defined employee benefits		
Defined benefit plan cost	7,474	7,821
Defined contribution plan cost - EPF and ETF	28,176	20,410
Staff costs	122,040	109,303
Depreciation of PPE and ROU asset	64,620	68,035
Amortisation of purchased software and licenses	400	400
Legal fees	200	205
Profit or loss on sale of property, plant and equipment	12,141	5,657

14 Basic Earnings per Share

The calculation of the basic earnings per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic earnings per share computation

For the year ended 31st March Rs. ‘000s	Note	2022	2021
Net profit applicable to ordinary shareholders for basic earnings per share - Rs. '000s		15,311	66,544
Weighted average number of ordinary shares in issue - No. of shares	14.1	30,000	30,000
Basic earnings per share - Rs.		0.51	2.22

14.1 Amount used as Denominator

For the year ended 31st March Rs. '000s	2022	2021
Ordinary shares at the beginning of the year - No. of shares	30,000	30,000
Ordinary shares at the end of the year - No. of shares	30,000	30,000

15 Dividend per Share

For the year ended 31st March Rs. '000s	2022	2021
Declared and paid during the year		
Interim dividend	30,000	45,000
Total Dividend	30,000	45,000
Weighted average number of ordinary shares in issue - No. of shares	30,000	30,000
Dividend per share - Rs.	1.00	1.50

16 Taxes

16.1 Accounting policy

Current Tax

Current tax assets and liabilities for the current and prior periods 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.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the Income Statement. The 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.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside Income Statement is recognised outside Income Statement. 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 when the deferred taxes relate to the same taxable entity and the same taxation authority.

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. Since the Company operates in a complex environment, 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. The Interpretation did not have an impact on the financial statements of the Company.

Surcharge Tax

The Company is not be liable for the tax individually as well as a subsidiary as the shareholding percentage of John Keells Holding PLC does not exceed 50% of the issued share capital.

16.2 Tax Expense from Continuing Operations

For the year ended 31st March Rs. '000s	Note	2022	2021
Current Income tax			
Current tax charge	16.6	6,387	18,319
Under / (Over) provision of current tax in respect of previous years		1,580	434
Deferred Income Tax			
Relating to origination and reversal of temporary differences	16.2.1	(621)	(6,708)
Total tax expense / (reversal)		7,346	12,045

16.2.1 Deferred Tax Expense

For the year ended 31st March Rs. '000s	2022	2021
Income Statement		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	(1,380)	(6,018)
Revaluation of investment property to fair value	1,572	(237)
Employee benefit liabilities	(816)	(456)
Other deferred liabilities	3	3
Deferred tax charge / (reversal)	(621)	(6,708)
Other Comprehensive Income		
Deferred tax expense arising from;		
Revaluation of Land and building to fair value	11,557	2,491
Re-measurement gain on defined benefit plans	167	(1,748)
Deferred tax charge / (reversal)	11,724	743

* Deferred tax has been computed at the rate of 14% (14% in 2021).

16.3 Income Tax Payable / (Receivable)

Balance as at 31 March Rs. '000s	2022	2021
At the beginning of the year	2,923	(2,532)
Charge for the year	6,387	18,319
Payments and set off against refunds	(10,277)	(13,298)
Under / (over) provision of current tax in respect of previous years	1,580	434
At the end of the year	613	2,923

Notes to the Financial Statements

16.4 Deferred Tax Liability

Balance as at 31 March Rs. '000s	2022	2021
At the beginning of the year	99,046	105,010
Charge / (release) for the year	(621)	(6,708)
Tax effect on revaluations	11,557	2,491
Tax effect on re-measurement gain on defined benefit plans	167	(1,748)
At the end of the year	110,149	99,046
The closing deferred tax liability relates to the following;		
Revaluation of investment property to fair value	29,079	7,561
Revaluation of Land and building to fair value	25,679	13,337
Accelerated depreciation for tax purposes	60,849	84,590
Employee benefit liability	(5,395)	(6,377)
Other liabilities	(63)	(65)
	110,149	99,046

16.5 Reconciliation between Tax Expense and the product of Accounting Profit

For the year ended 31st March Rs. '000s	2022	2021
Profit Before Tax	22,657	78,589
Accounting profit before income tax	22,657	78,589
Adjusted accounting profit chargeable to income taxes	22,657	78,589
Aggregate disallowable expenses	72,382	84,470
Aggregate allowable expenses	(62,184)	(32,211)
Taxable income	32,854	130,848
At the effective income tax rate of 24% - Rental Income	4,290	-
At the effective income tax rate of 14%	2,097	18,319
Income tax charged at the rate of 14% & 24%	6,387	18,319
	6,387	18,319

16.6 Reconciliation between Tax Expense and the product of Accounting Profit

For the year ended 31st March Rs. '000s	2022	2021
Adjusted accounting profit chargeable to income taxes	22,657	78,589
Tax effect on chargeable profits	2,756	11,334
Tax effect on non deductible expenses	(16)	112
Tax effect on deductions claimed	(48)	(22)
Tax Effect on other taxes (Including Capital Gains 10%)	3,074	145
Under / (Over) provision of current tax in respect of previous years	1,580	476
Total tax expense / (reversal)	7,346	12,045

17 Property, Plant and Equipment

17.1 Accounting Policy

Basis of Recognition

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

Basis of Measurement

Items of property, plant and equipment are measured at cost (or fair value in the case of land and building, and plant and machinery) less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset and any other cost directly attributable to bring the asset to a working condition for its intended use.

Land and buildings, and plant and machinery are measured at fair value less accumulated depreciation on buildings, plant and machinery and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Where land and buildings and plant and machinery are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. The company has adopted a policy of revaluing land and building by an external valuer and an internal valuation of plant and machinery to be carried out at least every 5 years, except for properties held for rental, which are revalued by an external valuer at least every 3 years.

Derecognition

An item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	40
Plant and machinery	10
Furniture and fittings	10
Motor vehicles	5
Equipment	10
Computer Equipment	3

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.

Capital work in progress

Capital work in progress is stated at cost, net of accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

Impairment of Property, Plant and Equipment

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

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 Company continued to respond with specific plans to enable smooth and uninterrupted functioning of business and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Company managed to circumvent these issues without a significant impact on output. As such, the Company has not determined impairment as at the reporting date.

17.1.1 Impairment review of the assets in the Ratnapura segment

The Company has carried out an impairment test on New Panawenna factory in the Rathnapura segment and there was no impairment loss requiring adjustments during the year as the recoverable amount of the assets were higher than the carrying value of the assets.

The recoverable amount of the assets under the Cash Generating Unit (CGU) has been determined based on the value in use calculation based on the approved financial budgets. Value in use calculation is based on a discounted cash flow model. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Gross margins

The basis used to determine the value assigned to the budgeted gross margins, are the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk-free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rates, based on projected economic conditions.

Volume growth

A volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates based on industry growth rates.

17.2 Carrying Value of Property, Plant and Equipment

Rs. '000s	Freehold Land at Valuation	Land Improvements	Buildings on Land at Valuation	Plant and Machinery at Valuation	Furniture, Fittings and Equipment	Motor Vehicles	Computer Equipment	Capital Work in Progress	Total 2022	Total 2021
Cost or Valuation										
Balance as at 01 April 2021	111,626	6,322	495,500	198,128	30,352	87,867	16,318	34,293	**980,407**	943,843
Additions	-	-	-	-	-	-	-	40,466	**40,466**	44,689
Transfers from work in progress	-	-	11,940	54,136		1,249	1,251	(68,576)	**-**	-
Revaluations	10,618	5,015	77,535	-	-	-	-	-	**93,169**	20,522
Disposals	-	-		(2,230)	(1,323)	(4,298)	(686)	-	**(8,537)**	(10,966)
Transferred due to revaluation	-	(1,137)	(17,544)	-	-	-	-	-	**(18,681)**	(17,681)
Transfer out	-	(10,200)	(116,000)	(24,607)	(5,371)	-	-	-	**(156,178)**	-
Balance as at 31 March 2022	122,244	-	451,431	225,427	23,659	84,818	16,883	6,183	**930,645**	980,407
Accumulated Depreciation and Impairment										
Balance as at 01 April 2021	-	1,014	4,533	42,227	26,483	77,291	13,723	-	**165,272**	124,127
Charge for the year	-	123	17,273	40,453	1,067	4,016	1,599	-	**64,531**	67,945
On disposals		-	-	(862)	(1,293)	(3,401)	(686)	-	**(6,242)**	(9,119)
Transferred due to revaluation	-	(1,137)	(17,544)	-	-	-	-	-	**(18,681)**	(17,681)
Transfer out	-	-	-	(8,681)	(5,023)	-	-	-	**(13,704)**	-
Balance as at 31 March 2022	-	-	4,261	73,137	21,234	77,906	14,636	-	**191,175**	165,272
Carrying Value										
As at 31 March 2022	122,244	-	447,170	152,290	2,425	6,912	2,246	6,183	**739,470**	815,135
As at 31 March 2021	111,626	5,308	490,966	155,901	3,869	10,576	2,595	34,293	**815,135**	

17.3 Accounting Judgements, Estimates and Assumptions related to Revaluation of Land and Buildings

The Company uses the revaluation model of measurement of land and buildings. The Company engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location, or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 December 2021. The Freehold Land, Building on freehold land and Pre Cast concrete Structure for six factories were revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as of 31 December 2021 and the results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of Land and Building Method, the Contractors' Basis of Valuation (originally known as Contractors Test Method). Fair value is determined by reference to market-based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

The valuations as of 31 December 2021 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

The fair value of land and buildings as at 31 March 2022 is Rs. 569.41 Mn (as at 31 March 2021 - Rs. 607.90 Mn)

Information on fair value measurement on land and building as at 31 March 2022 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2022 (Rs. '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	122,244	Market Approach	Estimated price per perch	Rs. 8,310 - Rs. 30,750	Positively correlated sensitivity
Buildings	447,170	Depreciated replacement cost method	Estimated price per square foot	Rs. 1,143 - Rs.1,493	Positively correlated sensitivity
	569,414				

Information on fair value measurement on land and building as at 31 March 2021 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2021 (Rs. '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	116,934	Market Approach	Estimated price per perch	Rs. 7,531 - Rs. 28,500	Positively correlated sensitivity
Buildings	490,967	Depreciated replacement cost method	Estimated price per square foot	Rs. 844 - Rs.1,476	Positively correlated sensitivity
	607,901				

17.4 Accounting Judgements, Estimates and Assumptions related to Revaluation of Plant and Machinery

The Company uses the revaluation model of measurement of Plant and Machinery. Plant and machinery of the seven factories were revalued internally by the Engineer as at 31 March 2020 and results of such valuation had been incorporated in the financial statements as at that date. Such assets were valued based on Current Replacement Cost.

The fair value of plant and machinery as at 31 March 2022 is Rs. 152.29 Mn (as at 31 March 2021 - Rs. 155.90 Mn)

Information on fair value measurement on plant and machinery as at 31 March 2022 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2022 (Rs. '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	152,290	Current Replacement Cost	Estimated replacement cost adjusted for wear and tear	Based on number of years of usage	Negatively correlated sensitivity

Information on fair value measurement on plant and machinery as at 31 March 2021 using significant unobservable inputs (level 3) is given below.

Type of Asset	Fair Value as at 31 March 2021 (Rs. '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Plant and machinery	155,901	Current Replacement Cost	Estimated replacement cost adjusted for wear and tear	Based on number of years of usage	Negatively correlated sensitivity

17.5 Carrying Value of total Property, Plant and Equipment

For the year ended 31st March Rs. '000s	2022	2021
At cost	17,766	51,333
At valuation	721,704	763,802
	739,470	815,135

17.6 The carrying amount of revalued land and buildings, and plant and machinery if they were carried at cost less depreciation, would be as follows;

For the year ended 31st March Rs. '000s	2022	2021
Land and Buildings		
Cost	287,610	276,782
Accumulated depreciation and impairment	(160,288)	(141,818)
Carrying value	127,322	134,964
Plant and Machinery		
Cost	550,722	496,586
Accumulated depreciation and impairment	(366,198)	(357,432)
Carrying value	184,524	139,154

17.7 The cost of fully depreciated assets, but still in use of the Company amounts to Rs 98 Mn as of 31 March 2022 (As at 31 March 2021 - Rs. 123 Mn).

18 Leases

Accounting Policy

Set out below are the accounting policies of the Company upon adoption of SLFRS 16, which have been applied from the date of initial application:

Right of Use Assets

The Company recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Company does not have an impact on it's statement of financial position or equity on applying the measurement requirements of SLFRS 16 since the lease payment was paid in advance and the Company does not have a lease liability as at 31st March 2022.

18.1 Right of Use Assets

For the year ended 31st March Rs. '000s	2022	2021
Balance at the beginning of the year	2,309	2,398
Amortisation for the year	(89)	(89)
Balance at the end of the year	2,220	2,309

The remaining period of lease for the leasehold property is 25 years

19 Investment Property

19.1 Accounting Policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

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

The property situated in Peliyagoda has been obtained on a long term lease from the Urban Development Authority of Sri Lanka for a period of 99 years commencing 1st April 1999 with the eligibility for renewal for a further period of 99 years.

The premises under Karawita Tea Factory has been obtained on a 50 year lease commencing 15th August 1997. On 08th November 2021, the factory was leased out to a Sub-Lessee through a Sub-Lease Agreement. The property was revalued by Mr. K.T.D. Tissera, Chartered Valuation Surveyor as at 08th November 2021 and thereafter the property has been classfied as an investment property.

19.2 Carrying Value of Investment Property

As at 31 March Rs. '000s	2022	2021
At the beginning of the year	424,605	426,976
Change in fair value during the year	15,719	(2,371)
Transfer in/(out)	142,474	-
At the end of the year	582,798	424,605

19.3 Accounting Judgements, Estimates and Assumptions related to Valuation of Investment Property

Fair value of the investment property situated at No 77A, New Nuge Road, Peliyagoda was ascertained by independent valuations carried out by Messrs P. B. Kalugalagedara & Associates - Chartered Valuation Surveyors as at 31 December 2021. Investment property were appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the property, future usability and associated redevelopment requirements have been considered. Additionally the valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

The valuations as of 31 December 2021 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Information on fair value measurement on investment property as at 31 March 2022 using significant unobservable inputs (level 3) is given below.

Investment Property situated at No. 77 A, New Nuge Road, Peliyagoda

Type of Asset	Fair Value as at 31 March 2022 (Rs. '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	408,694	Direct capital comparison method	Estimated price per perch	Rs. 2,600,000/- per perch	Positively correlated sensitivity
Buildings	31,630		Estimated price per square foot	Rs.1,000/- per square foot	Positively correlated sensitivity
	440,324				

Investment Property situated in Karawita, Ratnapura

Type of Asset	Fair Value as at 31 March 2022 (Rs. '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Buildings **	142,474	Depreciated replacement cost method	Estimated price per perch	Rs. 1,464/- per square foot	Positively correlated sensitivity
	142,474				

** The value of buildings of Rs. 142.47 Mn includes Plant & Machinery of Rs.15.93 Mn which are integral part of the building given on lease.

Information on fair value measurement on investment property as at 31 March 2021 using significant unobservable inputs (level 3) is given below.

Investment Property situated at No. 77 A, New Nuge Road, Peliyagoda

Type of Asset	Fair Value as at 31 March 2021 (Rs '000')	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable inputs	Sensitivity of Fair Value to Unobservable Inputs
Land	392,976	Direct capital comparison method	Estimated price per perch	Rs. 2,500,000/- per perch	Positively correlated sensitivity
Buildings	31,629		Estimated price per square foot	Rs.1,000/- per square foot	Positively correlated sensitivity
	424,605				

19.4 Rental Income Earned and Direct Operating Expenses Incurred on Investment Property

For the year ended 31st March Rs. '000s	2022	2021
Rental Income	17,873	16,188
	17,873	16,188

* The Company has not incurred any direct operating expenses in the current year as well as in the previous year in connection with the Investment Property.

Future minimum rentals receivable as at 31st March 2022

For the year ended 31st March Rs. '000s	2022
Within one year	21,939
After one year but not more than five years	42,300

The Company has entered into an operating lease on its Paliyagoda investment property, and is due for renewal on 1st February 2023.

20 Intangible Assets

Accounting Policy

Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably in accordance with LKAS 38 on Intangible Assets.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

Useful Economic lives, Amortization and Impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end and such changes are treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intantgible Assets

As at 31st March Rs. '000s	Note	2022	2021
Purchased Software	20.1	1,100	1,500
Goodwill	20.2	7,303	7,303
		8,403	8,803

20.1 Purchased software

The Company capitalized the purchased software during the year ended 31st March 2020 which was initially measured at cost. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

As at 31st March Rs. '000s	2022	2021
Cost/Carrying Value		
At the beginning of the year	2,000	2,000
At the end of the year	2,000	2,000
Accumulated amortisation and impairment		
At the beginning of the year	500	100
Charge for the year	400	400
At the end of the year	900	500
Carrying Value		
As at 31 March	1,100	1,500

The estimated useful life of assets is as follows:

Assets	Type	Twype	Impairment Testing
Purchased software	5	Acquired	When indicators of impairment exists, The amortisation method is reviewed at each financial year end.

20.2 Goodwill

Carrying Value of Goodwill

For the year ended 31st March Rs. '000s	2022	2021
Carrying Value		
At the beginning of the year	7,303	7,303
Impairment	-	-
At at end of the year	7,303	7,303

The Company carried out a test on impairment of Goodwill at 31 March 2022 and there was no impairment loss requiring adjustments during the year. The recoverable amount of the Cash Generating Unit (CGU) has been determined based on the Value in Use (VIU) calculation.

20.3 Significant Accounting judgements, estimates and Assumptions on Impairment of Intangible Assets

Key assumptions used in the VIU calculations

Gross Margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount Rates

The discount rate used is the risk-free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume Growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to four years immediately subsequent to the budgeted year based on industry growth rates. Cash flows beyond the five year period are extrapolated using 0% growth rate.

21 Other Non-Current Financial Assets

21.1 Loans to Executives

For the year ended 31st March Rs. '000s	2022	2021
At the beginning of the year	3,622	2,215
Loans granted	3,000	2,100
Recoveries	(847)	(693)
At the end of the year	5,775	3,622
Receivable within one year	1,094	658
Receivable after one year		
Receivable between one and five years	4,680	2,964
	5,775	3,622

22 Other Non-Current Assets

22.1 Prepaid Staff Cost

For the year ended 31st March Rs. '000s	2022	2021
At the beginning of the year	477	464
Additions	191	129
Amortisation	(133)	(116)
At the end of the year	535	477

23 Inventories

23.1 Accounting Policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

Raw materials	-	Weighted average basis on actual cost
Produce Inventories and work-in-progress	-	At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity excluding borrowing costs
Other inventories	-	At actual cost

23.2 Carrying Value of Inventories

For the year ended 31st March Rs. '000s	2022	2021
Fertiliser stock	14,848	3,065
Consumables and spares	14,341	10,620
Produce stocks*	212,096	239,920
	241,285	253,605

* During the financial year 2021/22, Rs. 1.4 Mn was recognised as an expense for inventories carried at net realisable value at Karawita Tea Factory. This is recognised in the cost of sales.

24 Trade and Other Receivables

As at 31st March Rs. '000s	Note	2022	2021
Trade receivables		59,517	43,285
Other receivables*		24,514	21,024
Less: Impairment provision	24.1	(4,178)	(6,612)
		79,853	57,697
Current portion of loans to Executives	21.1	1,094	658
		80,947	58,355

* Other receivables include amounts receivable from bought leaf suppliers.

24.1 Impairment provision

As at 31st March Rs. '000s	2022	2021
At the beginning of the year	6,612	7,261
Provision for the year	(911)	(649)
Write offs for the year	(1,523)	-
At the end of the year	4,178	6,612

25 Other Current Assets

As at 31st March Rs. '000s	2022	2021
Non financial assets	2,894	3,228
ESC recoverable	-	10,277
	2,894	13,505

26 Short Term Investments

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation.

For the year ended 31st March Rs. '000s	2022	2021
*Fixed Deposits	30,000	30,000
*Call Deposits	180,000	115,000
Savings Accounts	6,128	42,265
	216,128	187,265

*Deposits will be matured within a period of 3 months.

27 Cash in Hand and at Bank

For the year ended 31st March Rs. '000s	2022	2021
Cash at bank	4,205	4,246
Cash in hand	36	37
Stamp balance	7	8
	4,249	4,291

28 Stated Capital

For the year ended 31st March '000s	2022		2021	
	Number of Shares	Value of Shares	Number of Shares	Value of Shares
Issued and fully paid Ordinary Shares	30,000	150,000	30,000	150,000
	30,000	150,000	30,000	150,000

29 Revaluation Reserve

For the year ended 31st March Rs. '000s	2022	2021
At the beginning of the year	529,015	510,984
Net revaluation gain / (loss)	81,612	18,031
At the end of the year	610,627	529,015

The above revaluation reserve Consists of net surplus resulting from the revaluation of property, Plant and equipment as described in Note 17.3 to these Financial Statements. This unrealised amount cannot be distributed to shareholders.

30 Retained Earnings

For the year ended 31st March Rs. '000s	2022	2021
Retained Earnings	755,044	768,709
	755,044	768,709

31 Employee Benefit Liabilities

31.1 Accounting Policy

Defined Contribution Plan - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The Company contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee Benefit Liabilities – Retirement Gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in the other comprehensive income. 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 obligation is not externally funded.

31.2 Employee Defined Benefit Plan – Retirement Gratuity

As at 31st March Rs. '000s	2022	2021
At the beginning of the year	45,551	29,812
Current service cost	4,285	4,542
Interest cost on benefit obligation	3,188	3,279
Payments	(13,300)	(4,566)
(Gain) / loss arising from changes in assumptions	(1,191)	12,484
At the end of the year	38,533	45,551

The employee benefit liability as at 31st March 2022 of the Company is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd, actuaries. If the Company had provided for gratuity on the basis of fourteen days wages and half month salary for each completed year of service for workers and staff respectively, the liability would have been Rs. 37.56 Mn (As of 31st March 2021 - Rs. 47.32 Mn)

The expenses are recognised in the income statement in the following line items;

For the year ended 31st March Rs. '000s	2022	2021
Cost of sales	6,544	6,822
Administrative expenses	930	999
	7,474	7,821

The actuarial gain on defined benefit obligation has been recognised in the statement of comprehensive income in terms of the provision in LKAS 19.

31.3 Significant Accounting Judgement, Estimates and Assumptions - Employee Benefit Liabilities

The employee benefit liability of the Company is based on the actuarial valuation carried out by an Independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:

For the year ended 31st March Rs. '000s	2022	2021
Discount rate (per annum)	8.00%	7.00%
Future salary increases - Staff (per annum)	8.00%	8.00%
- Workers (Once in every two years)	20.00%	20.00%

Retirement Age	2022	2021
Workers	60 years	55 years
Staff	60 years	55 years

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

31.4 Sensitivity of Assumptions used

A qualitative sensitivity analysis for significant assumptions as at 31st March 2022 is shown below.

For the year ended 31st March	Discount Rate		Increment Rate	
	Increase	Decrease	Increase	Decrease
Sensitivity level	1%	1%	1%	1%
Net impact on Employee Benefit Liability	(1,033)	1,099	895	(862)

A qualitative sensitivity analysis for significant assumptions as at 31st March 2021 is shown below.

For the year ended 31st March	Discount Rate		Increment Rate	
	Increase	Decrease	Increase	Decrease
Sensitivity level	1%	1%	1%	1%
Net impact on Employee Benefit Liability	(1,221)	1,298	896	(862)

31.5 Maturity Profile of the Employee Benefit Liability as at 31st March 2022

Future Working Life Time	Employee Benefit Liability - Rs. '000s		
	Staff	Workers	Total
Within the next 12 months	3,670	6,553	10,223
Between 1 - 2 years	7,383	8,174	15,557
Between 2 - 5 years	3,217	4,515	7,732
Between 5 - 10 years	2,446	1,927	4,373
Beyond 10 years	418	230	648
Total	17,134	21,399	38,533

The average duration of the employee benefit liability as at 31st March 2022 is 3.37 years for staff and 2.65 years for workers.

31.6 Maturity Profile of the Employee Benefit Liability as at 31st March 2021

Future Working Life Time	Employee Benefit Liability - Rs. '000s		
	Staff	Workers	Total
Within the next 12 months	3,106	11,897	15,003
Between 1 - 2 years	6,478	6,781	13,259
Between 2 - 5 years	6,049	5,954	12,003
Between 5 - 10 years	1,524	2,812	4,336
Beyond 10 years	613	337	950
Total	17,770	27,781	45,551

The average duration of the employee benefit liability as at 31st March 2021 is 3.52 years for staff and 2.53 years for workers.

32 Other Deferred Liabilities

Government Grants

32.1 Accounting Policy

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 to the costs, that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

The following represents grants received from the Sri Lanka Tea Board under modernization of tea factories such as automation of manufacturing process and requirements under CQC certification.

32.2 Carrying Value

For the year ended 31st March Rs. '000s	2022	2021
At the beginning of the year	467	487
Grants received during the year	-	-
Amortisation	(20)	(20)
At the end of the year	447	467

33 Trade and Other Payables

For the year ended 31st March Rs. '000s	2022	2021
Trade payables	148,992	127,809
Sundry creditors and accrued expenses	19,375	25,517
Unclaimed dividend	31,640	6,120
	200,007	159,446

34 Related Party Transactions

The Company carried out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Financial Reporting Standard 24 - Related Party Disclosures, the details of which are reported below. The consideration for the goods and services provided has been paid or accrued on terms equivalent to those that prevail in arm's length transactions.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Non-recurrent Related Party Transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of equity or 5% of total assets whichever is lower of the Company as per 31st March 2021 audited financial statements, which required additional disclosure in the 2021/2022 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31st March 2021 audited financial statements, which required additional disclosure in the 2021/2022 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

34.1 Amounts Due to Related Parties

For the year ended 31st March Rs. '000s	2022	2021
Parent Company		
John Keells Holdings PLC	264	236
Companies Under Common Control		
Mackinnon's Keells Limited	249	237
Keells Consultants (Private) Limited	149	148
Infomate (Private) Limited	44	41
Whittal Bousted (Private) Limited	75	71
John Keells Teas (Private) Limited	2,177	2,139
John Keells Informaton Technology (Private) Limited	7	-
	2,965	2,872

34.2 Transactions with Related Parties

For the year ended 31st March Rs. '000s	2022	2021
Parent Company		
Receiving of services	(2,776)	(2,224)
Companies Under Common Control of the Parent Company		
Purchases of goods	(291)	(319)
Receiving of services	(54,038)	(53,718)
Rent paid	(2,151)	(2,175)
Transactions with Associates		
Receiving of services	(4,309)	(2,381)
Companies which have Significant Influence		
Purchases of goods	(591)	(784)

34.3 Transactions with Key Management Personnel of the Company

The Company has paid Rs. 3.60 Mn (2020/2021 - Rs. 3.02 Mn) to their Directors as fees during the year. There are no non cash benefits for Key Management Personnel. Other than that there are no transactions, arrangements and agreements with close family members of Key Management Personnel or with companies controlled / jointly controlled / significantly influenced by Key Management Personnel and their close family members.

34.4 Terms and Conditions of Transactions with Related Parties

Transaction with related parties are carried out in the ordinary course of business. Outstanding current account balances at the period end are unsecured, interest free and settlement occurs in cash. The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

34.5 Management Fee

The management fee to managing agents, John Keells Teas (Private) Limited was paid at contractual price.

35 Other Current Liabilities

For the year ended 31st March Rs. '000s	2022	2021
Rent advanced on investment propery (Peliyagoda)	8,544	8,544
Other payables	4,597	4,739
	13,141	13,283

36 Bank Overdraft

For the year ended 31st March Rs. '000s	2022	2021
Deutsche Bank	2,083	2
	2,083	2

37 Contingent Liabilities

Provisions are recognised when the company 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. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, 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 income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed unless the outflow of resources is remote. There is no contingent liability of the company as at the reporting date.

38 Capital Commitment

The value of contractual commitments for acquisition of property, plant and equipment as at 31 March 2022 is Rs. 8.75 Mn (as at 31 March 2021 - Rs. 3.17 Mn).

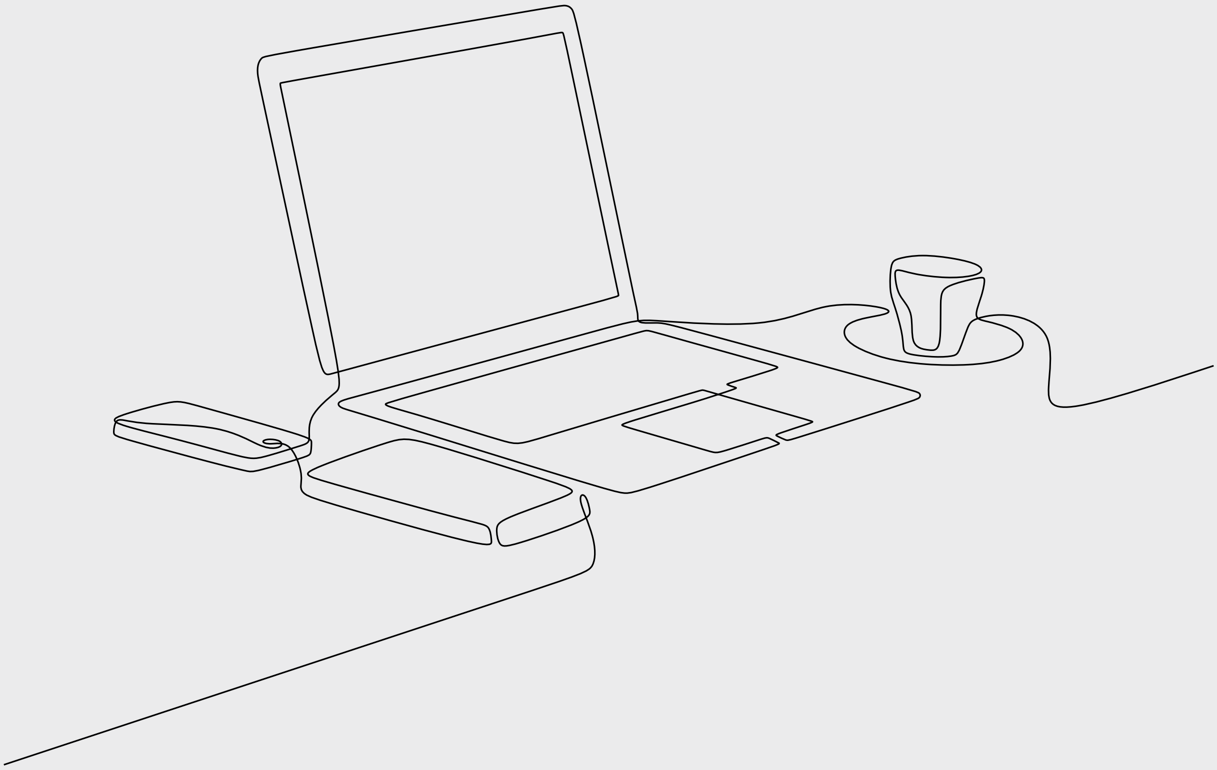
39 Assets Pledged as Security

No assets have been pledged for facilities obtained by the Company as at 31 March 2022.

40 Events After the Reporting Period

There have been no material events occurring after the statement of financial position date that require adjustment or disclosure in the financial statements.

Reinvigorating Your Experience



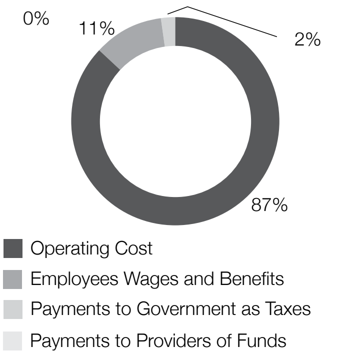
SUPPLEMENTARY INFORMATION

Statement of Economic Value Added

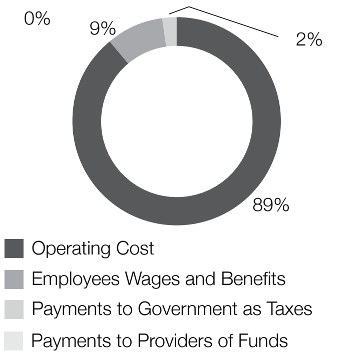
Year Ended 31st March In Rs. '000s	2022		2021		2020		2019		2018	
DIRECT ECONOMIC VALUE GENERATED										
Turnover	2,018,797		2,346,224		2,109,139		2,171,257		2,679,634	
Finance Income	7,222		8,843		4,188		4,525		6,997	
Other Income	88,258		60,986		55,283		52,989		54,720	
Valuation gain/ (loss) on Investment Property	15,719		(2,371)		39,297		54,768		172,737	
	2,129,996		2,413,682		2,207,907		2,283,540		2,914,087	
ECONOMIC VALUE DISTRIBUTED										
Operating Cost	1,812,731	87%	2,061,505	89%	1,820,485	87%	1,950,385	87%	2,352,378	88%
Employees Wages and Benefits	230,520	11%	198,800	9%	204,973	10%	213,771	10%	231,942	9%
Government Taxes	6,387	0%	18,319	0%	12,795	0%	5,316	0%	23,357	1%
Payments to Providers of Funds	30,027	2%	45,079	2%	55,187	3%	64,663	3%	53,018	2%
	2,079,664		2,323,703		2,093,440		2,234,135		2,660,696	
ECONOMIC VALUE RETAINED										
Depreciation	65,020		68,434		61,381		58,087		60,318	
Profit Retained	(14,689)		21,544		53,086		(8,682)		193,072	
	50,332		89,980		114,467		49,405		253,391	

Above data has been derived from the audited financial statements that were prepared based on Sri Lanka Accounting Standards (SLFRS / LKAS).

Economic Value Distributed - 2022



Economic Value Distributed - 2021



From the total value created for 2021/22 of Rs. 2.13 Bn, a reduction of 12%, compared to the total economic value created of Rs. 2.41 Bn in 2020/21, has been recognized. Of the total value distributed of Rs. 2.08 Bn in 2021/22, 87% was spent on operating cost, 11% was distributed to employees in the form of remuneration and statutory payments, 0.3% to the Government in the form of taxes and tariffs and 2% was paid as dividends and interest for providers of funds. Of the total value created of Rs. 2.13 Bn for 2021/22, 2% was retained in the business for further development and investment.

Information to Shareholders and Investors

1 Stock Exchange Listing

The issued ordinary shares of Tea Smallholder Factories PLC was listed with the Colombo Stock Exchange on 01st August 1996. The Audited Accounts of the Company for the year ended 31st March 2022 have been submitted to the Colombo Stock Exchange.

2 Distribution of Ordinary Shareholders

No.of Shares held	31st March 2022				31st March 2021			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Less than or equal to 1000	**948**	**75.66**	**201,667**	**0.67**	874	75.87	174,959	0.58
1,001 - 10,000	**270**	**21.55**	**817,622**	**2.73**	244	21.18	744,996	2.48
10,001 - 100,000	**29**	**2.31**	**726,999**	**2.42**	27	2.34	655,368	2.18
100,001 - 1,000,000	**2**	**0.16**	**861,220**	**2.87**	3	0.26	1,032,185	3.44
Over 1,000,000	**4**	**0.32**	**27,392,492**	**91.31**	4	0.35	27,392,492	91.31
Total	**1,253**	**100.00**	**30,000,000**	**100.00**	1,152	100.00	30,000,000	100.00

3 Analysis Of Shareholders

Categories of Shareholders	31st March 2022				31st March 2021			
	Shareholders		Holdings		Shareholders		Holdings	
	Number	%	Number	%	Number	%	Number	%
Individuals	1,216	97.05	1,997,380	6.66	1,115	96.79	2,007,289	6.69
Institutions	37	2.95	28,002,620	93.34	37	3.21	27,992,711	93.31
Total	1,253	100.00	30,000,000	100.00	1,152	100.00	30,000,000	100.00
Residents	1,245	99.36	29,969,298	99.90	1,144	99.31	29,969,298	99.90
Non Residents	8	0.64	30,702	0.10	8	0.69	30,702	0.10
Total	1,253	100.00	30,000,000	100.00	1,152	100.00	30,000,000	100.00
Public Shareholding	1,249	99.68	9,915,508	33.05	1,148	99.65	9,915,508	33.05
Non - Public Shareholding	4.00	0.32	20,084,492	66.95	4.00	0.35	20,084,492	66.95
Total	1,253	100.00	30,000,000	100.00	1,152	100.00	30,000,000	100.00

4 Public Share Holding

For the year ended 31st March 2022	As at 31st March 2022	As at 31st March 2021
Number of Public Shareholders	1,249	1,148
Public Holding Percentage	33.05	33.05
The Float Adjusted Market Capitalization - Rs. million	268.71	406.54

The Company has complied with the Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange governing the minimum public holding requirement of listed entities for continuous listing requirements. As at 31st March 2022, the public holding of the Company stood at 33.05 percent surpassing the minimum requirement of 20 percent under, option 5.

Information to Shareholders and Investors

5 Twenty Largest Shareholders of the Company

	Name	31st March 2022		31st March 2021	
		No. of Shares Held	% Holdings	No. of Shares Held	% Holdings
1	John Keells Holdings PLC	11,286,000	37.62	11,286,000	37.62
2	Akbar Brothers Limited	7,318,000	24.39	7,318,000	24.39
3	Central Finance Company PLC	6,854,814	22.85	6,854,814	22.85
4	CF Growth Fund Limited	1,933,678	6.45	1,933,678	6.45
5	Mr. K. D. S. R. Upasena	469,120	1.56	469,120	1.56
6	Anverally and Sons (Private) Limited	392,100	1.31	392,100	1.31
7	People's Leasing & Finance PLC / L. P. Hapangama	83,516	0.28	83,516	0.28
8	Mr. C. S. N. Silvapulle	76,420	0.25	76,420	0.25
9	Mr. N. D. Kurukulasuriya	62,400	0.21	62,400	0.21
10	Dr. D. S. A. Samaraweera	53,000	0.18	53,000	0.18
11	People's Leasing & Finance PLC / Dr. H. S. D. Soysa & Mrs. G. Soysa	37,557	0.13	37,557	0.13
12	Mr. N. Muhunthan	34,000	0.11	Nil	-
13	Mr. Z. G. Carimjee	25,000	0.08	25,000	0.08
14	Mr. C. N. Lawrence	24,000	0.08	24,000	0.08
15	Mr. M. D. S. Goonatilleke	22,500	0.08	13,876	0.05
16	Dr. N. I. Wickramanayake	22,482	0.07	22,482	0.07
17	Mrs. Jacintha Aloysius	20,000	0.07	20,000	0.07
18	Mrs. Janiffer Aloysius	20,000	0.07	20,000	0.07
19	Mr. E. Gunatunga (Deceased)	20,000	0.07	20,000	0.07
20	Mr. H.A.S.Madanayaka	20,000	0.07	20,000	0.07
	Total	28,774,587	95.93	28,731,963	95.79

Note - The percentage of public shareholding is stated on page 133 under "Public Share Holding”.

6 Relevant Interest In Shares And Share Dealings

The relevant interest of the Directors and Chief Executive Officer in the shares of the Company are as follows.

As at 31st March	2022	2021
	No. of Shares	No. of Shares
Mr. K. N. J. Balendra (Chairman)	Nil	Nil
Mr. J. G. A. Cooray	Nil	Nil
Mr. A. Z. Hashim	Nil	Nil
Mr. E. H. Wijenaike	10,000	10,000
Mr. A. K. Gunaratne	Nil	Nil
Ms. A. Goonetilleke	Nil	Nil
Mr. A. S. Jayatilleka	Nil	Nil
Mr. S. K. L. Obeyesekere	Nil	Nil
CEO		
Mr. R. H. Walpola (Appointed with effect from 01st January 2022)	Nil	N/A
Mr. H. R. A. Wanasinghe (Resigned with effect from 31st December 2021)	N/A	Nil

7 Market Value

For the year ended 31st March	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.
Highest Price	47.90	46.20	30.00	37.50	46.00
Lowest Price	27.00	19.40	19.10	18.90	23.00
As at Year End	27.10	41.00	19.10	24.10	34.00
Market capitalisation (Rs. Million.)	813	1,230	573	723	1,020

8 Trading Statistics

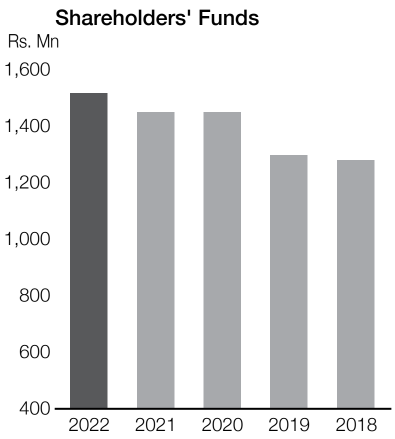
For the year ended 31st March	2022	2021
No. of Trades	2,729	1,305
No. of Shares Traded	747,415	952,099
Value of Traded Shares - Rs.	25,492,374	37,097,002

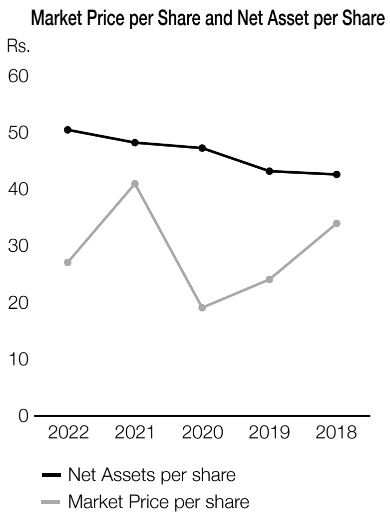
9 Dividend Payment

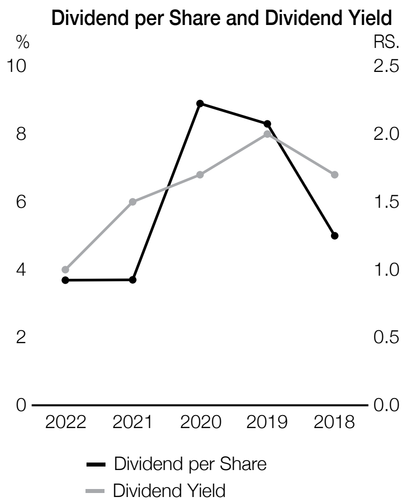
An Interim dividend of Rs. 1.00 per share for the year ending 31 March 2022 was paid on 05th April 2022.

10 Ratios and Statistics

For the year ended 31st March	2022 Rs.	2021 Rs.	2020 Rs.	2019 Rs.	2018 Rs.
No. of shares in issue (In '000s)	30,000	30,000	30,000	30,000	30,000
Earnings per Share (EPS) - Rs	0.51	2.22	3.47	1.71	8.14
EPS growth (%)	(77)	(36)	103	(79)	187
Price earning ratio (No. of times)	53.10	18.5	5.5	14.1	4.2
Dividend payout ratio (%)	195.9	67.6	49.0	116.9	20.9
Pre-tax return on capital employed (Pre-tax ROCE) (%)	1.5	5.5	2.6	3.3	23.8
Return on equity (ROE) (%)	1.0	4.6	7.7	4.0	21.2
Net Assets per share (Rs)	50.52	48.26	47.30	43.22	42.64
Market Price per Share (Rs.)	27.10	41.00	19.10	24.10	34.00
Market capitalisaion (Rs.'000s)	813,000	1,230,000	573,000	723,000	1,020,000
Dividend per Share (Rs.)	1.00	1.50	1.70	2.00	1.70
Dividend Yield (%)	3.69	3.7	8.9	8.3	5.0







Real Estate Details of the Company

Details of the valuations of the Company's land holdings including investment properties and the number of buildings is given below.

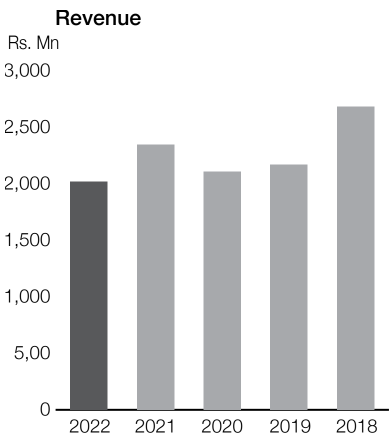
Factory/Site	Factory/ Site	District	Extent of Land						Buildings		NBV	NBV
			Freehold			Leasehold			No. of Buildings	Square Feet	As at 31.03.22 Rs.'000	As at 31.03.21 Rs.'000
			A	R	P	A	R	P				
Neluwa	Neluwa	Galle	3	2	38	-	-	-	18	53,266	91,752	79,472
Halwitigala	Thawalama	Galle	9	2	18	-	-	-	14	53,999	80,136	69,544
Hingalgoda	Hiniduma	Galle	12	-	6	-	-	-	26	62,746	116,135	105,278
Kurupanawa	Nagoda	Galle	12	-	19	-	-	-	22	55,707	104,272	90,383
New Panawenna	Kahawatte	Ratnapura	10	2	14	-	-	-	8	46,389	75,493	58,654
Broadlands	Pitawela	Nuwara Eliya	4	-	22	-	-	-	14	58,938	101,627	83,345

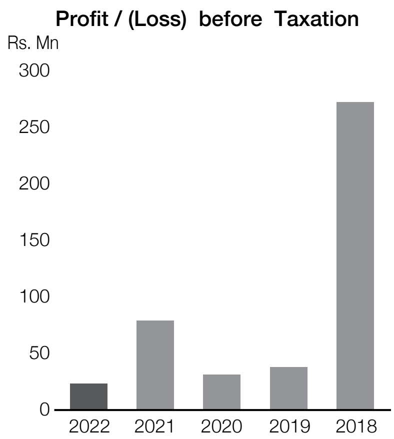
Investment Property

Factory/Site	Factory/Site	District	Extent of Land						Buildings		NBV	NBV
			Freehold			Leasehold			No. of Buildings	Square Feet	As at 31.03.22 Rs.'000	As at 31.03.21 Rs.'000
			A	R	P	A	R	P				
Warehouse	Peliyagoda	Gampaha	-	-	-	-	3	37	1	31,629	440,324	424,605
Karawita	Uda Karawita	Ratnapura	-	-	-	4	3	37	12	79,244	142,474	121,225

Five Year Financial Summary and Key Indicators

Year Ended 31st March Rs.'000s	2022	2021	2020	2019	2018
Total Revenue	2,018,797	2,346,224	2,109,139	2,171,257	2,679,634
Cost of Sale	(2,029,365)	(2,256,953)	(2,093,028)	(2,154,168)	(2,540,080)
Gross Operating Profit / (Loss)	(10,568)	89,271	16,111	17,089	139,554
Expenses					
Administrative Expenses	(62,919)	(54,788)	(62,074)	(67,862)	(66,610)
Management Fees	(15,028)	(23,274)	(17,680)	(19,016)	(33,109)
Net Finance (Cost) / Income	7,195	8,764	1	(138)	4,979
Operating Profit / (Loss)	(81,320)	19,973	(63,642)	(69,926)	44,814
Other Income	88,258	60,987	55,283	52,989	54,720
Exceptional Items					
Change in fair value of Investment Property	15,719	(2,371)	39,297	54,768	172,737
Profit / (Loss) before Taxation	22,657	78,589	30,938	37,830	272,270
Taxation	(7,346)	(12,045)	73,149	13,488	(28,198)
Profit / (Loss) after Taxation	15,311	66,544	104,086	51,318	244,072
Other Comprehensive Income	1,024	(10,736)	4,832	3,874	380
Prior Year Retained Profits	768,709	757,901	657,610	662,418	468,966
Total Available for Appropriation	785,044	813,709	766,528	717,609	713,418
Dividends Paid	(30,000)	(45,000)	(51,000)	(60,000)	(51,000)
Transfer to General Reserve	-	-	42,373	-	-
Retained Profit at the end of the year	755,044	768,709	757,901	657,610	662,418





Five Year Financial Summary and Key Indicators

Year Ended 31st March Rs.'000s	2022	2021	2020	2019	2018
CAPITAL AND RESERVES					
Stated Capital	150,000	150,000	150,000	150,000	150,000
Revaluation Reserve	610,627	529,015	510,984	488,870	466,895
Retained Earnings	755,044	768,709	757,901	657,610	662,418
Shareholders' Funds	1,515,671	1,447,724	1,418,885	1,296,480	1,279,313
ASSETS LESS LIABILITIES					
Current Assets	545,503	517,021	383,757	515,071	526,100
Current Liabilities	(218,808)	(178,526)	(90,008)	(177,008)	(207,901)
Net Current Assets	326,694	338,495	293,749	338,063	318,200
Non-Current Assets	1,338,106	1,254,293	1,260,445	1,184,373	1,189,967
Non-Current Liabilities other than Deferred Grants and Subsidies	(148,682)	(144,597)	(134,822)	(225,449)	(228,326)
Deferred Grants and Subsidies	(447)	(467)	(487)	(507)	(527)
	1,515,671	1,447,724	1,418,885	1,296,480	1,279,313
RATIOS AND STATISTICS					
Earnings per Share (EPS) - Rs	0.51	2.22	3.47	1.71	8.14
EPS growth (%)	(77)	(36)	103	(79)	187
Price earning ratio (No. of times)	53.1	18.5	5.5	14.1	4.2
Dividend payout ratio (%)	195.9	67.6	49.0	116.9	20.9
Interest cover (No. of times)	848.1	998.2	8.4	9.1	135.9
Pre-tax return on capital employed (Pre-tax ROCE) %	1.5	5.5	2.6	3.3	23.8
Return on equity (ROE) (%)	1.0	4.6	7.7	4.0	21.2
Return on assets (%)	0.8	3.9	6.3	3.0	15.6
Net Assets per share (Rs)	50.52	48.26	47.30	43.22	42.64
Debt/Equity (No. of times)	0.0	0.0	0.0	0.0	0.0
Annual Turnover growth (%)	(14.0)	11.2	(2.9)	(19.0)	15.9
Current Ratio (times)	2.5	2.9	4.3	2.9	2.5
Gross Turnover per employee (Rs.000's)	4,972	4,711	3,700	3,843	4,628

Quarterly Financial Information

Statement of Income Statement

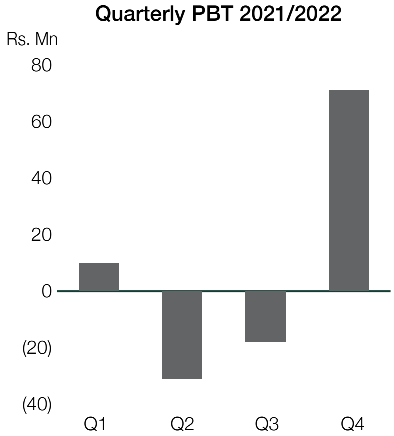
For the Quarters and Year Ended Rs.'000s	2021 / 2022					2020 / 2021				
	Q1 30 Jun '21	Q2 30 Sep'21	Q3 31 Dec '21	Q4 31 Mar '22	Total	Q1 30 Jun '21	Q2 30 Sep'21	Q3 31 Dec '21	Q4 31 Mar '22	Total
Turnover	501,999	526,835	433,480	556,483	2,018,797	587,064	628,664	513,325	617,171	2,346,224
Cost of sales	(499,709)	(563,241)	(457,366)	(509,049)	(2,029,365)	(540,326)	(612,524)	(510,971)	(593,132)	(2,256,953)
Gross profit / (Loss)	2,290	(36,406)	(23,886)	47,434	(10,568)	46,738	16,140	2,354	24,039	89,271
Other operating income	15,364	22,237	23,691	26,966	88,258	12,369	13,822	19,407	15,388	60,986
Administrative expenses	(14,181)	(14,840)	(16,437)	(17,461)	(62,919)	(11,895)	(14,537)	(14,401)	(13,954)	(54,787)
Management Fees	(3,739)	(3,931)	(3,218)	(4,140)	(15,028)	(8,061)	(5,233)	(3,661)	(6,319)	(23,274)
Profit / (Loss) from operating activities	(266)	(32,940)	(19,850)	52,799	(257)	39,151	10,192	3,699	19,154	72,196
Finance cost	(14)	(7)	(2)	(4)	(27)	(42)	(8)	(11)	(18)	(79)
Finance income	1,293	1,438	1,804	2,687	7,222	1,965	2,054	2,356	2,468	8,843
Change in fair value of Investment Property	-	-	-	15,719	15,719	-	-	-	(2,371)	(2,371)
Profit / (Loss) Before Tax	1,013	(31,509)	(18,048)	71,201	22,657	41,074	12,238	6,044	19,233	78,589
Tax (Expense) / Reversal	(550)	4,046	544	(11,386)	(7,346)	(5,756)	(1,781)	(901)	(3,607)	(12,045)
Profit for the Year	463	(27,463)	(17,504)	59,815	15,311	35,318	10,457	5,143	15,626	66,544
Earning per Share - Rs	0.02	(0.92)	(0.58)	1.99	0.51	1.18	0.35	0.17	0.52	2.22

Quarterly Financial Information

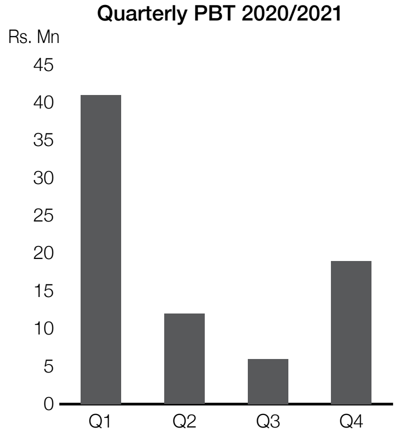
Statement of Financial Position

	2021 / 2022				2020 / 2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
As at Rs.'000s	30 Jun '21	30 Sep'21	31 Dec '21	31 Mar '22	30 Jun '21	30 Sep'21	31 Dec '21	31 Mar '22
Net Assets								
Non-current assets	1,244,146	1,235,486	1,256,289	1,338,106	1,247,352	1,232,248	1,219,512	1,254,293
Net current assets	347,474	324,545	301,907	326,694	341,153	365,337	380,797	338,495
	1,591,620	1,560,031	1,558,196	1,664,800	1,588,505	1,597,585	1,600,309	1,592,788
Less : Non current liabilities	143,433	139,307	131,256	149,129	134,302	132,925	130,506	145,064
Net Assets	1,448,187	1,420,724	1,426,940	1,515,671	1,454,203	1,464,660	1,469,803	1,447,724
Shareholders' Funds								
Stated capital and revenue reserves	1,448,187	1,420,724	1,426,940	1,515,671	1,454,203	1,464,660	1,469,803	1,447,724
Total Equity	1,448,187	1,420,724	1,426,940	1,515,671	1,454,203	1,464,660	1,469,803	1,447,724
Net assets per share - Rs.	48.27	47.36	47.56	50.52	48.47	48.82	48.99	48.26

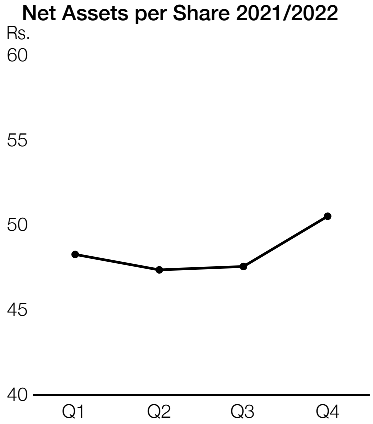
Quarterly PBT 2021/2022



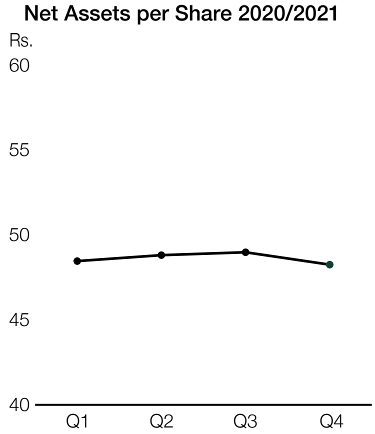
Quarterly PBT 2020/2021



Net Assets per Share 2021/2022



Net Assets per Share 2020/2021



Glossary of Financial Terminology

Accounting Policies
Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting financial statements.

Total Debt
Short and long term loans including overdrafts.

Capital Employed
Shareholders' funds plus non-controlling interest and debt.

Capital Reserves
Profits of a company that for various reasons are not regarded as distributable to shareholders as dividend. This includes gains on revaluation of capital assets.

Cash and Cash Equivalent
Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Current Ratio
Current assets divided by current liabilities.

Deferred Tax
Sum set aside in the Financial Statements for taxation that may become payable/recoverable in a financial year other than the current financial year (future periods).

Dividend Cover
Profit attributable to shareholders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend per Share (DPS)
Dividends paid during the year divided by the

weighted number of ordinary shares in issue during the period.

Earnings per Share
Earnings per Share is the net profit after tax attributable to each ordinary share. This is calculated using the formula - net profit after tax divided by the total number of ordinary shares in issue during the period.

Total Equity
Shareholders' funds

Debt to Equity
Debt to capital employed.

Interest Cover
Profit before Interest and tax over finance cost.

Market Capitalization
Number of shares in issue at the end of period

multiplied by the market price per share at the end of period.

Net Assets
Total assets minus total current and non-current liabilities.

Net Assets per Share
Net assets as at a particular year end divided by the number of shares in issue as at the current financial year end.

Number of Trades
The total number of transactions of a company's shares on the Stock Exchange on a particular day.

Price Earnings Ratio (PER)
Market price per share over earnings per share.

Profit After Tax
The profit that a company has earned in a given period of time after payment of tax.

Return on Capital Employed
Profit before interest and tax divided by average capital employed.

Return on Equity
Profit after tax divided by average share holders' funds.

Revenue Reserves
Reserves considered as being available for distributions and investments.

"Share" of a Company
One of the equal parts of the issued capital of the company.

Shareholders' Funds
Total of stated capital, capital reserves and revenue reserves.

Stated Capital
The total of all amounts received by the company or due and payable to the company in respect of the issue of shares and calls on shares.

Turnover per Employee
Total turnover of the company for the year divided by the number of employees employed at year end.

Value Addition / Value Generated
The quantum of wealth generated by the activities of the company and its application.

Working Capital
Capital required to finance the day - to - day Operation

Market Value Added
A calculation that shows the difference between the market value of a company and the capita contributed by investors. In other words, it is the sum of all capital claims held against the company plus the market value of debt and equity.

Return on Assets
Profit after tax as a percentage of average total assets.

Total Shareholder Return
(P1 – P0 + D) / P0 X 100

P1 = Market Price at the end of the year

P0 = Market Price at the beginning of the year

D = Dividend for the year

Dividend Yield
Dividend per share as a percentage of its market value

Dividend Payout
The percentage of earnings paid to a shareholder as dividends.

Quick assets ratio
The quick assets ratio measures a company's ability to meets short term obligations with its most liquid assets.

Net Current Assets
Current assets less current liabilities

Abbreviations
BRM - Business Risk Management

CTC - Crush, Tear and Curl
HACCP - Hazard Analysis and Critical Control Point

SLFRS / LKAS - Sri Lanka Accounting Standards

Notice of Meeting

Notice is hereby given that the Twenty Eighth Annual General Meeting (Meeting) of Tea Smallholder Factories PLC (Company) will be held as a virtual meeting on 23rd June 2022 at 11.00 a.m.

The business to be brought before the Meeting will be to:

1. Read the Notice Convening the Meeting.
2. Receive and consider the Annual Report and Financial Statements of the Company for the financial year ended 31st March 2022 with the Report of the Auditors thereon.
3. Re-elect as Director, Mr. A. K. Gunaratne who retires in terms of Article 83 of the Articles of Association of the Company. A brief profile of Mr. A. K. Gunaratne is contained in the Board of Directors section of the Annual Report on page 16.
4. To re-elect as Director, Mr. E. H. Wijenaike who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. E. H. Wijenaike is contained in the Board of Directors section of the Annual Report on page 16.
5. To re-elect as Director, Mr. A. S. Jayatilleka who is over the age of 70 years and retires in terms of Section 210 of the Companies Act No.7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

   "THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A S Jayatilleka, who is 70 years and that he be re-elected a Director of the Company"
6. To re-appoint the Auditors and to authorize the Directors to determine their remuneration.
7. To consider any other business of which due notice has been given in terms of the relevant laws and regulations..

The Annual Report and Financial Statements of the Company are available on the:

(1) Corporate Website – https://keells.com/other-group-company-financial-reports ; and

(2) The Colombo Stock Exchange - https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=TSML.N0000

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Mr. Riza Ahamed on 011 2149992 during normal office hours (8.30 a.m. to 4.30 p.m.) or email riza.tsfl@keells.com

Should Members wish to obtain a hard copy of the Annual Report, they may send a written request to the office of the Company by filling the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days from the date of receipt of the request.

By Order of the Board

TEA SMALLHOLDER FACTORIES PLC

Keells Consultants (Private) Limited
Secretaries
Colombo

20th May 2022

Notes:

(i) A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

(ii) A Proxy need not be a Member of the Company.

(iii) A Member wishing to vote by Proxy at the meeting may use the Form of Proxy enclosed herein.

(iv) Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.

(v) In order to be valid, the completed Proxy Form must be lodged at the registered office of the Company or forwarded to the email address: keellsconsultants@keells.com or Fax No. 011 2439037 not less than 48 hours before the meeting.

(vi) A vote can be taken on a show of hands or by poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her proxy holder are both present at the Meeting, only the Member's vote is counted. If proxy holder's appointer has indicated the manner of voting, only the appointer's indication of the manner of vote will be used.

(vii) Instructions as to attending the virtual meeting are attached.

Form of Proxy

I/We ....

of ....

being a Member/s of Tea Smallholder Factories PLC hereby appoint

....of

.... or failing him/her,

Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Joseph Gihan Adisha Cooray	or failing him
Mr. Ahamed Zafir Hashim	or failing him
Mr. Eranjith Harendra Wijenaike	or failing him
Mr. Arjuna Kapila Gunaratne	or failing him
Mr. Ananda Sunil Jayatilleka	or failing him
Ms. Aruni Goonetilleke	or failing her
Mr. Shanthi Kumar Lalith Obeyesekere	

as my/our proxy to represent me/us and vote on my/our behalf at the Twenty Eighth Annual General Meeting of the Company to be held on 23rd June 2022 at 11.00 a.m. and at any postponement or adjournment thereof and at every poll which may be taken in consequence of thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

		For	Against
i	Re-elect as a Director, Mr. A. K. Gunaratne who retires in terms of Article 83 of the Articles of Association of the Company		
ii	To re-elect as Director, Mr. E. H. Wijenaike who retires in terms of Article 83 of the Articles of Association of the Company		
iii	To re-elect as Director Mr. A. S. Jayatilleka who is over the age of 70 years and who retires in terms of Section 210 of the Companies Act No.7 of 2007		
iv.	To re-appoint the Auditors and to authorise the Directors to determine their remuneration		

Signed on this .... day of .... Two Thousand and Twenty Two (2022).

....
Signature/s of shareholder/s

NOTE: Instructions as to completion of the Form of Proxy are noted on the reverse

Form of Proxy

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, or forward to the email address: keellsconsultants@keells.com or Fax No. 011 2439037, not later than 48 hours before the time appointed for the holding of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name	:	....
Address	:	....
		....
		....
Jointly with	:	....
Share Folio No.	:	....
National Identity Card No	:	....

Corporate Information

Name of Company
Tea Smallholder Factories PLC

Company Registration No.
PQ32

Legal Form
A Quoted Public Company with Limited Liability
Incorporated in Sri Lanka in 1991
Ordinary Shares listed on the Colombo Stock Exchange

Registered Office of the Company
No. 4, Leyden Bastian Road,
Colombo 1, Sri Lanka
Telephone : +94 11 2335870
Fax : +94 11 2335880
Website : www.keells.com
Email : romesh.jktl@keells.com

Board of Directors
Mr. K. N. J. Balendra - Chairman
Mr. J. G. A. Cooray
Mr. A. Z. Hashim
Mr. E. H. Wijenaike
Mr. A. K. Gunaratne
Mr. A. S. Jayatilleka
Ms. A. Goonetilleke
Mr. S. K. L. Obeyesekere

Board Audit Committee
Ms. A. Goonetilleke - Chairperson
Mr. A. S. Jayatilleka
Mr. S. K. L. Obeyesekere
Mr. A. K. Gunaratne

Senior Management
Mr. R. H. Walpola
Chief Executive Officer / Vice President

Ms. K. D. Weerasinghe
Chief Financial Officer / Executive Vice President

Mr. S. I. S. Dissanayake
Head of Operations / Assistant Vice President

Mr. M. R. Ahamed
Financial Controller

Mr. D. M. S. S. Devapriya
Manager - Engineer

Secretaries and Legal Advisors
Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mw,
Colombo 02, Sri Lanka
Telephone : +94 11 230 6245
Fax : +94 11 243 9037

Auditors
Ernst & Young,
Chartered Accountants,
P. O. Box 101, Colombo 10.

BDO Partners
Chartered Accountants
"Charter House"
No.65/2, Sri Chittampalam A Gardiner Mawatha
Colombo 02.

Bankers
Deutsche Bank AG
People's Bank
Bank of Ceylon
Hatton National Bank

Designed & produced by
emagewise
Printed by Printel (Pvt) Ltd

Tea Smallholder Factories PLC