Taste, Goodness, Purpose

DILMAH CEYLON TEA COMPANY PLC
ANNUAL REPORT 2018/19

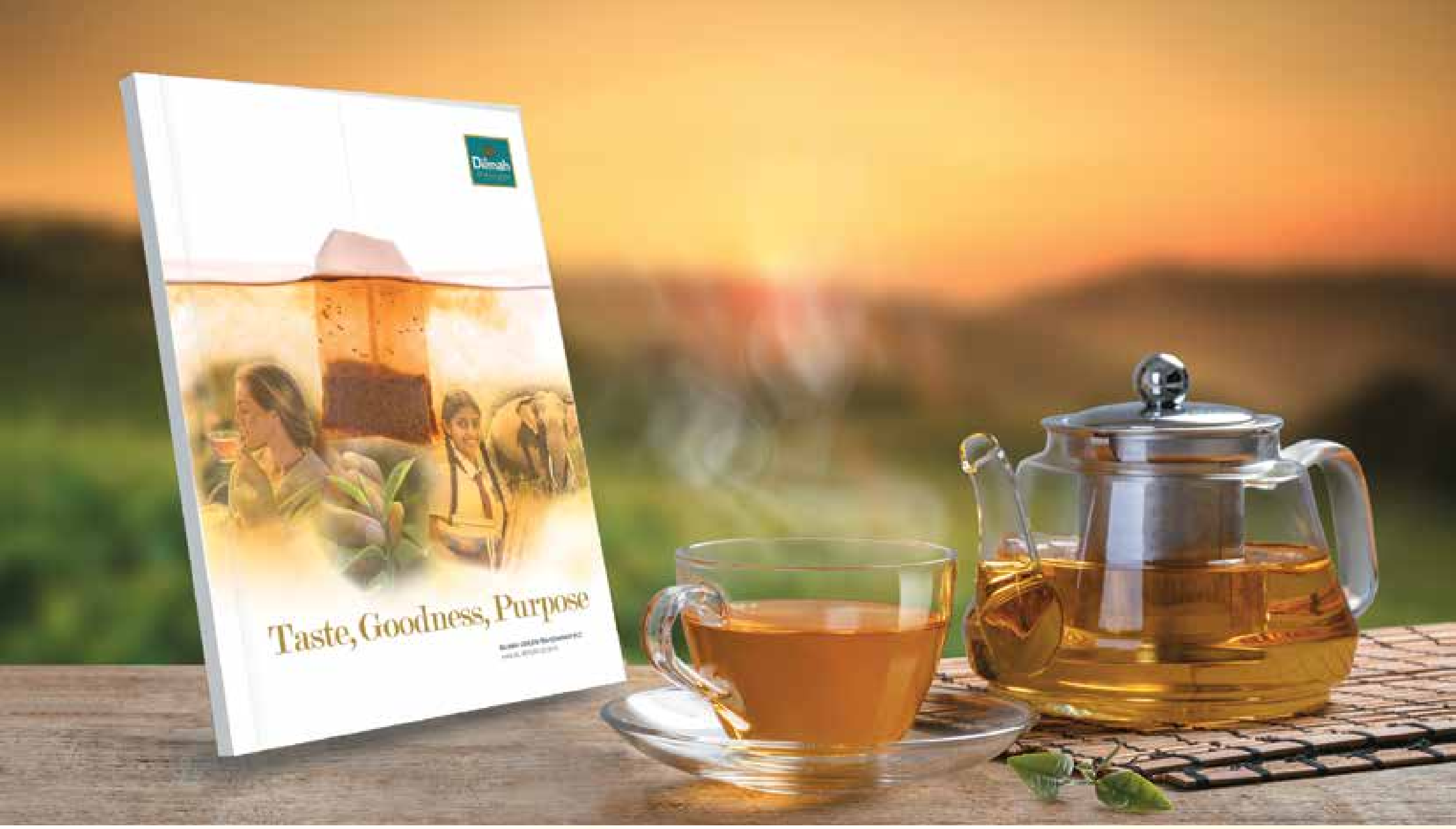
Contents

Taste, Goodness, Purpose

Dilmah represents the ingenuity and artisanal commitment of our Founder. Born out of passion, driven by purpose our business transcends beyond the pleasure of fine teas for our customers to delivering value to the community through our strong commitment towards humanitarian and environmental initiatives. We maintain our uncompromising commitment to our founding values in integrating to the heart of our business, respect for nature and future life on earth.

Our business ethos is founded on our passion to provide quality, freshness and goodness with overarching integrity by caring for our workers and sharing the success of our efforts with the less privileged. The philosophy that defines Dilmah is that business is a matter of human service, where earnings from the sale of Dilmah Tea is being shared with workers, and the less privileged in the wider community.

Through our products, workforce and willingness to adapt and explore, we strive to combine tradition and innovation to create a healthier, happier and better world by bringing the best from bush to cup. These attributes form our assurance of Taste, Goodness and Purpose.



Welcome to our 1st Integrated Annual Report

This year, we mark an important milestone in our corporate reporting as we embark on the journey of Integrated Reporting. Since inception, the Dilmah Group has been deeply committed to social and environmental sustainability and the adoption of Integrated Reporting has enabled us to showcase this integrated thinking in a coherent and structured manner. Through this Report, we have sought to put in place a solid foundation for progressing further on the journey of Integrated Reporting and have attempted to provide a balanced and concise assessment of how we utilise our capital inputs in the creation of value for our diverse stakeholders. This Annual Report has been prepared based on the guidelines issued by the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

DILMAH CEYLON TEA COMPANY PLC

Annual Report 2018/19

Scope and Boundary

The Report covers the operations of Dilmah Ceylon Tea Company PLC ("DCTC") and its subsidiary MJF Beverages (Private) Limited (collectively referred to as the "Group") for the period from 1st April 2018 to 31st March 2019. The Group adopts an annual reporting cycle and its latest annual report for the financial year ending 31st March 2018 is available for download at *www.dilmahtea.com*. There were no significant changes to the Group's size, structure or supply chain during the year, nor any material restatements of non-financial information published in previous years unless specifically mentioned.

Materiality

In determining the content to be included in this Integrated Report we have adopted the principle of materiality. The material topics listed on pages 21 and 22 form the anchor of this Report and have been selected following feedback received from Dilmah's stakeholders, the Group's strategic aspirations and risks and opportunities stemming from the operating landscape.

Reporting Standards

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

External Assurance

Assurance on the financial statements have been provided by Messrs. Ernst and Young.

We have not sought assurance on our sustainability reporting this year.

Print
Available on request

CD-Rom
Posted to all Shareholders

Online
Available as PDF

Feedback

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

sustainability@dilmahtea.com

Applying the <IR> Principles

Completeness

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

Strategic Orientation

Dedicated chapter on the Group's strategic orientation

Materiality

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

Connectivity

Signposting and navigation icons throughout the Report to show connectivity of information

Reporting Improvements

The Group previously published two separate reports, the Annual Report and the Sustainability Report. This report attempts to combine all material information relevant to stakeholders to one integrated document, providing a balanced, concise and clear assessment of Dilmah's value creation.

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

Performance

Highlights 2018/19

Metric		2018/19	2017/18	Y-O-Y
Financial Performance				
Revenue	Rs. Mn	10,713	9,205	16%
Operating profit	Rs. Mn	1,582	1,129	40%
Profit before tax	Rs. Mn	1,694	1,281	32%
Profit after tax	Rs. Mn	1,591	1,193	33%
Return on equity	%	14.50	11.55	26%
Return on capital employed	%	14.50	11.55	26%
Working Capital Ratios				
Inventory days	Days	57	59	-4%
Debtor days	Days	133	138	-3%
Payable days	Days	24	28	-14%
Current ratio	Times	9.5	8.3	14%
Quick asset ratio	Times	8.3	6.9	20%
Financial Position				
Total assets	Rs. Mn	12,805	11,619	10%
Total liabilities	Rs. Mn	1,283	1,294	-0.8%
Shareholders’ funds	Rs. Mn	11,522	10,326	12%
Non-controlling interest	Rs. Mn	-	-	-
Total debt	Rs. Mn	-	-	-
Shareholder Information				-
No of shares in Issue	Number	20,737,500	20,737,500	-
Earnings per share	Rs.	76.71	58.74	30%
Dividends per share	Rs.	35.00	45.00	-22%
Net asset value per share	Rs.	555.65	497.89	12%
Closing price	Rs.	619.90	554.90	12%
Market capitalization	Rs.Mn	12,855	11,507	12%
P/E ratio	No.of times	8.08	9.45	-15%
Dividend pay out	%	45.63	76.61	-40%
Dividend cover	No.of times	2.19	1.31	68%
Dividend yield	%	6.0	8.0	-25%

		2018/19	2017/18	Y-O-Y
Human Capital				
Total employees – permanent	No.	644	675	-4%
Payments to employees	Rs. Mn	1,080	878	23%
New recruits – permanent	No.	56	84	-33%
Employee retention rate	%	82	81	1%
No. of promotions	No.	10	9	11%
Female representation	%	44	49	-10%
Investment in training	Rs. Mn	36	59	-39%
Total training hours	Hours	5,850	5,400	8%
Average training hours/employee	Hours	9	8	12%
Workplace injuries	No.	7	10	-30%
Union representation	%	N/A	N/A	-
Instances of disruption to work	No.	Nil	Nil	-
Manufactured Capital				
Investment in capex	Rs. Mn	3,944	4,057	-3%
Property, plant and equipment	Rs. Mn	2,994	3,098	-3%
Highest performing equipment efficiency	%	91	90	1%
Capacity utilisation	%	77	77	-
Intellectual Capital				
R&D investment	Rs. Mn	39.8	48.4	-18%
New products launched	No.	65	30	117%
Tea standards	No.	208	190	9%
Social and Relationship Capital				
No of distributors	No.	97	95	2%
Payments to suppliers	Rs. Mn	8,117	7,055	15%
Proportional spending to local suppliers	Rs. Mn	5,542	4,936	12%
Investment in CSR	Rs. Mn	Rs. 170	Rs. 100	70%
Natural Capital				
Material - tea, flavours & herbs	(Mt)	5,190	5,106	2%
Energy consumption	GJ	13,574	14,205	-
Energy intensity	GJ per Unit	2.6	2.8	-7%
Water consumption	M3	21,420	19,002	12%
Water consumption per unit	M3/unit	4.1	3.7	11%
Solid waste generation	MT	267	420	-36%
Carbon footprint	tCO2e	31,315	2,816	101%
Spending on environmental initiatives	Rs.Mn	40.1	60.1	-33%

About DILMAH

Business Overview

Dilmah Ceylon Tea Company PLC is a globally renowned Sri Lankan tea company, with an unparalleled reputation for producing authentic, natural and ethical Sri Lankan tea of the finest quality. The Company pioneered the concept of single origin tea in 1988 offering tea which was 'picked, perfected and packed' at origin. As the first producer-owned global tea brand, the Dilmah Group is the only fully vertically integrated tea company with presence along the entire value chain including ownership in several of Sri Lanka's finest tea gardens, factories, printing and packaging facilities. Dilmah products are sold in over 100 countries supported by an extensive global distribution network. The Group has remained true to its founder's vision of extending business as a matter of human service, with significant investments directed every year towards supporting the humanitarian and environmental initiatives of Dilmah Conservation and MJF Charitable Foundation. The Company, DCTC is 86% owned by MJF Group of companies – MJF Teas (Pvt) Ltd and MJF Exports (Pvt) Ltd.

Dilmah in numbers

- **2,700** Products across **49** Ranges
- **105** Markets
- **644** Employees
- **890** Supply chain partners
- **Rs.11.5 Bn** Equity
- **Rs.1.6 Bn** Profit after tax
- **31,315** tCO2eq Carbon Footprint

Artistry of our tea

- Pioneered single origin tea
- Dilmah t-Lounges in overseas markets
- Dilmah School of Tea
- **Dilmah pledges a core commitment to sustainability**

Commitment to *Taste, Goodness and Purpose*

ISO 9001: 2015 Quality Management system	**FSSC 22000** Food Safety Management System	**BRC** Global Standard for Food Safety	**SMETA** SEDEX Members Ethical Trade Audit	**ISO:17025** Chemical and Microbiological Laboratory Accreditation	**ISO 14001: 2015** Environmental Management Systems	**Rainforest Alliance CoC & Carbon Neutral Certification** (Cradle to Gate)

Sustainable Organisation

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

10% of PBT

directed towards social and environmental sustainability

Rs. 170 Mn

spend on community initiatives

Rs. Mn

40

Spend on environmental initiatives

Over 19,000

lives impacted directly and indirectly

Sri Lanka's first private sector **climate change research station**

14

environmental publications

Carbon neutral status

About Dilmah

Our Impact

The Dilmah Group has been instrumental in enhancing the brand value of Ceylon Tea in the global area, with significant investments directed every year towards global marketing efforts, research and development, communications and industry thought leadership. The Group conducts signature international events and competitions such as the Dilmah Thé Culinaire, Dilmah Tea Sommelier, Chefs & the Teamaker, School of Tea among others aimed at engaging industry stakeholders in inspiring new tea experiences. Dilmah also publishes a series of #teainspired publications aimed at raising awareness on industry innovations, health benefits of tea and tea gastronomy and mixology among others. In commemorating 150 years of Sri Lanka's tea industry, the Group also launched a dedicated website on the History of Ceylon Tea which includes numerous publications on the fascinating evolution of the industry.

Economic Impact

Foreign exchange income generated : **USD 65 Mn**

Tax contributions: **Rs.138 Mn**

Employment generated: **644 numbers**

Payments to employees: **Rs.1,080 Mn**

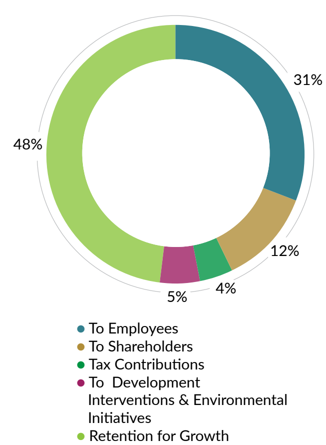
Payments to suppliers: **Rs.8,117 Mn**

Market capitalisation: **Rs.12.8 Bn**

Publications

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

Value Distribution



Promotional and engagement initiatives

Dilmah tea inspired culinary, mixology and hospitality competitions

Dilmah tea fusion experiences around the world

History of Ceylon Tea website

The Teagram newsletter

Global distributor conference and various global events

R&D and Innovation

Rs. 39 million average annual investment in R&D

2,700 product varieties across 49 categories/ranges

A library of over 200 tea standards

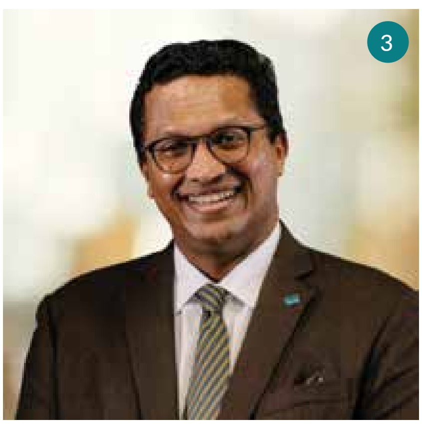
Dilmah School of Tea

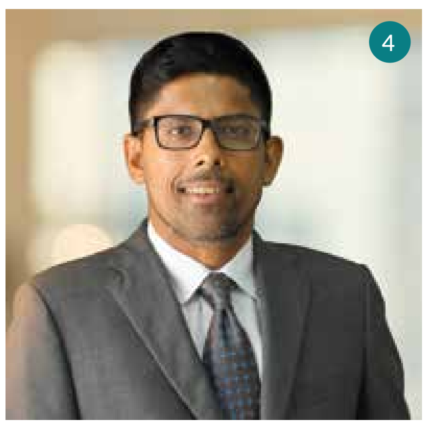
The World's first consumer and hospitality tea school, the Dilmah School of Tea offers programmes that seek to inspire passion in tea amongst hospitality professionals, consumers and industry stakeholders. The school offers tea programmes around the world, with over 5,100 participants successfully completing programmes since inception.

Brand Reach

Our products are sold in over 100 countries around the world through an extensive network of sales agents and distributors. These partners are a critical element of our value chain, engaging proactively with consumers, pursuing new opportunities and identifying emerging consumer preferences.

Board of Directors





1

Mr. Merrill J. Fernando

Chairman

Merrill J. Fernando is the founder of the MJF Group of Companies and the global brand, DILMAH which re-launched Ceylon Tea globally. He developed the first ever tea brand from a tea producing country, which is competing successfully with multinational brands to become the most respected brand name for freshness and quality of tea.

He pioneered value addition, packaging shelf ready tea at origin which combined with branding and marketing, enabled Sri Lanka to retain profits which enrich foreign traders, while our tea producers remain exploited. Dilmah demonstrated how the colonial trading culture of exploiting producers of raw material, can be broken. Value addition, branding and marketing are the only profitable segments of the tea industry. He showed producers of raw material the way out of the commodity trap.

He drove relentlessly to re-establish the image of Ceylon Tea as the world's finest, by marketing high quality tea at premium prices which would enhance Sri Lanka's foreign exchange earnings, quite substantially, if the rest of the industry followed the example of DILMAH.

In his commitment to care for the poor and share his business success in making this a better world, he established the MJF Charitable Foundation, a charity that works to create better conditions for plantation workers, underprivileged children, elders and society's victims.

His primary objective is to make tea a sustainable industry and to make business a matter of human service.

2

Mr. Himendra S. Ranaweera

Deputy Chairman

Mr. Himendra S. Ranaweera worked with the MJF Group of Companies for 28 years and is now its Deputy Chairman. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (Formerly known as Ceylon Tea Services PLC) in April 1998. Mr. Ranaweera has over 40 years experience in Operations Management in Sri Lanka and overseas.

3

Mr. Dilhan C. Fernando

Executive Director/CEO

Mr. Dilhan C. Fernando is the CEO of Dilmah Ceylon Tea Company PLC. He was appointed to the Board of Dilmah Ceylon Tea Company PLC (Formerly Ceylon Tea Services PLC) in September 1991 as an Executive Director and appointed as the CEO of the company in August 2017. Mr. Fernando had his secondary education at Stonyhurst College, England and graduated from the London School of Economics with a BSc (Hons) in Economics. He joined the MJF Group as a Management Trainee nearly 29 years ago.

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

4

Mr. Malik J. Fernando

Executive Director

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

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

He joined the MJF Group as a Management Trainee nearly 34 years ago.

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

5

Mr. Roshan C. Tissaaratchy

Executive Director

Mr. Roshan C. Tissaaratchy, is Director Sales of the MJF Group and was appointed to the Board of Dilmah Ceylon Tea Company PLC (Formerly Ceylon Tea Services PLC) in April 2005 as an Executive Director.

Board of Directors

Mr. Tissaaratchy is a Graduate of the University of Colombo and a Fellow of The Chartered Institute of Marketing of UK. He also has a MBA from the University of Sri Jayawardenapura. He has over 30 years working experience in all aspects of Sales and Marketing and in a number of industries and in advertising. He has now completed 21 years of International Marketing with Dilmah Tea.

6

Ms. Minette Perera

Non Executive Director

Ms. Minette Perera was appointed to the Board of Dilmah Ceylon Tea Company PLC (Formerly Ceylon Tea Services PLC) in September 2000 as an Executive Director. She is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants of UK and the Association of Chartered Certified Accountants of UK. After serving the Company as the Group Finance Director for over 12 years, Ms. Perera retired from her post on 31st March 2013 and continues on the Board as a non-executive Director.

Ms. Perera has over 40 years working experience as a qualified accountant having worked in leading local and international companies, and she has held board positions before joining the Company.

7

Mr. Rajan Asirwatham

Non Executive, Independent Director

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

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

8

Mr. Gritakumar E. Chitty

Non Executive, Independent Director

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

He has been an Adviser to the Sri Lanka Delegation to the UN. He has served as an adviser to the Inter Ministerial Committee on Oceans and the Law of the Sea, Member of the Appeals Board of the International Sea Bed Authority; a Member of the Editorial Board of the Law Journal “The Law and Practice of International Courts & Tribunals”; a practitioner before the UN Disputes Tribunal and the UN Appeals Tribunal, and a Trustee of the Weeramantry International Centre for Peace Education and Research.

In 2016, Mr. Gritakumar E. Chitty was appointed by the cabinet as Chairman of the National Ocean Affairs Committee.

Mr. Gritakumar E. Chitty is a Life Member of the Bar Association of Sri Lanka and Member, American Society of International Law.

Our Team

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


rill J. Fernando
Dilmah
Ceylon's freshest & finest tea

Chairman's Review

Dilmah is well placed to benefit from its emphasis on Quality, Single Origin Tea, packed Garden Fresh at source. The company continues to innovate with a continuous new product development programme that emphasizes innovation with tea, herb and spice ingredients, as well as a strong commitment to sustainability in product packaging and across business operations generally.

I am pleased to present the Annual Report and Audited Financial Statements of Dilmah Ceylon Tea Company PLC for the year ended 31st March 2019.

Tea Crop and Tea Prices

The tea crop improved during the year compared to previous year. As a result, tea prices also stabilized & reached sustainable levels when compared with last year.

Performance

As expected, the company performed extremely well during the period under review. Revenue grew by 16% and Gross profit increased by 30% over previous year. Benefits in exchange showed a remarkable gain of 106% over the previous year. Net profit before tax increased by 32%. Net profit after tax is 15% of the Revenue, an increase of 33% over previous year.

Corporate Social Responsibility and Alleviation of Poverty

In fulfilling its commitment to its founding principles and family values, Dilmah is firmly demonstrating the role of business in a changing world. Earnings from the MJF Group - primarily from Dilmah tea - provide funds to the MJF Charitable Foundation for its work in fulfilling the philosophy of making business a matter of human service. The Foundation completed Sri Lanka's largest private sector humanitarian project, the MJF Centre East, which provides dignity and empowerment to thousands of women, men, youth and children in the Eastern province through its entrepreneurship, training, therapy, and other programmes. The facility mirrors the work of MJF Centres around Sri Lanka which also support children with different ability, marginalized youth and communities. The centre shares knowledge of sustainable agriculture, climate change adaptation and helps small farmers align with the market to secure better prices for their produce.

Your company maintains an uncompromising and sincere commitment to the values on which it was established. Complementing Taste and Goodness as one of three core principles, the Purpose of Dilmah continues to drive the business, over 30 years since its inception. Whilst Purpose has become a trend, adopted on the insistence of consumers, it is a founding principle of Dilmah and therefore defines your company. With the objective of offering dignified empowerment to the most social and economically marginalised segments of our community, earnings from the sale of Dilmah Tea fund the work of the MJF Charitable Foundation in several hundred projects that care for the elderly, for differently able children, youth and their families, whilst educating, training and enabling entrepreneurs.

Amongst its conservation and restoration programmes, Dilmah Conservation initiated its Climate Reality programme in collaboration with UNGC Sri Lanka, to build collaboration amongst academia, government and business in comprehending the challenges of climate change and its profound implications, whilst adapting and harnessing the opportunity with climate smart technology and agricultural methods in a changing environment. It continues to support the Biodiversity Sri Lanka initiative, which was established in collaboration with IUCN and the Ceylon Chamber of

Chairman's Review

Commerce to encourage and support the private sector in understanding biodiversity issues which are at the heart of the environmental and sustainability challenges our world faces, and translate that knowledge into action.

Retailers & Multinationals

Retailers and Traders both, multinationals and others, continue to exploit producers and consumers alike, ruthlessly, pursuing their sole objective of enhancing profits, disregarding poverty, they create in among their suppliers. Several suppliers are driven to bankruptcy by Retailers' unreasonable, unfair demands for lower prices disregarding higher cost of inputs and falling exchange rates.

Plight of the Tea Industry

Our tea industry is in difficulty as a result of neglect & interference. Every possible abuse is in place from plantations to exports. Illegal imports of cheap tea is rampant. How such tea is exported under prevailing regulations is just a mystery. The price of Ceylon tea is under severe attack by some exporters. If authorities continue to ignore these fraudulent activities by some, the country's economy will sufferheavily. All manner of abuse goes undetected by the authorities although it is common knowledge to the public. Imports of cheap tea from India are creating a situation where soon our exports may be larger than production,victim of the same fate as Sri Lankan pepper.

Exporters who lack comprehension of the realities of the global market or the national interest of Sri Lanka are again actively pursuing a proposal for a tea hub. On numerous occasions over the years suggestions on the same lines supported by misinformation have been scrutinized and abandoned as only being in the interest of the few traders who propose the hub. The integrity of Ceylon Tea must be protected even if that protection is enshrined in the constitution to protect our nation's assets and from predatory traders.

Current auction prices of tea reflect what I stated last year. Let us hope the tide will turn soon. Tea is 100% managed, in all aspects, by the private sector. Government regulations, framed to support the industry, are archaic. Implementation of these regulation are in the hands of government. However good, well intentioned and committed they may be, politicians appointed to head the Ministry do not possess any knowledge of our very important, primary industry. They turn to others in the industry for advice and guidance, while existing regulations are not implemented for fear or favour.

Tea and Tourism are 100% private sector operated and managed industries and they perform very well on their own steam. If application of government regulations are also, entrusted to them, expected revenues will be forthcoming without delay or abuse. Present system leaves room for delays, fraud and abuse of authority.

Sadly, our tea industry remains largely, in the colonial culture and mind set, but far less efficient. Plantations are remain still, with rare exceptions. Exports are dominated by traders whose only objective is, PROFIT, how and where it comes from, is not their concern. Any advice from entrepreneurs is suspect and rejected. There are pundits who pursue a tea hub and free imports for their own benefit. Institutions fully capable of advice and guidance, remain dormant. Government does not realise the enormous potential in the tea industry which, is capable of generating \$3 / \$5 billion an year, if it is left entirely, to private sector management, without any form of government control.

I have advocated establishment of a TEA AUTHORITY under a small team of senior, successful private business men and respected, knowledgeable public officials to rehabilitate the industry by developing a ten year plan and pursuing it aggressively.

Dividends

The company has declared an interim dividend Rs. 20/- per share during the year and your Directors propose to pay a Final dividend of Rs. 15/- per share making the total dividend Rs. 35/- per share for the year ended 2018/19.

Outlook for the Current Year

I am confident of reporting satisfactory results in the year 2019/20 despite continued losses from the Australian business. First quarter sales are as expected and I believe this trend will continue. Marketing our own brand DILMAH, loved and respected for its consistent quality and integrity will ensure good returns, even when tea auction prices are below cost of production. That is why I have for years tried to impress upon the Tea Board to discourage bulk tea exports and incentivize Sri Lankans to develop their own brands of good quality Pure Ceylon Tea. Neither government nor exporters understand this vital marketing strategy.

The company is investing heavily in further modernizing its production facilities, to enhance operational efficiency. As premiumization amongst a new generation of tea drinkers boosts prospects for quality tea in many territories, Dilmah is well placed to benefit from its emphasis on Quality, Single Origin Tea, packed Garden Fresh at source. The company continues to innovate with a continuous new product development programme that emphasizes innovation with tea, herb and spice ingredients, as well as a strong commitment to sustainability in product packaging and across business operations generally.

I thank my colleagues on the Board for their advice and guidance; our staff, our global distributors, customers and suppliers for their support, cooperation and goodwill.

Merrill J Fernando
Chairman

25th July 2019

Value Creation Model

Dilmah is committed to giving its consumers the best cup of tea which can only be made from the finest Ceylon teas that have been picked, perfected and packed at source. It has passionately committed to quality, authenticity and human service and 10% of the Group's proceeds are allocated for Dilmah Conservation and the MJF Charitable Foundation. This is a graphical summary of the the Company's business model explaining how it uses its capitals to deliver value to its stakeholders.

OUR CAPITALS

FINANCIAL CAPITAL

See page 35

MANUFACTURED CAPITAL

See page 40

HUMAN CAPITAL

See page 42

SOCIAL & RELATIONSHIP CAPITAL

See page 53

INTELLECTUAL CAPITAL

See page 63

NATURAL CAPITAL

See page 66

VALUE CREATING PROCESSES

VISION

Tea Standards

Formulated by our team of globally renowned tea experts and approved personally by the Chairman/CEO, our unique collection of Tea standards determine the elevation,region and quantity of teas to be procured.

MISSION

Grading and Tasting

Selection based on samples obtained from plantations/ brokers to meet company standards

Evaluate 10,000- 12,000 samples weekly

DILMAH VALUES

Sourcing

Procuring tea, herbs, spices, flavours and packing materials

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

Internal quality control procedures for stringent sample testing

Quality Assurance across our process

Financial Management

HR Management

Legal and Administration

Engineering

VALUE CREATING PROCESSES

STRATEGY

Collection, Storage, Cleaning & Bulking

Stocks Cleaning & Bulking of the fresh stock in hand to expected consumption levels of the relevant blends.

State of the art cleaning & bulking system

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

GOVERNANCE

Production & Packaging

Based on the confirmed orders in i-store, production will take place using our high-tech packaging machines

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

RISK MANAGEMENT

Marketing & Distributing

Marketing and Distribution to over 100 countries through agents/ distributors and also via online sales

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

Quality Assurance across our process

Procurement and Logistics

Information Technology

Social and Environmental Sustainability/ Conservation

VALUE DELIVERED

CUSTOMERS

Tea 5,200 MT

See page 40

SHAREHOLDERS

PAT Rs.1.6 Bn

See page 35

EMPLOYEES

Value created Rs.1,080 Mn

See page 42

COMMUNITY

Investment Rs.170 Mn

See page 53

GOVERNMENT

Taxes Rs.138 Mn

See page 08

SUPPLIERS

Purchases Rs.8.1 Bn

See page 59

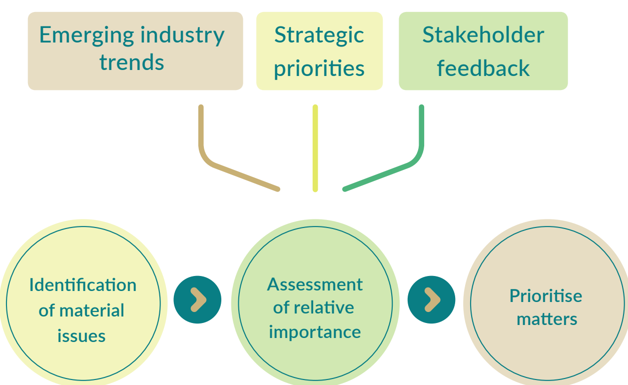
Stakeholder Engagement

Stakeholder feedback is the barometer to gauge the expectations of the stakeholders and perceived gaps in value delivered to them. Engaging with stakeholders is a responsibility shared across the organisation with multiple channels for obtaining feedback which is a key input to Dilmah's strategic planning processes. The table below provides a summary of how the Group engages with its stakeholders, their concerns and how they have responded to them.

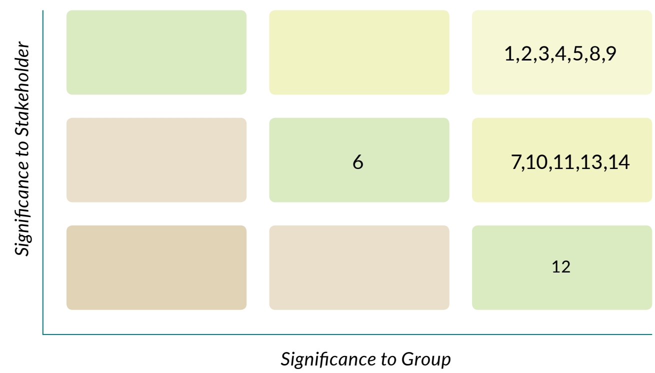
Stakeholders	Engagement	Concerns
Employees Our team comprises of 644 motivated individuals and we are committed to inspiring our employees to contribute towards our value creating process.	Open-door policy (ongoing) Individual performance reviews (Biannual) Meetings and internal mailers (ongoing) Awareness campaigns (ongoing) Sports and cultural activities (ongoing)	Remuneration Opportunities for skill and career progression Job security Equal opportunities Conducive work environment
Customers Our customers comprise of distributors, agents, end-customers and the HORECA channel.	One-to-one interactions (ongoing) Customer Service and relationship management teams (ongoing) Social media interaction (ongoing) Mailers & Newsletters (ongoing)	Product quality and Food safety Product affordability Compliance to relevant regulations Ease of transactions Ethical Production Environmental sustainability
Shareholders Our shareholding base consists of 867 individual shareholders and 52 institutional shareholders.	Annual General Meeting Publication of quarterly accounts Press releases (ongoing) Annual Report	Shareholder returns Strategic aspirations Prudent risk management Corporate governance practices
Suppliers We support livelihoods of over 15,000 suppliers across our value chain.	Vendor Review (ongoing) Regular dialogue and interactions (ongoing) Visits to ensure compliance(ongoing)	Price and profitability Credit period and ease of transactions Capacity and demand planning Climate change and sustainable production
Communities We support livelihoods of over 15,000 suppliers across our value chain.	MJFCF community projects (ongoing) Interactions with local authorities (ongoing) Through NGO interaction (ongoing)	Community Investments Employment Opportunities Environmental Impact Community Support
Government and policy makers The government is the regulator of markets and the environment. The government also levies taxes on our products sold and profits.	Statutory audits (ongoing) Meetings with Treasury, TRCSL, BOI, Customs (ongoing) Dialogue through intermediaries (ongoing)	Regulatory & Legal Compliance Timely payment of taxes Product Safety & Quality Profitability and growth

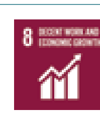
Determining
Material Issues

In improving the relevance and meaningfulness of this Annual Report, the Group adopted the principle of materiality in determining the content that is included here, this year. Material matters are defined as the issues that have the most ability to impact the Group's performance and value creation and is of the greatest importance to its stakeholders. The material topics presented below represent emerging issues in the industry, factors relevant to the Group's strategic agenda and its value creation model. The process adopted to determine these issues is illustrated below;

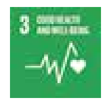


The material topics which are considered most critical to the Group's business is listed below; it also demonstrates how the Group's selected material topics correspond to the topics recommended by the GRI standards its sustainability reporting. The process for determining material topics is also in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



	Material Topic	Corresponding GRI Topic	Corresponding Sustainable Development Goal
1	Sustainable growth in earnings		
2	Managing our people	GRI 401: Employment GRI 403: Occupational health and safety GRI 404: Training and education	
3	Innovation		
4	Customer satisfaction		
5	Managing our distribution network		
6	Manufacturing capabilities		
7	Implications of climate change		

Determining Material Issues

	Material Topic	Corresponding GRI Topic	Corresponding Sustainable Development Goal
8	Geopolitical conditions in buying markets		
9	Product responsibility	GRI 416: Customer health and safety GRI 417: Marketing and labelling	
10	Brand		
11	Manging our supply chain	GRI 204: Procurement practices	
12	Exchange rate fluctuations		
13	Preserving the environment	GRI 301: Raw materials GRI 302: Energy GRI 303: Water GRI 305: Emissions GRI 306: Effluents and waste GRI 306: Environmental compliance	
14	Community engagement	GRI 413: Local communities	

Risk Management

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

The following table provides a high-level overview of the Group's principal risks in 2018/19.

Risk	Potential Impact and Developments in 2018/19	Mitigating Activities
Geopolitical conditions in buying markets	As an export-oriented Group, economic and geopolitical conditions in buying markets have a significant impact on demand and pricing trends. Sri Lankan tea exports declined by 7% in 2018, reflecting trade restrictions following international sanctions on Iran and trade barrier imposed by Russia on Ceylon tea. The average export price of tea and the volume of tea exported declined during the year.	The Group's focus and presence in diverse markets limit its dependence on countries/regions Focus on expanding value-added products through innovation
Fluctuations in tea prices	Tea prices are dependent on a range of factors outside the Group's control including weather patterns, demand conditions and labour productivity among others. As the primary raw material, fluctuations in tea prices have a direct impact on the Group's profitability. During the year, Sri Lankan tea prices declined by 6%.	Tea buying strategy incorporates price fluctuations and seasonal trends Ongoing monitoring of emerging industry trends Pursuing product differentiation through innovation
Changing customer preferences	Customer preferences are changing rapidly with the increasing number of health-conscious consumers, competition from alternative beverages and more sophisticated customer demands. Inability to cater to these emerging preferences could affect the relevance of the Group's products, ultimately affecting its competitive edge.	Proactive and ongoing engagement with customers through numerous platforms Ongoing monitoring of emerging industry trends and preferences through Euromonitor.
Exchange rate impacts	Fluctuations in exchange rates have a direct impact on the Group's profitability margins. During the year under review, the Sri Lankan Rupee depreciated by 12% against the US Dollar reflecting the broad-based strengthening of the US Dollar and capital outflows towards the latter part of 2018.	Efficient treasury management procedures and use of appropriate currency risk mitigation strategies.
Implications of climate change	As a Group which is dependent on the agriculture sector, the increasingly pronounced effects of climate change have a direct impact on its operations through adverse weather and natural disasters which affect the quantity and quality of tea. The drought conditions which prevailed in tea growing areas during the year resulted in the country's tea production declining during the year under review.	Sourcing from diverse regions and elevations Conducting research through owned climate change research station and educating farmers on adaptation methodology.

Risk Management

Risk	Potential Impact and Developments in 2018/19	Mitigating Activities
Credit risk	The Group is exposed to credit risk through the potential loss of earnings and cashflow arising from distributors'/ clients' inability to fulfill their financial obligations.	Customer profiles are carefully evaluated before credit terms are offered. SLECIC cover / bank guarantees /secured payment terms are established when there is a default risk.
Employee attraction and retention	The organisational tacit knowledge of its employee base is a critical factor in sustaining its competitive edge, and the Group's inability to attract and retain the right talent would affect the fulfilment of strategic objectives.	Maintain close relationship with employees, training & development programmes, remuneration in line with industry. Maintain healthy working environment through effective two-way communication system.
Product responsibility/ quality related risks	Issues relating to product responsibility and/or quality will directly impact the Group's brand and reputation, thereby affecting its competitive edge.	Compliance to a range of product quality related certifications Stringent quality assurance across the sourcing, manufacturing and distribution process Ongoing monitoring of emerging customer preferences Strategic focus on product innovation
Financial risk arising from interest rate fluctuations	Increasing interest rates have a direct impact on the profitability through rising costs of capital. Interest rates were on an upward trend during the year under review.	The company is mostly equity financed and does not contain any significant debt obligations having exposure to interest rate risks. Interest rate risk is managed by constant monitoring and negotiating the rates with the banks where applicable.

Strategy & Measuring Success

A well-articulated strategy is a pre-requisite for success. This is a summary of the Group's strategy and the progress it made during the year under review;

Corporate Vision, Mission & Objectives

Strategy	What we did	Measuring Success	Page Reference for Further Information
Earnings Growth	Launch of 65 new products	Revenue growth of 16%	35
	Entry into new markets	Profit growth of 17%	35
	Focus on expanding the premium segment		
	New client acquisition		
	Proactive marketing efforts		
Focus on Quality	Ongoing focus on the three brand attributes of taste, goodness and purpose	65 new products launched	35, 55, 63
	Full compliance to systems and product quality certifications	ISO 9001: 2015, FSSC 22,000, BRC, SMETA, ISO:17025, ISO 14001: 2015, Rainforest Alliance, Organic Certifications	6, 29, 55
	Innovation led product offering	Innovation Timeline	65
An Inspired Team	Ongoing focus on training and skill development	Rs. 36 million investment in training for over 450 training programmes	42
	Multiple engagement mechanisms and an open-door policy	Retention: 82%	42
	Initiatives towards creating a healthy and safe working environment	Injury rate: 0.78%	
Driving towards production automation	Investment in high-tech tea bagging machines with necessary infrastructure to facilitate the transition.	730 Mn in CAPEX including Capital Commitments for the next F/Y	5, 121, 134
Conservation and community engagement	Ongoing investments in MJFCF with focus on empowering marginalised/disadvantaged communities, capacity building, and education among others.	Total investment: Rs. 210 million Beneficiaries	5
	Concerted efforts towards achieving carbon neutral status	MJF Youth empowered: 958	25, 30, 61
	Investments in renewable energy	MJF Rainbow centre: 276	25, 30, 61
	Carbon sequestration through use of biochar	Curtiss Institute of Design: 228	25, 30, 61
	Greening Batticaloa programme	Achieved 100% carbon neutrality	55, 63, 67
	Numerous programmes to raise environmental awareness among diverse stakeholders		

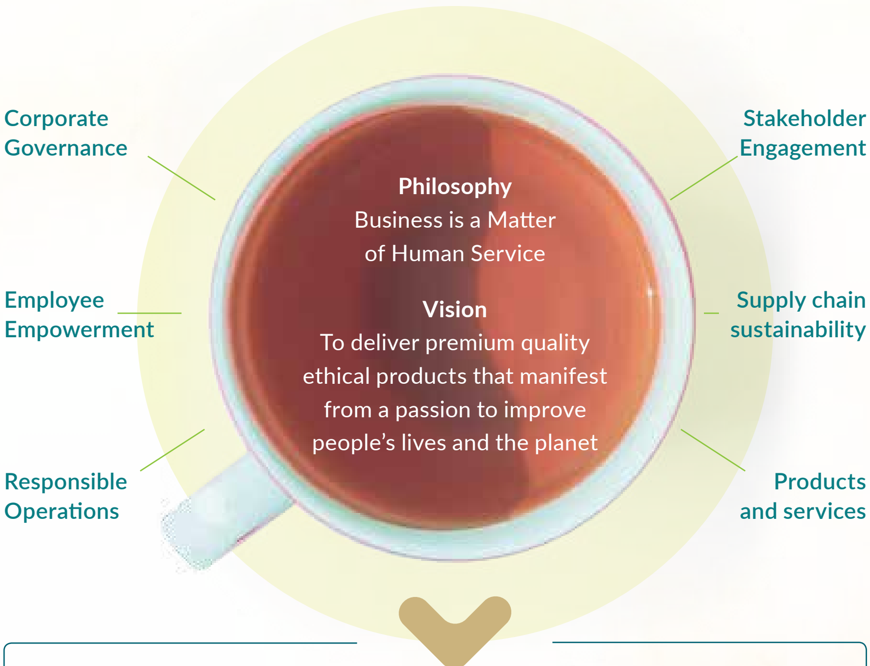
Sustainability at Dilmah

The founder's vision of building a truly sustainable tea industry which benefits people, communities and the environment, is deeply instilled into the Group's ethos and organisational culture. Sustainability considerations are therefore embedded into the business strategy, resource allocation and day-to-day decision-making to drive sustainable development within and outside the organisation. The sustainability agenda is articulated and driven through comprehensive policy frameworks, governance structures and monitoring mechanisms which ensure the efficient allocation and optimisation of resources.

Our Commitment and Approach

The Group's approach towards sustainability embodies balancing economic success, environmental preservation and social responsibility. In addition to propagating this message across all the Group's employees, business units and functions, it has encouraged its distributors, customers and other value chain partners to embrace these principles thereby widening the Group's impact.

Since the Group continuously strives to make its business sustainable, the Group's Sustainability Strategy (which is graphically illustrated below) was revised to incorporate a holistic and comprehensive approach to justify its objectives, incorporate wider initiatives, and allow stronger collaborations on sustainability across its entire value chain. The strategy is reflective of the Group's 12 commitments to sustainability (summarised alongside), which articulate the Group's long-term vision in fostering a harmonious coexistence between man and nature.



Drivers: PEOPLE | PLANET | PRODUCTS | PARTNERS | PERFORMANCE
Outcomes: Economic, Social and Environmental Sustainability

Our Commitment to Sustainability

- Humanitarian approach in all projects
- Minimise environmental impacts of our operations
- Holistic projects which accrue long-term benefits
- Create awareness that will lead to the eventual elimination of conflicts between man and wildlife
- Make business a matter of human service
- Maintain highest standards of corporate best practice and compliance
- Environmental conservation is an extension of our commitment to human service
- Assessing and monitoring environmental impacts
- Transparency and open communication
- Engage partners and customers
- Be an employer of choice
- Nurture meaningful relationships with all communities

The six pillars of our sustainability strategy are as follows;

Corporate Governance

G1 Board Oversight

G2 Management Accountability

G3Corporate Policies and Management Systems

G4 Materiality Assessment

G5 Public Policy

Employee Empowerment

E1 Training and Development

E2 Diversity

E3 Sustainable Lifestyles

Responsible Operations

R1 Climate Adaptation

R2 Facilities and Buildings

R3 Sustainable Transportations & Logistics

R4 Safeguard Natural and Cultural Ecosystems

R5 Water Management

R6 Waste Reduction

R7 Human Rights

R8 Development Interventions for a better society

Stakeholder Engagement

S1 Consumer Engagement

S2 Strategic Collaboration

S3 Engagement of Merchants & Ambassadors

S4 Platforms for Stakeholder Dialogue

Supply Chain Sustainability

SC1 Policies and Codes

SC2 Procurement Practices

SC3 Supplier Engagement

SC4 Verification and Disclosure

Product and Services

P1 Product Design and Packaging Innovations

P2 Business Model Innovation, R&D and Capital

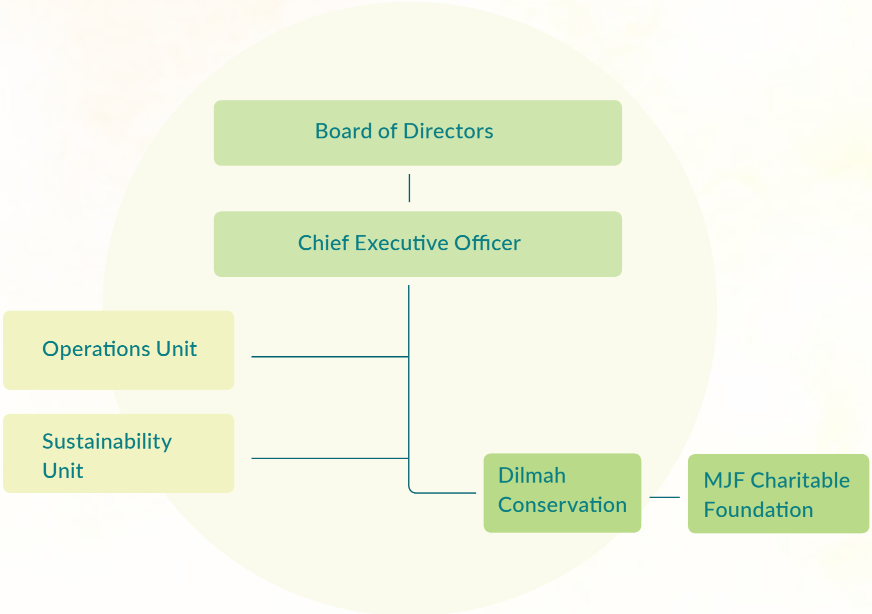
Sustainability structure and Governance

The implementation of the Sustainability agenda is governed by Dilmah Operations and is carried out primarily through the Sustainability function, thereby ensuring the company caters to the standards and evolving requirements of the international market. Further, the initiatives identified, related to environmental and social sustainability are realized through Dilmah Conservation, the dedicated environmental conservation arm and MJF Charitable Foundation, the dedicated philanthropic arm of the Group, complementing the founder's philosophy of 'making business a matter of human service.'

DCTC is the largest financial contributor to both these entities, contributing 10% of the profit before tax (PBT).

Sustainability at Dilmah

Sustainability Governance Structure



MJF Charitable Foundation: The Foundation is the philanthropic arm of Dilmah and operates with the mission of driving long-lasting positive change and improving the lives of marginalised communities. At present, the Foundation has impacted over 19,000 lives.

Dilmah Conservation: Established in 2007, Dilmah Conservation was established to drive environmental and wildlife conservation efforts under the four focus areas of sustainability, biodiversity, heritage and knowledge dissemination.

Collaborating for success

Given the increasing complexity of sustainability issues around the world, we are cognisant of the vital importance of partnering with like-minded organisations in driving shared solutions. We engage in both consulting and collaborative initiatives with a range of organisations driving cooperation along value chains, financing project level partnerships and forming industry- level business alliances to fulfil common objectives. Organizations in which the Group holds affiliations and partnerships are listed alongside.

Affiliations and Partnerships with Organizations

Environmental

- Biodiversity Sri Lanka
- Department of Wildlife Conservation
- International Union for Conservation of Nature
- Responsible Care
- Universities – Colombo, Peradeniya, Moratuwa, Sabaragamuwa, Rajarata, Eastern & Jaffna
- Sri Lanka Climate Fund

Economic

- Sri Lanka Tea Board
- Ceylon Chamber of Commerce
- International Chamber of Commerce
- Banks, insurance and financial institutions

Social

- World Chefs Organisation
- United Nations Global Compact
- World Vision

SUSTAINABLE DEVELOPMENT GOALS

Contribution to the SDGs

The United Nations SDGs aims to galvanise global efforts to end poverty, promote prosperity and protect the environment. Governments, organisations and individuals are expected to collectively contribute towards the achievement of the goals and as an organisation the Group has explored the role it could play. In order to drive strategic and concerted efforts towards the achievement of these goals, the Group has sought to incorporate selected SDGs to its Sustainability Strategy, as graphically illustrated on page 27 of this Report. The infogram depicts the goals that are of greatest relevance to the Group and how it is currently contributing towards these targets.

3 GOOD HEALTH AND WELL-BEING	Stringent quality assurance at every stage of the production process	ISO 9001:2015 FSSC 22000 BRC Global Standard for Food Safety ISO 17025
	Supplier assessments for quality and food safety	
	Production and distribution of 5190 kgs of tea- considered to be one of the healthiest beverages available in the market.	

6 CLEAN WATER AND SANITATION	Total water consumption of 21,420 m3
	24 water related initiatives

12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Over 70% of waste recycled	
	3% upcycling of waste packaging material	
	Water and energy stewardship	Generation of 136090 Kwh of renewable energy
	100% carbon neutrality	

5 GENDER EQUALITY	Equal opportunity employer
	44% female representation
	Capacity development through the Women's Development Programme IT training for 25 women Sewing and healthy cooking: 20 women
	Over 1300 women entrepreneurs supported through the Small Entrepreneurship Programme and Women's Development Programme

13 CLIMATE ACTION	Achieved 100% carbon neutrality for all 2267 products in 2019	
	The headquarter achieved carbon neutrality in 2017	
	Established two hydropower units with in the supply chain with a net capacity of 150 KwH	136090 KwH generated through solar units
101.34 MT of Biochar applications for biosequestration		
'Climate Reality' initiative with the aim of creating a multi-stakeholder dialog on the consequences of climate change and formulate solutions to address these challenges		

Sustainability at Dilmah

SUSTAINABLE DEVELOPMENT GOALS

<table>
<tr><td rowspan="2"></td><td>1 million cashew trees planted in Batticaloa</td><td>Supported 6 initiatives of Biodiversity Sri Lanka</td></tr>
<tr><td colspan="2">Cave biodiversity Research
4th biospeleological study in Sri Lanka to survey 18 caves. 17 maps of caves developed.</td></tr>
<tr><td colspan="3">Initiating Partner of Biodiversity Sri Lanka in collaboration with Ceylon Chamber of Commerce and IUCN- Sri Lanka</td></tr>
<tr><td colspan="3">Dilmah Conservation facilitated the identification of 41 faunal species that were previously unknown to science; driving research and awareness on species conservation</td></tr>
<tr><td colspan="3">Endana Nature Corridor aims to create a biological corridor across our tea estate in Endana which borders the Sinharaja Rainforest - a World Heritage Site and a Man & Biosphere Reserve</td></tr>
<tr><td colspan="3">14 publications on biodiversity and heritage conservation to encourage biodiversity and heritage conservation are made available at affordable prices.
Selected publications are prescribed for academic programmes in Sri Lankan educational institutes.</td></tr>
</table>

<table>
<tr><td rowspan="6"></td><td colspan="2">Over 3000 special needs children & youth supported. 276 supported in 2018.</td></tr>
<tr><td colspan="2">320 wheelchairs donated in 2018.</td></tr>
<tr><td rowspan="2">Over 5800 children supported through 15 centres dedicated towards child development</td><td>Empowered 2036 small entrepreneurs to date.</td></tr>
<tr><td>89 small entrepreneurship grants distributed in 2018.</td></tr>
<tr><td colspan="2">4500 individuals have received training in IT through the Curtiss Institute of Design. 228 beneficiaries were trained in 2018</td></tr>
<tr><td colspan="2">958 youth empowered through the Youth Development Programmes in 2018</td></tr>
</table>

<table>
<tr><td rowspan="4"></td><td colspan="2">82% retention rate</td></tr>
<tr><td colspan="2">5,850 training hours</td></tr>
<tr><td>10% increase in employee payments</td><td>Equal opportunity employer</td></tr>
<tr><td colspan="2">A safe workplace</td></tr>
</table>

CAPITAL MANAGEMENT

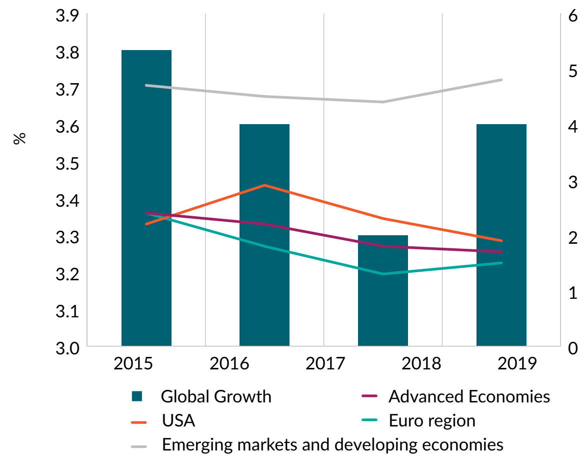
The Group transforms its diverse capital inputs through its value creating activities, ultimately resulting in the generation of shared value across its stakeholder universe. The subsequent section of this Annual Report provides a comprehensive overview of how we utilised our six capital inputs during the year to create value in line with the Group's strategic aspirations.

CAPITAL MANAGEMENT

Operating Environment

Sri Lanka's tea industry witnessed a year of numerous challenges and volatility in 2018. Adverse weather conditions in growing areas and wage-related trade union action resulted in the country's total tea production declining by 1%

Global Economic Growth



Source: IMF

Global Economic Growth

Global economic growth moderated to 3.6% in 2018, with momentum softening particularly in the 2nd half of the year. Escalating trade tensions between USA and its key trading partners, tighter credit policies in China and a subdued investor and consumer sentiments in the European region affected overall growth. USA recorded robust growth expanding by 2.9% supported by strong consumption growth and reducing unemployment. Growth in Euro was limited to 1.8% reflecting weaker sentiments and disruptions to the auto sector in Germany while natural disasters in Japan led to a growth of merely 0.9%. Emerging market and developing economies grew by 4.5% (compared to 4.7% in 2017) as growth in China slowed in view of a regulatory tightening and efforts to drive a more sustainable growth agenda. Growth in the CIS region was also subdued at 2.8% largely reflecting sluggish conditions in Russia which was weighed down by weaker oil prices and structural headwinds. The downward pressure on oil prices, US sanctions in Iran and conflict across several regional economies such as Iraq, Syria and Yemen resulted in the Middle Eastern region expanding by just 1.8% in 2019.

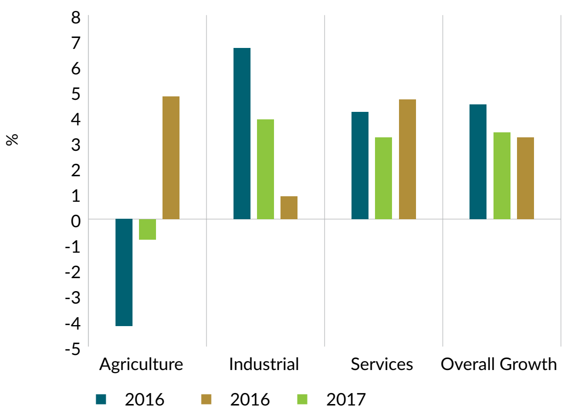
Commodity Prices

Commodity prices saw downward pressure towards the end of 2018 reflecting moderating global growth and a slowdown in trading activity. Supply factors including a temporary waiver in US sanctions on Iranian oil exports and record-high US crude oil production added to the downward pressure on prices, although some recovery was seen during the first quarter of 2019 due to production cuts by oil-exporting countries.

Sri Lankan Economy

Sri Lanka's GDP growth moderated to 3.2% in 2018 (from 3.4% in 2017) due to cascading effects of global dynamics and monetary and fiscal policy measures adopted by the Government to drive macro-prudential stability. The Agriculture sector posted recovery after several years of contraction to expand by 4.8% supported by conducive weather conditions in paddy cultivation regions. The cultivation of tea and rubber, however declined during the year due to adverse weather conditions. The slowdown in the Industries sector (+0.9%) on the backdrop of a subdued construction sub-sector had an impact on overall growth. Meanwhile the Services sector grew by 4.7% during the year reflecting broad-based expansion of several sub-sectors including financial services and telecommunications.

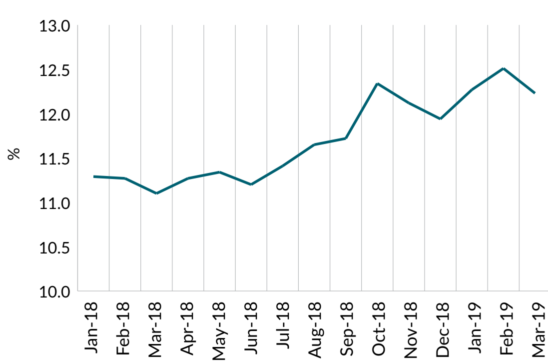
Global Economic Growth



Monetary Policy and Interest Rates

Despite a relaxation of the relatively tight monetary policy stance adopted by the Government, lending rates of commercial banks remained high for most part of 2018 reflecting tight liquidity conditions. Persistent deficits of rupee liquidity in the domestic money market compelled the Central Bank to cut the Statutory Reserve Ratio (SRR) applicable on all rupee deposits of commercial banks in November 2018, while increasing policy interest rates to neutralise the impact on interest rates. This approach was adopted with the objective of stabilising inflation at mid-single digit levels and anchoring inflation expectations to enable the economy to reach its potential in the medium term.

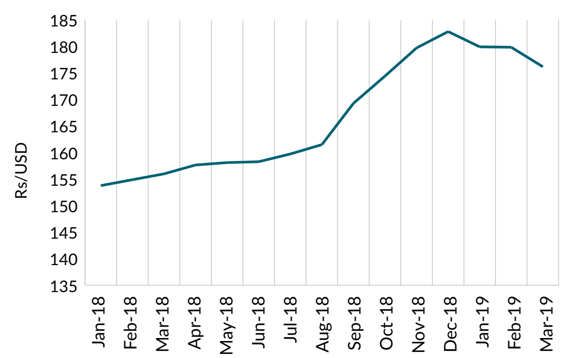
AWPR



Exchange Rate

The Sri Lankan rupee recorded sharp depreciation against the US Dollar during the year, falling by 12% in 2018 to close the year at Rs. 176.09. The decline reflected broad-based strengthening of the US Dollar against regional currencies together with political instability in the last few months of the year. The Central Bank largely allowed demand and supply forces to determine the level and direction of the exchange rate of the rupee in the foreign exchange market, intervening only to prevent disorderly adjustments. Meanwhile the first quarter of 2019 saw the Rupee strengthening somewhat, as government efforts to curtail import expenditure came to fruition.

Exchange Rate



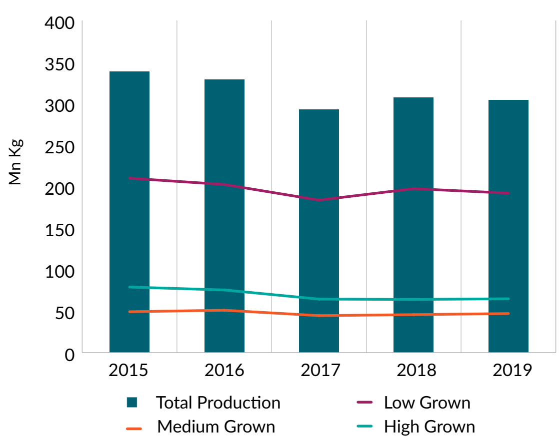
Industry Environment

Sri Lanka's tea industry witnessed a year of numerous challenges and volatility in 2018. Adverse weather conditions in growing areas and wage-related trade union action resulted in the country's total tea production declining by 1% to 303.8 million KGs in 2018. Low grown tea which accounts for the bulk of Sri Lanka's production declined by 2.7% while the production of high and medium grown teas increased by 1.3% and 3.0% respectively during the year. Production continued to be on a declining trend in 2019, with total volumes falling by 7% during the period from January to March 2019 against the last quarter. Low labour productivity and declining yields continue to impact Sri Lanka's production levels, underscoring the critical importance of driving productivity improvements and investing in replanting to ensure the sustainability of the industry.

Operating Environment

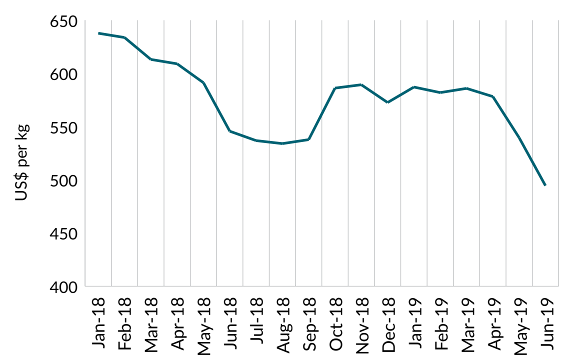
Meanwhile, tea prices recorded a declining trend for most of the year, reflecting weaker demand due to subdued oil prices in major tea importing economies as well as an increase in global production. US sanctions on Iran in May 2018 had a cascading impact on auction prices while the weakening of currencies against the US Dollar in tea importing countries also deterred demand. On average prices at the Colombo Auction declined by 6% during the year, with broad-based reductions across all elevations. Medium grown tea prices declined by 8% while high-grown and low-grown tea prices fell by 6% during the year. Prices have continued to decline during the year first half of 2019, falling by approximately 8% from January to June 2019.

Tea Production Trends



Tea exports also declined by 6.6% to US 1,428 million in 2018 affected by the dual impacts of lower average export prices and a volume reduction. Weaker demand conditions, trade restrictions with Iran and Russia and higher volume of black tea production from Africa resulted in the average export price of tea declining by 4% during the year. Meanwhile following the ban on Glyphosate by the Government of Sri Lanka, tea growers and large plantations were compelled to use alternative weed control products resulting in a residue of MCPA levels which were higher than the level permitted for exports to Japan. Meanwhile the volume of tea exported also declined by 2.3% reflecting the relatively lower production levels. Bulk exports continue to account for the largest portion of export earnings, with a share of 51% during the year. Turkey, Iraq and Russian maintained their positions as Sri Lanka's largest export markets.

Trends in Export Price of Tea

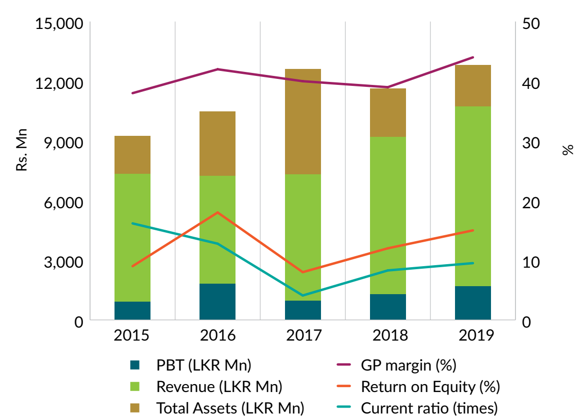


CAPITAL MANAGEMENT

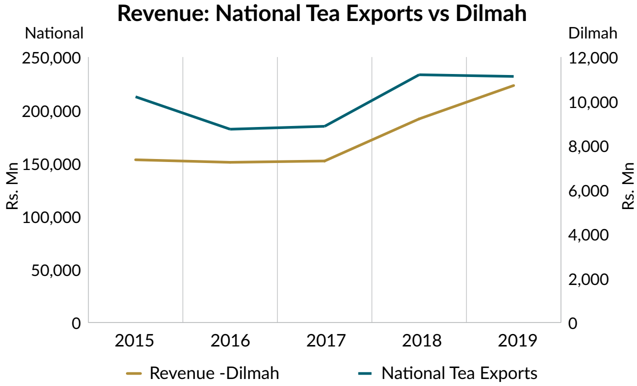
Financial Capital

Dilmah Ceylon Tea Company PLC (DCTC) achieved another year of commendable performance amidst challenging industry conditions. Sales volumes grew 11%, while corresponding revenue grew by 16%, largely underpinned by favourable currency movements. Strong top line growth and margin expansion drove PBT by 32% to Rs. 1.6 Bn (2017/8 - Rs. 1.3Bn) and EPS by 31% to Rs. 76.71 per share.

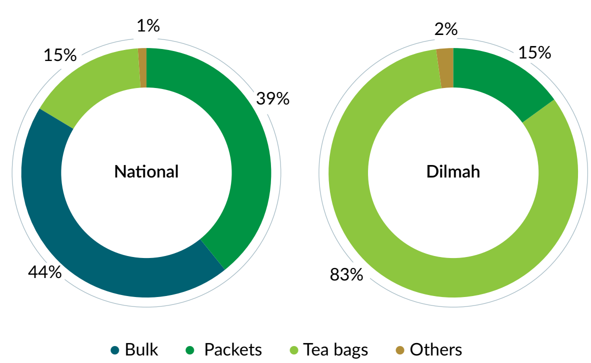
DCTC's healthy financial position reflects consistent asset growth, high equity, strong liquidity and provides the financial flexibility to effectively execute its future strategies.



Revenue: National Tea Exports vs Dilmah



Product Mix



Source : Central Bank of Sri Lanka Annual Report 2018

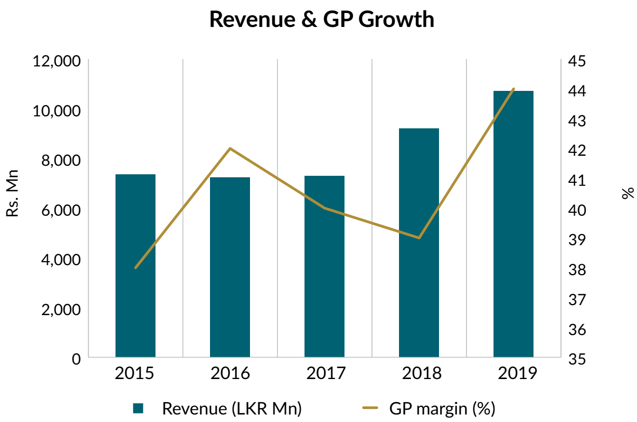
Dilmah's performance outshone national tea exports which dipped during the year, underscoring DCTC's successful business strategy - branding and marketing, value added, single origin, pure Ceylon tea. Dilmah accounts for nearly 20% of national tea bag exports.

Group Revenue	GP margin	PAT	Total assets	Gearing
10,713 Rs. Mn	44%	1,591 Rs. Mn	12,805 Rs. Mn	Nil

CAPITAL MANAGEMENT

Financial Capital

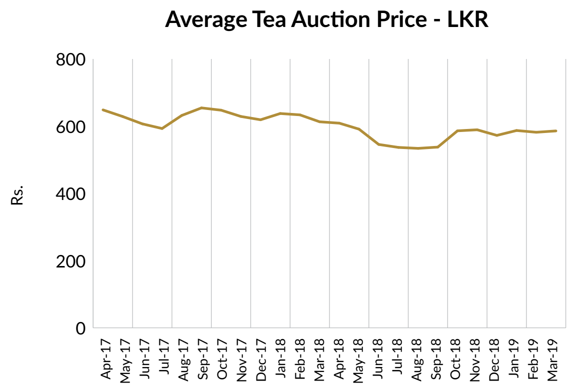
Revenue



Revenue grew 16% largely on the back of the sharp depreciation of LKR against the USD during the year, combined with volume growth of 11%. Country specific revenue growth management initiatives (sensitive to the stressed economic environments in many of our markets), new client acquisitions and targeted in-market executions in all segments and key categories enhanced market penetration. The Group continued to innovate its product portfolio, rolling out new recipes and packaging mix to meet emerging consumer trends. Despite downward pressure on commodity prices and the prevalent culture of discount pricing adopted by large retailers, it maintained pricing, driving the brand proposition of guaranteeing customers high quality, ethical, pure Ceylon teas at premium prices.

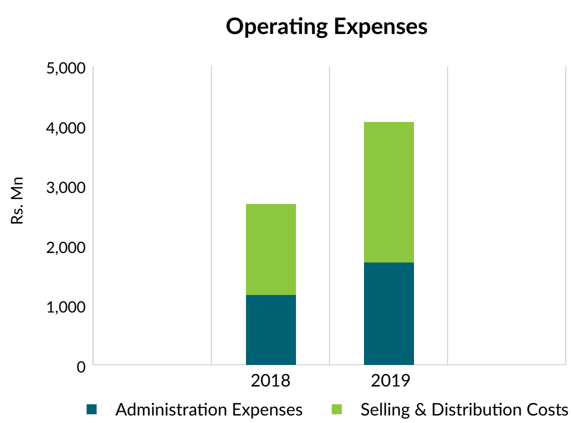
Growth in volume is also partly attributed to 2017/18 reflecting only 5 months figures of MJF Teas as the acquisition of its business by DCTC took place in November 2017.

Gross Profit Margin



Gross Profit margin expanded considerably from 39% to 44% due to gains in currency and also price management initiatives executed during the year.

Operating Expenses



Administration expenses increased 30% and Selling and Distribution increased 38% to Rs. 2,354Mn. Finance costs were nominal. High levels of cost consciousness curtailed growth in operating expenses.

Donation of Rs. 170Mn (2017/18 – Rs. 100Mn) to the MJF Charitable Foundation (activities are described on pages 61 and 62) and accelerated amortization of software were key contributors to the increase in administration expenses.

Selling and Distribution costs increased considerably following continued investments in nurturing the brand in over 100 countries it operates in, its key market Australia, where competition is strife against other retail tea brands who engage heavily in discount culture compromising quality for price. The Group engages in advertising and marketing in collaboration with its extensive network of distributors and direct sales customers. Dilmah is ranked within the top 5 tea brands in the world.

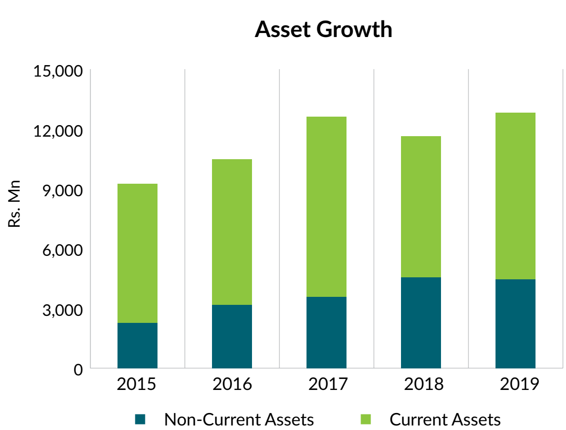
Foreign Exchange Gain

Foreign exchange gains doubled during the year to Rs. 762Mn. DCTC engaged in currency risk mitigation mechanisms to minimize any loss from the sharp depreciation of LKR against the USD on imports, while maximizing the benefit from arbitrage. The Company excelled in treasury management to secure substantial gains from on currency fluctuations and anticipated trends.

PBT, Taxation and PAT

Profit before tax grew substantially by 32% to Rs. 1,694 Mn (2017/18 –Rs. 1,281 Mn) and profit after tax by 33% to Rs. 1,591 Mn (2017/18-Rs. 1,193Mn). Tax was computed on a higher tax rate of 14% (2017/18 – 10%) for companies predominately (80%) engaged in the business of exports, according to the First Schedule of the Inland Revenue Act No.24 of 2017, from the Year of Assessment 2018/19.

Assets



Total assets grew 10% to Rs. 12,805 Mn underpinned by growth in current assets by 18%, largely attributed to currency depreciation, in translating USD/AUD based reserves held at year end, to LKR. Although trade receivables increased 9% to Rs. 3,896Mn at year end, the corresponding increase in USD denominated trade receivables was 2%.

Advances and prepayments include advance paid in USD for the import of state-of-the-art tea bagging machines whilst cash and cash equivalents are primarily foreign currency denominated fixed deposits.

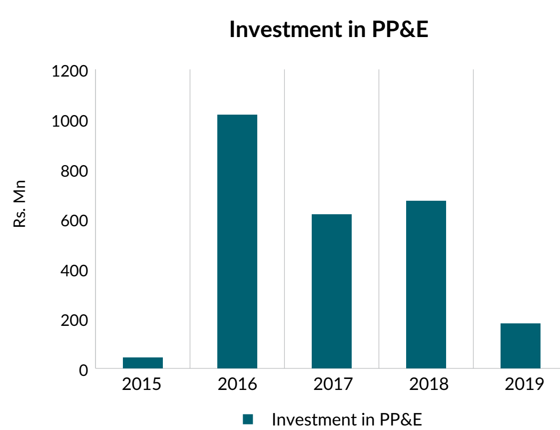
Non-current assets dipped marginally to Rs. 4.456Mn, on the back of higher depreciation and amortization of software.

Non-Current Assets

Investment in PPE

DCTC regularly upgrades equipment to keep abreast of modern manufacturing technology, improving product quality, flexibility, operational efficiency and environment sustainability.

Capital work in progress reflects construction of the building for the proposed state of the art factory within the Peliyagoda premises. The factory is expected to be operational by end 2019/20. An advance paid for the import of four fully automated tea bagging machines equipped with latest cutting-edge technology, is reflected under Advances and Prepayments.



CAPITAL MANAGEMENT

Financial Capital

Investment Property

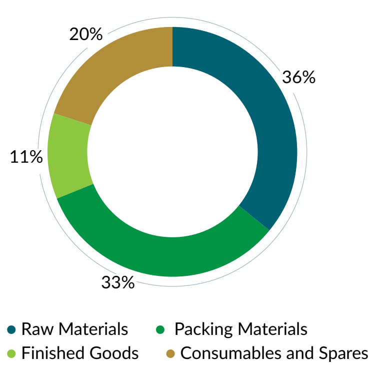
Increase in Investment Property stems from on-going construction which commenced last year, of a warehouse on the Wattala land. The building is almost complete and will be ready for use in 2019/20.

Intangible Assets

The company is in the process of moving to a new ERP system which will cover the entire operational processes, budgets, financial reporting and business intelligence. The existing ERP will be fully amortized by end of 2019/20.

Current Assets

Inventories



Inventories reduced 10% on lower stock holding of raw materials and finished goods. Most materials are purchased to order.

Trade and Other Receivables

Trade receivables account for 30% of total assets. The higher value is attributable to the trade policies of DCTC which is comparable with the industry. Lead time to ship and clear goods in foreign countries; and credit allowed to retailers and supermarkets largely dictates the credit policy of DCTC. A robust debt collection system underpinned by the adoption of a stringent customer selection process, strong customer relationship management and strict follow up and monitoring of debt, drives prompt settlement of dues. Efficient credit management is demonstrated in the substantially lower increase in trade receivables at year end, in comparison to increase in sales.

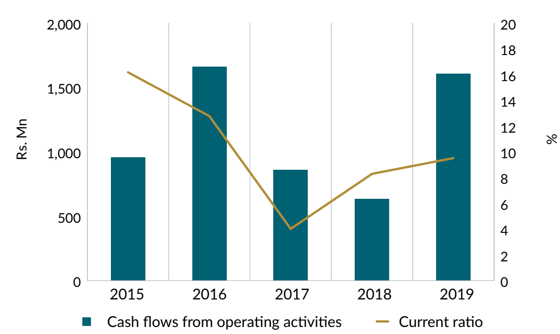
Of total trade receivables outstanding at year end, 38% (2017/18 – 48%) is due from the subsidiary, Dilmah Australia (Pty) Limited, company which manages the sales and marketing of Dilmah Tea in Australia. The reduction in debt in Dilmah Australia is attributed to improved in-market collections. Sales to Dilmah Australia are on commercial terms.

All debts, including those of related parties have been considered for impairment and prudently provided for where applicable.

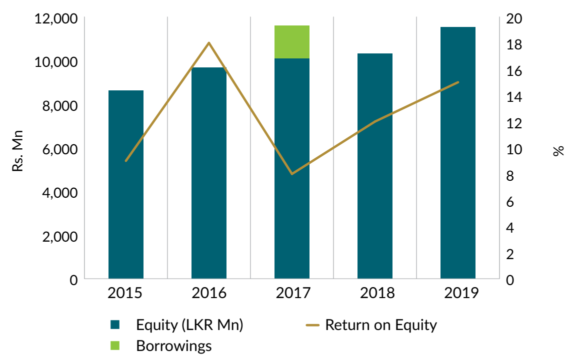
Current Liabilities

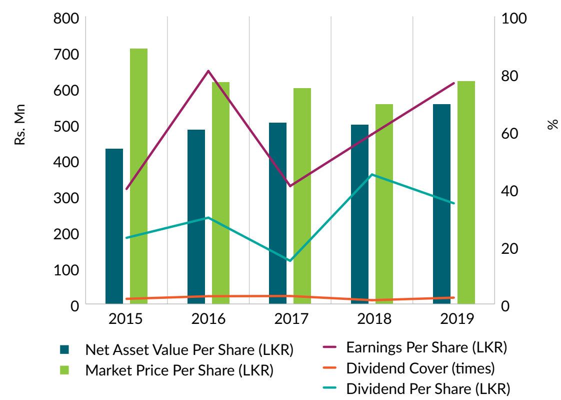
Current liabilities grew marginally against a provision for income tax and increase in provisioning for marketing and advertising expenses. The marketing spend increase of 17% includes translation of AUD/USD into LKR and the impact of LKR depreciation.

Liquidity, Working Capital and Cash Flows



DCTC's liquidity position is very strong, with improvements to current ratio and quick assets ratio, driven by increases in trade receivables and cash and cash equivalent balances. By year end, Cash and cash equivalents increased by Rs. 870Mn to Rs. 2,807Mn. Operating cashflows grew 2.5 times to Rs. 1,608Mn (2017/18 -Rs. 635Mn) stemming from improved profitability, realized exchange gain, inventory management and debt collection. Cash generated was invested in capital expenditure nurturing future growth, and dividends.





Capital Structure

DCTC has zero borrowings. Capital structure strengthened on the back of higher profits. Return on Equity (ROE) rose to 14.5% by year end (2017/18 – 11.55%).

Return to shareholders

As at 31st March		2018/19	2017/18
ROE	%	14.50	11.55
Earnings per share	Rs.	76.71	58.74
Net assets per share	Rs.	555.65	497.89
Share price (closing)	Rs.	619.90	554.90
P/E ratio	Times	8.08	9.45
Dividend per share	Rs.	35.00	45.00
Dividend yield	%	0.06	0.08
Dividend payout	Times	45.63	76.61
Market Value	Rs. Mn	12,855	11,507

The Company's dividend policy seeks to balance needs of shareholders whilst ensuring there is sufficient capital for planned business expansion. Accordingly, the Company paid an interim dividend of Rs. 20/- per share and proposes a final dividend of Rs. 15/- per share for the FY 2018/19.

CAPITAL MANAGEMENT

Manufactured Capital

The Group's Manufactured Capital comprises of the physical infrastructure such as production facilities, manufacturing equipment, plant and machinery which ensure the uninterrupted production of high-quality products.

Rs. 3,944 million PPE	**5.5 billion** tea bags per year	Advanced manufacturing technology

Highlights of 2018/19

- Rs. 305 million capital investment in new production facility
- Commencement of a state-of-the-art manufacturing facility – 122,000 sqft
- New warehouse facility -70,000 sqft
- Green architecture and interior designing introduced for Tea Tasting and Grading area

Value Delivered

Production volume

5,190 MT

Overall highest performing equipment efficiency

91%

100% product customisation based on country/customer requirements

Production wastage at the factory

2.8%

Efficiency improvements in tea bagging machines by Dilmah Engineering team

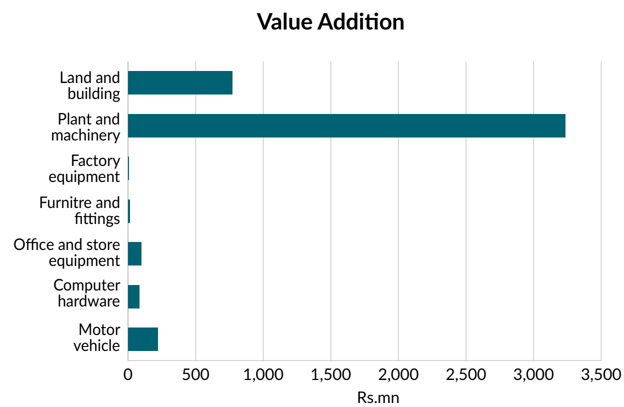
Capacity Utilisation

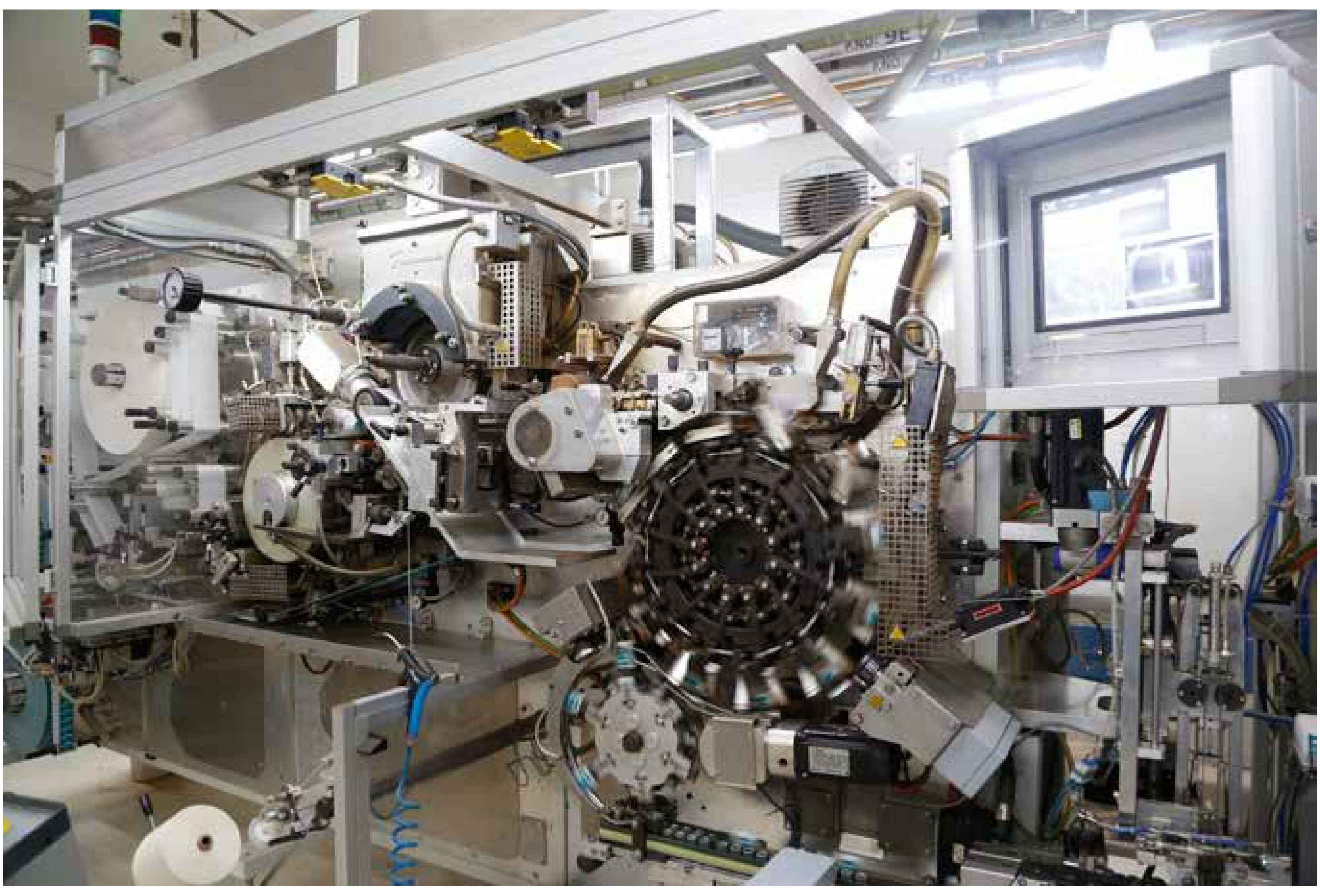
The Group's ability to consistently manufacture superior quality products which are at times customised to fulfil specific customer needs is dependent on the Group's manufacturing capabilities. At our 300,000 square feet, production facility in Peliyagoda we have deployed over 74 advanced blending and packaging machines. Production efficiency is consistently monitored through a range of indicators such as equipment efficiency and rejects ratio.

Indicator	
PPE (Rs. Mn)	3,944
Overall highest performing equipment efficiency ratio	91%
Production wastage at the factory	2.8%
Capacity utilisation	77%

Capital Value Addition

Capital expenditure for the period under review amounted to Rs. 305 million, consisting of new investments and regular maintenance to its manufactured capital. During the year we commenced construction of a fully automated factory equipped with artificial intelligence robotic process automation and state-of-the-art machinery, including tea bagging machines. With an anticipated total investment of Rs. 1,000 million, the factory is expected to remediate the predicted scarcity in man power while reducing manual errors in production.





CAPITAL MANAGEMENT

Human Capital

The Group leverages the talent, commitment and expertise of its 644 strong human capital are key to drive innovation, facilitate the customer experience and achieve its strategic aspirations.

644 employees	**44% female** representation	**82%** Retention Rate	Employee Performance Management System with Real-Time feedbacks

Highlights of 2018/19

- 170 individual training on enhancing technical competencies & 45 group training sessions
- Employee productivity (defined as revenue per employee) increased by 22%
- Optimised the staff cadre through automating several manual processes
- Transformation and enhancement of the Employee Performance Management System

Value Delivered

Total payments to employees
Rs. 1,080 million

Retention rate
82%

Training investment
Rs. 36 million

High level of employee engagement

Total training hours during the year **5,850**

Management Approach ▪ GRI 103

Your cup of tea is flavoured by our valued human capital, playing a pivotal role in instilling the Group's six pillars of values – quality, our customer, tradition, ethics, integrity and sustainability. We nurture this vibrant capital by ensuring that their personal and career aspirations are met by adopting a holistic employee value proposition. We optimized our workforce during the year, curtailing replacements and new recruitments as a result of automating manual processes by implementing a fully-fledged ERP system. However, we maintained a relatively low attrition rate of 18%. Our value delivery system is reflected by the Increase in the total training hours by 8% and increase in the total payout, by 24%.

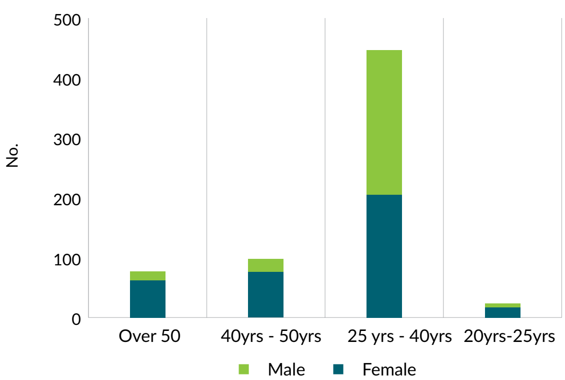
Human Capital Priorities

Attraction	Development	Retention	Employee Engagement	Occupational Health and Safety
By Knowledge By Skills & Expertise Via an Online systems	State of the art evaluation system Management & Technical competencies Tailor made development plan for each employee	Rewards and recognition Prioritising Health and safety Updated HR Policy	Sustainable lifestyles Fitness and sports Employee's kids engagement Engaging in cultural Events	Immediate corrective actions Accident free working environment

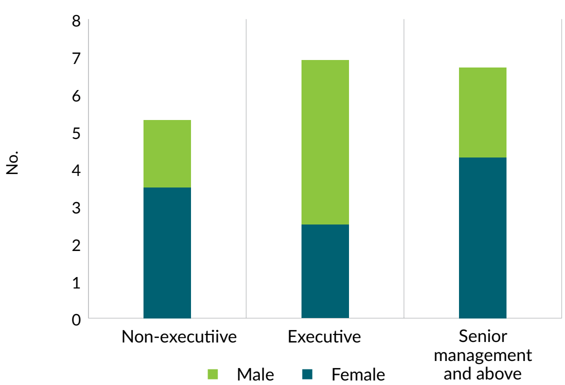
Team Profile

Our self-motivated team comprises of 644 high-performing and dedicated employees. As an equal opportunity employer, we do not discriminate based on gender, ethnicity, age or any other form of diversity when attracting, remunerating or promoting employees.

Employees by Age and Gender



Recruitement by Gender



The strength of diversity

We recognize the value of a diverse team and seek to empower our female employees by nurturing their capacity building and personal development. Equal female representation at all categories in ensured.

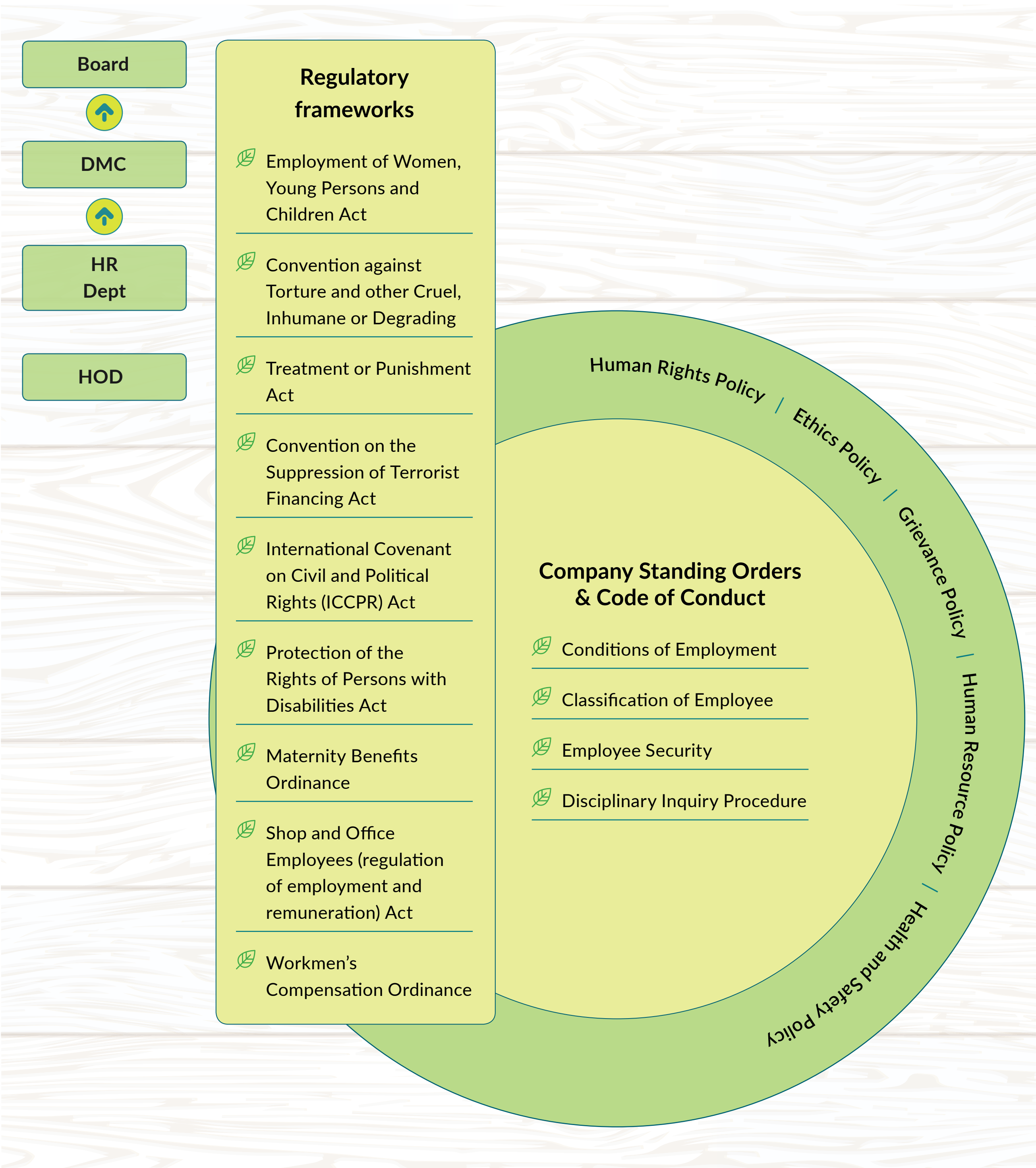
Our family is enriched by a young and energetic team with **69%** between **25** years to **40** years of age.

HR Governance and Policies

Our Human Resource governance framework consists of robust HR, Grievance and Ethics policies centered on attracting, stimulating, developing and retaining our human capital. Our governance policies focus on capitalizing and augmenting employee interest based on stakeholder and organizational goals. The Board, Human Remuneration Committee and Heads of Departments constantly review and update policy framework and compliance with the policies. Our comprehensive HR policy framework is designed to comply with local and international regulations, standards and industry best practices.

CAPITAL MANAGEMENT

Human Capital

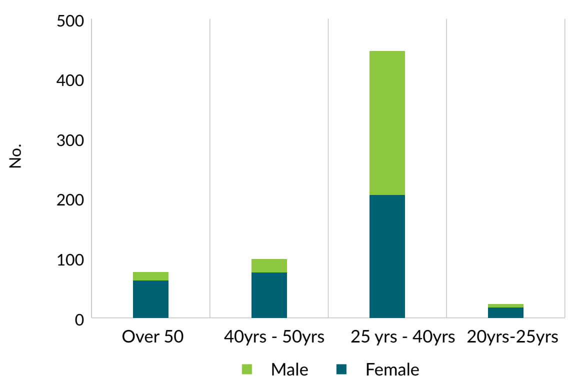


Attraction and Onboarding

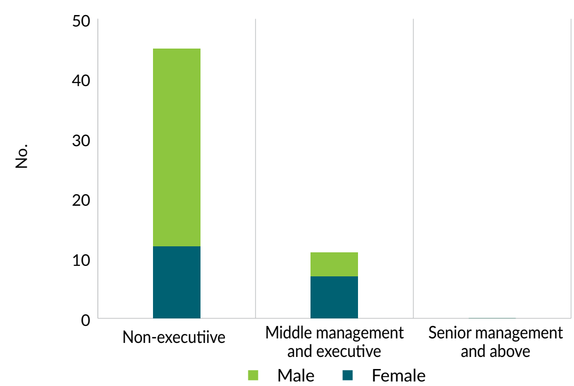
A systematic process is in place for attracting and onboarding employees. Each department develops appropriate job analyses depending on its scope of operations and position descriptions are formulated describing the required competencies to deliver the expected targets. All new recruits undergo an induction program covering all departments.

During the year we were able to reduce our cadre by automating majority of the manual work through implementing a new ERP System resulting in low replacements. Candidates best suited for the job are recruited based on knowledge, Skills, abilities and behavior providing an equal opportunity in line with organizational goals. The requirements of the Employment of Women, Young Persons and Children Act is firmly adhered to in our recruitment process.

Employees by Age and Gender



Recruitments during the year by age & gender



Recruitment Procedure

Request by HOD with the description of required expertise → Compilation of JDs based on the job prerequisite by HRD → Approval for recruitment of cadre by Board or DCC → Selection and recruitment internally or externally

Engagement and Grievance Handling

We maintain a high level of employee engagement facilitated through numerous mechanisms and engagement initiatives. These initiatives include development initiatives, sporting and recreational events and cultural activities among others. The team also benefits from a transparent and streamlined grievance handling procedure resulting in a happy workforce.

Employee Engagements activities during the year

- New Year Celebrations
- Weekly Fitness Sessions
- Long Service Awards
- International Women's Day Celebrations
- Sports Meet
- Blood Donation Program
- Religious Activities
- Staff Get-together
- Employees Kids Party
- Christmas Party

CAPITAL MANAGEMENT

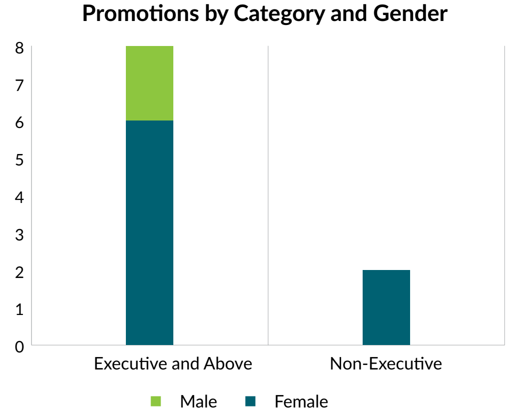
Human Capital

Open door Policy	Report to HOD: Direct access to their HOD regarding both professional and personal grievances.	Human Resource Manager : Direct access to HRM regarding both professional and personal grievances.	Human Resource Manager : Direct access to HRM regarding both professional and personal grievances.
Joint Consultative Committee	The JCC which has representation from each department will periodically discuss their grievances directly with the Chairman , Deputy Chairman and the CEO.		
Townhall Meetings	Held once a month in attendance with staff across all categories to open their voice		
Professional Counselling Service	A nominated senior counsellor is assigned to attend to any level of grievance related to employee personal or professional health		

Performance Evaluation

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

Promotions by Category and Gender

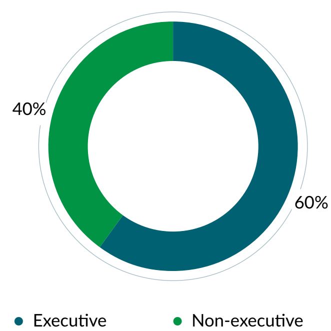


Remuneration and Benefits ▪ GRI 405-1 / 405-2

An in-depth industry salary survey is conducted by the Remuneration Committee prior to commencement of the performance review process. Industry salary norms, living cost analysis based on national data and results of the performance appraisals are taken into consideration when determining remuneration. Remuneration Committee details the findings of the above survey to the CEO and Board, subsequently salary increments are defined with the approval of the Board.

Remuneration Distribution by Gender

Remuneration by Category



Benefits offered to our permanent cadre

- Bonus
- Production Incentives
- Attendance Allowance
- Medical Leave
- Death Donation Scheme
- Thrift Society
- Housing Loans
- Welfare Loan Scheme
- Medical Clinics
- Sports Club
- School Books/ Uniforms Distribution
- Scholarship Scheme for Children
- Free Tea Quota
- Staff Tea Sales
- Evening Snack
- Night Shift Meal
- Hostel Facility for Female Employees
- Staff Transport
- Laundry Service
- Hospitalization Insurance
- OPD Reimbursement
- Special Grants from the Empathy Fund

Development ▪ GRI 405-1 / 405-2

Training and development of our human resources is based on the strategic aspirations of the organization. During the year we conducted over 170 individual trainings and 45 group programs focusing on technical and soft skill development, with a total beneficiary base for all employees. Individual development plans are formulated for the staff based on the functional/technical competencies gaps identified by the HODs. Training and development program lineups are offered to the individuals after a stringent evaluation process. External and internal training programs are conducted for all categories in our workforce, in addition to on the job training through a culture of mentoring and job rotation. During the year 9 group- external training programs were conducted by reputed industry experts and 36 group- internal programs were conducted by our in-house knowledge bank, consisting of experienced and renowned personnel in the industry.

Main training programs identified through the performance evaluation in 2018/19

460 training programs for individuals and groups were recommended by the HODs, for the year 2019/20. All the trainings have been clustered to 08 categories in-line with the business requirement,

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

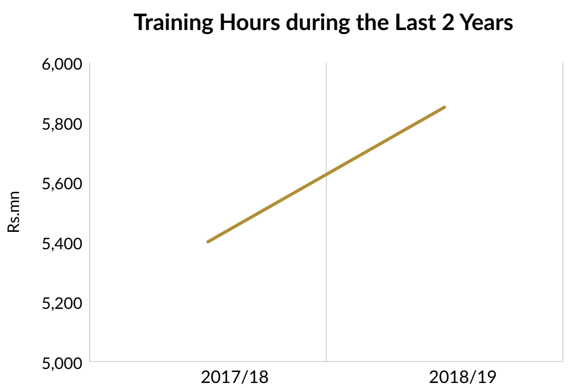
Further, Cross Functional Training Programs are conducted to provide insights to the processes and the functions between departments.

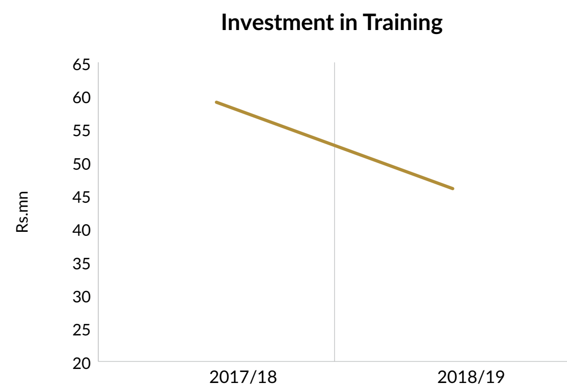
CAPITAL MANAGEMENT

Human Capital

External Training Programs
Training on PLC Controls
Awareness Programme on ISO 17025:2015 - Uncertainty in Chemical Testing Laboratories
Courses on Occupational Health & Safety
Fundamentals in Creating a Great Workplace
Accounting and Financial reporting new standards and trends
Advanced Data Analytic areas & New technology
Training on Basic Electronics
Operations and Maintenance of Forklifts
Training on laboratory safety
Leadership skills
Training on Mechatronics
Basic course on industrial hydraulic
Training on communicating product sustainability
CPD Course on Vertical Transportation
EU Legislation on labeling
Quality of Bees Honey Workshop
Competency and Value awareness
First Aid Training
Power of Positive Attitude
Fire Crew Training
Introduction to Business Human Rights
Excel Training session
Training on FSSC 22000 - New version
Global trends/Concepts in Beverages
Hardware & Networking
Develop on supervisory skills
Training on Laboratory Maintenance

Internal Training Programs
Computer Skills
Hygiene Trainings
Food Safety/Quality and 5S implementation
Export Shipping Procedure
FTD Functions
School of Tea
Food Safety Requirements
Training on Quality/Attitude and Behaviors
Change in FSSC22000 V 4.1
Food Defense and Threat Assessment
VACCP team training
HACCP team training
Vulnerability Assessment Criteria
Security Procedure of Employee Searching
Carbon Neutral Dilmah
Basic Excel Training Session
Advanced Excel Training session
RA Requirements
Washroom Etiquette
Food Safety Certification Types/Quality & Food Safety Policy
Basic knowledge on First Aid Personnel
GRI reporting sustainability
Cross Functional Trainings
Training on Quality Attitude Behaviors
Sustainability Training





Attrition ▪ GRI 401-1

A unique employee value proposition, characterized by above average remuneration, ongoing opportunities for skill and career progression and a conducive and dynamic work environment has enabled us to maintain a relatively low attrition rate. During the year, 115 employees left employment resulting in an attrition rate of 18 % .

Attrition analysis

Turnover by Gender		Turnover by age		Turnover by category	
Male	47	<30	66	Non-executive	86
Female	68	30-50	44	Executive	20
		>50	05	Middle Management	08
				Senior Management	01

Employee rewards and recognitions has been decided based on their performance and Benefits has been spread amongst the employees based on the transparency and company HR policy.

CAPITAL MANAGEMENT

Human Capital

Training Programme

Annual Religious Activities

Weekly Fitness Sessions

Supervisory Development Programme

Workers' Talent Show

Executive Development Programme at PIM

Annual Sports Day

Medical Sessions

CAPITAL MANAGEMENT

Human Capital

Health and Safety ▪ GRI 403-1

As a manufacturing company, we focus on eliminating and managing hazards and injuries, ensuring a secure and healthy work environment. Our packing and bagging factory situated in Peliyagoda is equipped with a fully-fledged medical facility with medical clinics conducted every weekend by specialists in the medical field. The Health and Safety committee with worker representation reviews the safety and hazardous situations on a monthly basis. During the period under review we had zero injuries and hazards proving the effectiveness and strong implementation of our Health and Safety policy across the Company.

Salient Points of Our Health and Safety Policy

- Providing a healthy and safe working environment by focusing on good manufacturing practices and establishing a safety culture, systems and procedures.
- Providing necessary infrastructure and education necessary to achieve aforementioned objective while emphasizing the importance of housekeeping, industrial hygiene, and ensuring maintenance of established health and safety systems.
- Comply with all regulatory and statutory provisions, governing health and safety of the individual and the work environment.

HR follow up procedure in case of injuries

HSO will conduct an investigation to find out the root cause for the accident occurred	Take immediate corrective action to prevent future probabilities	If the period of disablement in working days is more than three days, HR will inform the District Factory Inspecting Engineers Office within 10 days from the date of the accident occurred	Accident is reported to the safety committee by the HSO

Way forward with your cup of tea

Our primary focus in respect of our Human capital is strengthening and enriching our employee value proposition by continuously updating our HR related policies and refining the performance evaluations model.

CAPITAL MANAGEMENT

Social and Relationship Capital

The relationships that Dilmah Tea has nurtured with its diverse stakeholders is vital in driving the Group's commercial and sustainability objectives. It is thus committed to creating mutually beneficial, meaningful and long-term relationships with its stakeholder universe through proactive engagement and collaboration to drive shared goals.

2.6 billion tea cups served each year globally	**890** Suppliers	**97** Distributors	**Over 19,000** beneficiaries in community engagement

Highlights of 2018/19

- MJF Centre for Dignified Empowerment and Sustainable Development in the East established
- Dilmah Tea founder awarded by World Association of Chefs' Societies with Lifetime achievement award
- Dilmah Tea founder honoured by the International Chamber of Commerce as one of the three Most Admired Leaders in Sri Lanka
- Dilmah facilitates Colombo Development Dialogue

Value Delivered

Rs. 8,117 million
Payments to Suppliers

Investment in community engagement initiatives
Rs. 170 million

Highest Social media reach per month was recorded as 38.6 Mn with a monthly average of 30 Mn

19,195 CSR beneficiaries supported through island-wide programmes

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

Management Approach

Our key stakeholders comprise of distributors, customers, suppliers, business partners and communities, who are a vital part of our value creation process and share similar corporate and ethical values as our organisation. We strive to nurture meaningful and mutually constructive relationships with our diverse stakeholder base, with the objective of generating shared value.

CAPITAL MANAGEMENT

Social and Relationship Capital

Priorities 2018/19

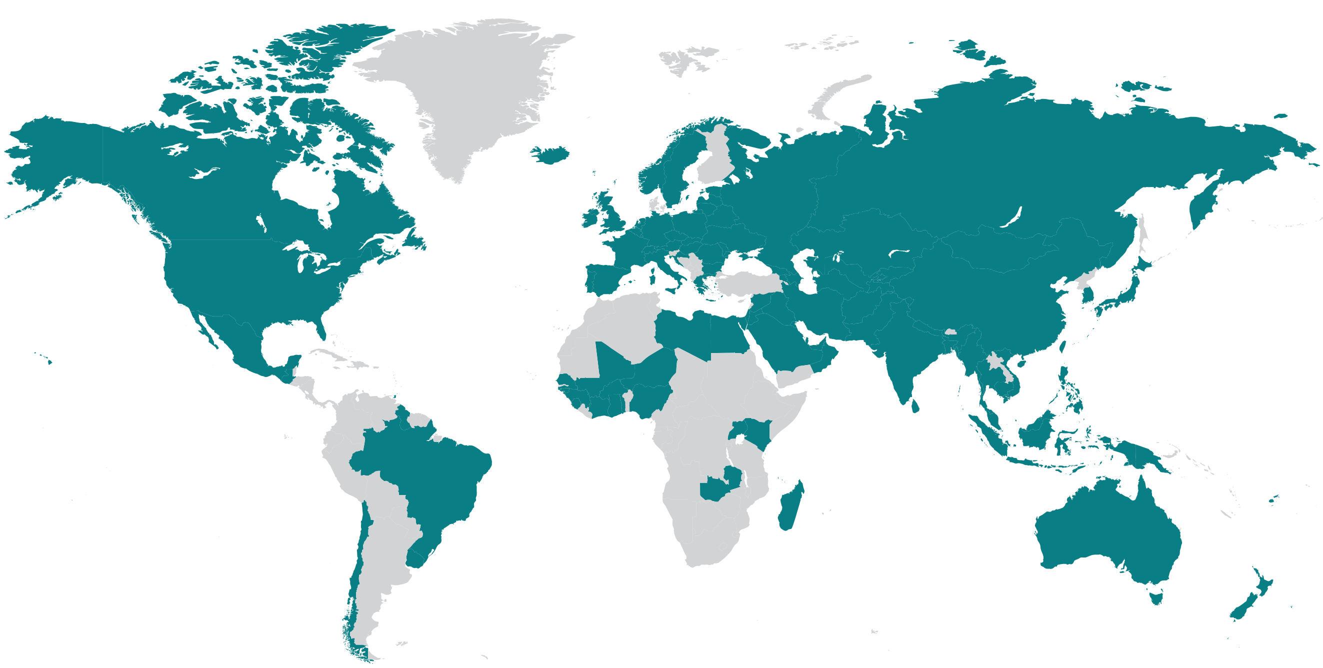
Ensuring highest standards of product quality and responsibility	Economic and societal development of communities	Enhance community and organizational involvement in sustainability

Customers

Dilmah Tea caters to a global customer base in 107 countries across 8 regions. The Group has successfully carved a niche in a highly competitive market through its unique product proposition which centres on single-origin, authentic, natural and ethical tea. Customers can be categorised as Retail (comprising supermarkets, hypermarkets, traditional trade, convenience stores and online retail) and HORECA (hotel groups, restaurants, cafés and airlines), with around 80% of sales generated through the former.

During the year strong consumer relationships were formed through active participation in trade fairs, queries from existing distributors, and engagement in the hospitality industry and social media platforms. The Group is a strong player in the HORECA segment, catering to a number of leading hotel groups in the world and 17 leading air lines.

Dilmah's global presence



Customer Value Proposition

INNOVATION	Innovative and exciting products catering to emerging customer requirements 65 products introduced in 2018/19
PRODUCT RESPONSIBILITY AND QUALITY	3 Quality Management Food Safety & Management Certifications First ISO:17025 accredited Chemical and Microbiological laboratory for tea industry in Sri Lanka 3 Organic Certifications 4 Ethical Sourcing & Responsible Operations related certifications
ENGAGEMENT	Numerous customer engagement initiatives, tea promotion events, competitions, publications and Strong social media presence with 2.4 million brand followers Consumer reached through Tea Radio, specialized apps and e-commerce platforms

Innovation

Development of new products occurs under the direct guidance of the Group's Chairman and/or CEO and the Group has over the years built a strong reputation for formulating unique and innovative recipes in presenting Ceylon tea to the world. The Group invested approximately Rs. 39 million in R&D annually and during the year under review, launched 65 new products to its discerning customers. Dilmah's reputation for innovation and its ability to deliver customized product solutions has enabled it to emerge as a leader in the HORECA segment.

Quality and Product Responsibility

Stringent quality assurance throughout our sourcing, production and distribution processes ensure that we maintain the highest standards of product safety and responsibility. Our team of veteran tea tasters ensure the buying of superior quality tea according to the unique and customer specified recipes. Manufacturing, packaging and marketing processes are guided by the statutory requirements of the Factories Ordinance, the Tea Control Act and the Group's stringent internal quality standards. Dilmah also obtained and continue to comply with a range of international certifications on food safety as listed below. During the year under review there were no instances of non-compliance to any product responsibility/customer health and safety related laws or regulations.

Quality Management and Food Safety Management Certifications	ISO 9001:2015 Quality Management System Standard FSSC 22000 – Food Safety System Certification BRC Global Standard For Food Safety
Laboratory Accreditation Certification	ISO:17025 Chemical and Microbiology laboratory Certificate of Accreditation
Organic Certifications	Organic Certification to USDA, AMS 7 CFR Part 205, National Organic Program Organic Certification to Regulation (EC) No 834/2007 and Regulation (EC) No 889/2008 Organic Certification to Japanese Agricultural Standard of Organic Agricultural Products (JAS)
Ethical Sourcing & Responsible Operations related certifications	SMETA - SEDEX Members Ethical Trade Audit Carbon Neutral Product Certification Carbon Neutral Facility Certification Rain Forest Alliance Certification

CAPITAL MANAGEMENT

Social and Relationship Capital

Engagement

Proactive and ongoing engagement with our customer base has enabled us to elevate our brand not only as a beverage but at a gastronomical delight and experience. These engagement initiatives are aimed at promoting our products, obtaining customer feedback and acquiring new customers and Dilmah's efforts to strengthen its brand reputation globally has also directly contributed towards elevating the position and brand of Ceylon Tea in general. Annually the Group invests close to Rs. 2 billion in marketing, promotion and brand building initiatives. A few engagement activities held during the year are listed below;

School of Tea (SOT) for Sligro - 2018

Regional SOT - Amsterdam - 2018

Regional SOT - Saudi Arabia - 2018

SOT Sri Lanka - Feb 2019

Tea Appreciation - Jordan 2018

Tea Master class - Sweden - 2018

Tea Experiences

Digital Engagement

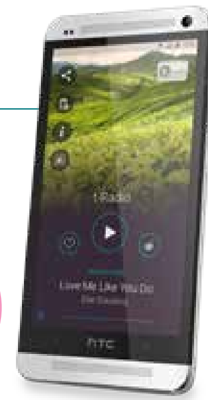
Online platform:

Online Customers
24,297

Customer Service Responses
1,202

Shop.dilmahtea.lk

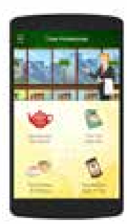
Tea inspired music



Tea inspired through mobile apps

Brand
02

B2B
01



t-Lounge
01

Social media engagement

Facebook	2,287,700	Instagram	75,302
LinkedIn	3,652	Twitter	13,785
YouTube	3,150	Pinterest	1,106

# of Videos
905

Gastronomical tea experiences through 12 t-lounges spread across the world

CAPITAL MANAGEMENT

Social and Relationship Capital

Sharing the tea experience

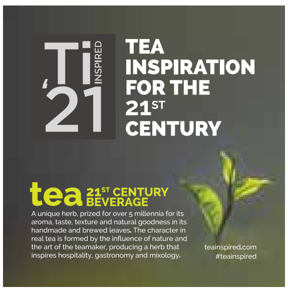
Programmes held in Australia and other major markets in promoting and raising awareness on the health benefits of tea, including tea mixology. Dilmah also aims at promoting **tea as a popular beverage among the milennials.**

Given the rise of the health-conscious consumer, we have sought to promote the health benefits of tea as a beverage. To this end, the Group launched the publication **"Tea & Your Health"** and conducts ongoing awareness building programmes.

Tea mixiology promoted through culinary demonstrations with world renowned Chefs.

The Dilmah School of Tea is a tea program that seeks to inspire passion in tea through knowledge of the artisanal aspects of tea amongst hospitality professionals, tea aficionados and consumers. The emphasis is on the importance of Real Tea and the versatility of this natural herb in Tea Gastronomy, food pairing and Tea Mixology. The certificate issue through the SOT is recognized by the World Association of Chef's Societies (WACS)

Tea Inspired Competitions in 2018/19



Global Real High Tea Challenge which involved 1000 contestants across the world commenced in Colombo in 2015 and continues around the world with professional and amateur level contests in Europe, the Middle East, Asia and the Americas.

Teainspired Café drive, Chile - 2018

Our first engagement in Chile where various cafes and restaurants took part in redesigning tea in gastronomy and mixology.

Suppliers

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

Local suppliers and service providers **670**

Foreign suppliers and service providers **220**

The Group's suppliers are selected following a stringent evaluation process which includes parameters on quality, business practices, ethics, social and environmental practices among others. A Supplier Code of Conduct ensures that all suppliers comply with a fundamental set of guidelines which reflect the Group's approach towards business and sustainability goals.

During the year we initiated valuing our social accountability through SMETA which is the SEDEX standards for labour standards, health and safety practices, environmental practices and business ethics. Total value created to suppliers in the form of payments amounted to Rs. 8.1 billion during the year, an increase of 15% compared to the previous year.

CAPITAL MANAGEMENT

Social and Relationship Capital

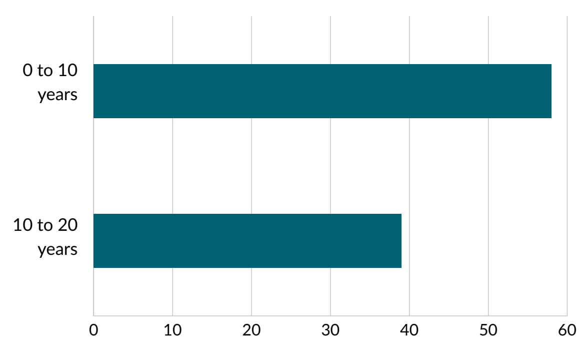
Business Partners

Strong relationships with numerous business partners including distributors, service providers and regulators facilitate Dilmah Tea's global presence and ensures that it remain commercially viable and socially relevant. The Group's focus on transparent and ethical practices is extended towards its dealings with its business partners.

Distributors

Dilmah Tea delivers its products to a global base of customers through a network of 97 distributor base spread across 107 countries in 8 regions. The Group maintains a high level of engagement with its distributors which enables it to identify customer preferences and obtain effective feedback for its products. The engagement is facilitated through numerous events, conventions and the Dilmah Partner App. During the year, Dilmah Tea sought to deepen relationships with its distributors.

Distributors- by Length Of Relationship



Catering to Leading Air Lines

KLM Emirates ETIHAD LOT QANTAS OMAN AIR JAL

LANCHILE malaysia THAI QATAR flydubai

Vietnam Airlines CSA CZECH AIRLINES

Service Providers

We have tied up with numerous partners and service providers in fulfilling our passion promoting tea as a beverage in the global arena. Tea gastronomy and mixology is promoted through collaborations with world renowned Chefs, culinary experts and hotel chains. During the year, over 7 engagement initiatives including competitions and other events were held through collaborations with 27 world renowned personalities.

Community

The Group's Philosophy *Business is a Matter of Human Service* is reflected in its extensive community engagement initiatives, which collectively benefit over 19,000 lives across the country.

Philanthropic initiatives are driven through the MJF Charitable Fund (MJFCF), which is funded entirely by DCTC.

MJFCF is committed to empowering and uplifting the living standards of marginalised communities including disabled children, women and poverty-stricken families through providing opportunities for livelihood development. The Foundation has created meaningful change in the lives of over 19,195 from its inception in 2002 and aims to reach to a further 18,000 lives by 2020.

Detailed information on the Group's community engagement initiatives is available for download at *https://www.dilmahtea.com/tea-inspired-ebooks/free/purpose/.* The following discussion provides a high-level overview of our ongoing projects and the positive impacts we generate across communities. The Group's CSR projects can be broadly classified into the following long-term purposes;

Our CSR in numbers	
Investment in CSR (Rs. Million)	Rs.170 Mn
Total beneficiaries	19,195
Contribution as a % of profits	10%
MJF Centres	15
Number of beneficiaries in Centres	5,800
Beneficiaries with Disabilities	596
Beneficiaries - Vocational Training	958

Entrepreneurship	Capacity Building	MJF Kids & Youth	Tea Estates	Changing Lives

Entrepreneurship

We encourage individuals from all walks of life to start-up small businesses and help communities grow by generating employment and creating opportunities

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

CAPITAL MANAGEMENT

Social and Relationship Capital

Capacity Building We believe that through providing opportunities for capacity building and education we can strive to eliminate poverty and create a society with self-esteem. Key emphasis is on upliftment of women and the differently abled.	- Culinary and Hospitality school - Curtiss Institute of Design – Equipping the youth with IT skills - Swashakthi Bakery & Tea room – Initiated for enterprising women providing meals at an affordable price - Women's Development Program – guiding women in dire circumstances with of skill and grants.
Estate Workers The life style and development of the tea estate workers and families are nurtured and elevated through our programs.	- School bags for plantation children - Mid-day meal programs for Child Development Centres - Childcare Development - Healthcare for plantation communities
Changing Lives Changing lives project is a unique task we have undertaken to reconstruct the downtrodden war and tsunami affected North and East areas of the country	- Kytes hospital- Outpatient Department and Administrative Block for the Kayts Base Hospital, in the North of Sri Lanka - Blind Hospital – encouraging the visually handicapped - Partnerships – partnering with like-minded organisations and individuals in our re-budding task - Sustainability agriculture – promoting and funding organic based farming in the North and east - Empowering Sri Lanka's East – Post tsunami reconstruction
MJF Kids Drives holistic development among underprivileged and differently abled kids through 8 centres island-wide	- MJF Kids Peliyagoda- offers educational support sessions for maths, science, English, commerce and dancing - Educational trips and sessions on environmental awareness - Rainbow Centres- free special education, speech and language therapy, occupational therapy and life skills programmes for children with disabilities.

CAPITAL MANAGEMENT

Intellectual Capital

The Group's ability to consistently deliver superior customer experiences through innovative and exciting products is underpinned by the unparalleled tea expertise of the founding family and the Dilmah team. This tacit knowledge, together with other elements of its intellectual capital such as its vast library of over 200 unique tea standards and value of the Dilmah brand represent key sources of competitive edge and is a critical input to its value creation process.

Over 200 Tea Standards and over 2,000 products	31 years of brand presence led by the World's most experienced teamaker	Most recognized Sri Lankan owned global brand	The only tea company with 100% carbon neutral products

Highlights of 2018/19

- Rs. 40 million investment in R&D efforts
- Launch of 65 new products including first ever natural tea concentrate- Elixir of Ceylon Tea, Teamaker Private Reserve
- Numerous brand development initiatives including 'Tea Inspired for the 21st century' and "Afternoon Tea for the 21st Century"
- Dilmah Tea Lounge launched in Glasgow, Scotland

Value Delivered

Presented with the Product Innovation award at SIAL Paris in 2018 for Dilmah Natural Infusions

Tea partner for 06 of the world's largest hotel groups

Voted New Zealand's most trusted tea brand for the 5th consecutive year

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

Exclusive tea partner for 17 leading global air lines

Collection of tea standards

The inimitable flavour, aroma and taste of each of our tea stems from unique recipes, each of which is carefully formulated, tested and ultimately approved by the Group's Chairman or Chief Executive. This commitment has Dilmah to maintain consistency across its product portfolio, offering the exceptional quality, freshness and authenticity that the brand is renowned for. The Group's library exceeds over 200 tea standards with approximately 45 new products generated every year. Our range includes Specialty gourmet and premium tea, herbal infusions, green teas, fun flavoured teas, spiced chais, organic teas and exclusive Teamaker's private reserves among others.

CAPITAL MANAGEMENT

Intellectual Capital

The Dilmah Brand

The Dilmah brand is present in over 100 countries and it probably the most well-known Sri Lankan brand in the international market. The brand is built on the three attributes of Taste, Goodness and Purpose and is globally reputed for the authenticity and quality it embodies through offering unblended, garden fresh, pure Ceylon tea. Significant investments are made every year in enhancing the brand value through targeted promotions, customer engagement initiatives, competitions and numerous publications. The Group's ability to command a price premium averaging 250% over bulk tea attests to the strength of its brand.

Dilmah
For lovers of tea

Taste

Unique recipes reflecting the Group's unmatched expertise in tea

Goodness

Promotes the health benefits of tea

Purpose

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

Brand Recognition in 2018/19

Voted New Zealand's most trust tea brand for the 5th consecutive year- New Zealand Readers Digest Brand Awards

Product Innovation Award at SIAL Paris in 2018 for Dilmah natural infusion natural infusion

Dilmah selected as one of Sri Lanka's Most Admired Companies by the International Chamber of Commerce in Sri Lanka.

Dilmah was presented the "Most Globally Outreached Brand in Sri Lanka" at the Presidential Export Awards 2018

Innovation

Dilmah is an industry leader in innovation. Having pioneered and actively promoted the concept of single origin tea, the Group has sought to consistently expand its range through exciting and innovative product propositions. Innovation is supported by a dedicated Research and Development team and a proactive marketing team which is attuned to the emerging needs of our global customer base. Dilmah's ability to customise and differentiate its offering based on the requirements of specific customers has enabled the Company to emerge as a leader in the HORECA segment, catering to 06 of the largest international hotel groups.

New product development has been a key strategic priority over the last few years, and the Group invests close to Rs. 40 million annually in R&D efforts. Within the last 3 years the Group has introduced 175 new products, enhancing the brand's reputation as an industry leader in innovation. Key innovations in recent years are given below;

Highlights Dilmah's Innovation Timeline

2005 – Dilmah Launches the Tea Gastronomy Revolution with "The Culinaire".

2007 – Launch of the Dilmah Exceptional Range of Teas.

Dilmah EXCEPTIONAL

2015 – Dilmah tea-Lounges overseas.

2018 – The total product range of Dilmah becomes Carbon Neutral.

2018 – Dilmah Launches the first ever tea concentrate- Elixir of Ceylon Tea.

Dilmah ELIXIR OF CEYLON TEA

Packaging Innovation

Dilmah is currently using minimalist packaging that complies with food safety regulations in its product designs. Further, it is constantly sampling other packaging material with the aim of reducing the non recyclable content of its packaging.

R&D conducted by the Group included 4 research projects on filter paper, 6 projects on pouches, caddies and foil packages, and 1 on outer carton, to identify sustainable packaging options.

The Group looks towards achieving the following targets in the next financial year

- Launch a plastic free and biodegradable product line by the end of 2019.
- Replace the packaging material used presently with more environmentally friendly materials.
- Increase close loop collaborations for packaging innovations by 50%

CAPITAL MANAGEMENT

Natural Capital

The Group is an industry leader in environmental conservation, with substantial investments directed every year towards preserving natural resources and generating national level dialogue on environmental sustainability. Dilmah has played a pivotal role in raising awareness and propagating best practices in biodiversity conservation, emission management and addressing implications of climate change.

3770 MWh Energy consumption	**21,420 M³** water consumption	19,000 hectares of tea in subsidiary/associated companies	**31,315 tCO2e** discharge of emissions

Highlights of 2018/19

- Achieved 100% carbon neutral status
- Rs. 40 million investments in environmental conservation
- Increased reliance on renewable energy
- Numerous multi-stakeholder engagement initiatives on biodiversity and climate change

Value Delivered

70.7% of total waste recycled

6 ongoing biodiversity related projects

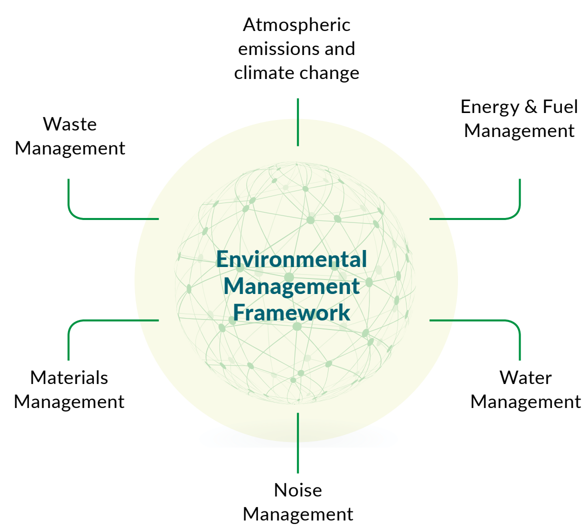
339 MWh renewable energy generation within premises

14 publications on environmental and heritage conservation

82 knowledge sharing sessions of which 2 were through Biodiversity Sri Lanka

Management Approach

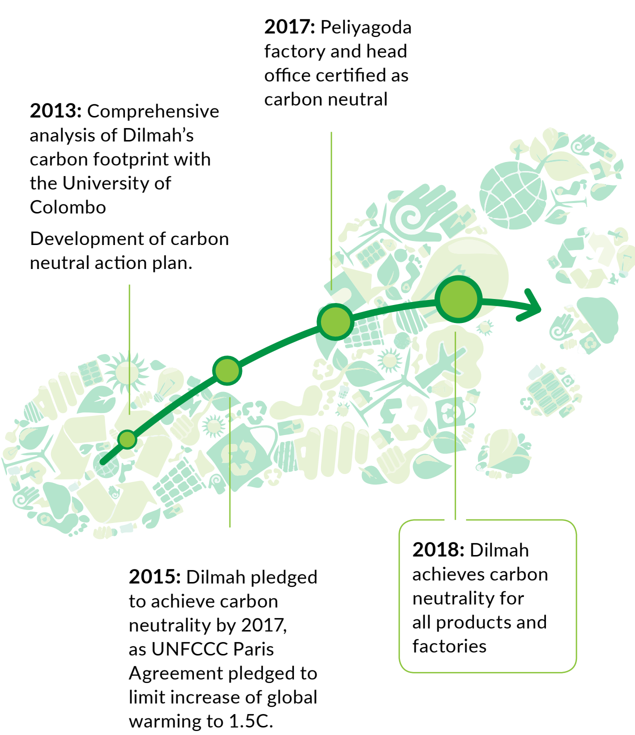
Dilmah's environmental commitment is clearly articulated in a comprehensive Environmental Management Policy. Environmental Management system addresses different areas of priority as graphically illustrated below. The Group also complies with the requirements of ISO 14001:2015 Environmental Management Systems and Rainforest Alliance. Environmental compliance is monitored by internal departments ongoing basis and it was concluded that there were no instances of non-compliance to any environmental laws/regulations during the year. The Group's environmental agenda is driven primarily through Dilmah Conservation, which is funded entirely by DCTC.



Emissions and Climate Change

The Group marked a significant milestone during the year under review, achieving 100% carbon neutrality for its entire product range being the first Sri Lankan Tea Company to achieve such a status . This was achieved following concerted organisation-wide efforts towards reducing the Group's emissions. The Group engages an independent third party in measuring carbon footprint, which is computed based on the GHG Protocol published by the World Resource Institute and World Business Council for Sustainable Development. The computation represents GHG emissions associated with the production of Dilmah Tea from cradle to gate as graphically demonstrated below. In addition to reducing dependence on fossil fuels the Group purchased carbon credits through UN approved Cleaner Development Mechanisms (CDM) thereby offsetting its carbon footprint.

Journey to Carbon Neutrality



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

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

During the year under review, the Group's total carbon footprint increased by 14% reflecting a broadening of the scope of computation and higher operational activity. The Group's computation had previously been limited to the institutional carbon footprint; however, this year the company sought to expand the scope of the computation by including the product carbon footprint on a cradle to gate basis. Scope 1 emissions, which can be directly controlled by the organisation declined by 4%. The construction of a building with 122,000 sqft within the premises has led to an increase in the scope two emissions.

tCO2e	2018/19	2017/18	Change y-o-y (%)
Scope 1	645	673	-4
Scope 2	1,806	1,432	+21
Scope 3	371	333	+10
Total GHG emissions (institutional footprint)	2,822	2,438	+14
Emission intensity			

CAPITAL MANAGEMENT

Natural Capital

Dilmah Conservation Centre for Climate Change Research and Adaptation (CCCRA) : In October 2017, Dilmah Conservation inaugurated this research and adaptation centre, the first private sector initiative of its kind. The centre is proactively working towards increasing climate awareness and resilience in communities through education and capacity building, driving novel research and facilitating timely climate interventions.

Energy and Fuel Management

A key element of the Group's carbon neutral program was the focused reduction of its dependence on fossil fuels. The Group operates 2 hydropower plants with a combined capacity of 122kw and 2 solar plants with a combined capacity of 250 kw which collectively account for 9% of the Group's total energy consumption. During the year under review, the Group's total energy consumption decreased by 4.4%.

	2018/19	2017/18
Non-renewable energy		
Grid Electricity GJ	11,332.0	11,412.0
Diesel GJ	1,021.8	1,517.0
Renewable energy		
Solar GJ	1,220.9	1,276.0
Total GJ	13,574.8	14,205.0
% reliance on renewable energy	9%	9%

Materials Management

The primary raw material is tea which is purchased during tea auctions and directly from the tea estates affiliated to the group. Packaging material consists of range of constituents which include filter paper, inner cartons, envelopes, tags, and corrugated outer boxes are procured through different large and SME suppliers. In recent years we have pursued methods for using recyclable and biodegradable packaging material.

Raw material usage during the year under review is given below;

Material	Unit	Quantity
Adhesive Paper Strip	KILOGRAM	15,612
Aluminium Wire	KILOGRAM	4,060
	METER	2,516
Cardboard	NUMBER	54,940,912
Ceramic	NUMBER	27,294
Cloth	NUMBER	15,953
Flavors	KILOGRAM	57,488
Foil	NUMBER	419,402,044
	REEL	4,040
Glass	NUMBER	158,164
Glue	KILOGRAM	22,165
Herbs	KILOGRAM	305,498
INK	NUMBER	2,539
	REEL	2,436
Metal	NUMBER	17,752
Palstic	NUMBER	706
Paper	KILOGRAM	719,983
	METER	6,104,360
	NUMBER	1,517,545,825
	REEL	95
Porcelain	NUMBER	168,576
Rubber	KILOGRAM	50
Sticker	NUMBER	23,629,216
Thread	KILOGRAM	45,706
	METER	13,749,933
Tins	NUMBER	1,684,380
Wooden	NUMBER	55,231

Waste Management

Key types of waste generated from the Group's operations include packaging waste, production waste and general waste. It is committed to the responsible disposal of waste and the adoption of the 3R approach of reduce, reuse and recycle along with energy recovery, treatment and disposal. 'Dilmah Recycling' is a dedicated facility which was set up to engage in R&D efforts to develop sub-products like notebooks, plant pots and bags from waste material. The Group distributed 300+ Dilmah recycled notebooks at the Dilmah Global Partner Conference and 2019 School of Tea, during the year. Meanwhile, tea waste generated during the tea packaging process is converted through a biochar kiln, the output of which can be used for carbon sequestration.

Waste by method of disposal

Waste material	Method of disposal	Volume (MT)	%
Cardboard and paper	Recycle	181.8	
	68%		
Food waste	Animal feed	20.04	7.50%
Packaging waste	Upcycled/ reprocessed	0.6	0.22%
Wood waste/ Pallet	Reuse	5.46	2.04%
Polythene Composite Material	Recycle Energy recovery	52.54	19.65%
Tea waste	Reprocess/ Biochar	6.455	2.41%
Sanitary	Incineration	0.3	0.11%
Total waste		267.255	
Total re-used		5.46	2.04%
Total recycled/ reprocessed		188.915	70.7%

Water Management

The Group's core operations of blending and packing is not largely water-intensive. Thus, the Group's water consumption is limited to cleaning of manufacturing operational units, drinking and sanitation requirements of employees. Water is sourced primarily through the National Water Supply and Drainage Board.

Key points of the Water Management Policy

Building an awareness on water wastage › Measuring the future impact with the current usage › Stakeholder engagement

Biodiversity

Preserving Sri Lanka's biodiversity and natural habitats is a key focus area of Dilmah Conservation. The Group has played a pivotal role in generating a national-level dialogue on biodiversity through the initiation of Biodiversity Sri Lanka, a platform which encourages information and knowledge sharing on environmental conservation among the corporate sector. The platform currently has a membership of 34 patron members, 39 general members, 5 SMEs and 3 associate members.

Other projects carried out by Dilmah Conservation on an ongoing basis include the following. Please refer to the Dilmah Conservation Annual Report for more detailed information.

Joint Activities with Biodiversity Sri Lanka 2018/19

- Marine and Coastal conservation in the Eastern Coast
- Celebration of International Day for Biological Diversity 2018
- Learning event on Biochar
- Life project - Malti Partner initiative in Kanneliya

CAPITAL MANAGEMENT

Natural Capital

Project	Objectives and Activities	Results
Greening Batticaloa	Distribution of cashew plants in Sri Lanka's Eastern Coast to increase green cover and provide alternative livelihood option for local communities	Target of 1 million trees completed providing sustainable livelihood opportunities to a community that was affected by conflict and natural disaster
Cave Biodiversity	Conducted a biospeological study to build capacity for biological research and cave conservation at local and national levels.	Developed maps for 17 caves 100 taxonomic groups of fauna recorded from 18 caves
Endana Nature Corridor	Establishment of a biological corridor to preserve natural habitats and enhance the biodiversity of tea estates.	A baseline survey was conducted which assessed the floral and faunal diversity and spatial soil variability of the area
Novel Species Programme	To drive research and create awareness on Sri Lankas lesse known taxa. In depth field studies and taxonomy surveys conducted island wide.	Identified 65 species previously unknown to science, of which 41 have been confirmed as new discoveries.
Amphibian Conservation	Initiative to include Sri Lankan amphibian species into the Global IUCN Red List	Preliminary round of discussion with stakeholders conducted
Elephant Conservation	Encouraging conservation of elephants through education and awareness programmed conducted though Dilmah Conservation's Elephant Information Centre Sponsoring two baby elephants and the Elephant Transit Home at the Udawalwe National Park	Knowledge sharing on elephants with 3000+ individuals including undergraduates annually through the information centre of the Transit Home. Strengthening scientific research on Elephant behaviour in partnership with Centre for Conservation and Research and Department of Wildlife Conservation Sri Lanka.

CORPORATE GOVERNANCE

At Dilmah, the creation of value is underpinned by robust corporate governance practices which ensure that our operations are conducted with the highest level of integrity and transparency. The Corporate Governance discussion from page 72 to 82 provides a high-level overview of how we comply with all relevant statutory and regulatory requirements and industry practices in governing the Group.

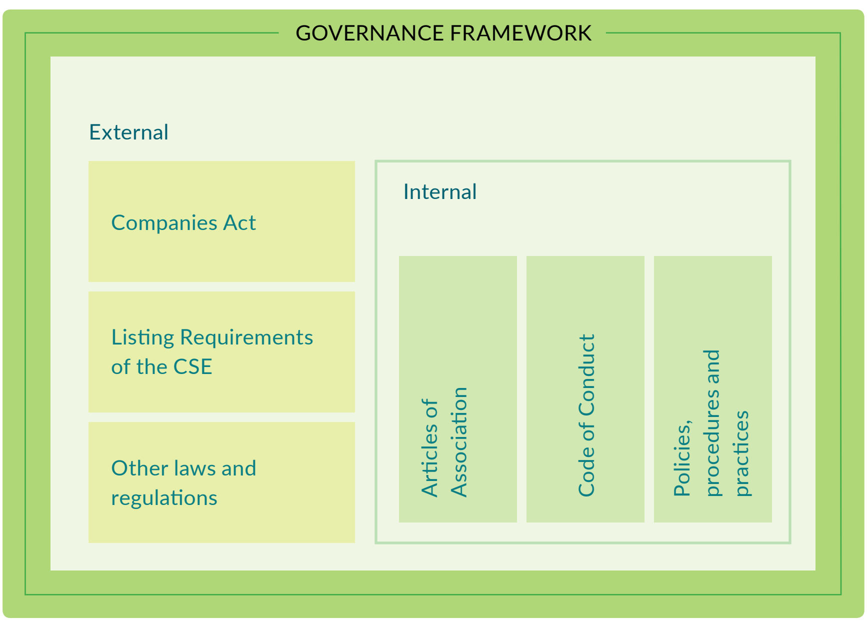
Corporate Governance

Our Approach to Corporate Governance

Dilmah Ceylon Tea Company PLC's (DCTC) is listed on the Diri Savi Board of the Colombo Stock Exchange with a public holding of 12.81% as the Company remains largely a family owned business with highly specialized inputs from the family who are passionate about the art of tea making. Yet, in the belief that high standards of corporate governance is fundamental to sustainability of the business, the Board has set in place a governance framework and structure that balances the interests of the Company and its stakeholders and ensures effective and ethical decision-making within a culture of professionalism, integrity and fair play. This approach to corporate governance has underpinned DCTC's success and recognition locally and internationally.

Framework and Structure

DCTC's Governance framework is bound by external regulations and internally formulated policies, that define how we do business.



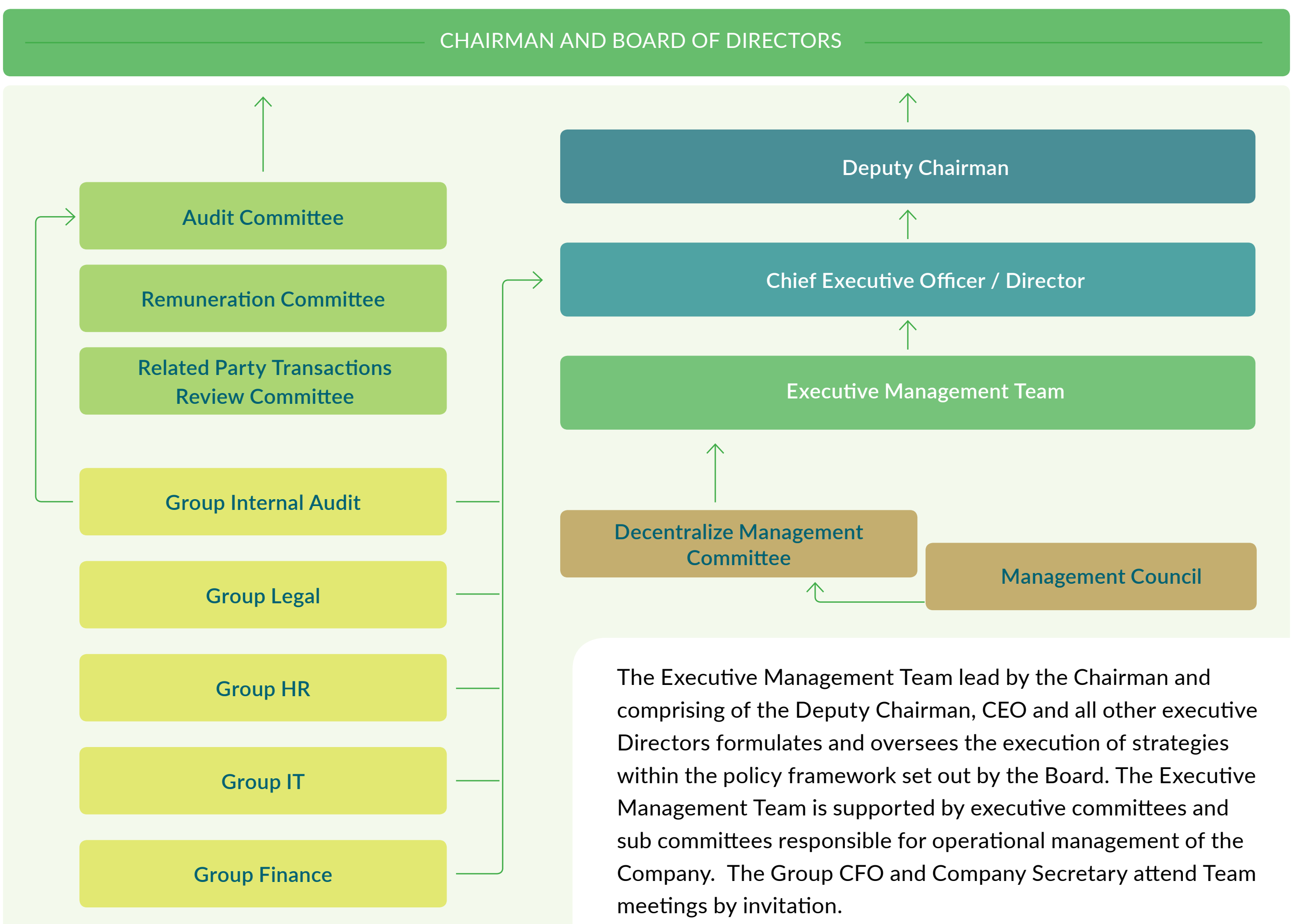
DCTC's Compliance with provisions of the Listing rules of the Colombo Stock Exchange (CSE) is disclosed on pages 80 to 82.

Key Statutes, Regulatory Requirements and Standards Complied with

- Companies Act No.7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No.15 of 1995
- Continuing Listing Requirements of the Colombo Stock Exchange
- Board of Investment of Sri Lanka Law No. 04 of 1978
- Customs Ordinance No. 17 of 1869
- Exchange Control Act No. 22 of 2017
- Inland Revenue Act No.27 of 2017
- Employees' Provident Fund Act
- Employees' Trust Fund Act
- Payment of Gratuity Act
- Shop and Office Act
- Industrial Disputes Act
- Factories Ordinance
- Workmen's' Compensation Ordinance
- Environmental Management Systems (ISO 14001:2015, ISO 14064:-1:2006, EPL)
- Integrated Reporting Framework
- Global Reporting Initiative Standards
- Codes of regulatory authorities, professional institutions and trade associations

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

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



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

Corporate Governance

The Management Council, chaired by either Chairman or Deputy Chairman gathers senior management staff to discuss common Group matters, including policy direction, areas of concern in business line performance, strategic planning and pursue of company objectives and standards. Concerns raised are escalated to the Executive Management Team for deliberation and resolution. The Council meets monthly.

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

The Board

Board Composition	
Chairman (Executive)	1
Executive	4
Non Executive	1
Non Executive Independent	2

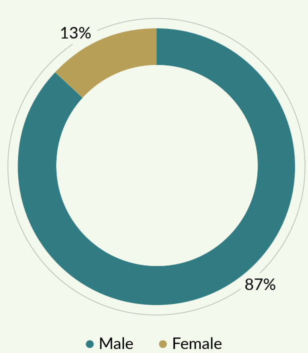
Composition

The Board comprises eight (8) members as at March 31, 2019, whose profiles are given on pages 11 and 12.

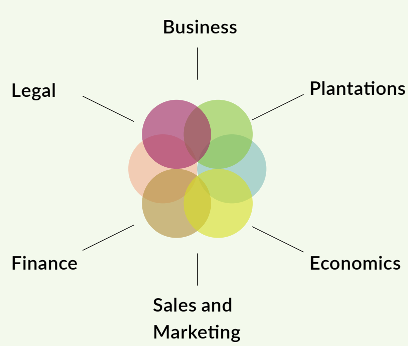
Three Directors are Non-Executive of whom two are deemed independent. NED are eminent professionals in their respective fields. Sufficient balance of power minimizes the tendency for one or few members of the Board to dominate the Board processes or decision making. Although three executive directors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

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

GENDER



BOARD EXPERTISE



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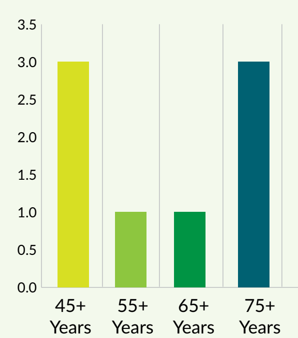


All Directors possess financial acumen and knowledge gained through experience from leading large enterprises. Two directors including the Chairman of the Audit Committee, are finance professionals.

Directors Independence

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board, based on annual declarations submitted by Directors and having considered the possibility of any impairment in independence due to extended board tenures, where applicable.

Mr. Rajan Asirwatham - The Board is of the view that the period of service of Mr. Asirwatham as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Asirwatham is 'independent' as per the Listing Rules.

Mr. Gritakumar E. Chitty - Mr. Chitty meets all the criteria of independence set out in Rule 7.10.4 of the Listing Rules of the Colombo Stock Exchange.

Appointment, Re-Election and Resignation

Directors are appointed by the shareholders at the Annual General Meeting (AGM), following a formal process and based on recommendations made by the Board. Recommendations are made on consideration of the combined skills, knowledge, experience and diversity of the Board and any gaps thereof.

In compliance with Section 24 of the Articles of Association, a single director will retire from office at each Annual General Meeting and on recommendation by the Board, be eligible to stand for re-election by the shareholders at the AGM. Accordingly, Mr. Malik J Fernando will retire by rotation in terms of the Articles of Association of the Company and being eligible, offer himself for re-election at the AGM.

Determination of Directors' independence due to extended Board tenures, is discussed and evaluated by the Board prior to nomination of Board members for re-election.

A director appointed by the Board to fill a casual vacancy arisen since the previous AGM, will offer himself for election at the next AGM. Appointments are communicated to the CSE and shareholders through press releases. These communications include a brief résumé of the director disclosing relevant expertise, key appointments, shareholding and whether he is executive, independent or non-independent.

Resignations or removal, if any, of Directors and the reasons thereof are informed promptly to the Colombo Stock Exchange together with a statement confirming whether or not there are any matters that need to be brought to the attention of shareholders.

Board Responsibilities

The Board determines the overall strategy to enhance long term value of the Group and oversees implementation. Providing independent, informed and effective judgment and leadership to decision making, they ensure strategy, risk, internal controls, performance and sustainable development considerations are effectively integrated and appropriately balanced. The Board also ensures all stakeholder rights and obligations are safeguarded whilst complying with laws, regulations and ethical standards. All Directors contribute meaningfully to leading the Company and commit sufficient time to fulfill their duties.

Regular presentations by Executive Management on matters including progress in implementation of the strategic goals, financial, social and environmental performance, changes and challenges presented by the operating environment ensure that the Board is apprised of developments impacting the Company.

The Board seeks independent professional advice from external parties when necessary, in the discharge of their duties.

Corporate Governance

KEY AREAS OF BOARD FOCUS DURING THE YEAR

FINANCE
- Overview and preparation of financial statements
- Assessment of financial impact of regulatory changes on taxation
- Approval of Financial Statements and Annual Report

STRATEGY
- Approval of strategic plan and budget
- Review of performance against key metrics
- Approval of significant investments
- Review of local and global trends shaping tea industry

RISK & OVERSIGHT
- Review of Local and global political and economic landscape
- Compliance with regulations
- Optimizing the internal control framework

GOVERNANCE
- Review of shareholder communications and AGM
- Review of director eligibility for re-election
- Review of Board sub-committee minutes

Board Committees

The Board has appointed an Audit Committee, Remuneration Committee and Related Party Transactions Review Committee to assist in the discharge of its duties and in pursuance of the Listing Rules of the Colombo Stock Exchange. Areas of oversight and the composition of these committees are given below.

Board Committee	Areas of Oversight	Composition	Report Reference
Audit Committee (AC)	Financial Reporting Internal Controls Internal Audit External Audit	2 Independent non-executive directors including the Chairman	Page 90
Remuneration Committee (RC)	Formulating Remuneration policy for Directors and Key Management Personnel (KMP) Formulating HR Policy	2 Independent non-executive directors including the Chairman	Page 91
Related Party Transactions Review Committee (RPTRC)	Review of related party transactions	2 Independent non-executive directors including the Chairman and one non-executive director	Page 92

Meetings & Minutes

ATTENDANCE AT MEETINGS

Directors	Status	Board	AC	RPTRC	RC
Mr. Merrill J Fernando - Chairman	E	4	-	-	
Mr. Himendra S. Ranaweera - Deputy Chairman	E	4	-	-	-
Mr. Dilhan C Fernando - Chief Executive Officer	E	3	-	-	-
Mr. Malik J Fernando	E	4	-	-	-
Mr. Roshan C Tissaaratchy	E	4	-	-	-
Ms. Minette D A Perera	N	3	3	3	1
Mr. Rajanayagam Asirwatham	I	3	3	3	1
Mr. Gritakumar E Chitty	I	4	3	3	1
Total No of meetings		4	3	3	1

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

Agenda and Board papers are sent 7 days before the meeting, allowing members sufficient time to review same. The CEO/Director sets the Board Agenda, assisted by the Group Chief Financial Officer and Company Secretary.

Board meetings are held on a quarterly basis with the flexibility to arrange additional meetings when required. The Board met 04 times during the year.

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

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

Other Business Commitments / Directors Interests

All Directors allocate sufficient time to enable them to discharge their duties and responsibilities. Directors declare their outside business interests at appointment and annually thereafter. The Company Secretary maintains a Register of Directors' Interests, which is tabled to the Board annually. The Register is available for inspection in terms of the Companies Act. Key appointments of the Directors are included in their profiles on pages 11 & 12 in Note 28.2 of the financial statements. Related Party Transactions are given in Note 28 to the financial statements on pages 135 to 137.

The Related Party Transactions Review Committee considers all transactions that require approval, in line with the Group's Related Party Transactions Policy and in compliance with regulations.

Company Secretary

The Company Secretary Ms. Jayanga Wegodapola, Attorney-at-law, guides the Board on discharging its duties and responsibilities and keeps members abreast of relevant changes in legislation. All Directors have access to the services of the Company Secretary.

The Company Secretary maintains the minutes of Board meetings, which are open for inspection by any Director at any time. Appointment and removal of the Company Secretary is a matter for the Board as a whole.

Roles of Chairman and CEO/Director

The role of Chairman is separate from that of the CEO/Director ensuring no one Director has unfettered power and authority. The Chairman leads the Board, preserving good corporate governance and setting the ethical tone for the Board and Group. The CEO/Director leads the executive management and is accountable to the Board for the performance of the Group.

Board access to information and resources

Directors have unrestricted access to management and organization information, as well as to resources required to carry out their duties and responsibilities, independently and

Corporate Governance

effectively. Executive Management make regular presentations with regard to the business environment and in relation to Group operations. Access to independent professional advice, co-ordinated through the Company Secretary, is available to Directors at the Company's expense.

Induction and On-going Training for Directors

On appointment, directors are provided with an orientation pack with all relevant external and internal regulation documents and a tour of the factory. The Directors are kept abreast of local and global developments affecting business , including regulatory changes, economic movements and industry trends. They undertake training and professional development by attending seminars/workshops/conferences, participating as speakers at events, using web based learning resources and reading business updates etc.

Code of Conduct

DCTC culture is shaped by the Group's Code of Ethics / Business Ethics Policy which articulates the standards of conduct expected of all Directors and employees. It enshrines principles of honesty and integrity in creating a responsible workplace founded on ethical, professional and legal standards of conduct.

A whistle blowing policy provides a direct communication line to the Chairman, for employees to report in good faith any genuine suspicions of fraud, bribery or malpractice. The policy provides for anonymity and protection of the reporting employee.

GROUP'S CODE OF ETHICS / BUSINESS ETHICS POLICY

- Principles of Conduct
- Financial reporting
- Compliance
- Confidentiality
- Fair Dealing
- Resources
- Discrimination
- Anti-Bribery and Corruption
- Intellectual property
- Sustainability
- Whistle blowing

Remuneration

The Group Remuneration Policy seeks to motivate and reward performance while meeting regulatory requirements, market expectations and corporate values. No Director is involved in determining his/her own remuneration. The Remuneration Committee in consultation with the CEO/Director makes recommendations to the Board regarding the remuneration of the Key Management Personnel. The Board as a whole, agrees on the fees of Non-Executive Directors. Executive Remuneration comprises two components, fixed remuneration and variable remuneration encompassing an annual performance bonus aligned to corporate and individual performance.

Directors' remuneration in respect of the Company and the Group for the Financial Year ended 31st March 2019 are disclosed on page 137 of the Financial Statements.

Risk Management & Internal Control

The Board is responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. Group Internal Audit supports the Audit Committee, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Audit Committee on a regular basis. Further, as required by the certification/ accreditation process of the Group, trained internal auditors conduct regular system audits and verifications based on the requirements of certification standards including ISO9001:2015, ISO14001:2015, FSSC 22000 and BRC Global Standard for Food Safety. The findings are reported to the management and any non-compliance attended to immediately.

Accountability

The Board strives to provide stakeholders with a balanced and comprehensive account of the financial position, performance and prospects of the Group. This is the Company's first Integrated Annual Report, and it complies with the requirements of widely accepted standards, codes and frameworks which have been voluntarily adopted to ensure corporate reporting is in line with international best practice.

Major or Material Transactions

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

Compliance

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

Shareholder Relations

At the close of the financial year 2018/19, DCTC had 919 shareholders. The Directors directly and indirectly held 88% of shares whilst the Employees Provident Fund, the next largest shareholder held 8%.

The Company encourages effective communication with shareholders who are engaged through multiple channels of communication, including the Annual General Meeting (AGM) , Annual Report, Interim Financial Statements and announcements to the Colombo Stock Exchange. The Board recognizes its responsibility to present a balanced and understandable assessment of the Group's financial position, performance and prospects. Any queries and concerns to Directors or Management of the Company should be addressed to the Company Secretary who will deal with the matter.

The AGM is the main mechanism for the Board to interact with and account to shareholders and affords an opportunity for shareholders' views to be heard. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which include approval of the Annual Report and Financial Statements and appointment of Directors and External Auditors. Board members, Sub-Committee Chairmen, Key Management Personnel and External Auditors on the request of the Board Chairman, are present and available to answer questions.

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

Our 2018 AGM was well attended and all proposed resolutions passed with majority of shareholders voting in favour.

External Auditor

The External Auditor is appointed subject to the provision of the Companies Act. The Audit Committee makes recommendations to the Board for the appointment, re-appointment or removal of the External Auditor in-line with professional & ethical standards and regulatory requirements. It monitors and reviews the External Auditor's independence, objectivity and effectiveness of the audit process considering relevant professional and regulatory requirements.

In assignment of non-audit services to External Auditors, the Audit Committee ensures that the external auditor has the necessary skills and experience for the assignment and ascertains that independence and objectivity in carrying out his duties and responsibilities will not be impaired.

On the recommendation of the Board, the shareholders approved the reappointment of Messrs. Ernst & Young (Chartered Accountants) as the External Auditor for 2018/19 at the last AGM. In compliance with the Companies Act, the External Auditors submitted an annual statement confirming their independence in relation to the external audit.

Corporate Governance

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

Rule No.	Requirement	Disclosure	Compliant
7.10 (a)	Statement confirming compliance with the Corporate Governance Rules	Annual Report of the Board of Directors	✓
7.10.1(a)	Non-Executive Directors (NED) composition At least two or one third of total Directors, whichever is higher,	Composition	✓
7.10.2(a)	Independent Directors composition Two or one-third of Non-Executive Directors, whichever is higher,	Composition	✓
7.10.2(b)	Independence of Directors Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Directors Independence	✓
7.10.3(a)	Disclosure relating to Directors The names of Independent Directors should be disclosed in the Annual Report	An Effective Board	✓
7.10.3 (a)/ (b)	Independence of Directors The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director	Directors Independence	✓
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director including the Director's areas of expertise.	Board profiles	✓
7.10.3(d)	Appointment of new Directors Provide a brief resume of any new Director appointed to the Board	Appointment, Re-Election and Resignation	✓
7.10.5	Remuneration Committee A listed company shall have a Remuneration Committee	Remuneration Committee Report	✓
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Remuneration Committee Report	✓
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors to the Board, for approval	Remuneration Committee Report	✓

Rule No.	Requirement	Disclosure	Compliant
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out; Names of the Directors comprising the Remuneration Committee Statement of Remuneration policy Aggregate remuneration paid to Executive and Non-Executive Directors	Remuneration Committee Report	✓
7.10.6	Audit Committee A listed company shall have an Audit Committee	Audit Committee Report	✓
7.10.6(a)	Composition of Audit Committee Shall comprise of Non-Executive Directors, a majority of whom are Independent Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Audit Committee Report	✓
7.10.6(b)	Audit Committee Functions Should be as outlined in the Section 7.10 6 (b)	Audit Committee Report	✓
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee Names of the Directors comprising the Audit Committee Basis for determining the independence of the Auditors Report of the Audit Committee in the prescribed manner	Audit Committee Report	✓
9.3.2	Related Party Transactions Review Committee Details pertaining to Non-Recurrent Related Party Transactions Details pertaining to Recurrent Related Party Transactions Report of the Related Party Transactions Review Committee Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Related Party Transactions Review Committee Report	✓

Corporate Governance

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

Report of the Board of Directors

1. General

The Board of Directors of Dilmah Ceylon Tea Company PLC (DCTC) are pleased to present its Annual Report for the financial year ended 31st March 2019, together with the audited financial statements of the Company, consolidated financial statements of the Group and the Auditor's Report on those financial statements, in conformity with the requirements of the Companies Act No 7 of 2007 and Listing Rules of the Colombo Stock Exchange (CSE).

DCTC was incorporated as a public limited liability company in Sri Lanka on 29th May 1981 under the Companies Ordinance No 51 of 1938. The Company was re-registered as required under the provisions of the Companies Act No 7 of 2007 on 13th October 2008. The re-registration number of the Company is PQ 209.

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

The registered office is located at 111, Negombo Road, Peliyagoda, Sri Lanka.

The annual financial statements were reviewed and approved by the Board of Directors on 30th May 2019.

In compliance with Section 168 of the Companies Act No. 07 of 2007, the following information is disclosed in the Annual Report published for the year ended 31st March 2019.

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
The nature of the business of the Company	Section 168 (1) (a)	About Dilmah	107
Financial statements for the accounting Period completed and signed in accordance with section 152	Section 168 (1) (b)	The Financial Statements of the Company and Group for the year ended 31st March 2019	100 to 144
Auditor's report on the financial statements of the Company	Section 168 (1) (c)	Independent Auditors' Report.	96 to 99
Any change in accounting policies made During the accounting period	Section 168 (1) (d)	Note 3 to the Financial Statements - Changes in Accounting Policies	115
Particulars of entries in the interests register made during the accounting period	Section 168 (1) (e)	Directors' Interest in Contracts with the Company Details of the Directors' shareholdings. - Investor Information Changes to the Directors' shareholding during the financial year.	88 88
Remuneration and other benefits of directors during the accounting period	Section 168 (1) (f)	Note 28.2 to the Financial Statements - Profit/ (Loss) Before Tax	137
Total amount of donations made by the Company during the accounting period	Section 168 (1) (g)	Note 20 to the Financial Statements - Profit/ (Loss) Before Tax	128

Report of the Board of Directors

Disclosure requirements	Reference to the Companies Act No. 07 of 2007	Disclosure reference for compliance	Page
Names of the persons holding office as Directors of the company as at the end of the accounting period and the names of any persons who ceased to hold office as directors of the company during the accounting period	Section 168 (1) (h)	Board Profiles In terms of Article 24 of the Articles of Association of DCTC, Mr. Malik J. Fernando retires by rotation and being eligible offers himself for re-election	11 & 12
Amounts payable by the company to the Person or firm holding office as auditor of the company as audit fees and as a separate item, fees payable by the company for other services provided By that person or firm ;	Section 168 (1) (i)	Note 20 to the Financial Statements - Profit/ (Loss) Before Tax	128
Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the company or any of its subsidiaries	Section 168 (1) (j)	External Auditors	88
Signed on behalf of the board by two directors and the Company Secretary	Section 168 (1) (k)		89

2. Principal activities of the Group

The principal activity of the company is to manufacture, export and market tea bags and packets under the brand name. "Dilmah". The principal activity of the Subsidiary Company is to manufacture, export and market tea in the form of liquid tea concentrate and ready to drink tea.

3. Review of Operations

A review of the operations of the Group and results of its performance during the financial year are contained in the Chairman's Message (pages 15 to 17) and Financial Capital Report (pages 35 to 39).

4. Future Developments

An overview of the future developments of the Group is given in the Chairman's Message (pages 15 to 17).

5. Financial Statements

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 7 of 2007. The financial statements of the Company and the Group for the year ended 31st March 2019 duly signed by the Chief Financial Officer and two Directors of the Company are given in pages 100 to 144.

6. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Group and to present a true and fair view of its state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, (SLFRSs and LKASs), Companies Act No 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 and Listing Rules of the CSE.

The Statement of Directors' Responsibility for Financial Reporting is given on page 93.

7. Going Concern

The Board has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

8. Group Results and Appropriations

For the year ended 31st March	2019	2018
	Rs.'000	Rs.'000
Revenue	10,713,364	9,204,616
Profit for the Year	1,590,728	1,192,933
Other Comprehensive Income Net of Tax	20,708	32,360
Total Comprehensive Income Net of Tax	1,611,436	1,225,293
Interim dividend for the current year	414,750	933,188
Proposed final dividend	311,063	-

9. Dividends

An interim dividend of Rs. 20/- per share was paid in February 2019. The Directors recommend paying a final dividend of Rs. 15/- per share, resulting in a total dividend of Rs.35/- per share for the year ended 31st March 2019.

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

10. Corporate Donations

We continue with the Company philosophy that business is a matter of human service. For the current year, the Company made a donation of Rs. 170.0 million (2017/2018 Rs. 100.0 million) to the MJF Charitable Foundation. The activities of the Foundation are given on the pages 61 & 62. Other Donations by the Company during the year amounted to Rs. 2,871,922/- (2017/18 - Rs. 1,167,540/-).

11. Taxation

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

12. Human Resources

The Group continues to invest in human capital development and implement effective human resource practices and policies to improve workforce efficiency, effectiveness and productivity and offer equal career opportunities regardless of gender, race or religion. There were no material issues pertaining to employees and industrial relations of the Company that occurred during the year under review which requires disclosure. As at 31st March 2019, 644 persons were employed by the Company (31st March 2018 – 675)

13. Statutory Payments

The Directors confirm that, to the best of their knowledge and belief, all statutory payments in relation to taxes and duties and in relation to employees have been made promptly on the due dates.

14. Compliance with Laws & Regulations

To the best of the knowledge and belief of the Directors, the Group has not engaged in any activities contravening the laws & regulations of the country.

Report of the Board of Directors

15. Capital Expenditure

Capital expenditure incurred on acquisition of Property, Plant & Equipment during the year of the Company and Group amounted to Rs. 83.7 million and Rs. 85.3 million respectively (2017/18 Company: Rs 832.7 million and Group: Rs 832.7 million). Details are given in Note 4 of the Notes to the Financial Statements. Capital expenditure approved and contracted for and not contracted for as at Balance Sheet date are given in Note 25 to the financial statements on page 134.

16. Property, Plant and Equipment (PPE)

Details of property, plant and equipment are given in Note 4 to the financial statements on pages 117 to 120. The net book values of freehold properties owned by the Company and the Group as at 31st March 2019 are included in the accounts at Rs.2,206.8 million and Rs. 2,252.5 million- respectively (2017/18 Company: Rs. 2,418.2 million and Group: Rs. 2,482.8 million). The market value of Property, Plant & Equipment is considered not materially different to the values stated.

17. Investments

Investments made by the Company are detailed in Notes 7 and 8 of the Notes to the Accounts.

18. Stated Capital

The Stated Capital of the Company is Rs. 642,500,000/- divided into 20,737,500 Ordinary Shares.

19. Shareholding

As at 31st March 2019, there were 919 (912 as at 31st March 2018) registered shareholders and their distribution is given on page 146. The twenty major shareholders as at 31st March 2019 and the number of shares held and their percentage shareholding are disclosed on page 147.

20. Reserves

The total reserves as at 31st March 2019 stand at Rs. 10,880 million (2017/18 – Rs. 9,683 million) including the Available Sale Reserve of Rs. 272 million (2017/18 – Rs. 264 million).

21. Events occurring after the Balance Sheet Date

No significant events have occurred after the Balance Sheet date, which require adjustments to or disclosure in the Financial Statements.

22. Risk management and system of internal controls

The Group has an ongoing process in place to identify, evaluate, and manage the risks that are faced by the Group, as detailed in the Risk Report on pages 23 & 24. An effective and comprehensive system of internal controls is in place comprising internal checks, internal audit, and financial and other controls required to carry out the Group business and safeguard assets. The Audit Committee Report, Risk Management Report and the Independent Auditors' Report thereon are given on pages 90 & 96.

23. Sustainability

The Group is an early champion of adopting sustainability practices and sustainability reporting. Economic, environment and social sustainability is ingrained into business strategies as detailed in the Sustainability at Dilmah on pages 26 to 30.

24. Directorate

The following Directors held office as at the Statement of Financial Position date and their brief profiles appear on pages 11 to 12 of the Annual Report.

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

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

Mr. Merrill J Fernando, Mr. Gritakumar E Chitty, Mr. Rajanayagam Asirwatham and Mr. Himendra S. Ranaweera retire in terms of Section 210 of the Companies Act No.7 of 2007. Separate resolutions are proposed respectively, to re-appoint the Director in terms of Section 211 (1) of the said Companies Act No.7 of 2007.

Mr. Malik J Fernando retires by rotation in terms of section 24 of the Articles of Association of the Company and being eligible offers himself for re-election at the Annual General Meeting.

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

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

26. Interests' Register

The Company maintains an Interests Register as required by the Companies Act No 7 of 2007. All Directors have made general disclosures relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007. The related entries were made in the Interests Register during the year under review and is available at the registered head office of the Company, in keeping with the requirements of the section 119 (1) (d) of the Companies Act No 7 of 2007.

27. Board Sub-Committees

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

Committee	Members	
Audit Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty	Report of the Audit Committee is given on page 90
Remuneration Committee	Mr. Gritakumar E. Chitty - Chairman Mr. Rajanayagam Asirwatham	Report of the Remuneration Committee is given on page 91
Related Party Transactions Review Committee	Mr. Rajanayagam Asirwatham - Chairman Mr. Gritakumar E. Chitty Ms. Minette D. A. Perera	Report of the Related Party Transactions Review Committee is given on page 92

Report of the Board of Directors

28. Related Party Transactions

Relevant disclosures made by the Directors on contracts and proposed contracts with the Company or any of the subsidiaries within the Group appear under note No. 28 in Related Party Disclosure to the Financial Statements on pages 135 to 137 of the Report. These interests have been declared at Directors' meetings in compliance with the requirements on Related Party Transactions of the Listing Rules of the CSE and Section 192(1) of the Companies Act No 7 of 2007.

The Related Party Transaction Review Committee is responsible for reviewing the Related Party Transactions of the Company. Committee Report is given on page 92.

29. Directors' Emoluments

During the year under review, total remuneration of the Executive Directors amounted to Rs. 108,910,024/- and Non Executive Directors amounted to Rs. 1,950,000/-. (2017/18 – Executive Directors Rs. 98,985,000/-, Non Executive Directors Rs. 1,980,000/-)

30. Directors' Interests in Shares and Shareholding

Directors of the Company and its subsidiaries who have relevant interests in the shares of the respective Companies have disclosed their shareholding and any acquisitions/disposals to their respective boards in compliance with Section 200 of the Companies Act No 7 of 2007. The direct shareholdings of Directors together with that of their spouses & dependent children are as follows:

As at 31st March	2019	2018
Mr. Merrill J. Fernando	8,200	200
Mr. Malik J. Fernando	24,200	24,200
Mr. Dilhan C. Fernando	24,200	24,200
Mr. Himendra S. Ranaweera	22,984	22,984
Ms. Minette D. A. Perera	200	200
Mr. Roshan C. Tissaaratchy	4,000	4,000
Mr. Rajanayagam Asirwatham	4,800	4,800
Mr. Gritakumar E. Chitty	-	-

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

As at 31st March	2019	2018
MJF Teas (Private) Limited	13,812,882	13,812,882
MJF Exports (Private) Limited	4,256,712	4,256,712
MJF & Sons (Private) Limited	25,300	25,300

31. Corporate Governance

The Directors are responsible for the formulation and implementation of overall business strategies, policies and setting standards in the short, medium and long term basis adopting good governance in the management of the affairs of the Company. Accordingly system and structures have been introduced and improved from time to time to enhance risk management measures and to improved accountability and transparency. A separate report on Corporate Governance Practices adopted by the Company is given on pages 72 to 82 of this Annual Report. The Company has complied with Section 7.10 of the Continued Listing Rules of Colombo Stock Exchange (CSE) on Corporate Governance.

32. Group Auditors

Ernst & Young, Chartered Accountants, served as the Group Auditors during the year under review and the Auditors' Report is given on pages 96 to 99 of the report. The Auditors have confirmed that they have no interest in or relationship with the Company or it's Subsidiary other than that of Auditors. They also confirm that they are independent in accordance with the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Audit Fees payable and fees for other services rendered are noted hereunder:-

- Fees payable to Auditors for the current financial year Rs. 965,520/- (2017/18 – Rs. 973,000/-)

- Fees payable for other services rendered Rs. 1,012,303/- (2017/18 – Rs. 1,294,848/-)

Auditors Ernst & Young have expressed their willingness to continue in office. A resolution to reappoint them as Auditors and to authorize the Directors to fix their remuneration will be proposed at the Annual General Meeting.

33. Transfer Pricing Regulations

It is certified that the Company has complied with the transfer pricing regulations issued under Section 104 of the Inland Revenue Act No.10 of 2006. The information pursuant to these regulations are given under certificate produced under Section 107 (2) (a) of the said Act. We believe that the transactions entered into with related parties during the period 01.04.2018 to 31.03.2019 are at the arms length and not prejudicial to the interests of the Company. The transactions are entered into on the basis of transfer pricing policy adopted by the Company. All transactions have been submitted to the independent auditor for audit and no adverse remarks have been made in their report on the audit of such transactions.

34. Outstanding Litigation

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

35. Notice of Annual General Meeting

The 38th Annual General Meeting is convened on 06th September 2019, at 3.00 pm at No. 111, Negombo Road, Peliyagoda. The Notice of the Annual General Meeting appears on page 154.

36. Acknowledgment of the Contents of the Report

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

For and on behalf of the Board of Directors.

Dilhan C. Fernando
Director

Minette Perera
Director

Ms. Jayanga Wegodapola
Company Secretary

25th July 2019

Report of the Audit Committee

Committee Composition

The Audit Committee appointed by the Board of Directors of Dilmah Ceylon Tea Company PLC, comprises of two Non Executive Directors, both of whom are 'Independent' as per the Listing Rules of the Colombo Stock Exchange.

The members of the Committee during the year under review were Mr. Rajan Asirwatham (Chairman) and Mr. Gritakumar E. Chitty. The Chairman of the Audit Committee is a qualified Chartered Accountant.

Committee Meetings

The Committee held Three meetings during the financial year under review. Mr. Rajan Asirwatham and Mr. Gritakumar E. Chitty attended all three meetings. Ms. Minette Perera Non Executive Director, Chief Financial Officer, the External Auditors (representatives of E&Y) and the Company Secretary attended the meetings of the Committee by invitation.

Role of the Committee:

The primary function of the Committee is to assist the Board in fulfilling its responsibilities, overseeing management's conduct of the Company's financial reporting process and systems of internal accounting and financial controls, monitoring the independence and performance of the Company's External Auditors and providing an avenue of communication among the External Auditors, the management and the Board.

Internal Audit

The Committee regularly reviews the scope of the internal audit function and reviews audit programs proposed. The internal audit findings are discussed and follow up reviews of audit findings are undertaken to ensure that audit recommendations are being implemented. The Committee also assesses the effectiveness of the internal audit function. The Committee is of the view that the internal controls prevalent within the Group are satisfactory and provides reasonable assurance that the financial position of the Company is well monitored and the assets are safeguarded.

External Audit

The Committee is empowered to recommend the appointment of the External Auditor in compliance with the relevant statues, the service period, audit fee and any resignation or dismissal of the Auditor. The Committee is satisfied that there is no conflict of interest between the Company and the Auditor, other than for the payment of audit fees. The Committee is thus satisfied that there is no cause to compromise on the independence and objectivity of the Auditor.

The Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as the Auditors for the year ending 31st March 2020 subject to the approval of the shareholders at the Annual General Meeting. The Committee has also made its recommendations to the Board of Directors on the fees payable to the Auditors for approval by the Board.

Financial Reporting

The Committee reviewed and recommended the Group's interim and annual financial statements for approval of the Board prior to submission to the Colombo Stock Exchange and shareholders.

The Committee reviewed and certified the profit reconciliation based on SLFRS/ LKAS rules and directions and impact to the prudential ratios with regard to dividend declarations in compliance with relevant regulations.

The Committee reviewed the internal controls on financial reporting system to ensure the reliability and integrity of information provided, the review included the extent of compliance with SLFRS/LKAS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, going concern assumptions, major judgmental areas and material audit judgments.

Rajan Asirwatham
Chairman – Audit Committee

25th July 2019

Report of the Remuneration Committee

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

Committee Composition

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

Committee Meetings

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

Policy

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

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

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

Gritakumar E. Chitty
Chairman – Remuneration Committee

25th July 2019

Report of the Related Party Transactions Review Committee

Related Party Transactions Review Committee is a board sub-committee. The Committee has been established in compliance with the "Code of Best Practices on Related Party Transactions" issued by the Securities and Exchange Commission of Sri Lanka. The objective of the Committee is to review all related party transactions other than those transactions explicitly exempted by the Code.

Committee Composition

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

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

Purpose of the Committee

The purpose of the Committee as set out its Terms of Reference (TOR), is to review in advance all proposed Related Party Transactions other than those transactions explicitly exempted in the TOR which are in conformity with the Listing Rules. The Committee adopts policies and procedures to review Related Party Transactions of the Company and determines whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.

Committee Meetings

The Committee held three meetings during the year under review and attended by all members and Chief Financial Officer attended the meetings by invitation.

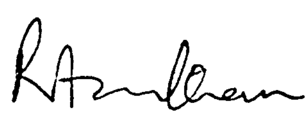
- The Committee reviews in advance all related party transactions of the Company except those explicitly exempted in the Code.
- The Committee ensures that written policies and procedures of the Company are in conformity with rules and regulations governing related party transactions.
- The Committee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

Related Party Transactions during the year 2018/19.

During the year 2018/19, there were no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. Details of other related party transactions entered into by the Company during the period under review is disclosed in note 28 to the financial statements.

Declarations

The Committee quarterly reviews the disclosures made by each of the members of the Board on transactions in which he is interested or which is proposed to be entered into with a related party. The declarations made by them on compliance with regulatory requirements as set out in the Listing Rules pertaining to Related Party Transactions are recorded in an Interest Register maintained by the Company.



Rajan Asirwatham
Chairman –Related Party Transactions Review Committee

25th July 2019

Statement of Directors' Responsibilities in Relation to the Preparation of Financial Statements

The following statement sets out the responsibilities of Directors, in relation to the Financial Statements. This should be read in conjunction with the Auditors responsibility in relation to the Financial Statements, set out in the report of the Auditors on page 96 of this report.

The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each year giving a true and fair view of the state of the affairs of the Company as at end of the financial year and the financial performance for the year. The Directors are also responsible to ensure that proper accounting books and records are maintained, to prepare the Financial Statements with reasonable accuracy. The Financial Statements comprise of the statement of financial position as at 31.03.2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended together with the notes thereto.

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

- The state of affairs of the Company as at 31st March 2019
- The profit or loss of the Company and its subsidiary for the financial year then ended.

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

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

The Directors consider that in preparing the Financial Statements exhibited on pages 100 to 144 they have adopted appropriate accounting policies on a consistent basis, supported by reasonable and prudent judgment, assumptions and estimates.

The Directors are required to prepare these Financial Statements on a going concern basis, unless it is inappropriate to presume that the Company will continue as a going concern.

The Directors are required to take reasonable steps to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal checks, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and ensure as far as practicable the accuracy and reliability of records.

The Directors confirm that the Auditors of the Company, Messrs Ernst & Young were provided every opportunity to undertake whatever inspections they considered necessary to enable them to form their opinion on the Financial Statements. Messrs Ernst & Young have examined the Financial Statements made available together with all other financial records, minutes of shareholders' and directors' meetings and related information, and have expressed their opinion which appears on page 96 of this annual report.

The Directors confirm that to the best of their knowledge all taxes, duties and levies payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid, or where relevant provided for.

The Board of Directors confirm that they have authorized distribution of dividends upon being satisfied that the Company satisfies the solvency test immediate after such distributions are made in accordance with Section 57 of the Companies Act No.07 of 2007 and as required by Section 56(2) of the said Companies Act, have obtained solvency certificates from the Auditor, prior to authorizing interim dividends for this year.

The Directors are of the opinion that the Financial Statements presented in the report from pages 100 to 144 have been prepared in accordance with the above and that they discharged their duties as set out in this statement.

By order of the Board,

Ms. Jayanga Wegodapola
Company Secretary

25th July 2019

FINANCIAL REPORTS

The Group's financial statements have been prepared in accordance with the requirements set out by the Sri Lanka Financial Reporting Standards. External assurance on the financial statements have been provided by Messrs. Ernst and Young.

Independent Auditor's Report

Building a better working world

Ernst & Young
Chartered Accountants
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WRHDS/YR

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DILMAH CEYLON TEA COMPANY PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dilmah Ceylon Tea Company PLC ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key Audit Matter Group	How Our Audit Addressed the Key Audit Matter
Revenue recognition	
Revenue is a key driver of business performance. The group has various customers across the globe where revenue recognition occurs at the point of transfer of control of the goods to the customer and also export occurs at various shipping terms. We consider there to be a risk of misstatement of the financial statements related to transactions occurring close to the year end, as transactions could be recorded in the incorrect financial period due to timing differences arising between invoicing and the point of transfer of control of the goods to the customer.	Our audit approach included substantive procedures and understanding controls related to the revenue process, which covered the following; - We obtained an understanding and tested the operating effectiveness of the key controls focused on timely recording of sales transactions; - We selected the invoices raised within proximity of the financial year end and agreed to underlying evidence to support revenue is recognised in the correct reporting period. - We examined and obtained support for material journal entries focusing on postings during the months of March and April 2019. We also assessed the adequacy of disclosures made in relation to the recognition of revenue in Note 2.6 to the financial statements.
Impairment of Trade Receivables	
As at 31 March 2019, the Group held Rs. 3,925,773 ('000) of trade receivables which contributed to 30% of the Group's total assets. These amounts were receivable from customers across the globe. Majority of these trade receivables do not have any form of security. As disclosed in the Group's financial statements, trade receivables net of allowance for impairment was Rs. 3,896,109 ('000). Allowance for impairment of these financial assets were estimated by management. The determination of whether trade receivables will be realized at the stated amounts requires management to exercise judgement and apply assumptions relating to expectations of recovery from past due customers also considering the market in which the customers operate due to which this matter was considered as a key audit matter.	Our audit approach included a combination of test of controls relating to the receivables process and substantive audit procedures which included the following; - We obtained direct confirmation from customers for amounts payable by them as at 31 March 2019 reconciling confirmations received to underlying accounting records. - We verified the subsequent receipts of money for outstanding invoices on a sample basis. - For long overdue trade receivables, we inquired reasons for being long overdue, and assessed whether the risk of impairment has been considered by management in their impairment assessment. - We evaluated the appropriateness of the assumptions used by the management in evaluating the provision for impairment of trade receivables based on our knowledge. We also assessed the adequacy of disclosures made in relation to impairment of trade receivables in Note 2.6 to the financial statements.

Independent Auditor's Report

Other information included in the 2019 Annual Report

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the management and those charged with governance

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young

25 July 2019

Colombo

Statement of
Financial Position

		GROUP		COMPANY	
As at 31 March 2019	Note	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	2,994,583	3,097,878	2,943,485	3,032,933
Investment Property	5	640,838	516,074	640,838	516,074
Intangible Assets	6	308,601	442,928	308,601	442,928
Other Non-Current Financial Assets	8	512,294	503,846	512,294	503,846
Total Non-Current Assets		4,456,316	4,560,726	4,405,218	4,495,781
Current Assets					
Inventories	9	1,074,127	1,194,625	1,064,627	1,190,786
Trade and Other Receivables	10	4,091,504	3,736,788	4,046,498	3,716,623
Advances and Prepayments		376,335	148,948	365,857	148,254
Income Tax Receivables			41,323	-	41,308
Amounts Due from Related Party	11	-	-	97,368	81,462
Cash and Cash Equivalents	12	2,807,177	1,937,083	2,802,927	1,928,802
Total Current Assets		8,349,143	7,058,767	8,377,277	7,107,235
Total Assets		12,805,459	11,619,493	12,782,495	11,603,016
EQUITY AND LIABILITIES					
Capital and Reserves					
Stated Capital	13	642,500	642,500	642,500	642,500
Other Components of Equity		272,584	264,136	272,584	264,136
Retained Earnings		10,607,395	9,419,157	10,600,343	9,419,157
Total Equity		11,522,479	10,325,793	11,515,427	10,325,793
Non-Current Liabilities					
Deferred Tax Liabilities	21	161,865	218,597	158,106	207,945
Retirement Benefit Obligations	14	242,043	223,238	237,076	218,942
		403,908	441,835	395,182	426,887
Current Liabilities					
Trade and Other Payables	15	338,928	440,326	335,593	440,060
Provisions and Accrued Expenses		482,244	411,539	478,334	410,276
Income Tax Payable	21	57,900	-	57,959	-
		879,072	851,865	871,886	850,336
Total Liabilities		1,282,980	1,293,700	1,267,068	1,277,223
Total Equity and Liabilities		12,805,459	11,619,493	12,782,495	11,603,016

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

Darshana Gunasekera
Chief Financial Officer

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

Himendra S. Ranaweera
Deputy Chairman

Dilhan C. Fernando
Director/Chief Executive Officer

The accounting policies and notes on pages 107 through 144 form an integral part of these financial statements.

25th July 2019
Colombo

Statement of Comprehensive Income

Year ended 31 March 2019	Note	GROUP 2019	GROUP 2018	COMPANY 2019	COMPANY 2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	16	10,713,364	9,204,616	10,676,761	9,177,758
Cost of Sales		(6,018,659)	(5,569,222)	(5,962,985)	(5,516,779)
Gross Profit		4,694,705	3,635,394	4,713,776	3,660,979
Other Income	17	31,492	21,629	19,429	21,526
Administrative Expenses		(1,520,780)	(1,166,732)	(1,527,109)	(1,202,465)
Selling and Distribution Costs		(2,353,652)	(1,708,688)	(2,353,124)	(1,708,530)
Foreign Exchange Gain		762,093	368,884	760,885	368,301
Finance Costs	18	(14,454)	(34,418)	(14,451)	(34,417)
Finance Income	19	95,047	164,705	95,046	164,704
Profit Before tax	20	1,694,451	1,280,774	1,694,452	1,270,098
Income Tax Expense	21	(103,723)	(87,841)	(110,638)	(77,219)
Profit for the year		1,590,728	1,192,933	1,583,814	1,192,879
Earnings per Share (Rs.)	22	76.71	58.74		
Dividend per Share (Rs.)	23	20.00	60.00		

The accounting policies and notes on pages 107 through 144 form an integral part of these financial statements.

Statement of Other Comprehensive Income

		GROUP		COMPANY	
Year ended 31 March 2019	Notes	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit for the year		1,590,728	1,192,933	1,583,814	1,192,879
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;					
Change in Fair Value of FVOCI/Available-for-Sale Investments	8	8,448	12,063	8,448	12,063
Net Other Comprehensive Income to be reclassified to Profit or Loss in subsequent periods;		8,448	12,063	8,448	12,063
Other Comprehensive Income not to be classified to profit or loss in subsequent periods:					
Re-measurement Gain on Employee Retirement Benefit Obligation	14	14,148	23,618	13,988	23,510
Deferred Tax attributable to re-measurement Gain on Employee Retirement Benefit Obligation	21	(1,888)	(3,321)	(1,866)	(3,291)
Net Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent periods;		12,260	20,297	12,122	20,219
Other Comprehensive Income for the year, Net of Tax		20,708	32,360	20,570	32,282
Total Comprehensive Income for the year, Net of Tax		1,611,436	1,225,293	1,604,384	1,225,161

The accounting policies and notes on pages 107 through 144 form an integral part of these financial statements.

Statement of Changes in Equity - Group

Year ended 31 March 2019	Note	Stated Capital Rs. '000	OTHER COMPONENT OF EQUITY Available for Sale Reserve Rs. '000	FVOCI Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Group						
As at 01 April 2017		200,000	252,073	-	9,629,011	10,081,084
Profit for the Year		-	-	-	1,192,933	1,192,933
Other Comprehensive Income		-	12,063	-	20,297	32,360
Total Comprehensive Income for the year		-	12,063	-	1,213,230	1,225,293
Issued during the year	13	442,500	-	-	-	442,500
Business Combination of Entities under Common Control	13	-	-	-	(189,896)	(189,896)
Final Dividend - 2016/17	23	-	-	-	(300,000)	(300,000)
Interim Dividend - 2017/18	23	-	-	-	(311,063)	(311,063)
Final Dividend - 2017/18	23	-	-	-	(622,125)	(622,125)
As at 31 March 2018		642,500	264,136		9,419,157	10,325,793
Impact of Adoption of SLFR 9 As at 1st April 2018			(264,136)	264,136	-	-
Profit for the Year		-	-	-	1,590,728	1,590,728
Other Comprehensive Income		-	-	8,448	12,260	20,708
Total Comprehensive Income for the year		-	-	272,584	1,602,988	1,611,436
Interim Dividend - 2018/19	23	-	-	-	(414,750)	(414,750)
As at 31 March 2019		642,500	-	272,584	10,607,395	11,522,479

Statement of
Changes in Equity - Company

Year ended 31 March 2019	Note	Stated Capital Rs. '000	OTHER COMPONENT OF EQUITY: Available for Sale Reserve Rs. '000	OTHER COMPONENT OF EQUITY: FVOCI Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Company						
As at 01 April 2017		200,000	252,073	-	9,629,143	10,081,216
Profit for the Year		-	-	-	1,192,879	1,192,879
Other Comprehensive Income		-	12,063	-	20,219	32,282
Total Comprehensive Income for the year		-	12,063	-	1,213,098	1,225,161
Issued during the year	13	442,500	-	-	-	442,500
Business Combination of Entities under Common Control	13	-	-	-	(189,896)	(189,896)
Final Dividend - 2016/17	23	-	-	-	(300,000)	(300,000)
Interim Dividend - 2017/18	23	-	-	-	(311,063)	(311,063)
Final Dividend - 2017/18	23	-	-	-	(622,125)	(622,125)
As at 31 March 2018		642,500	264,136	-	9,419,157	10,325,793
Impact of Adoption of SLFR 9 As at 1st April 2018			(264,136)	264,136	-	-
Profit for the Year		-	-		1,583,814	1,583,814
Other Comprehensive Income, Net of Tax		-		8,448	12,122	20,570
Total Comprehensive Income for the year		-	-	272,584	1,595,936	1,604,384
Interim Dividend - 2018/19	23	-	-		(414,750)	(414,750)
As at 31 March 2019		642,500	-	272,584	10,600,343	11,515,427

The accounting policies and notes on pages 107 through 144 form an integral part of these financial statements.

Statement of Cash Flows

		GROUP		COMPANY	
Year ended 31 March 2019	Note	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cash Flows From / (Used in) Operating Activities					
Profit before Income Tax Expense		1,694,451	1,280,774	1,694,452	1,270,098
Adjustments for					
Depreciation		283,348	262,756	267,915	243,570
Amortisation of Intangible Assets		217,082	43,415	217,082	43,415
Unrealised Foreign Exchange (Gain) / Loss		28,914	(52,738)	30,120	(52,154)
Interest Expenses	18	14,454	34,418	14,451	34,417
Dividend Income	17	(123)	(119)	(123)	(119)
Interest Income	19	(95,047)	(164,705)	(95,046)	(164,704)
Profit on disposal of Property, Plant and Equipment	17	(7,934)	(9,848)	(7,336)	(9,848)
Profit on disposal of Investment		(145)	-	(145)	-
Provision for Defined Benefit Plans	14	41,041	36,000	40,151	35,189
Unclaimed Dividend Forfeited		-	(160)	-	(160)
Write-off Trade Receivables		-	11,313	-	-
Impairment Loss on Trade Receivables		-	29,061	-	29,061
Impairment Loss on Amounts due from Related Party		-	-	8,098	17,210
Impairment Loss on Investment in Subsidiary		-	-	-	31,661
Operating Profit before Working Capital Changes		2,176,041	1,470,167	2,169,619	1,477,636
Working Capital Changes:					
Inventories		120,499	(249,208)	126,159	(249,428)
Trade and Other Receivables		(353,054)	(524,599)	(329,094)	(512,519)
Advances and Prepayments		(227,387)	(65,443)	(217,604)	(66,259)
Amounts Due from Related Party		-	-	(24,004)	(16,522)
Trade and Other Payables		(100,615)	(18,734)	(103,381)	(18,737)
Provisions and Accrued Expenses		70,703	135,216	68,058	134,981
Cash Flows from Operations		1,686,187	747,399	1,689,753	749,152
Retirement Benefit Obligation Paid	14	(8,087)	(8,947)	(8,029)	(8,947)
Interest Paid		(14,455)	(34,418)	(14,451)	(34,417)
Income Tax Paid		(55,298)	(68,526)	(55,255)	(68,522)
Net Cash Flows from Operating Activities		1,608,347	635,508	1,612,018	637,266

Statement of Cash Flows

		GROUP		COMPANY	
Year ended 31 March 2019	Note	2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Investing Activities					
Acquisition of Property, Plant and Equipment		(180,329)	(672,360)	(178,735)	(672,340)
Acquisition of Investment Properties		(124,764)	(255,399)	(124,764)	(255,399)
Acquisition of Intangible Assets		(82,754)	(39,458)	(82,754)	(39,458)
Proceeds from disposal of Property, Plant and Equipment		8,209	10,793	7,603	10,793
Proceed of Investment		146	-	146	-
Dividend Received		123	119	123	119
Interest Received		95,047	164,705	95,046	164,704
Net Cash Flows used in Investing Activities		(284,322)	(791,600)	(283,335)	(791,581)
Financing Activities					
Dividend Paid		(414,750)	(1,233,188)	(414,750)	(1,233,188)
Proceeds from Interest Bearing Loans and Borrowings		1,536,176	-	1,536,176	-
Repayment of Interest Bearing Loans and Borrowings		(1,536,176)	(1,522,000)	(1,536,176)	(1,522,000)
Net Cash Flows used in from Financing Activities		(414,750)	(2,755,188)	(414,750)	(2,755,188)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(39,181)	4,661	(39,808)	4,334
Net Increase/(Decrease) in Cash and Cash Equivalents		870,094	(2,906,619)	874,125	(2,905,169)
Cash and Cash Equivalents at the beginning of the year		1,937,083	4,843,702	1,928,802	4,833,971
Cash and Cash Equivalents at the end of the year	12	2,807,177	1,937,083	2,802,927	1,928,802

The accounting policies and notes on pages 107 through 144 form an integral part of these financial statements.

Non-cash activities:

The following transactions have no impact in the Statement of Cash Flows;

Dilmah Ceylon Tea Company PLC has acquired value-added tea export business along with the operational assets of MJF Teas (Private) Limited ("MJFT") for consideration of Rs. 442.5 million during the 2017/18 financial year. The Company has settled the consideration by way of Private Placement, of 737,500 ordinary voting shares of the Company at Rs. 600 per share, to MJFT. MJFT transferred property, plant and equipment of Rs. 305.5 million, intangible assets of Rs. 2.2 million and employees related to the acquired operations of MJFT with gratuity liability of Rs. 55.1 million. The Company has recorded net outcome of Rs.189.9 million under retained earnings of the Company as this transaction involve entities under common control as further disclosed in Note 13 to the Financial Statements.

Notes to the
Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operations

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

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Date of Authorization for Issue

The Financial Statements of the Group as at and for the year ended 31 March 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 30th May 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The Financial Statements of the Group comprise the Statement of Financial Position Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with the Accounting Policies and Notes to the Financial Statements.

These Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka, and also in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of Preparation

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

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

2.3 Functional and Presentation Currency

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

2.4 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiary as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The country of incorporation, effective shareholding and principal activities of the subsidiary incorporated in the Financial Statements are as follows:

Notes to the Financial Statements

Name of the subsidiary	Country of incorporation	Effective shareholding	
		2019	2018
MJF Beverages (Private) Limited	Sri Lanka	100%	100%

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated full on consolidation.

If the Group losses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity while any resultant gain or loss is recongnised in the Consolidated Statement of Profit or Loss.

The Financial Statements of the subsidiary is prepared for the same reporting period as the holding company. The accounting policies set out below have been applied consistently by the Group entities to all periods presented in the Financial Statements.

2.5 Common Control Business Combinations

Business combinations between entities under common control are accounted for using pooling of interest method. Accordingly,

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No new goodwill is recognised as a result of the combination. Net outcome of the net assets acquired and the shares issued is reflected within equity.

2.6 Changes in Significant Accounting Policies

The Group applied SLFRS 9 and SLFRS 15 which are effective for annual periods beginning on or after 1st January 2018, for the first time. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

SLFRS 15 : Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in the time or over time- requires judgement.

The adoption of SLFRS 15 does not have a significant effect on the Group's Financial Statements.

SLFRS 9: Financial Instruments

Under SLFRS 9 to determine their classification and measurement category, it requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The LKAS 39 measurement categories of financial assets [fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables (L&R)] have been replaced by, Debt and other instruments at amortised cost.

Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.

Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for loan loss impairment by replacing

LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The adoption of SLFRS 9 does not have a significant effect on the Group's financial statements.

2.7 Comparative Information

The accounting policies have been consistently applied by the Group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

2.8 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

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

2.9 Property, Plant and Equipment

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

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

Buildings on Leasehold Land	Over the lease period
Plant and Machinery	Over 10 to 33 years
Factory Equipment	Over 5 years
Furniture and Fittings	Over 7 years
Office and Stores Equipment	Over 5 years
Computer Hardware	Over 3 years
Motor Vehicles	Over 5 years

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

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

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

2.10 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at its cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is

Notes to the Financial Statements

permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of derecognition.

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

2.11 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is derecognised.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recorded in the Statement of Profit or Loss. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is as follows:

	Software
Useful lives	Finite
Amortisation method used	05 years
Internally generated or acquired	Acquired

2.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined as follows:

- Raw Material are valued on a first in first out (FIFO) basis

- Finished Goods are valued at weighted average costs, which includes all direct expenditure and appropriate share of production overhead based on normal operating capacity

- Packing materials are valued at weighted average costs

- Consumables and spares are valued at weighted average costs

- Goods-in-transits are valued at actual costs

Provision for inventory obsolescence is estimated on a systematic basis and deducted from the gross carrying value of the inventory.

Net realisable value is based on the estimated selling price in the ordinary course of business less any further costs expected to be incurred on completion and disposal.

2.13 Impairment of Non-Financial Assets

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

2.14 Financial Instruments

Initial recognition of Financial Assets and Financial Liabilities

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

Measurement of Financial Assets

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

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Fair value through other comprehensive income

If both of the following conditions are met,

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial essential assets

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding

Derecognition of financial assets

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

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

Financial Liabilities Recognition

The Group measured the financial liability at fair value, including the costs of the transaction which can be directly assigned financial liability, when these are

Notes to the Financial Statements

designated at their fair value in the profit and loss account.

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

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

Financial Liabilities Subsequent measurement

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

Derecognition of financial liabilities

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

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

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

Offsetting of Financial Instruments

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

Cash and Cash Equivalents

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

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

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

Impairment

Financial Assets

Impairment- Recognition of expected credit losses

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

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

The objective of the impairment requirements is to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking.

Simplified approach for trade receivables

The Group always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables or contract assets that result from transactions that are within the scope of SLFRS 15, and that:

(i) do not contain a significant financing component (or when the entity applies the practical expedient for contracts that are one year or less) in accordance with SLFRS 15; or

(ii) contain a significant financing component in accordance with SLFRS 15, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime expected credit losses. That accounting policy shall be applied to all such trade receivables or contract assets but may be applied separately to trade receivables and contract assets.

2.15 Retirement Benefit Obligations

Defined Benefit Plans - Retirement Gratuity

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in the Statement of Comprehensive Income. The Group is liable to pay gratuity in terms of the relevant statute. The gratuity liability is not externally funded.

Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund ("EPF and ETF")

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively, which are externally funded.

2.16 Provisions

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

2.17 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or services to a customer. For each performance obligation identified, the company determines at contract inception whether it satisfies the performance obligation over time or at a point in time. If the company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time. An asset is transferred when the customer obtains control of that asset and when evaluating whether a customer obtains control of an asset, the company considers any agreement to repurchase the asset.

Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions.

Gains and Losses

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

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

Interest Income

Interest Income is recognized as the interest accrues unless collectability is in doubt.

Dividend Income

Dividend income is recognised when the Group's right to receive the payments is established.

Others

Other income is recognized on an accrual basis.

Notes to the Financial Statements

2.18 Expenditure Recognition

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

For the purpose of presentation of the Statement of Profit or Loss, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Group's performance, and hence such presentation method is adopted.

Finance Costs

Finance costs comprise interest expense on bank overdrafts. Interest expense is recorded as it accrues using the effective interest method.

Operating Leases

Operating lease payments are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease.

Others

Other expenses are recognized on an accrual basis.

2.19 Taxation

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Subsidiary

MJF Beverages (Private) Limited has entered into an agreement registered under the terms of section 17 (2) of the Board of Investment Law No. 4 of 1978 with the Board of Investment Sri Lanka, under which the subsidiary's profit and income are exempted from Income Tax for a period of 8 years from the year in which the subsidiary commences to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations or production whichever is earlier. Accordingly, the said exemption period commences from the Y/A 2010/2011.

Deferred Taxation

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

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

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

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

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

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

Turnover Based Taxes

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

2.20 Current versus Non-Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on current/non-current classification. An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.21 Segment Reporting

A business segment is distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risk and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting Consolidated Financial Statements of the Group.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Senior Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chairmen include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the Financial Statements

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future.

Impairment of Fair Value of Other Comprehensive Income Investments

The Group treats equity securities designated at fair value through other comprehensive income/ available for sale as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20% or more and 'prolonged' greater than six (6) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of Trade Receivables

From 01 April 2018, the Group assess on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk for trade receivables the Group applies the simplified approach permitted by SLFRS 9 which requires expected lifetime losses to be recognize from initial recognition of the receivables.

At the reporting date, gross trade receivables of the Group were Rs. 3,926 million (2018 - Rs. 3,606 million) with allowance for impairment of trade receivables amounting to Rs. 30 million (2018 – 29 million) and gross trade receivables of the Company were Rs. 3,903 million (2018 - Rs. 3,589 million) with allowance for impairment of trade receivables amounting to Rs. 30 million (2018 - 29 million).

Employee Defined Benefit Plan – Gratuity

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

Deferred Taxes

Deferred tax asset of Rs. 5.8 million (2018 - Rs. 12.5 million) as at 31 March 2019 has not been recognized on the carried forward tax losses of the Subsidiary of the Group as it is unable to assess with reasonable certainty that taxable profits would be available to recover the deferred tax asset in the foreseeable future. If the Group recognize deferred tax asset, profit and equity would have increased by Rs. 5.8 million (2018 - Rs. 12.5 million) for the year ended 31 March 2019.

Going Concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 Group

	Balance As at 01.04.2018 Rs. '000	Additions/ Transfers Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2019 Rs. '000
Gross Carrying Amounts				
At Cost				
Land	702,444	-	-	702,444
Buildings on Leasehold Land	67,474	-	-	67,474
Plant and Machinery	3,233,251	16,157	-	3,249,408
Factory Equipment	7,139	265	(545)	6,859
Furniture and Fittings	14,275	640	(921)	13,994
Office and Store Equipment	97,704	19,916	(800)	116,820
Computer Hardware	81,829	11,110	(3,215)	89,724
Motor Vehicle	220,572	37,276	(15,133)	242,715
Total Value of Depreciable Assets	4,424,688	85,364	(20,614)	4,489,438
In the Course of Construction				
Capital Work In Progress	497,656	94,965	-	592,621
	497,656	94,965	-	592,621
Total Gross Carrying Amount	4,922,344	180,329	(20,614)	5,082,059

	Balance As at 01.04.2018 Rs. '000	Charge for the year Rs. '000	Disposals Rs. '000	Balance As at 31.03.2019 Rs. '000
Accumulated Depreciation				
At Cost				
Buildings on Leasehold Land	16,859	1,824	-	18,683
Plant and Machinery	1,503,502	239,785	-	1,743,287
Factory Equipment	6,796	286	(545)	6,537
Furniture and Fittings	8,597	1,215	(648)	9,164
Office and Store Equipment	43,508	12,684	(800)	55,392
Computer Hardware	72,249	5,974	(3,212)	75,011
Motor Vehicle	172,955	21,580	(15,133)	179,402
Total Depreciation	1,824,466	283,348	(20,338)	2,087,476

Notes to the Financial Statements

	2019	2018
	Rs. '000	Rs. '000
Net Carrying Amounts		
Land	702,444	702,444
Buildings on Leasehold Land	48,791	50,615
Plant and Machinery	1,506,121	1,729,749
Factory Equipment	322	343
Furniture and Fittings	4,830	5,678
Office and Store Equipment	61,428	54,196
Computer Hardware	14,713	9,580
Motor Vehicle	63,313	47,617
	2,401,962	2,600,222
Capital Work In Progress	592,621	497,656
	592,621	497,656
Total Net Carrying Amount	2,994,583	3,097,878

4.1.1 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 85,364,244/- (2018 - Rs.832,721,538/-). Cash payments amounting to Rs. 85,364,244/- (2018 - Rs. 672,360,005/-) were made during the year for purchase of Property, Plant and Equipment.

4.1.2 Dilmah Ceylon Tea Company PLC has acquired value-added tea export business along with the operational assets of MJF Teas (Private) Limited ("MJFT") for consideration of Rs. 442.5 million during the 2017/18 financial year. The Company has settled the consideration by way of Private Placement, of 737,500 ordinary voting shares of the Company at Rs. 600 per share, to MJFT. MJFT transferred property, plant and equipment of Rs. 305.5 million, intangible assets of Rs. 2.2 million and employees related to the acquired operations of MJFT with gratuity liability of Rs. 55.1 million. The Company has recorded net outcome of Rs.189.9 million under retained earnings of the Company as this transaction involve entities under common control as further disclosed in Note 13 to the Financial Statements.

4.1.3 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 592,990,149/- (2018 - Rs. 425,608,311/-) and continue to be in used by the Group.

4.1.4 The Subsidiary of the Group has entered in to a long-term operating lease agreement with Kahawatte Plantations PLC from 01 January 2006 to 14 June 2045 for the use of land situated at Rilhena Estate. Buildings on leasehold land as reflected above represent buildings constructed by the Subsidiary of the Group on the said leased land.

4.1.5 Details of Group's land and buildings stated at valuation are indicated below;

Land

Location	Extent
111, Negombo Road, Peliyagoda	279 P

Buildings

Location	Number of Buildings
111, Negombo Road, Peliyagoda	01 (WIP)
Rilhena Estate, Pelmadulla	01

4.2 Company

	Balance As at 01.04.2018 Rs. '000	Additions/ Transfers Rs. '000	Disposals/ Transfers Rs. '000	Balance As at 31.03.2019 Rs. '000
Gross Carrying Amounts				
At Cost				
Land	702,444	-	-	702,444
Plant and Machinery	3,063,595	15,137	-	3,078,732
Furniture and Fittings	13,838	612	(902)	13,548
Office and Stores Equipment	97,166	19,650	(800)	116,016
Computer Hardware	81,397	11,095	(3,215)	89,277
Motor Vehicles	220,576	37,276	(15,133)	242,719
Total Value of Depreciable Assets	4,179,016	83,770	(20,050)	4,242,736
In the Course of Construction				
Capital Work In Progress	497,656	94,965	-	592,621
	497,656	94,965	-	592,621
Total Gross Carrying Amount	4,676,672	178,735	(20,050)	4,835,357

	Balance As at 01.04.2018 Rs. '000	Charge for the year Rs. '000	Disposals Rs. '000	Balance As at 31.03.2019 Rs. '000
Accumulated Depreciation				
At Cost				
Plant and Machinery	1,347,786	226,500	-	1,574,286
Furniture and Fittings	8,182	1,211	(637)	8,756
Office and Stores Equipment	42,970	12,680	(800)	54,850
Computer Hardware	71,842	5,944	(3,212)	74,574
Motor Vehicles	172,959	21,580	(15,133)	179,406
Total Depreciation	1,643,739	267,915	(19,782)	1,891,872

Notes to the Financial Statements

	2019 Rs. '000	2018 Rs. '000
Net Carrying Amounts		
Land	702,444	702,444
Plant and Machinery	1,504,446	1,715,809
Furniture and Fittings	4,792	5,656
Office and Stores Equipment	61,166	54,196
Computer Hardware	14,703	9,555
Motor Vehicles	63,313	47,617
	2,350,864	2,535,277
Capital Work In Progress	592,621	497,656
	592,621	497,656
Total Net Carrying Amount	2,943,485	3,032,933

4.2.1 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 83,769,647/- (2018 - Rs. 832,701,639/-). Cash payments amounting to Rs. 83,769,647/- (2018 - Rs. 672,340,005/-) were made during the year for purchase of Property, Plant and Equipment.

4.2.2 Dilmah Ceylon Tea Company PLC acquired value-added tea export business previous with the operational assets of MJF Teas (Private) Limited ("MJFT") for consideration of Rs. 442.5 million during the 2017/18 financial year. The Company settled the consideration by way of Private Placement, of 737,500 ordinary voting shares of the Company at Rs. 600 per share, to MJFT. MJFT transferred property, plant and equipment of Rs. 305.5 million, intangible assets of Rs. 2.2 million and employees related to the acquired operations of MJFT with gratuity liability of Rs. 55.1 million. The Company recorded net outcome of Rs.189.9 million under retained earnings of the Company as this transaction involved entities under common control as further disclosed in Note 13 to the Financial Statements.

4.2.3 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 423,932,368/- (2018 - Rs. 418,211,036/-) and continue to be in used by the Company.

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

Land

Location	Extent
111, Negombo Road, Peliyagoda	279 P.

Buildings

Location	No. of Buildings
111, Negombo Road, Peliyagoda	01 (WIP)

5. INVESTMENT PROPERTY

	GROUP/COMPANY	
	2019	2018
	Rs. '000	Rs. '000
Land		
As at 1 April	234,064	234,064
As at 31 March	234,064	234,064
In the Course of Construction		
Building		
As at 1 April	282,010	-
Additions	124,764	282,010
As at 31 March	406,774	282,010
	640,838	516,074

5.1 Investment Property of the Group/Company relates to land acquired by the Company in February 2012. The land with an extent of 2 Acres, 3 Roods and 23 Perches is situated at No 480, Handala, Wattala.

5.2 Level 3 fair value of the Investment Property as at 31 March 2019 is estimated to be Rs. 463,000,000/- (2018 - Rs. 463,000,000/-), and have been derived by considering the prevailing prices of similar lands in the same locality. Accordingly, price per perch of Rs. 1,000,000/- (2018 - Rs. 1,000,000/-) has been taken to arrive at the said fair value.

6. INTANGIBLE ASSETS

	GROUP/COMPANY	
	2019	2018
	Rs. '000	Rs. '000
Computer Software		
At Cost		
As at 1 April	462,583	460,382
Transferred/Acquired during the year	579	2,201
As at 31 March	463,162	462,583
In the Course of Construction		
As at 1 April	138,706	99,248
Acquired during the year	82,176	39,458
As at 31 March	220,882	138,706
	684,044	601,289
Amortisation		
As at 1 April	158,361	114,946
Amortisation for the year	217,082	43,415
As at 31 March	375,443	158,361
Net Book Value	308,601	442,928

Notes to the Financial Statements

6.1 During the financial year, the Group/Company acquired Intangible Assets to the aggregate value of Rs.82,754,668/- (2018- Rs. 41,658,885/-). Cash payments amounting to Rs. 82,175,169 /- (2018- Rs. 39,457,826/-) were made by the Group/Company during the year for purchase of Intangible Assets.

6.2 Dilmah Ceylon Tea Company PLC acquired value-added tea export business previous with the operational assets of MJF Teas (Private) Limited ("MJFT") for consideration of Rs. 442.5 million during the 2017/18 financial year. The Company settled the consideration by way of Private Placement, of 737,500 ordinary voting shares of the Company at Rs. 600 per share, to MJFT. MJFT transferred property, plant and equipment of Rs. 305.5 million, intangible assets of Rs. 2.2 million and employees related to the acquired operations of MJFT with gratuity liability of Rs. 55.1 million. The Company recorded net outcome of Rs.189.9 million under retained earnings of the Company as this transaction involved entities under common control as further disclosed in Note 13 to the Financial Statements.

7. INVESTMENT IN SUBSIDIARY

	HOLDING %		COMPANY	
	%	%	Value	Value
	2019	2018	2019	2018
			Rs. '000	Rs. '000
Non-quoted				
MJF Beverages (Private) Limited	100%	100%	300,750	300,750
Provision for Impairment of Investment in Subsidiary			(300,750)	(300,750)
			-	-

7.1 An impairment assessment on investment in MJF Beverages (Private) Limited were carried out by the Board of Directors as the carrying value of the investment exceeds the net assets attributable of the Subsidiary as at 31 March 2019. Based on that assessment, the investment has been fully provided for as at 31 March 2019.

8. OTHER NON-CURRENT FINANCIAL ASSETS

	QUOTED INVESTMENTS		UNQUOTED INVESTMENTS		TOTAL	
	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group/Company						
Equity Securities designated as fair value through other comprehensive income/available for sale						
At the beginning of the year	486,469	474,406	17,377	17,377	503,846	491,783
Gain/(Loss) on Change in Fair Value	8,448	12,063	-	-	8,448	12,063
At the end of the year	494,917	486,469	17,377	17,377	512,294	503,846

8.1 Quoted Investments

	NO. OF SHARES			
	2019	2018	2019	2018
			Rs. '000	Rs. '000
Kahawatte Plantation PLC	12,571,800	12,571,800	490,300	481,500
Renuka City Hotels PLC	17,500	17,500	4,375	4,686
Watawala Plantation PLC	-	6,000	-	173
John Keells Holdings PLC	1,476	1,553	230	92
Maskeliya Plantation PLC	800	800	9	15
Hapugastenna Plantation PLC	100	100	2	3
			494,916	486,469

The Group/Company mainly holds a non-controlling interests of 15.74% (2018 - 15.74%) in Kahawatte Plantations PLC. The fair value of quoted equity shares is determined by reference to published prices in the Colombo Stock Exchange.

8.2 Unquoted Investments

	NO. OF SHARES			
	2019	2018	2019	2018
			Rs. '000	Rs. '000
Rainforest Ecolodge (Private) Limited	2,500,000	2,500,000	17,377	17,377

The Group/Company holds a non-controlling interest of 5.25% (2018 - 5.25%) in Rainforest Ecolodge (Private) Limited – a Resort Company incorporated in Sri Lanka.

The fair value of unquoted investment in Rainforest Ecolodge (Private) Limited has been estimated considering the fair value of net assets held by Rainforest Ecolodge (Private) Limited as at 31 March 2019 and potential returns expected through its future operation.

9. INVENTORIES

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Raw Materials	381,999	444,711	380,131	444,593
Packing Materials	359,791	270,339	354,410	266,897
Finished Goods	116,048	232,179	113,797	231,900
Goods in Transit	-	58,135	-	58,135
Consumables and Spares	216,289	189,261	216,289	189,261
	1,074,127	1,194,625	1,064,627	1,190,786

Notes to the Financial Statements

10. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
		2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Recivables	- Related Party (Note 10.1)	1,488,555	1,727,516	1,478,033	1,711,093
	- Others	2,407,555	1,849,337	2,395,581	1,849,121
		3,896,110	3,576,853	3,873,614	3,560,214
Other Recivables	- Related Party (Note 10.2)	27,551	36,645	27,551	36,645
	- Other	167,843	123,290	145,333	119,764
		195,394	159,935	172,884	156,409
		4,091,504	3,736,788	4,046,498	3,716,623

10.1 Trade Receivables - Related Party	Relationship				
Dilmah Australia (Pty) Limited	Fellow Subsidiary	1,488,555	1,727,304	1,478,033	1,711,093
MJF Exports (Private) Limited	Fellow Subsidiary	-	212	-	-
		1,488,555	1,727,516	1,478,033	1,711,093

10.2 Other Receivables - Related Party	Relationship				
MJF Exports Limited	Fellow Subsidiary	27,551	22,128	27,551	22,128
Resplendent Ceylon (Private) Limited	Fellow Subsidiary	-	14,517	-	14,517
		27,551	36,645	27,551	36,645

As at reporting date, trade receivables of the Group/Company at nominal value of Rs. 29,663,814/- (2018 - Rs. 29,061,110/-) were impaired.

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

	Total	Neither past due nor Impaired	Past due but not Impaired
	Rs. '000	Rs. '000	Rs. '000
Group			
2019	3,896,110	3,354,432	541,678
2018	3,576,853	2,523,369	1,053,484
Company			
2019	3,873,614	3,331,937	541,677
2018	3,560,214	2,510,349	1,049,865

11. AMOUNTS DUE FROM RELATED PARTY

	2019	2018
	Rs. '000	Rs. '000
Company		
MJF Beverages (Private) Limited	161,018	137,014
Provision for Impairment of Amounts due from Related Party	(63,650)	(55,552)
	97,368	81,462

12. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Favorable Cash and Cash Equivalents Balances				
Cash on Hand	545	899	410	839
Bank Balances	819,132	666,634	815,017	658,413
Short-term Deposits	1,987,500	1,269,550	1,987,500	1,269,550
	2,807,177	1,937,083	2,802,927	1,928,802

13. STATED CAPITAL

	GROUP/COMPANY			
	2019		2018	
	Number	Rs. '000	Number	Rs. '000
Fully Paid Ordinary Shares	20,737,500	642,500	20,000,000	200,000
Issued during the year (Note 13.1)	-	-	737,500	442,500
	20,737,500	642,500	20,737,500	642,500

13.1 Business Combination of Entities under Common Control

Dilmah Ceylon Tea Company PLC acquired value-added tea export business along with the operational assets of MJF Teas (Private) Limited ("MJFT") for consideration of Rs. 442.5 million during the financial year 2017/18. The Company settled the consideration by way of Private Placement, of 737,500 ordinary voting shares of the Company at Rs. 600 per share, to MJFT. MJFT transferred property, plant and equipment of Rs. 305.5 million, intangible assets of Rs. 2.2 million and employees related to the acquired operations of MJFT with gratuity liability of Rs. 55.1 million. The Company recorded net outcome of Rs.189.9 million under retained earnings of the Company as this transaction involved entities under common control as both company and MJFT ultimately owned by MJF Holdings Limited.

Notes to the Financial Statements

	2018
	Rs. '000
Total Assets	
Property, Plant and Equipment	305,539
Intangible Assets	2,201
	307,740
Total Liabilities	
Retirement Benefit Obligation	55,136
	55,136
Total Net Assets Transferred	252,604
Shares issued during the year	442,500
Total Net Assets Transferred	(252,604)
Net outcome of Business Combination of Entities under Common Control	189,896

14. RETIREMENT BENEFIT OBLIGATION

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 1 April	223,238	164,667	218,942	161,074
Transferred from Related Party (Note 13.1)	-	55,136	-	55,136
Interest Cost	22,238	16,467	21,810	16,107
Current Service Cost	18,802	19,533	18,341	19,082
Actuarial Gain	(14,148)	(23,618)	(13,988)	(23,510)
Benefits Paid	(8,087)	(8,947)	(8,029)	(8,947)
As at 31 March	242,043	223,238	237,076	218,942

The employee retirement benefit liability of the Group/Company is based on the actuarial valuation carried out by Smiles Global (Private) Limited (2018 - Smiles Global (Private) Limited), Independent actuarial specialists as at 31 March 2019. The principal assumptions used are as follows:

	GROUP/COMPANY	
	2019	2018
Discount Rate	11%	10%
Future Salary Increment rate	10%	10%

Sensitivity of Principal Assumptions used

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1% increase	(8,724)	(6,814)	(8,514)	(6,649)
1% decrease	8,213	5,550	8,019	5,369

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Salary Increment Rate				
1% increase	7,108	6,260	6,931	6,071
1% decrease	(7,685)	(7,597)	(7,490)	(7,421)

15. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables - Related Party (Note 15.1)	60,822	43,317	60,822	43,317
- Other	209,787	198,707	209,617	198,449
	270,609	242,024	270,439	241,766
Other Payable	68,319	198,302	65,154	198,294
	338,928	440,326	335,593	440,060

15.1 Trade Payables - Related Party	Relationship				
Printcare Universal (Private) Limited	Affiliate Company	14,101	12,088	14,101	12,088
Packages Lanka (Private) Limited	Affiliate Company	6,556	8,580	6,556	8,580
Timber Concepts (Private) Limited	Fellow Subsidiary	7,508	8,048	7,508	8,048
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	13,673	7,308	13,673	7,308
Print Care PLC	Affiliate Company	10,110	6,058	10,110	6,058
PCL Solutions (Private) Limited	Fellow Subsidiary	5,529	1,235	5,529	1,235
Dilmah Australia (Pty) Limited	Fellow Subsidiary	3,345	-	3,345	-
		60,822	43,317	60,822	43,317

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
16. REVENUE				
Export Sales	10,711,448	9,198,276	10,676,761	9,177,758
Local Sales	1,916	6,340	-	-
	10,713,364	9,204,616	10,676,761	9,177,758
17. OTHER INCOME				
Profit on Disposal of Property, Plant and Equipment	7,934	9,848	7,336	9,848
Income on Hire of Vehicles	3,464	6,436	3,464	6,436
Dividend from Equity Securities	123	119	123	119
Other Income	19,971	5,226	8,506	5,123
	31,492	21,629	19,429	21,526

Notes to the Financial Statements

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
18. FINANCE COSTS				
Interest Expense on Short Term Loans	14,081	34,133	14,081	34,133
Interest Expense on Early Settlements	373	285	370	284
	14,454	34,418	14,451	34,417
19. FINANCE INCOME				
Interest on Deposits and Saving Accounts	94,547	164,210	94,546	164,209
Other Interest	500	495	500	495
	95,047	164,705	95,046	164,704

20. PROFIT BEFORE TAX

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Included in Cost of Sales:				
Consumption of Tea and Packing Material	4,976,284	4,684,060	4,966,268	4,675,991
Employee Benefits including the following;	514,241	429,793	495,229	412,511
- Defined Benefit Plan Costs - Gratuity	13,614	14,480	12,723	13,669
- Defined Contribution Plan Costs - EPF and ETF	37,892	30,779	35,991	29,063
Depreciation	250,379	226,939	236,808	207,818
Included in Administrative Expenses:				
Employee Benefits including the following;	584,931	461,781	584,931	461,781
- Defined Benefit Plan Costs - Gratuity	27,427	21,520	27,427	21,520
- Defined Contribution Plan Costs - EPF and ETF	37,021	29,433	37,021	29,433
Directors' Fee and Emoluments	110,860	100,965	110,860	100,965
Donations	172,875	101,168	172,872	101,168
Amortisation of Intangible Assets	217,082	43,415	217,082	43,415
Depreciation	31,145	35,817	31,106	35,752
Impairment Loss on Trade Receivables	-	29,061	-	29,061
Write-off Trade Receivables	-	11,313	-	-
Auditors Remuneration	1,052	973	966	894
Impairment Loss on Amounts due from Related Party	-	-	8,098	17,210
Impairment Loss on Investment in Subsidiary	-	-	-	31,661
	-	-	-	-
Included in Selling and Distribution Costs:	-	-	-	-
Export Promotion	1,897,389	1,349,527	1,897,389	1,349,527

21. INCOME TAX EXPENSE

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Statement of Profit or Loss				
Current Income Tax				
Current Income Tax Expense	162,343	29,976	162,343	29,976
Over Provision of Current Income Tax in respect of prior years	-	(2,279)	-	(2,279)
Deferred Income Tax				
Deferred Taxation Charge (Reversal)	(58,620)	60,144	(51,705)	49,522
Income Tax Expense recognised in Statement of Profit or Loss	103,723	87,841	110,638	77,219
Statement of Comprehensive Income				
Deferred Tax attributable to re-measurement Gain on Employee Defined Benefit Liabilities	1,888	3,321	1,866	3,291
Deferred Tax Charge recongnised in Statement of Comprehensive Income	1,888	3,321	1,866	3,291

21.1 Reconciliation between Current Tax Expense and Accounting Profit

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit before Tax	1,686,353	1,280,774	1,694,451	1,270,102
Disallowable Expenses	808,690	541,389	791,952	536,669
Allowable Expenses	(439,117)	(1,946,046)	(433,782)	(1,924,843)
Allowable Income	(159)	11,559	(159)	11,559
Tax Losses of Subsidiary	-	5,808	-	-
Taxable (Loss)/Profit	2,055,767	(106,516)	2,052,462	(106,513)
Other Sources of Income				
Business profit	2,055,767	-	2,052,462	-
Interest Income	95,047	164,705	95,046	164,705
Tax Losses Brought Forward and Utilised	(991,218)	(57,647)	(987,912)	(57,647)
Taxable Other Income	1,159,596	107,058	1,159,596	107,058
Income Tax at 28% on Taxable Other Income		29,976	-	29,976
Income Tax at 14% on Taxable income	162,343	-	162,343	-
Current Income Tax Expense	162,343	29,976	162,343	29,976

Notes to the Financial Statements

		GROUP		COMPANY	
		2019	2018	2019	2018
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
21.2	**Income Tax (Receivable)/Payable**				
	At the beginning of the year	(41,323)	(524)	(41,308)	(482)
	Income tax on current year profit	162,343	29,976	162,343	29,976
	Income tax paid/setoff	(63,120)	11,871	(63,076)	(70,802)
	At the end of the year	57,900	41,323	57,959	(41,308)
	Income tax Receivable	-	41,323		41,308
	Income tax Payable	57,900	-	57,959	
		57,900	41,323	57,959	41,308
21.3	**Tax Losses**				
	At the beginning of the year	1,026,715	977,846	987,912	939,046
	Loss incurred during the year	-	106,516		106,512
	Loss set-off for the current year	(991,218)	(57,647)	(987,912)	(57,646)
	At the end of the year	35,497	1,026,715	-	987,912

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF COMPREHENSIVE INCOME	
	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Deferred Tax Liability						
Accelerated Depreciation for Tax Purposes	195,844	264,157	(68,313)	92,918	-	-
	-	-	-	-	-	-
Deferred Tax Assets	-	-	-	-	-	-
Defined Benefit Plans	(33,979)	(31,855)	(4,012)	(19,069)	1,888	3,322
Tax Losses	-	(13,705)	13,705	(13,705)	-	-
Deferred Income Tax Charge			(58,620)	60,144	1,888	3,322
Net Deferred Tax Liability	161,865	218,597				

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS		STATEMENT OF COMPREHENSIVE INCOME	
	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company						
Deferred Tax Liability						
Accelerated Depreciation for Tax Purposes	191,389	252,302	(60,913)	81,063	-	-
	-	-	-	-	-	-
Deferred Tax Assets	-	-	-	-	-	-
Defined Benefit Plans	(33,283)	(30,652)	(4,497)	(17,836)	1,866	3,291
Tax Losses	-	(13,705)	13,705	(13,705)	-	-
	-	-	-	-	-	-
Deferred Income Tax Charge			(51,705)	49,522	1,866	3,291
Net Deferred Tax Liability	158,106	207,945				

22. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on the profit after taxation over the weighted average number of ordinary shares in issue during the year.

Given below is the computation of earning per share:

	GROUP	
	2019	2018
	Rs. '000	Rs. '000
Amount Used as the Numerator:		
Profit for the year	1,590,728	1,192,933
	Number'000	Number'000
Number of Ordinary Shares Used as the Denominator:		
Weighted Average Number of Ordinary Shares *	20,738	20,307

Notes to the Financial Statements

23. DIVIDEND PER SHARE

	COMPANY	
	2019	2018
	Rs. '000	Rs. '000
Dividend paid on Ordinary Shares during the year		
Interim Dividend for 2019 - Rs. 20.00 (2018 - Rs. 15.00) per share	414,750	311,063
Final Dividend for 2017 - Rs. 15.00 per share	-	300,000
Final Dividend for 2018 - Rs. 30.00 per share	-	622,125
	414,750	1,233,188
Dividend per Share (Rs.)*	20.00	60.00

*Dividend per share is calculated by considering the dividend paid for the year divided by the number of shares in issue which ranked for those divided.

Proposed for approval at AGM (not recongnised as liability as at the statement of financial position date)

	2019	2018
	Rs. '000	Rs. '000
Equity Dividend on Ordinary Shares:		
Dividend - 2018/19 - Rs. 15.00 per share	311,063	-

24. SEGMENTAL INFORMATION

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

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

24.1 Business Segment - Group

	TEA BAGS		TEA PACKETS		OTHER*		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	8,935,734	8,030,075	1,611,194	898,419	166,436	276,122	10,713,364	9,204,616
Cost of Sales	(4,989,567)	(4,813,345)	(897,913)	(538,588)	(131,179)	(217,289)	(6,018,659)	(5,569,222)
Segment Gross Profit	3,946,167	3,216,730	713,281	359,831	35,257	58,833	4,694,705	3,635,394

24.2 Business Segment - Company

	TEA BAGS		TEA PACKETS		OTHER*		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	8,935,734	8,030,075	1,611,194	898,419	129,833	249,264	10,676,761	9,177,758
Cost of Sales	(4,989,567)	(4,813,346)	(897,913)	(538,588)	(75,505)	(164,845)	(5,962,985)	(5,516,779)
Segment Gross Profit	3,946,167	3,216,729	713,281	359,831	54,328	84,419	4,713,776	3,660,979

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

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

Notes to the Financial Statements

25. CONTINGENCIES AND COMMITMENTS

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

	GROUP/COMPANY	
	2019	2018
	Rs. '000	Rs. '000
Capital Expenditure Commitments		
Estimated capital expenditure contracted but not provided for;		
Factory Buildings and Warehouses	47,000	205,000
Tea Bagging Machines	380,616	-
	427,616	205,000

	GROUP/COMPANY	
	2019	2018
	Rs. '000	Rs. '000
Contingencies		
Guarantees	10,235	10,494

	GROUP	
	2019	2018
	Rs. '000	Rs. '000
Operating Lease Commitments		
Buildings under operating lease agreements:		
Within one year	1,531	1,531
After one year but not more than five years	6,124	6,124
More than five years	32,536	34,065
	40,191	41,720

26. ASSETS PLEDGED

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

27. EVENTS OCCURRING AFTER THE REPORTING DATE

After satisfying the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007, the Directors recommended the payment of a final dividend of Rs. 15/- per ordinary share for the year ended 31 March 2019. However, in accordance with Section 32 – Events After the end of the Reporting Period of the Sri Lanka Accounting Standard for Small and Medium sized Entities, the proposed final dividend has not been recognized as a liability as at 31 March 2019. This would result in a total outflow of Rs. 311,062,500/- subject to approval at the forthcoming Annual General Meeting.

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

28. RELATED PARTY DISCLOSURES

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

28.1 RELATED PARTY TRANSACTIONS

Transactions with related parties are as follows:

Group

				TRANSACTION VALUE	
				2019	2018
				Rs. '000	Rs. '000
Recurrent Transactions exceeds 10% of Revenue					
Name of the Company	**Relationship**	**Nature of Transaction**	**Terms**		
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	2,621,135	2,851,519
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on commercial terms.					
Recurrent Transactions not exceeds 10% of Revenue					
Name of the Company	**Relationship**	**Nature of Transaction**			
MJF Teas (Private) Limited	Parent Company	Transfer of Tea and Packing Materials		-	340,459
		Vehicles Hire Income		-	878
MJF Exports (Private) Limited	Fellow Subsidiary	Local Sales		1,916	6,340
		Transfer of Tea and Packing Materials		458,283	845,664
		Vehicles Hire Income		1,543	844
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials		(292,160)	(324,859)
Printcare PLC	Affiliate Company	Purchase of Packing Materials		(170,778)	(166,077)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(87,966)	(87,179)
		Vehicles Hire Income		34	74
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(41,651)	(36,465)
		Vehicles Hire Income		258	383
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials		(342,326)	(292,954)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses		(74,140)	(55,077)
Kahawatte Plantations PLC	Fellow Subsidiary	Rent Expenses		(1,531)	(1,531)
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		960	960
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income		7	-
MJF Tea Gardens (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		307	307
Wild Coast Lodge (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		-	272
MJF Charitable Foundation	Affiliate Oraganisation	Vehicles Hire Income		65	-
	Affiliate Oraganisation	Donations		(170,000)	(100,000)

Notes to the Financial Statements

			TRANSACTION VALUE 2019 Rs. '000	TRANSACTION VALUE 2018 Rs. '000
Non-Recurrent Transactions not exceeds 10% of Equity or 5% of Total Assets				
Name of the Company	**Relationship**	**Nature of Transaction**		
MJF Teas (Private) Limited	Parent Company	Transfer of Fixed Assets	-	305,539
		Transfer of Intangible Assets	-	2,201
		Transfer of Gratuity	-	(55,136)
		Issue of Shares	-	(442,500)
			-	(189,896)

Company

				TRANSACTION VALUE 2019 Rs. '000	TRANSACTION VALUE 2018 Rs. '000
Recurrent Transactions exceeds 10% of Revenue					
Name of the Company	**Relationship**	**Nature of Transaction**	**Terms**		
Dilmah Australia (Pty) Limited	Fellow Subsidiary	Export Sales	Note (a)	2,621,135	2,832,458
Note (a) - Export sales to Dilmah Australia (Pty) Limited are made on commercial terms.					
Recurrent Transactions not exceeds 10% of Revenue					
Name of the Company	**Relationship**	**Nature of Transaction**			
MJF Teas (Private) Limited	Parent Company	Transfer of Tea and Packing Materials		-	340,459
		Vehicles Hire Income		-	878
MJF Exports (Private) Limited	Fellow Subsidiary	Transfer of Tea and Packing Materials		458,283	845,664
		Vehicles Hire Income		1,543	844
Print Care Universal (Private) Limited	Affiliate Company	Purchase of Packing Materials		(292,160)	(324,859)
Printcare PLC	Affiliate Company	Purchase of Packing Materials		(170,778)	(166,077)
Timber Concepts (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(87,966)	(87,179)
		Vehicles Hire Income		34	74
PCL Solutions (Private) Limited	Fellow Subsidiary	Purchase of Packing Materials		(41,651)	(36,465)
		Vehicles Hire Income		258	383
Packages Lanka (Private) Limited	Affiliate Company	Purchase of Packing Materials		(342,326)	(292,954)
Dilmah Properties (Private) Limited	Fellow Subsidiary	Rent Expenses		(74,140)	(55,077)
Forbes and Walker Tea Brokers (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		960	960
The Ceylon Spice Company Limited	Fellow Subsidiary	Vehicles Hire Income		7	-
Wild Coast Lodge (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		-	272
MJF Tea Gardens (Private) Limited	Fellow Subsidiary	Vehicles Hire Income		307	307
MJF Charitable Foundation	Affliate Oraganisation	Vehicles Hire Income		65	-
	Affliate Oraganisation	Donations		(170,000)	(100,000)

			TRANSACTION VALUE	
			2019	2018
			Rs. '000	Rs. '000
Non-Recurrent Transactions not exceeds 10% of Equity or 5% of Total Assets				
Name of the Company	Relationship	Nature of Transaction		
MJF Teas (Private) Limited	Parent Company	Transfer of Fixed Assets	-	305,539
		Transfer of Intangible Assets	-	2,201
		Transfer of Gratuity	-	(55,136)
		Issue of Shares	-	(442,500)
			-	(189,896)

The transactions with related parties are made on ordinary course of business. Outstanding balances at the year-end are unsecured and interest free. No corporate guarantees provided to/received from related parties.

Amounts due from and due to related party balances are disclosed in Notes 10, 11 and 15.

28.2 Transactions with Key Management Personnel of the entity or parent

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

	GROUP/COMPANY	
	2019	2018
	Rs. '000	Rs. '000
Key Management Personnel Compensation		
Short-term Employee Benefits	110,860	100,965
Post Employment Benefits	7,230	7,142
	118,090	108,107

No material transactions have taken place during the year with the parties/entities in which key management personnel or their close family members have control or jointly control, which require disclosure in these Financial Statements other than those disclosed under 28.1.

Notes to the Financial Statements

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade payables, amounts due to related parties and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include bank balances and cash, short-term deposits, trade receivables, amounts due from related parties and other receivables that derive directly from its operations. The Group also holds equity securities.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk of the Group comprises interest rate risk, foreign currency risk and equity price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's financial assets and liabilities with floating interest rates.

The following table demonstrates the sensitivity of the Statement of Profit or Loss to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities.As at the reporting date there were no interest bearing loans and borrowing and therefore Group is not exposed to interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

Trade receivables of the Group include an amount of Rs. 2,407 Mn (2018 - Rs. 1,849 Mn) and the Company include an amount of Rs. 2,395 million (2018 - Rs. 1,849 million) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Amounts due from related parties of the Group include an amount of Rs. 1,516 Mn (2018 - Rs. 1,764 Mn) and the Company include an amount of Rs. 1,506 million (2018 - Rs. 1,747 million) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Bank balances of the Group include an amount of Rs. 819 million (2018 - Rs. 667 Mn) and the Company include an amount of Rs. 815 million (2018 - Rs. 658 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

Short-term deposits of the Group include an amount of Rs. 1,987 million (2018 - Rs. 1,269 Mn) and the Company include an amount of Rs. 1,987 million (2018 - Rs. 1,269 Mn) due in foreign currencies, mainly in Australian Dollars and United States Dollars.

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

	GROUP EFFECT ON PROFIT FOR THE YEAR		COMPANY EFFECT ON PROFIT FOR THE YEAR	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
United States Dollars	225,545	159,391	224,846	159,114
Australian Dollars	92,481	101,502	91,955	100,691
Other	10,416	8,191	10,410	8,189
	328,442	269,084	327,211	267,994

Equity Price Risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the equity price and key assumptions used to fair value listed and unlisted equity securities.

At the reporting date, the unlisted equity security is fair valued at Rs. 17 Mn (2018 - Rs. 17 Mn). The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2019 and potential returns expected through its future operations.

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

	GROUP/COMPANY			
	Change in Equity Price	Effect on Equity	Change in Equity Price	Effect on Equity
	2019	2019	2018	2018
		Rs. '000		Rs. '000
Fair Value Through Other Comprehensive Income Investments				
Quoted Investments	+10%	49,492	+10%	48,647

Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily trade receivables and amounts due from related parties and from its financing activities, including deposits with banks and other financial instruments.

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

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

Notes to the Financial Statements

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Receivables	2,407,555	1,849,337	2,395,581	1,849,121
Other Receivables	167,844	123,290	145,334	119,764
Amounts due from Related Parties	1,516,106	1,764,161	1,505,584	1,747,738
Short-term Deposits	1,987,500	1,269,550	1,987,500	1,269,550
Bank Balances	819,132	666,634	815,017	658,413
	6,898,137	5,672,972	6,849,016	5,644,586

Liquidity risk

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

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

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

	GROUP LESS THAN 3 MONTHS		COMPANY LESS THAN 3 MONTHS	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trade Payables	209,787	198,707	209,617	198,449
Amounts due to Related Parties	60,822	43,317	60,822	43,317
Other Payables	68,319	198,302	65,154	198,294
	338,928	440,326	335,593	440,060

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Company makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Company may issue new shares or adjust dividend payments to shareholders. No changes were made in the objectives, policies or processes during the year ended 31 March 2019 and 2018.

Capital, which includes stated capital, fair value through other comprehensive income reserve and retained earnings of the Group is measured at Rs. 11,522 million as at 31 March 2019 (2018 - Rs. 10,326 million) and the Company is measured at Rs. 11,515 million as at 31 March 2019 (2018 - Rs. 10,326 million).

30. FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances and cash, short-term deposits, trade receivables, amounts due from related parties, other receivables and Financial asset at fair value through other comprehensive income investments.

Financial liabilities consist of trade payables, amounts due to related parties, and other payables.

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

Fair value measurement hierarchy for assets as at 31 March:

		GROUP/COMPANY FAIR VALUE MEASUREMENT USING			
	Date of valuation	Total Rs. '000	Quoted prices in active markets (Level 1) Rs. '000	Significant observable inputs (Level 2) Rs. '000	Significant unobservable inputs (Level 3) Rs. '000
Assets measured at fair value:					
As at 31 March 2019					
Fair Value Through Other Comprehensive Income Investments					
Quoted Investments	31 March 2019	494,916	494,916	-	-
		-	-	-	-
Unquoted Investments	31 March 2019	17,377	-	-	17,377
Fair Value Through Other Comprehensive Income Investments as at 31 March 2019		512,293	494,916	-	17,377
As at 31 March 2018					
Fair Value Through Other Comprehensive Income Investments					
Quoted Investments	31 March 2018	486,469	486,469	-	-
		-	-	-	-
Unquoted Investments	31 March 2018	17,377	-	-	17,377
Fair Value Through Other Comprehensive Income Investments as at 31 March 2018		503,846	486,469	-	17,377

The fair value of unquoted investment has been estimated considering the fair value of net assets held by investee as at 31 March 2019 and potential returns expected through its future operations.

During the reporting period ending 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

Notes to the Financial Statements

31. TRANSITION NOTE TO NEW ACCOUNTING STANDARDS EFFECTIVE FROM 1ST APRIL 2019

31.1 Transition Note to SLFRS 09-"Financial Instruments"

The following notes set out the impact of adopting Sri Lanka Accounting Standard - SLFRS 9 (Financial Instruments) at transition date, 1st April 2018 on the Statement of Financial Position, and retained earnings including the effect of replacing incurred credit loss calculations under Sri Lanka Accounting Standard - LKAS 39 (Financial Instruments - recognition and measurement) with expected credit loss (ECL) calculations under SLFRS 9.

The adoption of SLFRS 09 does not have a significant effect on the Company's Financial Statements. Therefore there was no adjustment to Retained earnings on the transition as at 1 April 2018.

However, due to the adoption of SLFRS 9, classifications of the financial instruments have been changed as follows.

Group

As at 1 April 2018 Description	Note	Original Classification as per LKAS 39	New Classification as per SLFRS 9	Original Carrying Amount as per LKAS 39 Rs.	New Carrying Amount as per SLFRS 9 Rs.
Financial Assets					
Other Non-Current Financial Assets	8	AFS	FVOCI	503,846	503,846
				-	-
Financial Assets Fair Value through Profit and Loss (FVTPL)				-	-
Trade and Other Receivables	10	L&R	AC	3,736,788	3,736,788
Advances and Prepayments		L&R	AC	148,948	148,948
Cash and Cash Equivalents	12	L&R	AC	1,937,083	1,937,083
				6,326,665	6,326,665
Non Financial Assets					
Property, Plant and Equipment	4	N/A	N/A	3,097,878	3,097,878
Investment Property	5	N/A	N/A	516,074	516,074
Intangible Assets	6	N/A	N/A	442,928	442,928
Inventories	9	N/A	N/A	1,194,625	1,194,625
Income Tax Receivables		N/A	N/A	41,323	41,323
				5,292,828	5,292,828
Total Assets				11,619,493	11,619,493

As at 1 April 2018 Description	Note	Original Classification as per LKAS 39	New Classification as per SLFRS 9	Original Carrying Amount as per LKAS 39 Rs.	New Carrying Amount as per SLFRS 9 Rs.
Equity and Liabilities					
Capital and Reserves					
Stated Capital	13	N/A	N/A	642,500	642,500
Other Components of Equity		N/A	N/A	264,136	264,136
Retained Earnings		N/A	N/A	9,419,157	9,419,157
				10,325,793	10,325,793
Financial Liabilities					
Trade and Other Payables	15	L&R	AC	440,326	440,326
Provisions and Accrued Expenses		L&R	AC	411,539	411,539
				851,865	851,865
Non Financial Liabilities					
Retirement Benefit Obligations	14	N/A	N/A	223,238	223,238
Deferred Tax Liabilities	21	N/A	N/A	218,597	218,597
				441,835	441,835
Total Equity and Liabilities				11,619,493	11,619,493

Company

As at 1 April 2018 Description	Note	Original Classification as per LKAS 39	New Classification as per SLFRS 9	Original Carrying Amount as per LKAS 39 Rs.	New Carrying Amount as per SLFRS 9 Rs.
Financial Assets					
Other Non-Current Financial Assets	8	AFS	FVOCI	503,846	503,846
				-	-
Financial Assets Fair Value through Profit and Loss (FVTPL)				-	-
Trade and Other Receivables	10	L&R	AC	3,716,623	3,716,623
Advances and Prepayments		L&R	AC	148,254	148,254
Cash and Cash Equivalents	12	L&R	AC	1,928,802	1,928,802
				6,297,525	6,297,525

Notes to the Financial Statements

As at 1 April 2018 Description	Note	Original Classification as per LKAS 39	New Classification as per SLFRS 9	Original Carrying Amount as per LKAS 39 Rs.	New Carrying Amount as per SLFRS 9 Rs.
Non Financial Assets					
Property, Plant and Equipment	4	N/A	N/A	3,032,933	3,032,933
Investment Property	5	N/A	N/A	516,074	516,074
Intangible Assets	6	N/A	N/A	442,928	442,928
Inventories	9	N/A	N/A	1,190,786	1,190,786
Income Tax Receivables		N/A	N/A	41,308	41,308
Amounts Due from Related Party	11	N/A	N/A	81,462	81,462
				5,305,491	5,305,491
Total Assets				11,603,016	11,603,016
Equity and Liabilities					
Capital and Reserves					
Stated Capital	13	N/A	N/A	642,500	642,500
Other Components of Equity		N/A	N/A	264,136	264,136
Retained Earnings		N/A	N/A	9,419,157	9,419,157
				10,325,793	10,325,793
Financial Liabilities					
Trade and Other Payables	15	L&R	AC	440,060	440,060
Provisions and Accrued Expenses		L&R	AC	410,276	410,276
				850,336	850,336
Non Financial Liabilities				-	-
Retirement Benefit Obligations	14	N/A	N/A	218,942	218,942
Deferred Tax Liabilities	21	N/A	N/A	207,945	207,945
Income Tax Payable	21	N/A	N/A	-	-
				426,887	426,887
Total Equity and Liabilities				11,603,016	11,603,016

31.2 Transition Note to SLFRS 15- "Revenue From Contracts With Customers"

The adoption of SLFRS 15 does not have a significant effect on the Company's Financial Statements. Therefore there was no adjustment to Retained earnings on the transition as at 1 April 2018.

Five Year SUMMARY - COMPANY

For the year ended 31 March	2019	2018	2017	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
TRADING RESULTS (Rs. 000's)					
Turnover	10,676,761	9,177,758	7,288,357	7,219,883	7,337,183
Operating Expenses	9,843,218	8,427,774	6,924,578	6,380,504	6,554,721
Other Income	875,360	554,531	619,712	970,808	123,074
Interest Expense	14,451	34,417	19,325	11	160
Profit before Income Tax	1,694,452	1,270,098	964,166	1,810,176	905,376
Income Tax on Profits	110,638	77,219	136,664	194,804	104,614
Profit for the Year	1,583,814	1,192,879	827,502	1,615,372	800,762
SHAREHOLDERS' FUNDS (Rs.000)					
Stated Capital	642,500	642,500	200,000	200,000	200,000
Reserves	10,872,927	9,683,293	9,881,216	9,485,067	8,423,566
NET ASSETS	11,515,427	10,325,793	10,081,216	9,685,067	8,623,566
ASSETS (Rs.000)					
Property , Plant & Equipment	2,943,485	3,032,933	2,326,180	1,944,210	1,100,433
Investment Property	640,838	516,074	234,064	234,064	234,064
Intangible Assets	308,601	442,928	444,684	388,111	383,598
Other Financial Assets / Investments	512,294	503,846	523,444	565,030	526,371
Current Assets	8,377,277	7,107,235	9,125,302	7,341,839	7,003,427
LIABILITIES (Rs.000)					
Non-current Liabilities	395,182	426,887	316,206	218,433	194,121
Current Liabilities	871,886	850,336	2,256,252	569,754	430,206
NET ASSETS (Rs.000)	11,515,427	10,325,793	10,081,216	9,685,067	8,623,566
Market Price Per Share (Rs.)	619.90	554.90	599.90	616.50	710.40
Dividend Per Share (Rs.)	20.00	45.00	15.00	30.00	22.50
Total Dividend Rs. 000s (Gross)	414,750	933,188	300,000	600,000	450,000
No of Shares	20,737,500	20,737,500	20,000,000	20,000,000	20,000,000
RATIOS					
Return on Average Shareholders Funds (%)	14.50	11.55	8.37	17.65	9.41
Earnings Per Share (Rs)	76.37	58.74	41.37	80.77	40.04
Dividend Cover (times)	3.82	1.28	2.76	2.69	1.78
Liquidity (times)	9.61	8.36	4.04	12.89	16.28

Information to INVESTORS

As at 31st March 2019

1. STOCK EXCHANGE LISTING

The issued ordinary shares of Dilmah Ceylon Tea Company PLC are listed on the Colombo Stock Exchange.

2. ORDINARY SHAREHOLDERS

Number of Shares	Number of Shareholders	Total Holding	% Holding
1 - 1,000	808	52,585	0.25%
1,001 - 5,000	67	164,387	0.79%
5,001 - 10,000	13	91,564	0.44%
10,001 - 50,000	26	555,882	2.68%
50,001 - 100,000	1	69,700	0.34%
100,001 - 500,000	1	156,019	0.75%
500,001 - 1,000,000	-	-	0.00%
1,000,001 - Over	3	19,647,363	94.75%
Total	919	20,737,500	100.00%

3. ANALYSIS OF SHAREHOLDERS

Number of Shares	Number of Shareholders	Total Holding	% Holding
Individuals	867	915,759	4.42%
Institutions	52	19,821,741	95.58%
Total	919	20,737,500	100.00%

Number of Public Shareholders as at 31st March 2019 was 909
2,554,022 (12.32%) shares were held by the public as at 31st March 2019
The float adjusted market capitalization is Rs. 1,583,757,714/-

4. SHARE TRADING

Number of Shares	2019	2018	2017	2016	2015
No of Transactions	319	780	277	117	68
No of Shares Traded	18,317	43,847	40,955	4,487	3,105
Value of Shares Traded	11,001,198	24,890,630	29,939,882	3,075,208	2,214,875

5. DIVIDENDS

Number of Shares	2019	2018	2017	2016	2015
Interim	20/-	Rs. 15/-	-	Rs. 17/50	Rs. 12/50
Final	15/-	Rs. 30/-	Rs. 15/-	Rs. 12/50	Rs. 10/-
Amount (Rs.000's)					
Gross	725,813	933,187	300,000	600,000	450,000

6. EARNINGS

Number of Shares	2019	2018	2017	2016	2015
Earnings/share Rs.	76.71	57.48	41.37	80.77	40.07
P/E Ratio	8.08	9.65	14.15	7.63	17.73

7. MARKET VALUES (Rs.)

Number of Shares	2019	2018	2017	2016	2015
Highest	630.00	600.00	850.00	800.00	770.00
Lowest	530.00	520.00	565.00	550.10	700.00
Year End	619.90	554.90	599.90	616.50	710.40

The weighted average trading price for the year was Rs. 600.60

8. MARKET CAPITALIZATION (Rs.Million)

Number of Shares	2019	2018	2017	2016	2015
Capital & Reserves	11,312	10,326	10,112	9,685	8,624
Market Capitalization	12,855	11,507	11,998	12,330	14,208

9 TOP 20 SHAREHOLDINGS AS AT 31ST MARCH 2019

Shareholder Name	31.03.2019		31.03.2018	
	Total Shares	%	Total Shares	%
MJF Teas (Pvt) Ltd	13,812,882	66.61%	13,812,882	66.61%
MJF Exports (Pvt) Ltd	4,256,712	20.53%	4,256,712	20.53%
Employees Provident Fund	1,577,769	7.61%	1,577,769	7.61%
Mrs. S.T.Fernando	156,019	0.75%	156,019	0.75%
GF Capital Global Limited	69,700	0.34%	69,700	0.34%
Mrs. S.T.F.Ortiz	42,854	0.21%	42,854	0.21%
Mr. A.W.Athukorala	36,750	0.18%	36,750	0.18%
Mr. M.W.De Silva	34,830	0.17%	34,830	0.17%
Mr. H.A. Van Starrex	33,308	0.16%	45,354	0.22%
Mr. J.W.Burton	32,270	0.16%	32,270	0.16%
Merrill J Fernando & Sons (Pvt) Ltd	25,300	0.12%	25,300	0.12%
Mrs. A.S.Fernando	24,284	0.12%	24,284	0.12%
Mr. M.J.Fernando	24,200	0.12%	24,200	0.12%
Mr. D.C.Fernando	24,200	0.12%	24,200	0.12%
Dr. K.Poologasundram	23,808	0.11%	23,808	0.11%
Mr. H.S.Ranaweera	22,984	0.11%	22,984	0.11%
Ms. N.Harnam	22,265	0.11%	22,265	0.11%
Mr. H.R.Peries	21,200	0.10%	21,200	0.10%
Mr.H.D.A.D.Perera	20,467	0.10%	20,467	0.10%
Miss. L.R.Jayasundera	18,000	0.09%	18,000	0.09%
	20,279,802	97.79%	20,291,848	97.88%

GRI
CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
GRI 101: Foundation 2016 (does not include any disclosures)			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 Name of Organisation	6	
	102-2 Activities, brands, products and services	6	
	102-3 Location of headquarters	Corporate Information	
	102-4 Location of operations	Corporate Information	
	102-5 Ownership and legal form	Corporate Information, 107	
	102-6 Markets served	54, 60	
	102-7 Scale of the organisation	4,5	
	102-8 Information on employees and other workers	42, 43	
	102-9 Supply chain	59	
	102-10 Significant changes to the organisation and supply chain	59	
	102-11 Precautionary principle	23	
	102-12 External initiatives	26	
	102-13 Membership of associations	28	
	102-14 Statement from senior decision maker	15	
	102-16 Values, principles, norms and standards of behaviour	01, 18, 19, 78	
	102-18 Governance Structure	73	
	102-40 List of stakeholder groups	20	
	102-41 Collective bargaining agreements	05	
	102-42 Identifying and selecting stakeholders	20	
	102-43 Approach to stakeholder engagement	20	
	102-44 Key topics and concerns raised	21	
	102-45 Entities included in the consolidated financial statements	107	
	102-46 Defining report content and topic boundary	03, 21	
	102-47 Material topics	21	
	102-48 Restatement of information	108	
	102-49 Changes in reporting	2	
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GRI Standard	Disclosure	Page number	Omission
	102-51 Date of most recent report	2	
	102-52 Reporting cycle	2	
	102-53 Contact point for questions regarding Report	3	
	102-54 Claims of reporting in accordance with GRI Standards	3	
	102-55 GRI context index	148	
	102-56 External assurance	03	
Material topics			
Procurement practices			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	53 - 62	
	103-2 The Management Approach and its components	53 - 62	
	103-2 Evaluation of the Management Approach	53 - 62	
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	05, 59	
Materials			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	68	
	103-2 The Management Approach and its components	68	
	103-2 Evaluation of the Management Approach	68	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	68	
Energy			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	68	
	103-2 The Management Approach and its components	68	
	103-2 Evaluation of the Management Approach	68	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	05	
Emissions			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	67	
	103-2 The Management Approach and its components	67	
	103-2 Evaluation of the Management Approach	67	
GRI 305 Emissions: 2016	305-1 Direct greenhouse gas (GHG) emissions	05, 67	
	305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2)	05, 67	
	305-3 Other indirect greenhouse gas (GHG) emissions (Scope 3)	67	
	305-4 GHG emission intensity	67	

GRI CONTEXT INDEX

GRI Standard	Disclosure	Page number	Omission
Effluents and Waste			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	69	
	103-2 The Management Approach and its components	69	
	103-2 Evaluation of the Management Approach	69	
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	05, 69	
Environmental Compliance			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	66	
	103-2 The Management Approach and its components	66 - 69	
	103-2 Evaluation of the Management Approach	66 - 69	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	66	
Employment			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	43	
	103-2 The Management Approach and its components	43, 44	
	103-2 Evaluation of the Management Approach	43, 44	
GRI 401: Employment 2016	401-1 Employee hires and turnover	05, 43	
	401-2 Benefits provided to full time employees that are not provided to temporary or part-time employees	47	
	401-3 Parental leave	47	
Training and education			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	47	
	103-2 The Management Approach and its components	47, 48	
	103-2 Evaluation of the Management Approach	47, 48	
GRI 404: Training and education	404-2 Programs for upgrading skills and transition assistance programmes	47, 48	
	404-3 Percentage of employees receiving regular performance and career development reviews	42, 46	
Local Communities			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	61	

GRI Standard	Disclosure	Page number	Omission
	103-2 The Management Approach and its components	61	
	103-2 Evaluation of the Management Approach	61	
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	61	
Customer health and safety			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	55	
	103-2 The Management Approach and its components	55	
	103-2 Evaluation of the Management Approach	55	
GRI 416: Customer health and safety	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	55	
Marketing and labelling			
GRI 103: Management Approach	103-1 Explanation of material topics and its boundaries	64	
	103-2 The Management Approach and its components	64	
	103-2 Evaluation of the Management Approach	64	
GRI 417: Marketing and labelling	417-2 Incidents of non-compliance concerning product and service information and labelling	55	

Notes

Notice of Meeting

Notice is hereby given that the 38th Annual General Meeting of Dilmah Ceylon Tea Company PLC will be held at 111, Negombo Road, Peliyagoda on 6th September 2019 at 3.00 p.m. for the following purposes:

1. To pass the ordinary resolution set out below to re-elect Mr. Merrill J. Fernando who is 89 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr. Merrill J. Fernando who is 89 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in section 211 of the Companies Act. No.7 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Merrill J. Fernando"

2. To pass the ordinary resolution set out below to re-elect Mr. Himendra S. Ranaweera who is 72 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr. Himendra S. Ranaweera who is 72 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in section 211 of the Companies Act. No.7 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Himendra S. Ranaweera"

3. To pass the ordinary resolution set out below to re-elect Mr. Gritakumar E. Chitty who is 80 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr. Gritakumar E. Chitty who is 80 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in section 211 of the Companies Act. No.7 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Gritakumar E. Chitty"

4. To pass the ordinary resolution set out below to re-elect Mr. Rajanayagam Asirwatham who is 76 years of age, as a Director of the Company.

   "IT IS HEREBY RESOLVED that Mr. Rajanayagam Asirwatham who is 76 years of age be and is hereby re-elected a Director of the Company and it is hereby declared as provided for in section 211 of the Companies Act. No.7 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Rajanayagam Asirwatham"

5. To re-elect as a Director, Mr. Malik J. Fernando who retires by rotation under section 24 of the Articles of Association.

6. To receive and adopt the Report of the Directors and statement of accounts for the year ended 31st March 2019 along with the Report of the Auditors thereon.

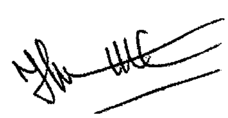
7. To declare a final dividend of Rs. 15/- per share as recommended by the Board of Directors.

8. To authorize the Directors to make donations.

9. To re-appoint Ernst & Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.

10. Any other business of which due notice has been given.

By order of the Board,



Ms. Jayanga Wegodapola
Company Secretary

At Colombo
25th July 2019

Note
A member is entitled to appoint a proxy to attend and vote instead of himself, for which purpose a form of proxy is enclosed with this Annual Report. The instrument appointing a proxy must be registered at the Registered Office not later than 48 hours before the time for the Meeting.

Form of Proxy

Dilmah Ceylon Tea Company PLC
Registered Office: 111, Negombo Road, Peliyagoda, Sri Lanka

I/We ....

of..
being member/s of Dilmah Ceylon Tea Company PLC hereby appoint:

of ....

....or failing him/her

Mr. Merrill Joseph Fernando	of Colombo or failing him
Mr. Malik Joseph Fernando	of Colombo or failing him
Mr. Dilhan Chrishantha Fernando	of Colombo or failing him
Mr. Himendra Somasiri Ranaweera	of Colombo or failing him
Ms. Minette Delicia Anne Perera	of Colombo or failing her
Mr. Roshan Conrad Tissaaratchy	of Colombo or failing him
Mr. Rajanayagam Nalliah Asirwatham	of Colombo or failing him
Mr. Gritakumar Edmund Chitty	of Colombo

As my / our Proxy to attend and vote for me / us on my / our behalf at the Thirty Eighth Annual General Meeting of the Company to be held on the 6th September 2019 at 3.00 p.m. and any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

As Witness my hand / our hands this .... day .... of 2019

Signature: ....

N.B.
1. Please delete the inappropriate words
2. Instructions as to completion are noted on the reverse hereof.
3. A Proxy need not be a member of the Company.

Instructions as to Completion

1. Kindly perfect the Proxy by filling legibly your full name and address and by signing in the space provided and filling in the date of signature.

2. In the case of corporate members, the proxy form must be under the seal or hand of an authorized officer or attorney.

3. If the proxy form is signed by an attorney, the relevant Power of Attorney should accompany the proxy form for registration, if such Power of Attorney has not already been registered with the Company.

4. The completed proxy form should be deposited at the registered office of the Company at the address given below not less than 48 hours before the time appointed for the Meeting.

Dilmah Ceylon Tea Company PLC
111, Negombo Road
Peliyagoda

Corporate

INFORMATION

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

Company Registration Number
PQ 209

Registered Office
111, Negombo Road, Peliyagoda,
Sri Lanka.

Telephone: (94 11) 4 822000
Facsimile: (94 11) 4 822001
E-mail : info@dilmahtea.com
Website : www.dilmahtea.com

Stock Exchange Listing
The Ordinary Shares are listed on the Colombo Stock Exchange

Subsidiary
MJF Beverages (Private) Limited

Board of Directors
Chairman
Merrill J. Fernando

Deputy Chairman
Himendra S. Ranaweera

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

Directors
Malik J. Fernando – B.Sc.
Roshan Tissaaratchy – B.A, MBA, DipM, FCIM
Minette Perera – FCA, FCMA, FCCA
Rajan Asirwatham – FCA
Gritakumar E. Chitty – Attorney at Law

Secretary
Jayanga Wegodapola – Attorney at Law

Bankers
Bank of Ceylon
Cargills Bank Limited
Commercial Bank of Ceylon PLC
DFCC Vardhana Bank PLC
Hatton National Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Standard Chartered Bank Limited
The Hongkong & Shanghai Banking Corporation Limited

Auditors
Ernst & Young
201, De Saram Place,
Colombo 10.

Dilmah Ceylon Tea Company PLC. 111 Negombo Road, Peliyagoda, Sri Lanka
☎ 011 4822000 info@dilmahtea.com www.dilmahtea.com
dilmah dilmah dilmahceylontea